The following discussion and analysis should be read in conjunction with our historical financial information included in the Accountants' Report in Appendix I to this Document, together with the accompanying notes. Our historical financial information 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. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this Document, including but not limited to the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to the years of 2023, 2024 and 2025 refer to the years ended December 31 of such years.

OVERVIEW

We are an integrated lithium-ion battery-related materials provider, with established leadership in electrolyte solvents. Leveraging our sustained commitment to the new energy sector, we have developed a full value-chain footprint encompassing electrolyte solvents, $LiPF_6$, electrolyte additives, electrolytes and other advanced new materials. We are dedicated to providing an integrated suite of lithium-ion battery-related materials to customers worldwide.

Our revenue decreased by 1.6% from RMB5,634.8 million in 2023 to RMB5,546.7 million in 2024, and increased by 22.7% to RMB6,808.4 million in 2025. We recorded gross profit of RMB353.4 million, RMB294.4 million and RMB486.7 million in 2023, 2024 and 2025, respectively, representing gross profit margin of 6.3%, 5.3% and 7.1%, respectively, during the same periods. Our profit for the year attributable to equity shareholders of the Company increased from RMB14.1 million in 2023 to RMB20.3 million in 2024, and further to RMB 28.5 million in 2025. Our loss and total comprehensive income for the year increased from RMB65.2 million in 2023 to RMB70.4 million in 2024; nevertheless, we managed to narrow down such loss by 91.6% to RMB5.9 million in 2025.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS. The preparation of the historical financial information in conformity with IFRS requires the use of certain material accounting policy information. It also requires management to make judgments, estimates and assumptions in the process of applying our Group's accounting policies. Judgments made by management in the application of IFRS that have significant effect on the historical financial information and major sources of estimation uncertainty are discussed in Note 2 and Note 3 to the Accountants' Report included in Appendix I to this Document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and the financial conditions have been, and will continue to be affected by a number of factors, including those key factors set out below.

Industry Dynamics and Market Opportunities

The rapid growth of the global new energy industry creates sustained downstream demand and supports value chain expansion, from which lithium-ion battery materials are expected to benefit. According to Frost & Sullivan, the global market size of electrolytes by shipment volume is estimated to continue growing at a CAGR of 18.2% from 2026 to 2030, reaching 6,380.6 thousand tons by 2030. The global market size of electrolyte solvents, $LiPF_6$ and electrolyte additives by shipment volume is estimated to continue growing at a CAGR of 17.9%, 15.3%, and 20.5% from 2026 to 2030, respectively.

In addition, with global manufacturing moving up the value chain and toward intelligent production, the fine chemicals market — fundamental to new materials, pharmaceuticals and consumer electronics — is expected to deliver steady growth, driven by continued upgrades in technology and product mix. According to Frost & Sullivan, the global market size of fine chemicals is estimated to continue growing at a CAGR of 5.6% from 2026 to 2030, reaching RMB1,486.8 billion by 2030. In particular, fluorobenzene, a key raw material for high-performance engineering plastics such as PEEK, is expected to benefit as high-performance engineering plastics penetrate further into new energy vehicles and electronics applications, supporting sustained demand and creating ongoing growth opportunities for the fine chemicals industry. According to Frost & Sullivan, the global market size of fluorobenzene is estimated to continue growing at a CAGR of 14.8% from 2026 to 2030.

Our forward-looking technology roadmap enables product upgrades that align with the relevant industry's development trends and our integrated industry value chain allows us to expand into emerging fields.

Demand for Our Products in the Downstream Markets

During the Track Record Period, we generated revenue primarily from the sales of products, especially lithium-ion battery-related materials. In 2023, 2024 and 2025, revenue from our lithium-ion battery-related materials amounted to RMB2,699.7 million, RMB3,399.1 million and RMB4,793.6 million, respectively, accounting for 47.9%, 61.3% and 70.4% of our total revenue for the same periods. As a result, our results of operations have been and are expected to continue to be influenced by demand from downstream customers for lithium-ion battery-related materials.

Our lithium-ion battery-related materials are mainly supplied to customers in the power battery and energy storage battery value chains, whose demand depends on their production plans, product mix and developments in downstream markets. Changes in application scenarios, customer requirements and industry practices may influence overall demand and, consequently, our sales and operating results.

Production Capacity Management

Our results of operations are influenced by how we plan, deploy and manage our production capacity. During the Track Record Period, we built a multi-site production network with five differentiated production bases, enabling coordinated production across locations. As of December 31, 2025, we commenced expanding one of them. For details, see "Business — Production — Production Bases" and "Business — Production — Production Capacity Expansion." Our capacity layout is designed to support operational efficiency, production flexibility and the orderly expansion of our business.

Managing our production capacity involves production planning, capacity allocation, commissioning of new facilities and coordination among production bases. We continuously monitor capacity utilization, operational efficiency and production performance, and adjust production schedules and capacity deployment in accordance with our overall operational arrangements. The effectiveness of our capacity management, including the timing and pace of capacity commissioning and the level of coordination among production bases, may affect our production efficiency, cost structure and overall operating results.

Fluctuations in Prices of Our Key Raw Materials

Our results of operations are influenced by fluctuations in the prices of key raw materials, primarily including propylene, methanol, ethylene oxide, low-pressure liquefied gas, propylene oxide and lithium carbonate, which represent a significant portion of our cost of sales. In 2023, 2024 and 2025, our cost of raw materials amounted to RMB4,443.0 million, RMB4,480.7 million and RMB5,327.0 million, respectively, representing 84.1%, 85.3% and 84.3% of our total cost of sales for the same periods.

The market prices of these raw materials are generally linked to global commodity market conditions and may fluctuate from time to time, which in turn may affect our production costs and operating results. For details on historical price trends, see "Industry Overview — Global and Chinese Electrolyte Industry Overview — Analysis of Price Change Trends of Key Electrolyte Materials" and "Industry Overview — Global and China Fine Chemicals Industry Market Overview — Price Trend of Key Material Products in Fine Chemicals." For illustrative purposes only, assuming that all other factors affecting our financial performance remain constant (including assuming that material price fluctuations cannot be passed on to customers through price adjustment mechanisms), the sensitivity analysis of the impact of fluctuations in the average price of raw materials being 5% and 10% on our loss before income tax during the Track Record Period is as follows.

	For the year ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
-/+ 5%	+/- 222,152	+/- 224,037	+/- 266,348
-/+ 10%	+/- 444,303	+/- 448,075	+/- 532,697

We have implemented various measures to enhance supply security, manage price volatility and control raw material costs. These measures include supplier diversification, procurement planning and, for certain widely used raw materials subject to notable market fluctuations, procurement based on internal forecasts and market assessments. In addition, we conduct hedging activities to manage exposure to significant price fluctuations of certain key raw materials. For details, see "Business — Supply Chain Management — Raw Material Procurement — Hedging Policies." Notwithstanding these measures, fluctuations in raw material prices may continue to affect our cost structure and operating results, depending on market conditions and the effectiveness of our cost management and pricing arrangements.

Cost Control and Operational Efficiency

Our operating results are influenced by our ability to effectively control costs and enhance operational efficiency. Our cost of sales primarily consists of raw material costs, utilities, labor costs, depreciation expenses and manufacturing overheads. In addition to managing fluctuations in raw material prices as described above, we manage our cost of sales through measures such as production planning, process optimization, standardized operating procedures and coordination across production bases.

Other than cost of sales, our operating expenses mainly comprise selling and distribution expenses, administrative expenses and research and development expenses. The level and composition of these operating expenses are influenced by factors including business scale, organizational structure, personnel arrangements, sales and marketing activities and research and development initiatives. We manage our operating expenses by aligning expenditure levels with business scale and operational needs, and by monitoring expense structure and efficiency on an ongoing basis.

We seek to further enhance cost control and operational efficiency through continuous improvement of internal management practices, ongoing optimization of production processes and disciplined management of operating expenses. The effectiveness of these efforts may influence our cost structure, operating efficiency and overall operating results.

Research and Development

Research and development is one of the fundamental drivers of our growth, market leadership and overall financial condition. Our success has been built on robust research and development capabilities and sustained investment in technological innovation. We have established an internal research and development system to support product development, process improvement and technical support for our existing operations. Our research and development activities involve ongoing efforts to enhance product performance, improve production processes and adapt our products to evolving customer requirements. For details, see "Business — Research and Development." We expect to continue strengthening our research and development capabilities to drive further product optimization and innovation. This focus will help differentiate our products, enhance their competitiveness in the market, and support our future growth.

MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our financial statements. Material accounting policies that are significant for understanding our financial condition and results of operations are set forth in detail in Note 2 of the Accountants' Report in Appendix I to this Document. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Actual results could differ from those estimates. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and other factors that we believe to be relevant under the circumstances. Our management has discussed the development, selection and disclosure of these estimates with our Board of Directors. Since our financial reporting process inherently relies on the use of estimates and assumptions, actual results may differ from these estimates under different assumptions or conditions. When reviewing our financial statements, you should consider (i) our selection of key accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe that the material accounting policy information and estimates as detailed in Note 2 and Note 3 of the Accountants' Report in Appendix I to this Document are critical and involve the most important estimates and judgments we used in preparing our financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Revenue	5,634,788	100.0	5,546,730	100.0	6,808,387	100.0
Cost of sales	(5,281,410)	(93.7)	(5,252,320)	(94.7)	(6,321,651)	(92.9)
Gross profit	**353,378**	**6.3**	**294,410**	**5.3**	**486,736**	**7.1**
Other revenue	41,285	0.7	88,262	1.5	84,418	1.2
Other net (losses)/gains	(14,927)	(0.3)	14,646	0.3	(7,599)	(0.0)

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Selling and distribution expenses	(86,539)	(1.5)	(81,870)	(1.5)	(85,320)	(1.3)
Administrative expenses	(156,007)	(2.8)	(146,293)	(2.6)	(157,619)	(2.3)
Research and development expenses	(192,057)	(3.4)	(238,282)	(4.3)	(271,039)	(4.0)
Reversal of/(provision for) impairment losses under expected credit loss ("ECL") model	1,257	0.0	(6,097)	(0.1)	(2,309)	(0.0)
(Loss)/profit from operations	**(53,610)**	**(1.0)**	**(75,224)**	**(1.4)**	**47,268**	**0.7**
Finance costs	(25,510)	(0.4)	(61,090)	(1.1)	(96,533)	(1.4)
Share of profits less losses of associates	22	0.0	(123)	(0.0)	80	0.0
Loss before taxation	**(79,098)**	**(1.4)**	**(136,437)**	**(2.5)**	**(49,185)**	**(0.7)**
Income tax credit	13,864	0.2	66,014	1.2	43,306	0.6
Loss and total comprehensive income for the year	**(65,234)**	**(1.2)**	**(70,423)**	**(1.3)**	**(5,879)**	**(0.1)**
Attributable to:						
Equity shareholders of the Company	14,143	0.2	20,321	0.4	28,485	0.4
Non-controlling interests	(79,377)	(1.4)	(90,744)	(1.7)	(34,364)	(0.5)

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Revenue by Product/Service Category

During the Track Record Period, we generated revenue primarily from the sales of products, including (i) lithium-ion battery-related materials, which mainly comprised carbonate series products (including EC, PC, DMC, EMC and DEC and related by-products), electrolytes, and $LiPF_6$, (ii) fine chemicals, mainly including MTBE and fluorobenzene, and (iii) other chemicals primarily comprising products that were externally sourced for resale, with the related revenue recognized on a gross basis. For details, see "Business — Our Products." The following table sets forth a breakdown of our revenue by product and service category, in an absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Sales of products						
Lithium-ion battery-related materials	2,699,654	47.9	3,399,056	61.3	4,793,554	70.4
Fine chemicals	1,817,772	32.3	1,599,820	28.8	1,614,761	23.7
Other chemicals	1,094,260	19.4	539,103	9.7	365,418	5.4
Subtotal	**5,611,686**	**99.6**	**5,537,979**	**99.8**	**6,773,733**	**99.5**

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Provision of services						
Trading service[1]	10,528	0.2	4,501	0.1	12,047	0.2
Other service[2]	11,723	0.2	2,802	0.1	20,543	0.3
Subtotal	**22,251**	**0.4**	**7,303**	**0.2**	**32,590**	**0.5**
Other sources						
Rentals[3]	851	0.0	1,448	0.0	2,064	0.0
Total	**5,634,788**	**100.0**	**5,546,730**	**100.0**	**6,808,387**	**100.0**

Notes:

(1) Trading service primarily refers to a limited volume of resale of externally sourced products conducted by us in our capacity as an agent or intermediary, with revenue recognized on a net basis representing the margin earned. During the Track Record Period, such trading activities were carried out by our subsidiaries, primarily to fulfill overseas customer orders, maintain customer relationships and facilitate supply chain coordination.

(2) Other service primarily refers to the handling of liquid chlorine for our customers.

(3) Rentals primarily refer to rental income derived from leasing our investment properties, which mainly comprise a limited number of apartments and office buildings.

The following table sets forth the sales volume and average selling price of our major products for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	Ton	*RMB/Ton*	*Ton*	*RMB/Ton*	*Ton*	*RMB/Ton*
Carbonate series products	424,853	5,832	436,547	5,463	544,944	4,891
Electrolytes	6,906	21,804	54,605	13,089[1]	119,133	14,312
$LiPF_6$ (solid)	403	142,689	473	55,182[2]	983	52,093
MTBE	237,290	6,423	222,547	5,747	248,773	4,788
Fluorobenzene	2,619	54,308	3,383	38,031[3]	6,045	33,628

Notes:

(1) The average selling price of electrolytes decreased from RMB21,804 per ton in 2023 to RMB13,089 per ton in 2024, primarily due to (i) the significant decrease in the price of $LiPF_6$, a key upstream raw material, and (ii) the global capacity expansion across the battery materials value chain from 2023 to 2024, which led to increased supply of electrolytes and their upstream materials;

(2) The average selling price of $LiPF_6$ decreased from RMB142,689 per ton in 2023 to RMB55,182 per ton in 2024, primarily due to (i) a reduction in the price of lithium carbonate, a key upstream raw material, and (ii) increased supply of $LiPF_6$ in 2024 following accelerated release of industry capacity;

(3) The average selling price of fluorobenzene decreased from RMB54,308 per ton in 2023 to RMB38,031 per ton in 2024, primarily due to increased market supply following capacity expansions.

Revenue by Sales Region

During the Track Record Period, we generated most of our revenue from operations in Greater China area. The following table sets forth a breakdown of our revenue by sales region, in an absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Greater China area[1]	3,982,398	70.7	4,292,297	77.4	5,755,590	84.5
Overseas[2]	1,652,390	29.3	1,254,433	22.6	1,052,797	15.5
Total	**5,634,788**	**100.0**	**5,546,730**	**100.0**	**6,808,387**	**100.0**

Notes:

(1) Greater China area refers to Chinese mainland, Hong Kong, Macau and Taiwan.

(2) Mainly including America, Europe, and Asia (excluding Greater China area).

Revenue by Sales Channel

We are principally engaged in direct sales to our domestic and overseas customers. In addition to direct sales, we also collaborate with chemical trading companies primarily for sales of our carbonate series products and fine chemicals.

The following table sets forth a breakdown of our total revenue by sales channel, in an absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Direct sales	2,746,802	48.7	3,418,159	61.6	5,285,435	77.6
Trading companies	2,887,986	51.3	2,128,571	38.4	1,522,952	22.4
Total	**5,634,788**	**100.0**	**5,546,730**	**100.0**	**6,808,387**	**100.0**

Cost of Sales

During the Track Record Period, our cost of sales consisted of (i) cost of raw materials, mainly including propylene, methanol, ethylene oxide, low-pressure liquefied gas, propylene oxide and lithium carbonate, (ii) utilities, (iii) manufacturing overheads, mainly representing indirect manufacturing costs such as equipment maintenance and factory management expenses, (iv) depreciation expenses, (v) labor cost, mainly representing employee compensation for personnel responsible for our production, and (vi) others.

The following table sets forth a breakdown of our cost of sales by nature, in an absolute amount and as a percentage of our total cost of sales, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Cost of raw materials	4,443,033	84.1	4,480,749	85.3	5,326,966	84.3
Utilities	268,657	5.1	219,729	4.2	285,324	4.5
Manufacturing overheads	131,061	2.5	89,509	1.7	111,880	1.8
Depreciation expense	152,710	2.9	167,490	3.2	251,716	4.0
Labor cost	171,441	3.2	135,009	2.6	141,291	2.2
Others	114,508	2.2	159,834	3.0	204,474	3.2
Total	**5,281,410**	**100.0**	**5,252,320**	**100.0**	**6,321,651**	**100.0**

The following table sets forth a breakdown of our cost of sales by product and service category, in an absolute amount and as a percentage of our total cost of sales, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Sales of products						
Lithium-ion battery-related materials	2,525,790	47.8	3,223,447	61.4	4,402,400	69.6
Fine chemicals	1,683,374	31.9	1,501,595	28.6	1,564,530	24.7
Other chemicals	1,070,838	20.3	525,107	10.0	350,330	5.6
Subtotal	5,280,002	100.0	5,250,149	100.0	6,317,260	99.9
Provision of services						
Trading service	–	–	–	–	–	–
Other service[1]	–	–	–	–	–	–
Subtotal	–	–	–	–	–	–
Other sources						
Rentals	1,408	0.0	2,171	0.0	4,391	0.1
Total	**5,281,410**	**100.0**	**5,252,320**	**100.0**	**6,321,651**	**100.0**

Note:

(1) During the Track Record Period, the liquid chlorine was handled in the course of our production of lithium-ion battery-related materials, and the cost of sales attributable to such handling was immaterial.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded gross profit of RMB353.4 million, RMB294.4 million and RMB486.7 million in 2023, 2024 and 2025, respectively, representing gross profit margin of 6.3%, 5.3% and 7.1%, respectively, for the same periods.

The following table sets forth a breakdown of the gross profit and gross profit margin of our sales of products for the periods 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	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Lithium-ion battery-related materials	173,864	6.4	175,609	5.2	391,154	8.2
Fine chemicals	134,398	7.4	98,225	6.1	50,231	3.1
Other chemicals	23,422	2.1	13,996	2.6	15,088	4.1
Total	**331,684**	**5.9**	**287,830**	**5.2**	**456,473**	**6.7**

Other Revenue

During the Track Record Period, our other revenue consisted of (i) value-added tax ("**VAT**") refund and super deduction, (ii) interest income on bank deposit, (iii) sales of scrap materials, and (iv) other government grants, mainly representing various forms of incentives and subsidies granted by the local government authorities in the PRC.

The following table sets forth a breakdown of our other revenue for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
VAT refund and super deduction	551	40,563	40,859
Interest income on bank deposit	28,545	38,599	31,168
Sales of scrap materials	5,381	1,902	756
Other government grants	6,808	7,198	11,635
Total	**41,285**	**88,262**	**84,418**

Other Net Losses or Gains

During the Track Record Period, our other net losses or gains consisted of (i) exchange gains, (ii) losses or gains on disposal of property, plant and equipment and investment properties, (iii) investment losses or gains and net fair value changes on financial assets at FVPL, and (iv) others.

The following table sets forth a breakdown of our other net losses or gains for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Exchange gains	1,074	10,206	619
(Losses)/gains on disposal of property, plant and equipment and investment properties	(4,839)	3,385	224

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Investment (losses)/gains and net fair value changes on financial assets at FVPL and derivatives	(9,277)	201	(7,344)
Others[1]	(1,885)	854	(1,098)
Total	**(14,927)**	**14,646**	**(7,599)**

Note:

(1) Primarily including (i) penalty income from suppliers, and (ii) fines imposed by government authorities.

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses consisted of (i) tank rental fees, commission fees, and port handling charges, (ii) employee compensation, (iii) consulting, service and insurance fees, (iv) traveling expenses, (v) depreciation expenses, and (vi) others.

The following table sets forth a breakdown of our selling and distribution expenses, in an absolute amount and as a percentage of our total selling and distribution expenses, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Tank rental fees, commission fees, and port handling charges	54,927	63.5	44,396	54.2	52,636	61.7
Employee compensation	19,180	22.2	23,008	28.1	17,336	20.3
Consulting, service and insurance fees	3,742	4.3	7,335	9.0	5,538	6.5
Traveling expenses	4,463	5.2	2,716	3.3	3,410	4.0
Depreciation expenses	677	0.8	598	0.7	315	0.4
Others	3,550	4.0	3,817	4.7	6,085	7.1
Total	**86,539**	**100.0**	**81,870**	**100.0**	**85,320**	**100.0**

Administrative Expenses

During the Track Record Period, our administrative expenses consisted of (i) employee compensation, (ii) depreciation and amortization expenses, (iii) consulting and service fees, (iv) office expenses and rental fee, (v) taxes and surcharges, and (vi) others.

The following table sets forth a breakdown of our administrative expenses, in an absolute amount and as a percentage of our total administrative expenses, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Employee compensation	47,367	30.3	58,246	39.8	68,077	43.2
Depreciation and amortization expenses	20,639	13.2	23,803	16.3	21,418	13.6
Consulting and service fees	31,906	20.5	19,406	13.3	13,695	8.7
Office expenses and rental fee	19,952	12.8	15,569	10.6	16,956	10.7
Taxes and surcharges	23,672	15.2	18,281	12.5	22,557	14.3
Others	12,471	8.0	10,988	7.5	14,916	9.5
Total	**156,007**	**100.0**	**146,293**	**100.0**	**157,619**	**100.0**

Research and Development Expenses

During the Track Record Period, our research and development expenses consisted of (i) R&D materials, mainly representing materials and utilities consumed in R&D activities, (ii) employee compensation, mainly representing salaries, welfare and bonuses for our R&D staff, (iii) depreciation and amortization relating to our R&D lines and equipment, and (iv) others.

The following table sets forth a breakdown of our research and development expenses, in an absolute amount and as a percentage of our total research and development expenses, for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
R&D materials	119,478	62.2	177,741	74.6	186,705	68.9
Employee compensation	48,447	25.2	41,414	17.4	43,924	16.2
Depreciation and amortization expenses	24,130	12.6	18,939	7.9	40,257	14.8
Others	2	0.0	188	0.1	153	0.1
Total	**192,057**	**100.0**	**238,282**	**100.0**	**271,039**	**100.0**

Reversal of/(Provision for) Impairment Losses under ECL Model

During the Track Record Period, our reversal of or provision for impairment losses under ECL model represented the impairment losses recognized or reversed on trade and other receivables. We recorded reversal of impairment losses under ECL model of RMB1.3 million in 2023. We recorded provision for impairment losses under ECL model of RMB6.1 million and RMB2.3 million in 2024 and 2025, respectively.

Finance Costs

During the Track Record Period, our finance costs consisted of (i) interest on bank loans and other borrowing, and (ii) interest on lease liabilities. We recorded finance costs of RMB25.5 million, RMB61.1 million and RMB96.5 million in 2023, 2024 and 2025, respectively.

Share of Profits Less Losses of Associates

We recorded share of net profits from our associates of RMB22.0 thousand and RMB80.0 thousand in 2023 and 2025, respectively. We recorded share of net losses from our associates of RMB0.1 million in 2024. For details of our associates, see Note 15 to the Accountants' Report included in Appendix I to this Document.

Income Tax Credit

We recorded income tax credit of RMB13.9 million, RMB66.0 million and RMB43.3 million in 2023, 2024 and 2025, respectively. During the Track Record Period and as of the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any material unresolved tax disputes.

The following sets forth our principal applicable income taxes and income tax rates.

Chinese Mainland

Under the EIT Law and its Implementation Regulation, our Company and our subsidiaries incorporated in Chinese mainland were generally subject to the statutory EIT rate of 25% during the Track Record Period, unless they qualified for specific tax exemptions or preferential treatments as set out in Note 8 to the Accountants' Report included in Appendix I to this Document.

Other Jurisdictions

Taxation of overseas subsidiaries are charged at the prevailing rates in the relevant countries and are calculated on a stand-alone basis.

PATH TO PROFITABILITY

We incurred loss and total comprehensive income for the year of RMB65.2 million and RMB70.4 million in 2023 and 2024, respectively. Nevertheless, we managed to narrow down such loss by 91.6% to RMB5.9 million in 2025. Going forward, we expect to achieve sustainable growth and profitability through the following pathways.

Capturing Industry Growth Opportunities

The rapid growth of the global new energy industry creates sustained downstream demand, providing a solid foundation for sustained development across the value chain. Lithium-ion battery-related materials are expected to benefit from the expansion. According to Frost & Sullivan, China's lithium-ion battery market is expected to sustain a strong growth momentum, with shipments projected to reach 3,639.7 GWh by 2030. In addition, with global manufacturing moving up the value chain and toward intelligent production, the fine chemicals market, which is foundational to new materials, pharmaceuticals and consumer electronics, is expected to deliver steady growth, driven by continued upgrades in technology and product mix. According to Frost & Sullivan, China's fine chemicals market is projected to maintain rapid growth, with a CAGR of 9.6% from 2026 to 2030, reaching a market size of RMB778.8 billion by 2030.

Our forward-looking technology roadmap enables product upgrades that align with the relevant industry's development trends and our integrated industry value chain allows us to expand into emerging fields. We believe we are well positioned to capture these opportunities to achieve sustainable long-term revenue growth.

Product Expansion and Product Mix Optimization

We plan to enhance our profitability by expanding our product portfolio while progressively optimizing our product mix. We intend to broaden the scope of our electrolyte products and related additives across a wider range of battery chemistries and end-use applications, supported by continued investment in research and development to enhance product performance, formulation compatibility and application coverage. These efforts are expected to enable us to better address diversified customer requirements, facilitate product adoption across multiple application scenarios and support sustainable growth in sales volume.

At the same time, we plan to optimize our sales mix by increasing the proportion of higher value-added products with stronger technical barriers and customer stickiness, while gradually reducing reliance on lower-margin traditional solvent products. Higher value-added electrolyte products and additives generally exhibit more favorable pricing and margin characteristics due to their higher performance requirements and technical complexity. As such products account for an increasing share of our revenue, we expect our overall gross profit margin to improve over time, thereby supporting our path to profitability.

Customer Penetration and Demand Realization

With a number of our production facilities having been commissioned in recent periods, we are increasingly focused on aligning our available production capacity with market demand. We plan to enhance market penetration of our products by deepening cooperation with existing customers while continuing to expand our customer base. As commercial cooperation deepens and market coverage expands, we expect order intake to increase progressively, which in turn will allow our existing production capacities to be utilized in line with market demand. We believe that enhanced demand visibility and a broader customer base will support sustainable revenue growth going forward.

Improving Profitability through Economies of Scale

We expect to benefit from economies of scale as our production volumes increase and capacity utilization improves. As output rises, fixed production costs such as depreciation, amortization and labor costs are expected to be absorbed over a larger output base, thereby reducing unit production costs. We believe that improved operational efficiency and higher utilization of our existing production facilities will play an important role in supporting margin improvement, particularly as newly commissioned capacities transition from the initial ramp-up stage to more stable operations.

Overseas Market Expansion and Global Presence

We plan to support our path to profitability by progressively expanding our overseas presence and strengthening our global market reach. Leveraging our established product capabilities and customer relationships, we intend to deepen our engagement with overseas customers in key lithium-ion battery markets through localized marketing, technical support and, where appropriate, localized production or supply arrangements. We believe that overseas markets generally offer broader application scenarios and diversified customer demand, which may provide opportunities for us to expand sales scale and enhance revenue resilience.

In addition, overseas expansion may enable us to optimize our customer mix and product mix by increasing exposure to applications with higher performance requirements and value-added potential. As our overseas business develops and operational experience accumulates, we expect to benefit from improved economies of scale, enhanced utilization of production capacity and a more balanced geographic revenue structure. These factors, together with disciplined execution of our overseas strategy, are expected to support revenue growth and contribute to the gradual improvement of our overall profitability.

Strengthening Cost and Expense Discipline

We plan to continue strengthening production cost control through refined production management, process optimization and disciplined procurement strategies. By improving process stability, enhancing yield rates and optimizing procurement arrangements, we aim to reduce unit production costs and mitigate the impact of raw material price fluctuations.

In parallel, we will continue to enhance cost discipline across our operating expenses by tightening budget management, prioritizing essential expenditures and reducing non-essential operating expenses. These measures are intended to improve overall operational efficiency and ensure that expense growth remains aligned with our business development and revenue growth.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 22.7% from RMB5,546.7 million in 2024 to RMB6,808.4 million in 2025, primarily attributable to an increase in revenue generated from our sales of products, especially our lithium-ion battery-related materials.

- Revenue generated from our sales of products increased by 22.3% from RMB5,538.0 million in 2024 to RMB6,773.7 million in 2025, primarily due to an increase in revenue generated from our sales of lithium-ion battery-related materials during the period. Such increase was mainly attributable to the commissioning of lithium-ion battery electrolyte production facilities at our Wuhan Base in the second half of 2024, with the resulting ramp-up of capacity utilization and the corresponding growth in sales volume primarily reflected in 2025.

  To a lesser extent, the increase in revenue generated from our sales of products was also attributable to an increase in revenue generated from our sales of fine chemicals during the period. Such increase was primarily driven by the growth in sales volume of our fine chemical products.

  The increase in revenue generated from our sales of products was partially offset by a decrease in revenue generated from our sales of other chemicals during the period. Such decrease was mainly attributable to a decline in the sales of low-pressure liquefied gas, whose market dynamics are closely aligned with those of MTBE, driven by a decline in the average selling price of MTBE as demand for gasoline additives weakened amid the increasing adoption of new energy vehicles.

- Revenue generated from our provision of services increased by 346.3% from RMB7.3 million in 2024 to RMB32.6 million in 2025, primarily due to an increase in revenue generated from our other service during the period. Such increase was mainly attributable to higher service fees charged to customers for handling a larger volume of liquid chlorine, a hazardous chemical.

  To a lesser extent, the increase in revenue generated from our provision of services was also due to an increase in revenue generated from our trading service during the period. Such increase was mainly attributable to improved product pricing and stronger market demand amid the growth of the energy storage market in 2025.

- Our rental income increased by 42.5% from RMB1.4 million in 2024 to RMB2.1 million in 2025.

Cost of Sales

Our cost of sales increased by 20.4% from RMB5,252.3 million in 2024 to RMB6,321.7 million in 2025, primarily due to an increase in cost of raw materials during the period. Such increase was in line with our revenue growth. Our cost of sales accounted for 94.7% and 92.9% of our total revenue in 2024 and 2025, respectively.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased by 65.3% from RMB294.4 million in 2024 to RMB486.7 million in 2025. Our gross profit margin increased from 5.3% in 2024 to 7.1% in 2025.

Other Revenue

Our other revenue decreased by 4.4% from RMB88.3 million in 2024 to RMB84.4 million in 2025, primarily due to a decrease in interest income on bank deposit resulting from reduced interest rates in 2025.

Other Net (Losses)/Gains

We recorded other net losses of RMB7.6 million in 2025, as compared to other net gains of RMB14.6 million in 2024, primarily due to (i) a decrease in exchange gains resulting from fluctuations in exchange rates, and (ii) investment losses and net fair value changes on financial assets at FVPL and derivatives recognized in 2025, resulting from the changes in the fair value of lithium carbonate futures.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 4.2% from RMB81.9 million in 2024 to RMB85.3 million in 2025, primarily due to an increase in tank rental fees, commission fees, and port handling charges mainly resulting from an increase in the sales by our US subsidiary, Shinghwa Inc.

Administrative Expenses

Our administrative expenses increased by 7.7% from RMB146.3 million in 2024 to RMB157.6 million in 2025, primarily due to an increase in employee compensation.

Research and Development Expenses

Our research and development expenses increased by 13.7% from RMB238.3 million in 2024 to RMB271.0 million in 2025, primarily due to an increase in depreciation and amortization expenses during the period. Such increase was mainly attributable to our continued investments in R&D activities for new products, technologies and processes to maintain our competitive advantage.

Provision for Impairment Losses under ECL Model

Our provision for impairment losses under ECL model decreased by 62.1% from RMB6.1 million in 2024 to RMB2.3 million in 2025, primarily due to the recovery and reduction of certain overdue trade receivables.

Finance Costs

Our finance costs increased by 58.0% from RMB61.1 million in 2024 to RMB96.5 million in 2025, primarily due to an increase in interest on bank loans and other borrowing during the period. Such increase was mainly attributable to a higher balance of bank loans and other borrowings to support our business development.

Share of Profits Less Losses of Associates

We recorded share of net profits from our associates of RMB80 thousand in 2025, as compared to share of net losses from our associates of RMB123 thousand in 2024. Such change was primarily due to an improvement in the financial performance of our associates during the period.

Income Tax Credit

Our income tax credit decreased by 34.4% from RMB66.0 million in 2024 to RMB43.3 million in 2025, primarily due to our loss position during the period.

Loss and Total Comprehensive Income for the Year

As a result of the foregoing, we incurred loss and total comprehensive income for the year of RMB70.4 million and RMB5.9 million in 2024 and 2025, respectively.

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

Revenue

Our revenue decreased by 1.6% from RMB5,634.8 million in 2023 to RMB5,546.7 million in 2024, primarily attributable to a decrease in revenue generated from our sales of products.

- Revenue generated from our sales of products decreased by 1.3% from RMB5,611.7 million in 2023 to RMB5,538.0 million in 2024, primarily due to a decrease in revenue generated from our sales of other chemicals during the period. Such decrease was mainly attributable to a decline in the sales of low-pressure liquefied gas, whose market dynamics are closely aligned with those of MTBE, driven by a decline in the average selling price of MTBE and reduced demand for gasoline additives amid the increased adoption of new energy vehicles.

  To a lesser extent, the decrease in revenue generated from our sales of products was also attributable to a decrease in revenue generated from our sales of fine chemicals during the period. Such decrease was mainly attributable to similar market dynamics affecting MTBE, as discussed above.

  The decrease in revenue generated from our sales of products was partially offset by an increase in revenue generated from our sales of lithium-ion battery-related materials during the period. Such increase was mainly attributable to the commissioning of electrolyte production facilities at our Dongying Base in 2023, with the resulting ramp-up of capacity utilization and the corresponding growth in sales volume primarily reflected in 2024.

- Revenue generated from our provision of services decreased by 67.2% from RMB22.3 million in 2023 to RMB7.3 million in 2024, primarily due to a decrease in revenue generated from our provision of other service during the period. Such decrease was mainly attributable to lower service fees charged to customers for handling a smaller volume of liquid chlorine, a hazardous chemical.

To a lesser extent, the decrease in revenue generated from our provision of services was also attributable to a decrease in revenue generated from our trading service during the period. Such decrease was mainly attributable to weaker market demand and lower order volumes amid a global economic slowdown and a relatively ample market supply.

- Our rental income increased by 70.2% from RMB0.9 million in 2023 to RMB1.4 million in 2024.

Cost of Sales

Our cost of sales remained relatively stable at RMB5,281.4 million and RMB5,252.3 million in 2023 and 2024, respectively. Our cost of sales accounted for 93.7% and 94.7% of our total revenue in 2023 and 2024, respectively.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit decreased by 16.7 % from RMB353.4 million in 2023 to RMB294.4 million in 2024. Our gross profit margin decreased from 6.3% in 2023 to 5.3% in 2024, primarily due to declines in the market prices of our major products as a result of increased industry capacity and heightened competition in the carbonate and electrolyte sectors.

Other Revenue

Our other revenue increased by 113.8% from RMB41.3 million in 2023 to RMB88.3 million in 2024, primarily due to an increase in VAT refund and super deduction during the period. Such increase was mainly attributable to additional subsidiaries becoming eligible for VAT super deduction incentives.

Other Net Gains/(Losses)

We recorded other net gains of RMB14.6 million in 2024, as compared to other net losses of RMB14.9 million in 2023. Such change was primarily due to an increase in exchange gains resulting from fluctuations in exchange rates.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 5.4% from RMB86.5 million in 2023 to RMB81.9 million in 2024, primarily due to a decrease in tank rental fees, commission fees, and port handling charges. Such decrease was mainly attributable to the decrease in our overseas sales.

Administrative Expenses

Our administrative expenses decreased by 6.2% from RMB156.0 million in 2023 to RMB146.3 million in 2024, primarily due to a decrease in consulting and service fees. Such decrease was mainly attributable to the decrease in incidental consultation service.

Research and Development Expenses

Our research and development expenses increased by 24.1% from RMB192.1 million in 2023 to RMB238.3 million in 2024, primarily due to an increase in R&D materials consumed during the period. Such increase was mainly attributable to our continued efforts in R&D activities for new products, technologies and processes to maintain our competitive advantage.

Reversal of/(Provision for) Impairment Losses under ECL Model

We recorded provision for impairment losses under ECL model of RMB6.1 million in 2024, as compared to reversal of impairment losses under ECL model of RMB1.3 million in 2023. Such change was primarily due to the increase in trade receivables.

Finance Costs

Our finance costs increased by 139.5% from RMB25.5 million in 2023 to RMB61.1 million in 2024, primarily due to an increase in interest on bank loans and other borrowing during the period. Such increase was mainly attributable to a higher balance of bank loans and other borrowings to support our business development.

Share of Profits Less Losses of Associates

We recorded share of net losses from our associates of RMB123 thousand in 2024, as compared to share of net profits from our associates of RMB22 thousand in 2023. Such change was primarily due to the loss position of our associates during the period.

Income Tax Credit

Our income tax credit significantly increased by 376.2% from RMB13.9 million in 2023 to RMB66.0 million in 2024, primarily due to our loss position during the period.

Loss and Total Comprehensive Income for the Year

As a result of the foregoing, we incurred loss and total comprehensive income for the year of RMB65.2 million and RMB70.4 million in 2023 and 2024, respectively.

DISCUSSION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth the selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from our audited consolidated financial statements included in Appendix I to this Document.

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Total non-current assets	5,184,908	5,701,054	5,659,610
Total current assets	2,088,708	3,947,953	5,713,994
Total assets	**7,273,616**	**9,649,007**	**11,373,604**
Total non-current liabilities	628,140	1,608,291	802,901
Total current liabilities	2,259,957	3,716,809	5,267,806
Total liabilities	**2,888,097**	**5,325,100**	**6,070,707**
Net current (liabilities)/assets	**(171,249)**	**231,144**	**446,188**
Net assets	**4,385,519**	**4,323,907**	**5,302,897**
Share capital	202,680	202,680	232,701
Reserves	3,687,863	3,693,390	4,677,977
Total equity attributable to the equity shareholders of the Company	3,890,543	3,896,070	4,910,678
Non-controlling interests	494,976	427,837	392,219
Total equity	**4,385,519**	**4,323,907**	**5,302,897**

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
				(unaudited)
	(RMB in thousands)			
Current assets				
Inventories	425,264	603,430	682,224	869,491
Prepayments, trade and other receivables	1,014,546	1,849,610	2,858,412	3,471,093
Tax recoverable	525	279	–	–
Derivative financial asset	1,603	–	–	–
Financial assets at fair value through profit or loss ("FVPL")	747	730	7,364	7,398
Time deposit	–	1,189,761	1,404,931	1,240,067
Restricted cash	50,735	144,582	360,660	454,280
Cash and cash equivalents	595,288	159,561	400,403	280,630
Total current assets	**2,088,708**	**3,947,953**	**5,713,994**	**6,322,959**
Current liabilities				
Bank loans and other borrowings	465,024	1,974,869	3,323,671	3,600,490
Trade and other payables	1,737,710	1,700,207	1,900,086	1,841,842
Contract liabilities	55,565	39,813	38,162	21,695
Lease liabilities	1,651	1,035	2,243	2,253
Derivative financial liabilities	–	–	3,293	–
Current taxation	7	885	351	235
Total current liabilities	**2,259,957**	**3,716,809**	**5,267,806**	**5,466,515**
Net current (liabilities)/assets	**(171,249)**	**231,144**	**446,188**	**856,444**

Our net current assets increased from RMB446.2 million as of December 31, 2025 to RMB856.4 million as of February 28, 2026, primarily due to (i) an increase in prepayments, trade and other receivables of RMB612.7 million and (ii) a decrease in trade and other payables of RMB58.2 million.

Our net current assets increased from RMB231.1 million as of December 31, 2024 to RMB446.2 million as of December 31, 2025, primarily due to (i) an increase in cash and cash equivalents of RMB240.8 million, mainly attributable to the net proceeds from our private placement of A Shares completed in August 2025, and (ii) an increase in prepayments, trade and other receivables of RMB1,008.8 million, mainly attributable to the rising sales volume of lithium-ion battery-related materials driven by our business growth; partially offset by an increase in the current portion of bank loans and other borrowings of RMB1,348.8 million to support our business development.

We recorded net current assets of RMB231.1 million as of December 31, 2024, as compared to net current liabilities of RMB171.2 million as of December 31, 2023. Such change was primarily due to (i) an increase in time deposit of RMB1,189.8 million, which was in line with our operational needs, (ii) an increase in prepayments, trade and other receivables of RMB835.1 million, mainly attributable to the rising sales volume of lithium-ion battery-related materials driven by our business growth, and (iii) an increase in inventories of RMB178.2 million, mainly attributable to higher production capacity and output of lithium-ion battery-related materials to meet customer demand; partially offset by (i) an increase in the current portion of bank loans and other borrowings of RMB1,509.8 million to support our business development, and (ii) a decrease in cash and cash equivalents of RMB435.7 million, mainly attributable to our increased investment in property, plant and equipment to support our business growth.

Inventories

During the Track Record Period, our inventories consisted of (i) raw materials, primarily consisting of propylene, methanol, ethylene oxide, low-pressure liquefied gas, propylene oxide and lithium carbonate, (ii) finished goods, representing our products that have been completed and are held for sale, and (iii) other materials, primarily consisting of goods delivered but not yet recognized as revenue, goods in transit and packaging materials.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Raw materials	180,131	177,048	277,481
Finished goods	253,330	349,988	398,187
Other materials	24,369	94,720	14,887
Less: write-down of inventories	(32,566)	(18,326)	(8,331)
Total	**425,264**	**603,430**	**682,224**

Our inventories increased from RMB425.3 million as of December 31, 2023 to RMB603.4 million as of December 31, 2024, and further increased to RMB682.2 million as of December 31, 2025, primarily attributable to increases in raw material procurement and stocking to achieve higher production output of lithium-ion battery-related materials.

We recorded write-down of inventories of RMB32.6 million, RMB18.3 million and RMB8.3 million as of December 31, 2023, 2024 and 2025, respectively. During the Track Record Period, sufficient provision for impairment of inventories had been made.

We believe maintaining appropriate levels of inventories dynamically can help us fully address our consumers' demand and achieve consumer satisfaction without adversely affecting our liquidity. We have in place a set of policies and procedures to manage our inventories. For details, see "Business — Supply Chain Management — Warehousing, Inventory Management and Logistics — Inventory Management."

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 90 days	440,531	591,501	678,028
91 to 180 days	6,514	10,482	7,714
181 to 365 days	6,983	9,893	4,352
Over 365 days	3,802	9,880	461
Total	**457,830**	**621,756**	**690,555**

The following table sets forth our inventories turnover days for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	(days)		
Inventories turnover days[1]	28.5	35.7	37.1

Note:

(1) Inventories turnover days are based on the average balance of inventories divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days.

Our inventories turnover days increased from 28.5 days in 2023 to 35.7 days in 2024, and further increased to 37.1 days in 2025, primarily because lithium-ion battery-related materials, which are the principal contributors to our revenue, generally have relatively longer turnover cycles.

As of February 28, 2026, RMB649.7 million, or 94.1% of our inventories outstanding as of December 31, 2025 had been sold or utilized.

Prepayments, Trade and Other Receivables

During the Track Record Period, our prepayments, trade and other receivables, comprising both current and non-current portions, consisted of (i) trade receivables, mainly representing outstanding amounts due from certain of our customers, including Independent Third Parties and our related parties, (ii) bills receivables, mainly representing bank acceptance bills, and (iii) other receivables, including (a) prepayments, mainly representing prepayments for purchase of property, plant and equipment and raw materials, (b) input VAT recoverable, (c) amounts due from an associate, (d) prepaid [**REDACTED**] and (e) other receivables and deposits.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade receivables			
Third parties	584,979	1,378,411	2,377,511
Related parties	25,645	17,971	88,292
Less: loss allowance	(88)	(7,499)	(6,028)
Subtotal	**610,536**	**1,388,883**	**2,459,775**
Bills receivables	**143,844**	**150,778**	**153,690**
Prepayment and other receivables			
Prepayments	150,355	85,766	130,993
Input VAT recoverable	151,560	169,411	99,288
Prepaid listing expense	–	–	8,672
Amounts due from an associate	3,314	3,769	3,772
Other receivables and deposits	61,501	94,293	42,064
Less: loss allowance for other receivables and amounts due from an associate	(24,237)	(22,923)	(26,703)
Subtotal	**342,493**	**330,316**	**258,086**
Total	**1,096,873**	**1,869,977**	**2,871,551**

Our prepayments, trade and other receivables increased from RMB1,096.9 million as of December 31, 2023 to RMB1,870.0 million as of December 31, 2024, and further increased to RMB2,871.6 million as of December 31, 2025, primarily due to increases in trade receivables during the periods, mainly attributable to a higher proportion of credit sales of lithium-ion battery-related materials as part of our market expansion strategy.

We maintain strict control over our outstanding receivables. We determine the loss allowance for expected credit losses on trade receivables based on an assessment of the present value of all expected cash shortfalls. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. Our management reassesses the loss allowance at each reporting period end. For more details, see Note 3(d) to the Accountants' Report set out in Appendix I to this Document.

The following table sets forth an aging analysis of our trade and bills receivables, net of loss allowance and based on their past due status, as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Current (not past due)	754,380	1,447,337	2,548,772
Overdue within 180 days	–	92,327	64,068
Overdue 181 days-365 days	–	–	625
Total	**754,380**	**1,539,661**	**2,613,465**

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

	For the year ended December 31,		
	2023	2024	2025
		(days)	
Trade and bills receivables turnover days[(1)]	54.9	75.5	111.3

Note:

(1) Trade and bills receivables turnover days are based on the average balance of trade and bills receivables divided by total revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days.

Our trade and bills receivables turnover days increased from 54.9 days in 2023 to 75.5 days in 2024, and further increased to 111.3 days in 2025, primarily due to a higher proportion of credit sales of lithium-ion battery-related materials as part of our market expansion strategy.

As of February 28, 2026, RMB1,008.7 million, or 40.9% of our trade and bills receivables outstanding as of December 31, 2025 had been subsequently collected.

Financial Assets at FVPL

During the Track Record Period, our financial assets at FVPL represented financial instruments consisting of (i) listed fund investment, (ii) wealth management products, (iii) convertible bond, and (iv) listed securities in the PRC. Our financial assets at FVPL remained relatively stable at RMB0.7 million as of December 31, 2023 and 2024, respectively. Our financial assets at FVPL subsequently increased to RMB7.4 million as of December 31, 2025, primarily due to an increase in our wealth management products purchased during the period.

We have established internal management systems governing the planning, approval, execution and supervision of our fund utilization activities to safeguard fund security, improve fund utilization efficiency and strengthen internal controls. Idle funds are managed prudently and deployed only to the extent that they do not affect our normal production, operations or capital expenditure requirements. We only engage in transactions with financial institutions that possess lawful operating qualifications, and the investment tenor of such products does not exceed 12 months.

Our Asset and Finance Department is responsible for the centralized management and implementation of idle fund utilization, including preparing relevant plans, conducting internal reviews, executing approved transactions and carrying out accounting treatment. During the holding period, we monitor the progress and fund safety of such products and take timely measures if potential risks to fund security are identified. Upon maturity, the principal and returns are recovered promptly. All such activities are conducted in accordance with our internal approval procedures and risk control requirements, and are subject to ongoing supervision to ensure compliance with applicable laws, regulations and our internal management policies.

We will comply with relevant requirements under Chapter 14 of the Listing Rules and disclose the details of our investments or other notifiable transactions to the extent necessary and as appropriate after the [**REDACTED**].

Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment consisted of (i) buildings, (ii) machinery, (iii) motor vehicles, electronic equipment and others, and (iv) construction in progress.

The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Buildings	802,790	1,013,782	1,325,329
Machinery	1,450,638	2,680,832	3,273,731
Motor vehicles, electronic equipment and others	136,267	251,821	271,583
Construction in progress	2,319,077	1,197,885	160,721
Total	**4,708,772**	**5,144,320**	**5,031,364**

Our property, plant and equipment increased from RMB4,708.8 million as of December 31, 2023 to RMB5,144.3 million as of December 31, 2024, primarily due to an increase in machinery during the period, mainly attributable to the capitalization of our Wuhan Base. Our property, plant and equipment subsequently decreased to RMB5,031.4 million as of December 31, 2025, primarily due to depreciation charged during the period.

Right-of-Use Assets

During the Track Record Period, our right-of-use assets consisted of (i) buildings and (ii) leasehold land. Our right-of-use assets increased from RMB293.4 million as of December 31, 2023 to RMB335.4 million as of December 31, 2024, primarily due to the acquisition of land use rights. Our right-of-use assets subsequently decreased to RMB328.6 million as of December 31, 2025, primarily due to the depreciation charged during the period.

Trade and Other Payables

During the Track Record Period, our trade and other payables consisted of (i) trade payables, mainly representing the amounts payable to certain of our suppliers, including Independent Third Parties and our related parties, (ii) bills payable, and (iii) other payables, including (a) other taxes payable, (b) payroll payables, (c) payables for acquisition of non-controlling interests, (d) deposits, and (e) others.

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

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade payables			
Related parties	18,824	71,322	73,615
Third parties	1,253,411	1,352,338	1,536,180
Subtotal	**1,272,235**	**1,423,660**	**1,609,795**

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Bills payable	**221,690**	**69,700**	**46,556**
Other payables			
Other taxes payable	13,669	10,354	44,515
Payroll payables	164,734	133,958	126,869
Payables for acquisition of non-controlling interests	8,218	6,718	6,718
Deposits	43,468	43,797	36,742
Others	13,696	12,020	28,891
Subtotal	**243,785**	**206,847**	**243,735**
Total	**1,737,710**	**1,700,207**	**1,900,086**

Our trade and other payables remained relatively stable at RMB1,737.7 million and RMB 1,700.2 million as of December 31, 2023 and 2024, respectively. Our trade and other payables increased to RMB1,900.1 million as of December 31, 2025, primarily due to higher procurement volumes driven by the expansion of our revenue scale.

The following table sets forth the aging analysis of our trade and bills payables based on invoice date for trade payables and issuance date for bills payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within 1 year	1,305,556	1,082,965	1,112,752
1 to 2 years	88,566	240,514	155,618
2 to 3 years	85,251	78,267	233,709
3 to 4 years	10,581	77,264	76,659
4 to 5 years	1,389	10,418	63,318
Over 5 years	2,582	3,932	14,295
Total	**1,493,925**	**1,493,360**	**1,656,351**

The following table sets forth our trade and bills payables turnover days for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	(days)		
Trade and bills payables turnover days(1)	78.6	103.8	90.9

Note:

(1) Trade and bills payables turnover days are based on the average balance of trade and bills payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 is 365 days.

Our trade and bills payables turnover days increased from 78.6 days in 2023 to 103.8 days in 2024, primarily due to an increase in trade payables related to our new construction projects. Our trade and bills payables turnover days then decreased to 90.9 days in 2025, primarily due to settlement of trade payables related to our new construction projects.

As of February 28, 2026, RMB934.5 million, or 56.4% of our trade and bills payables outstanding as of December 31, 2025 had been subsequently settled.

Contract Liabilities

During the Track Record Period, our contract liabilities represented receipts in advance from our customers related to our sales of products. Our contract liabilities decreased from RMB55.6 million as of December 31, 2023 to RMB39.8 million as of December 31, 2024, primarily due to increased product deliveries and a higher proportion of credit sales of lithium-ion battery-related materials. Our contract liabilities remained relatively stable at RMB38.2 million as of December 31, 2025.

As of February 28, 2026, 32.3% of our contract liabilities as of December 31, 2025 had been recognized as revenue.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements mainly with cash from operating activities and financing activities in a balanced manner. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations, the [**REDACTED**] from the [**REDACTED**], and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB595.3 million, RMB159.6 million and RMB400.4 million as of December 31, 2023, 2024 and 2025, respectively.

Cash Flow Analysis

The following table sets forth our cash flows for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
Cash used in operations	(432,059)	(1,035,346)	(701,317)
Income taxes refund/(paid)	39,612	(904)	(499)
Net cash used in operating activities	(392,447)	(1,036,250)	(701,816)
Net cash used in investing activities	(775,441)	(1,732,558)	(385,994)
Net cash generated from financing activities	635,890	2,333,502	1,329,667
Net (decrease)/increase in cash and cash equivalents	**(531,998)**	**(435,306)**	**241,857**
Cash and cash equivalents at the beginning of the year	1,137,280	595,288	159,561
Effect of foreign exchange rate changes	(9,994)	(421)	(1,015)
Cash and cash equivalents at the end of the year	**595,288**	**159,561**	**400,403**

Net Cash Used in Operating Activities

Net cash used in operating activities in 2025 was RMB701.8 million, which primarily consisted of loss before taxation of RMB49.2 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily included (i) depreciation of property, plant and equipment and investment properties of RMB449.3 million, and (ii) interest expense of RMB96.5 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in prepayments, trade and other receivables of RMB1,446.8 million, primarily due to the rising sales volume of lithium-ion battery-related materials driven by our business growth, and (ii) an increase in trade and other payables of RMB343.9 million.

Net cash used in operating activities in 2024 was RMB1,036.3 million, which primarily consisted of loss before taxation of RMB136.4 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily included (i) depreciation of property, plant and equipment and investment properties of RMB277.9 million, and (ii) interest expense of RMB61.1 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in prepayments, trade and other receivables of RMB1,270.7 million, primarily due to the rising sales volume of lithium-ion battery-related materials driven by our business growth, (ii) an increase in inventories of RMB178.2 million, primarily due to increased finished goods resulting from higher production capacity and output of lithium-ion battery-related materials, and (iii) an increase in trade and other payables of RMB205.1 million.

Net cash used in operating activities in 2023 was RMB392.4 million, which primarily consisted of loss before taxation of RMB79.1 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily included (i) depreciation of property, plant and equipment and investment properties of RMB224.6 million, and (ii) interest expense of RMB25.5 million. The amount was further adjusted by changes in working capital, primarily including (i) an increase in prepayments, trade and other receivables of RMB408.2 million, primarily due to the rising sales volume of lithium-ion battery-related materials driven by our business growth, and (ii) a decrease in trade and other payables of RMB178.8 million.

Net Cash Used in Investing Activities

Net cash used in investing activities in 2025 was RMB386.0 million, which primarily consisted of proceeds from redemption of time deposit of RMB1,339.8 million; partially offset by (i) payment of purchase of time deposit of RMB1,550.0 million, and (ii) payment for the purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB168.7 million.

Net cash used in investing activities in 2024 was RMB1,732.6 million, which primarily consisted of (i) payment of purchase of time deposit, of RMB1,180.0 million, and (ii) payment for the purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB556.3 million; partially offset by proceeds from disposal of financial assets at FVPL and derivative financial assets of RMB11.8 million.

Net cash used in investing activities in 2023 was RMB775.4 million, which primarily consisted of (i) payment for the purchase of property, plant and equipment, right-of-use assets and intangible assets of RMB 817.3 million and (ii) payment of purchase of financial assets at FVPL, derivative financial assets and derivative financial liabilities of RMB14.9 million; partially offset by proceeds from disposal of financial assets at FVPL and derivative financial assets of RMB50.8 million.

Net Cash Generated from Financing Activities

Net cash generated from financing activities in 2025 was RMB1,329.7 million, which primarily consisted of (i) proceeds from bank loans and other borrowing of RMB3,980.3 million, and (ii) net proceeds from issuance of new shares of RMB982.2 million; partially offset by repayment of bank loans and other borrowing of RMB3,409.4 million.

Net cash generated from financing activities in 2024 was RMB2,333.5 million, which primarily consisted of (i) proceeds from bank loans and other borrowing of RMB3,132.1 million, and (ii) proceeds of capital contributions from non-controlling shareholders of RMB23.8 million; partially offset by repayment of bank loans and other borrowing of RMB620.6 million.

Net cash generated from financing activities in 2023 was RMB635.9 million, which primarily consisted of proceeds from bank loans and other borrowing of RMB997.4 million; partially offset by repayment of bank loans and other borrowing of RMB344.9 million.

INDEBTEDNESS

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
				(unaudited)
		(RMB in thousands)		
Current				
Lease liabilities	1,651	1,035	2,243	2,253
Bank loans and other borrowings	465,024	1,974,869	3,323,671	3,600,490
	466,675	1,975,904	3,325,914	3,602,743
Non-current				
Lease liabilities	6,860	7,855	6,922	6,967
Bank loans and other borrowings	568,005	1,571,346	703,821	818,090
	574,865	1,579,201	710,743	825,057
Total	**1,041,540**	**3,555,105**	**4,036,657**	**4,427,800**

Bank loans and other borrowings

The following table sets forth a breakdown of our bank loans and other borrowings as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
				(unaudited)
		RMB'000		
Secured but unguaranteed bank loans and other borrowing	–	90	109,470	109,470
Unsecured and unguaranteed bank loans and other borrowing	1,033,029	3,546,125	3,918,022	4,309,110
Total	**1,033,029**	**3,546,215**	**4,027,492**	**4,418,580**

During the Track Record Period, our bank loans and other borrowings were mainly used to support our business development. As of December 31, 2024 and 2025, our secured bank loans and other borrowings were pledged by certain plant, property and equipment and land use rights with aggregated net carrying amount of RMB113.0 million and RMB207.5 million, at effective interest rates of 3.0% per annum and 2.65% to 4.64% per annum, respectively. On the other hand, as of December 31, 2023, 2024 and 2025, the effective interest rates of our unsecured bank loans and other borrowing ranged from 2.80% to 3.98% per annum, 2.50% to 3.98% per annum and 2.15% to 3.98% per annum, respectively. For more details, see Note 20 to the Accountants' Report in Appendix I to this document.

Lease Liabilities

During the Track Record Period, our lease liabilities represented the payment obligations on our leases in relation to our leased properties that are mainly used as production bases. As of December 31, 2023, 2024, 2025 and February 28, 2026, our lease liabilities, including current and non-current portion, remained relatively stable at RMB8.5 million, RMB8.9 million, RMB9.2 million and RMB9.2 million, respectively.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in bank borrowings, nor did we breach any material covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. As of February 28, 2026, our unutilized bank facilities amounted to RMB712.4 million. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment. Our Directors confirm that there has not been any material change in our indebtedness since February 28, 2026 and up to the date of this Document.

Saved as otherwise disclosed under sections headed "— Indebtedness" and "— Contractual Obligations," as of February 28, 2026, being the latest practicable date for determining our indebtedness, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits or hire purchase commitments, debentures, mortgages, charges, guarantees or other material contingent liabilities.

CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES

Our historical capital expenditures primarily included (i) payment for the purchase of property, plant and equipment, right-of-use assets and intangible assets; and (ii) purchase of property, plant and equipment by transfer of bills receivables.

The following table sets forth our capital expenditures for the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Payment for the purchase of property, plant and equipment, right-of-use assets and intangible assets	817,281	556,284	168,722
Purchase of property, plant and equipment by transfer of bills receivables	902,664	416,577	293,197
Total	**1,719,945**	**972,861**	**461,919**

We will continue to make capital expenditures to meet the expected growth of our business and our expansion plan. See "Future Plans and [**REDACTED**] — [**REDACTED**]." We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operation activities, and [**REDACTED**] from the [**REDACTED**].

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments mainly represent the capital expenditure in respect of the acquisition of property, plant and equipment authorized and contracted but not provided for in the historical financial information. Our capital commitments decreased from RMB723.1 million as of December 31, 2023 to RMB312.8 million as of December 31, 2024, and further increased to RMB789.7 million as of December 31, 2025, which was in line with our construction progress.

KEY FINANCIAL RATIOS

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

	For the year ended/As of December 31,		
	2023	2024	2025
Current ratio(1)	0.9	1.1	1.1
Quick ratio(2)	0.7	0.9	1.0
Debt-to-assets ratio(3)	39.7%	55.2%	53.4%
Total asset turnover(4)	0.8	0.7	0.6
Gross profit margin(5)	6.3%	5.3%	7.1%

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities.

(2) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

(3) Debt-to-asset ratio is calculated by dividing total liabilities by total assets as of the end of the year and multiplied by 100%.

(4) Total asset turnover is calculated by dividing revenue by average total asset.

(5) Gross profit margin equals gross profit divided by revenue and multiplied by 100%.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 31 to the Accountants' Report included in Appendix I to this Document.

Our Directors are of the view that each of the related party transactions set out in Note 31 to the Accountants' Report included in Appendix I to this Document was conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any other material off-balance sheet transactions or arrangements.

FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks, namely credit risk, liquidity risk, interest rate risk, currency risk and price risk. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. For details of our financial risks and the policies on how to mitigate these risks, please refer to Note 29 to the Accountants' Report included in Appendix I to this Document.

DIVIDENDS

Our Company declared and paid dividends in respect of the previous year of RMB60.8 million, RMB8.1 million and nil in 2023, 2024 and 2025, respectively. See Note 28 to the Accountants' Report in Appendix I to this Document for details.

Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC Law and approval by our Shareholders.

We may provide our Shareholders with dividends as the Board deems appropriate, subject to the discretion of our Directors in accordance with our Articles of Association and the applicable laws and regulations in Chinese mainland and Hong Kong.

Our future declarations of dividends may not be in line with our historical declaration of dividends and will be subject to the approval of our Shareholders.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, operating cash flows, available financing facilities, and the 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. Our Directors have confirmed that we did not have material defaults on trade and non-trade payables and borrowings, and/or breaches of material covenants during the Track Record Period and up to the date of this Document.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had distributable reserve comprising the retained profits of our Company of RMB2,594.0 million, which was available for distribution.

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Document, there has been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since December 31, 2025, being the end date of our latest audited financial statements, and there has been no event since December 31, 2025 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

See "Unaudited [**REDACTED**] Financial Information" in Appendix II to this Document for details.