You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2023, 2024 and 2025 included in the Accountants' Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

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 assumptions and analysis made by us 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. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

We are a globally leading lithium-ion battery materials supplier, engaging in the R&D, production and sales of lithium-ion battery electrolyte additives, including vinylene carbonate ("**VC**") and fluoroethylene carbonate ("**FEC**"), and other lithium-ion battery materials. According to CIC, we have been the largest global lithium-ion battery electrolyte additive supplier in most of the years since 2005 in terms of sales volume. Specifically, in 2025, we are the world's largest lithium-ion battery electrolyte additive supplier in terms of sales volume, with a market share of 15.2%, according to the same source. As the first Chinese player to enter into the global lithium-ion battery electrolyte additive market, we are committed to maintaining our market recognition as the most reliable supplier in the global lithium-ion battery materials industry through continuous technological innovations and timely adaptions to the evolving market.

In 2023, 2024 and 2025, our total revenue was RMB525.0 million, RMB504.9 million and RMB869.5 million, respectively, representing an increase of 65.6% from 2023 to 2025. We recorded net loss of RMB33.9 million, RMB188.6 million and RMB2.6 million, respectively in 2023, 2024 and 2025.

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (**"IFRS Accounting Standards**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB")**. Our historical financial information was prepared on a historical cost basis except for certain financial assets and liabilities measured at fair value. For the purpose of preparing our historical financial information, we have adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for certain amendments to the IFRS Accounting Standards that are not yet effective for the Track Record Period. The new standards and interpretations that are not yet adopted are set out in note 3.1 to the Accountants' Report set out in Appendix I to this Document.

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 judgments in the process of applying our Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to our historical financial information are disclosed in note 4 to the Accountants' Report set out in Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The growth and future success of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose challenges that we must successfully address in order to sustain our growth and improve our results of operations.

General Factors

- overall economic growth and conditions;
- development and market dynamics of the lithium-ion battery industry;
- conditions of the downstream markets of the lithium-ion battery industry and the resulting fluctuations in customer demand;
- technology development and competition in lithium-ion battery materials; and
- relevant laws and regulations, government policies and initiatives.

Company-specific Factors

Our business, results of operations and financial performance are principally affected by the following company-specific factors:

Our financial performance is subject to downstream market conditions

Downstream market conditions can affect our sales volume, average selling prices, and profitability.

During the Track Record Period, we offered a comprehensive product portfolio of lithium-ion battery materials, primarily comprising (i) lithium-ion battery electrolyte additives, including VC and FEC; and (ii) other materials, including anode materials, LiBOB, MMDS and specialty silicones. Among our comprehensive product portfolio, the sales of VC products constitute a substantial part of our revenue. In 2023, 2024 and 2025, our revenue generated from our VC products was RMB328.1 million, RMB343.5 million and RMB580.9 million, respectively, accounting for 62.5%, 68.0% and 66.8% of our total revenue in the same periods, respectively. Therefore, downstream market demands for our VC products have a material impact on our overall financial performance. During the Track Record Period, we primarily sold our VC products to lithium-ion battery electrolyte manufacturers and battery manufacturers, which are used in a wide variety of end markets, including primarily ESS, NEVs and consumer electronics. According to CIC, driven by the strong demand from ESS and NEV industries for lithium-ion batteries, the global lithium-ion battery market experienced rapid growth, with its market size expanding from approximately 303.0 GWh in 2020 to 2,257.0 GWh in 2025, representing a CAGR of 49.4%.

However, 2021, the lithium-ion battery industry experienced explosive growth and accordingly the market faced a severe shortage of supply for lithium-ion battery electrolyte additives. This market shortage attracted many new suppliers to enter into the lithium-ion battery electrolyte additive sector. At the same time, existing lithium-ion battery electrolyte additive suppliers aggressively expanded their production capacity. By 2023, production capacity of lithium-ion battery electrolyte additives increased significantly due to the completion of new production facilities and their commencement of mass production. As a result, there was intensified competition arising from overcapacity of lithium-ion battery electrolyte additives, which materially and adversely affected the price of lithium-ion battery electrolytic additives. The average market price of lithium-ion battery electrolyte additives declined significantly from RMB200 thousand–RMB500 thousand per tonne in 2022 to RMB55 thousand per tonne in 2024 and early 2025, according to CIC. Starting from 2025, as the phase out of overcapacity and the strong downstream market demand from ESS and NEV industries, the prices of lithium-ion battery electrolytic additives slowly recovered. According to CIC, the fluctuations in our financial performance during the Track Record Period were consistent with prevailing industry trends and price ranges.

The global lithium-ion battery market size is expected to continue expanding, reaching approximately 6,284.3 GWh by 2030, with a CAGR of 22.7% from 2025 to 2030. Given continued growth in downstream demand for ESS and NEVs, the market price of our VC and FEC products has started to increase in the third quarter of 2025 and increased significantly in the fourth quarter of 2025, according to CIC. It is estimated that the average price for VC and FEC will increase to RMB106.4 thousand per tonne in 2026, according to the same source.

Our production capacity and processes

Stable and scalable production capacity is key to our success. The steady expansion of our production capacity as well as our continual upgrades of production processes underpinned our rapid growth during the Track Record Period. As of the Latest Practicable Date, we had established a robust production network, including five production bases consisting of eight factories, achieving an annual production capacity of 20,500 tonnes in total for VC and FEC products. See "Business — Production".

We plan to prudently and efficiently expand our production capacity to sustain our market leading position so that we are poised to meet the escalating market demand for lithium-ion battery materials to further grow our revenue and realize economies of scale while maintaining optimal cost structure. The successful upgrade and expansion of our production capability require the ability to formulate and execute upgrade and expansion plans, expand and construct new facilities and maintain and purchase production equipment in cost-effective and efficient manners. As we continue to expand our production capacity, we expect to continue to incur substantial capital expenditures, which may be adjusted according to our development plans or in light of the market conditions of the lithium-ion battery industry and the related downstream markets, as well as other factors we believe to be appropriate.

Our ability to control costs

Our ability to control costs has a material impact on our profitability and margins. We had several upgrades of proprietary processing technologies to effectively and efficiently control our costs during the Track Record Period. These technologies include primarily (i) in VC production, increasing reaction efficiency of the photocatalytic chlorination process and inhibiting discoloration; (ii) in FEC production, the "one-step" short-process method and resource recycling and solvent recovery; and (iii) in silicon-carbon anode material production, the controlled fluidized bed CVD technology. See "Business — Production — Production Technologies". As a result, we have been able to effectively control our costs. Our cost of sales to revenue ratio decreased from 122.9% in 2024 to 90.3% in 2025, contributing to a successful transition from gross loss to gross profit. We expect to further upgrade our production technologies and cost control measures to improve our profitability.

Fluctuation in raw material prices

During the Track Record Period, the cost of raw materials, such as EC, accounted for a significant portion of our cost of sales. In 2023, 2024 and 2025, our raw material costs were RMB175.5 million, RMB246.3 million and RMB364.4 million, respectively, accounting for 35.8%, 39.7% and 46.4% of our total cost of sales in the same year, respectively. Therefore, the prices of raw materials, such as EC, used for our products, have a significant impact on our results of operations. According to CIC, in 2022, the sharp surge in EC prices drove a synchronous increase in the prices of lithium-ion battery electrolyte additives. Since the second half of 2022, EC prices have continued to decline and remained at a low level, which has reduced the costs of lithium-ion battery electrolyte additives. The prices of raw materials are determined principally by market forces, as well as our bargaining power with our suppliers. We have implemented comprehensive supply chain management measures and maintain a diversified base of suppliers, which we believe will continue to enable us to maintain a stable supply chain to mitigate the risk of material adverse price fluctuations of key raw materials. To the extent we cannot manage material adverse fluctuations in raw material prices, our profit margin would be affected.

Our relationships with industry-leading customers

As many of our customers are well-known companies with a significant market share in their respective end markets, having direct connections with them enables us to precisely understand and respond to their requirements, which helps us offer products and services that keep up with our customers' specific and evolving needs. By engaging early in the product introduction phase to collaborate with customers and understand their needs and market dynamics, we aim to improve product quality, enhance batch consistency, boost orders, shipments and maintain and improve customer retention. We gain our customers primarily by capitalizing on our brand reputation and substantial industry influence established through sustained, comprehensive and in-depth collaboration with leading market players across the industry chain.

Some of our customers have market dominance, and thus a significant portion of our revenue may come from such industry-leading customers. As a result, maintaining good relationships with such customers and developing new relationships with other industry-leading customers are critical to our business. We plan to attract new customers across the lithium-ion battery industry by continually developing novel materials and launching new products and deepen collaborations with existing customers by exploring new areas of cooperation with our novel and enhanced product solutions. Through stable and lasting collaboration with customers, we have acquired advance knowledge in their product demands and industry needs. We continually iterate our products to focus not only on functionality but also on industrialization feasibility, reliability and performance, with a view to cater for our customers' needs. A loyal and growing customer base will help us increase our sales volume, thereby improving our revenue and gross margins, consolidating our market leadership.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the historical financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Our critical accounting policies and significant estimates, assumptions and judgment are set forth in details in Notes 3.2 and 4 to the Accountants' Report in Appendix I to this Document.

DESCRIPTION OF SELECTED ITEMS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets out a summary of our consolidated statements of comprehensive income for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue	525,031	504,899	869,489
Cost of sales	(490,411)	(620,672)	(785,478)
Gross profit/(loss)	**34,620**	**(115,773)**	**84,011**
Other income	31,924	19,261	29,706
Other gains and losses, net	42,618	35,637	84,627
Research and development expenses	(47,459)	(41,024)	(51,795)
Administrative and other operating expenses	(91,930)	(101,588)	(109,704)
Selling expenses	(7,356)	(5,744)	(9,062)
Provision for impairment losses on financial assets	(509)	(7,023)	(13,359)
Finance costs	(1,121)	(2,184)	(2,719)
Share of results of associates, net	—	(1,224)	(17,949)
Loss before income tax	**(39,213)**	**(219,662)**	**(6,244)**
Income tax credited	5,271	31,111	3,680
Loss for the year	**(33,942)**	**(188,551)**	**(2,564)**
(Loss)/profit for the year attributable to:			
Owners of the Company	(23,912)	(174,675)	13,257
Non-controlling interests	(10,030)	(13,876)	(15,821)
	(33,942)	**(188,551)**	**(2,564)**

Revenue

During the Track Record Period, our revenue was primarily generated through the sales of our VC and FEC products.

The table below sets out a breakdown of our total revenue by product for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
VC	328,108	62.5	343,489	68.0	580,899	66.8
FEC	153,124	29.2	111,469	22.1	237,177	27.3
Other products[1]	43,799	8.3	49,941	9.9	51,413	5.9
Total	**525,031**	**100.0%**	**504,899**	**100.0%**	**869,489**	**100.0%**

Note:

(1) Other products included primarily anode materials, LiBOB, MMDS and specialty silicones.

During the Track Record Period, VC and FEC together contributed to most of our revenue. Specifically, VC was our single largest revenue contributor during the Track Record Period. Our revenue generated from the sales of VC products accounted for 62.5%, 68.0% and 66.8% of our total revenue in 2023, 2024 and 2025, respectively, and our revenue generated from the sales of FEC products accounted for 29.2%, 22.1% and 27.3% of our total revenue in the same years, respectively. Sales of our VC and other products recorded an increasing trend during the Track Record Period, primarily due to the increased sales volume as a result of strong market demand from the ESS and NEV industries. Sales of our FEC products decreased in 2024, primarily due to the decreased average selling price, which was influenced by intense market competition and the corresponding overcapacity within the industry. In 2025, the revenue generated from FEC products increased due to a significant increase of sales volume as a result of the strong market demand from the ESS and NEV industries.

The table below sets out the average selling price and sales volume of our VC and FEC products for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Average selling price RMB'000/ tonne	*Sales volume tonne*	*Average selling price RMB'000/ tonne*	*Sales volume tonne*	*Average selling price RMB'000/ tonne*	*Sales volume tonne*
VC	60.9	5,390.4	42.6	8,065.8	46.5	12,486.9
FEC	57.4	2,669.0	31.8	3,501.0	29.8	7,952.1

During the Track Record Period, the average selling prices of our VC and FEC products were highly correlated with the market demands and industry competition. Sales volume of our VC and FEC products increased during the Track Record Period, primarily as a result of the expanding market demand driven by the ESS and NEV industries. The average selling prices of our VC products decreased from 2023 to 2024, primarily due to the intensified industry competition and the corresponding overcapacity in 2024, while slightly recovered from 2024 to 2025, primarily due to the phase out of overcapacity and the increased market demand in the ESS and NEV industries. The average selling prices of our FEC products reached an extremely low position in 2024 in line with industry trend, primarily due to the intensified industry competition and the corresponding overcapacity. FEC's selling prices continued to decrease in the first half of 2025 and started to recover in the second half of 2025, which result in a slight decrease in the average selling prices in 2025. This recovery in FEC's selling prices was primarily as a result of the phase out of overcapacity within the industry and the strong market demand in the ESS and NEV industries. As downstream demand continues to grow, together with the gradual reduction in excess supply-side capacity, the selling prices of VC and FEC are expected to enter an upward cycle starting from 2026, according to CIC.

The fluctuations in the selling prices of our VC and FEC products during the Track Record Period were consistent with the industry trend, according to CIC.

Cost of Sales

During the Track Record Period, our cost of sales consisted primarily of (i) raw material costs, mainly relating to chemical raw materials and auxiliary raw materials; (ii) manufacturing costs; (iii) employee benefit expenses comprising salaries, bonus, equity incentives, social insurance premiums and housing provident fund contributions for our production staff; and (iv) logistics fees. The following table sets out the breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw material costs	175,542	35.8	246,349	39.7	364,395	46.4
Manufacturing costs	247,569	50.5	295,764	47.7	335,669	42.7
Employee benefit expenses	58,292	11.9	63,909	10.3	71,487	9.1
Logistics fees	9,008	1.8	14,650	2.3	13,927	1.8
Total	**490,411**	**100.0%**	**620,672**	**100.0%**	**785,478**	**100.0%**

Our cost of sales increased during the Track Record Period, primarily due to the increased sales volume of our VC and FEC products.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

Our gross profit/(loss) represents our revenue less our cost of sales. Our gross profit/(loss) margin represents our gross profit/(loss) divided by our revenue, expressed as a percentage. The following table sets out the breakdown of our gross profit/(loss) and gross profit/(loss) margin by product for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
VC	28,594	8.7	(34,932)	(10.2)	105,943	18.2
FEC	3,841	2.5	(59,409)	(53.3)	(9,771)	(4.1)
Other products[(1)]	2,185	5.0	(21,431)	(42.9)	(12,161)	(23.7)
Total	**34,620**	**6.6%**	**(115,773)**	**(22.9)%**	**84,011**	**9.7%**

Note:

(1) Other products included primarily anode materials, LiBOB, MMDS and specialty silicones.

We recorded gross profit of RMB34.6 million in 2023 and RMB84.0 million in 2025, while gross loss of RMB115.8 million in 2024. We recorded gross profit margin of 6.6% in 2023 and 9.7% in 2025, while gross loss margin of 22.9% in 2024. The fluctuations in our gross profit/loss and gross margin positions were consistent with the fluctuations of the average selling prices of our VC and FEC products during the Track Record Period. For details of the fluctuations of the sales volume and average selling prices of our VC and FEC products, see "Financial Information — Description of Selected Items of Our Consolidated Statements of Comprehensive Income — Revenue".

To a lesser extent, our improved profitability and margin in 2025 was also the effect of the outpace of our revenue over our cost of sales, primarily due to the declined raw material prices and improved cost structure achieved through technology upgrade and economies of scale. Specifically, our cost-to-revenue ratio decreased from 122.9% in 2024 to 90.3% in 2025.

See "Industry Overview — Price Analysis" regarding the fluctuations of the price of our raw materials.

Other Income

Our other income mainly consisted of (i) interest income; and (ii) government grants primarily in relation to additional deductions of input VAT for purchase of raw materials and equipment. Government grants were provided by the governments on a one-off basis and at the discretion of the governments. Certain of our government grants are amortized in accordance with the milestones of our construction projects. The following table sets out a breakdown of our other income for the years indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	24,542	12,069	7,228
Government grants and additional deduction of input VAT	7,270	7,039	22,402
Others(1)	112	153	76
Total	**31,924**	**19,261**	**29,706**

Note:

(1) Others included primarily return of handling fees for withholding income tax.

Other Gains and Losses, Net

Our other gains and losses, net, consisted of (i) investment income from financial assets at fair value through profit or loss ("**FVTPL**"), primarily wealth management products we purchased from reputable licensed commercial banks in China and our investment in Nanyuan Fund; (ii) fair value gains/(losses) on financial assets at FVTPL in relation to our wealth management products; (iii) foreign exchange gains/(losses); (iv) losses on disposal of property, plant and equipment and other assets; (v) capital markets incentives granted by local government in relation to our A-share Listing; and (vi) impairment losses of property, plant and equipment. The following table sets out a breakdown of our other gains and losses, net for the years indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Investment income from financial assets at FVTPL	41,387	35,363	92,933
Fair value gains on financial assets at FVTPL	—	598	3,054
Foreign exchange gains (loss)	2,068	1,974	(2,853)
Losses on disposal of property, plant and equipment and other assets	(2,504)	(1,845)	(6,248)
Capital market incentives	2,700	—	—
Impairment losses of property, plant and equipment	—	—	(1,990)
Others(1)	(1,033)	(453)	(269)
Total	**42,618**	**35,637**	**84,627**

Note:

(1) Others included primarily donations for public welfare.

Research and Development Expenses

Our research and development costs primarily consisted of (i) employee benefit expenses comprising salaries, bonus, equity incentives, social insurance premiums and housing provident fund contributions for our research and development employees; (ii) R&D materials consumed for conducting our research and development projects; (iii) depreciation and amortization of our R&D equipment as a result of our new R&D departments; and (iv) outsourced R&D fees to service providers to assist with our R&D projects. The following table sets out the breakdown of our research and development costs by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	18,965	40.0	17,207	41.9	19,145	37.0
R&D materials consumed	21,781	45.9	14,290	34.8	15,791	30.5
Depreciation and amortization	5,000	10.5	6,498	15.8	7,392	14.3
Outsourced R&D fees	867	1.8	2,059	5.0	4,659	9.0
Others(1)	846	1.8	970	2.5	4,808	9.2
Total	**47,459**	**100.0%**	**41,024**	**100.0%**	**51,795**	**100.0%**

Note:

(1) Others included primarily consulting fee in relation to R&D projects and patent fee.

Our research and development expenses decreased from 2023 to 2024, primarily due to a decrease in R&D materials consumed in 2024. This was because we consumed a large amount of R&D materials in relation to several R&D projects to improve our technologies in manufacturing VC and FEC products in 2023. Our research and development expenses increased from 2024 to 2025, primarily due to an increase in the number of our R&D employees, the establishment of our new R&D departments, and our increased R&D collaborations with R&D service providers.

Administrative and Other Operating Expenses

Our administrative and other operating expenses primarily consisted of (i) employee benefit expenses comprising salaries, bonus, equity incentives, social insurance premiums and housing provident fund contributions for our administrative staff, (ii) depreciation and amortization of our offices and buildings used for administrative purpose, (iii) business development expenses, (iv) office expenses and travelling costs, (v) professional service fees in relation to auditing, legal, consulting and other fees in the ordinary course of our business, and (vi) tax and surcharges primarily in relation to land, properties and education imposed by local government. The following table sets out the breakdown of our administrative and other operating expenses by nature for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	58,503	63.6	59,217	58.3	65,187	59.4
Depreciation and amortization	9,530	10.4	16,879	16.6	19,221	17.5
Business development expenses	2,883	3.1	3,028	3.0	2,891	2.6
Office expenses and travelling costs	3,303	3.6	3,023	3.0	3,479	3.2
Professional service fees	3,313	3.6	4,612	4.5	3,139	2.9
Tax and surcharges	6,993	7.6	9,052	8.9	9,415	8.6
Others[(1)]	7,405	8.1	5,777	5.7	6,372	5.8
Total	**91,930**	**100.0%**	**101,588**	**100.0%**	**109,704**	**100.0%**

Note:

(1) Others included primarily insurance expenses and repair and maintenance expenses in relation to office buildings.

Our administrative and other operating expenses increased from 2023 to 2024, primarily due to the increases in depreciation and amortization and tax and surcharges, as a result of our new office buildings completed in 2024. Our administrative and other operating expenses increased from 2024 to 2025, primarily due to (i) an increase in employee benefit expenses as a result of an increase in the number of our admin staff recruited for our new production facilities; and (ii) an increase in depreciation and amortization as a result of our new office buildings.

Selling Expenses

Our selling expenses primarily consisted of (i) employee benefit expenses; and (ii) rental and logistics fees for packaging materials. We rent barrels and tanks to ship our products, and recycle such packaging materials after the shipment which incurred such rental and logistics fees. The following table sets out the breakdown of our selling expenses by nature for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	2,992	40.7	2,949	51.3	4,425	48.8
Rental and logistics fees for packaging materials	3,798	51.6	1,966	34.2	3,998	44.1
Others[(1)]	566	7.7	829	14.5	639	7.1
Total	**7,356**	**100.0%**	**5,744**	**100.0%**	**9,062**	**100.0%**

Note:

(1) Others included primarily travel and transportation expenses.

The decrease in our selling expenses from 2023 to 2024, primarily because we used more tanks in shipping our products, which is more cost-efficient compared to barrels. The increase in our selling expenses from 2024 to 2025 was in line with our increased sales volume and revenue growth.

Provision for Impairment Losses on Financial Assets

Our provision for impairment losses on financial assets related primarily to our trade and notes receivables. We use ECL rate determined by our management to measure the loss allowance of our trade and notes receivables. Our impairment losses on financial assets increased from RMB0.5 million in 2023 to RMB7.0 million in 2024 and further to RMB13.4 million in 2025, largely in line with our increased trade and notes receivables during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no material individual impairment loss on our trade and notes receivables.

Finance Costs

Our finance costs primarily consisted of interest expense on (i) borrowings; (ii) amount due to other investors of a fund in relation to the shortfall in our capital injection to the Nanyuan Fund, and (iii) lease liabilities. The following table sets out a breakdown of our finance cost for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on borrowings	4,019	5,048	8,764
Interest expense on amount due to other investors of a fund	1,003	2,003	1,529
Interest expense on lease liabilities	56	29	7
	5,078	7,080	10,300
Less:			
Capitalization	(3,957)	(4,896)	(7,581)
Total	**1,121**	**2,184**	**2,719**

Our finance costs increased during the Track Record Period, primarily due to the increased expense on borrowings, as a result of our increased bank borrowings to support our business operations and construction projects in relation to office building and production facilities. This increase was partially offset by an increase in interest capitalized as a result of more construction projects during the Track Record Period, particularly in 2025.

Share of Results of Associates, Net

We recorded net losses from our shares of results of associates, net of nil, RMB1.2 million and RMB17.9 million in 2023, 2024 and 2025, respectively, primarily due to the lossing-making of our associate, namely Nanyuan Fund.

Income Tax Credited

We are subject to income tax on an entity basis in the jurisdictions where our subsidiaries are domiciled and operate. Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the respective regulations ("**EIT Law**"), the applicable statutory tax rate of our PRC subsidiaries is 25% unless those subject to tax exemption set out below. Our Company and our subsidiary, Taixing HSC Fine Chemical Co., Ltd., were qualified as "High and New Technology Enterprises (HNTE)" in 2023 and are therefore entitled to a preferential tax rate of 15% from 2023 to 2025. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Our income tax credited consisted of current income tax and deferred tax credit. The following table sets forth a breakdown of our income tax credited for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	1,499	(18)	2,396
Deferred tax credit	(6,770)	(31,093)	(6,076)
Income tax credited	**(5,271)**	**(31,111)**	**(3,680)**

We had income tax credited of RMB5.3 million, RMB31.1 million and RMB3.7 million in 2023, 2024 and 2025, respectively, primarily due to our deferred tax credit recorded in each year, in line with the fluctuations of our net losses during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had paid all income tax expenses that were due and applicable to us and had no material disputes or unresolved tax issues with relevant tax authorities.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 72.2% from RMB504.9 million in 2024 to RMB869.5 million in 2025, primarily due to the increased revenue generated from both our VC and FEC products.

VC

Our revenue generated from VC increased by 69.1% from RMB343.5 million in 2024 to RMB580.9 million in 2025. The increase was primarily due to a 54.6% increase in sales volume and a 9.9% increase in selling prices of our VC products, driven by strong market demand from ESS and NEV industries.

FEC

Our revenue generated from FEC increased by 112.8% from RMB111.5 million in 2024 to RMB237.2 million in 2025. The increase was primarily due to a 127.1% increase in sales volume of our FEC products, driven by the strong market demand from ESS and NEV industries.

Other Products

Our revenue generated from other products remained relatively stable at RMB51.4 million in 2025, as compared to RMB49.9 million in 2024.

Cost of Sales

Our cost of sales increased by 26.9% from RMB620.7 million in 2024 to RMB785.5 million in 2025, primarily due to (i) an increase of RMB118.0 million in costs of raw materials and (ii) an increase of RMB39.9 million in manufacturing costs, both of which were as a result of a significant increase in the sales volume of our VC and FEC products.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

We recorded gross loss of RMB115.8 million and gross loss margin of 22.9% in 2024, respectively, while gross profit of RMB84.0 million and gross profit margin of 9.7% in 2025, respectively. Such increases were primarily due to (i) the improved profitability and margin of our

VC products, which was our single largest revenue contributor; and (ii) the outpace of our revenue over our cost of sales, primarily due to the declined raw material prices and improved cost structure achieved through technology upgrade and economies of scale.

VC

For our VC products, we recorded gross loss of RMB34.9 million and gross loss margin of 10.2% in 2024, respectively, while gross profit of RMB105.9 million and gross profit margin of 18.2% in 2025, respectively. This was primarily due to the increase in both sales volume and average selling prices of our VC products in 2025, as a result of the phase out of overcapacity in our industry and the strong market demand from ESS and NEV industries. See "— Description of Selected Items of our Consolidated Statements of Comprehensive Income — Revenue" for the detailed discussion of the fluctuations in the sales volume and average selling prices of our VC and FEC products.

FEC

We recorded gross loss and gross loss margin for our FEC products in 2024 and 2025. Our gross loss of FEC narrowed by 83.6% from RMB59.4 million in 2024 to RMB9.8 million in 2025, with narrowed gross loss margin of FEC from 53.3% in 2024 to 4.1% in 2025. Both improved positions were primarily due to the phase out of overcapacity in our industry and the strong market demand from the ESS and NEV industries.

Other Products

We recorded gross loss and gross loss margin for other products in 2024 and 2025. Our gross loss of other products narrowed by 43.3% from RMB21.4 million in 2024 to RMB12.2 million in 2025, with narrowed gross loss margin from 42.9% in 2024 to 23.7% in 2025. This narrowed position of gross loss and gross loss margin from 2024 to 2025 was primarily due to the completion of the technological upgrade of certain production facilities, which commenced production.

Other Income

Our other income increased by 54.2% from RMB19.3 million in 2024 to RMB29.7 million in 2025, primarily due to an increase of RMB15.4 million in government grants as a result of (i) more output VAT deduction arising from the unused input VAT accumulated in 2023 and 2024; and (ii) loss-related subsidies granted by local governments, partially offset by a decrease of RMB4.8 million in interest income as a result of fewer bank deposits.

Other Gains and Losses, Net

Our other gains and losses, net increased by 137.5% from RMB35.6 million in 2024 to RMB84.6 million in 2025, primarily due to an increase of RMB57.6 million in investment income from financial assets at FVTPL in relation to the de-consolidation of the Nanyuan Fund.

Research and Development Expenses

Our research and development expenses increased by 26.3% from RMB41.0 million in 2024 to RMB51.8 million in 2025, primarily due to (i) an increase of RMB1.9 million in employee benefit expenses as a result of an increase in the number of our R&D personnel as a result of the establishment of our new R&D; (ii) an increase of RMB2.6 million in outsourced R&D fees as a result of more R&D collaborations with R&D service providers; and (iii) an increase of RMB3.8 million in others as a result of consulting fee in relation to R&D projects and patent fee.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 8.0% from RMB101.6 million in 2024 to RMB109.7 million in 2025, primarily due to (i) an increase of RMB6.0 million in employee benefit expenses as a result of an increase in the number of administrative employees recruited for our new production facilities; and (ii) an increase of RMB2.3 million in depreciation and amortization as a result of our new office buildings.

Selling Expenses

Our selling expenses increased by 57.8% from RMB5.7 million in 2024 to RMB9.1 million in 2025, primarily due to (i) an increase of RMB1.5 million in employee benefit expense as a result of more bonuses paid our sales personnel, in line with our revenue growth; and (ii) an increase of RMB2.0 million in rental and logistics fees for packaging materials, in line with our increased sales volume.

Provision for Impairment Losses on Financial Assets

Our provision for impairment losses on financial assets increased by 90.2% from RMB7.0 million in 2024 to RMB13.4 million in 2025, in line with our increased trade and notes receivables.

Finance Costs

Our finance costs remained relatively stable at RMB2.7 million in 2025, as compared to RMB2.2 million in 2024.

Share of Results of Associates, Net

Our share of net loss of associates increased by 1,366.4% from RMB1.2 million in 2024 to RMB17.9 million in 2025, primarily due to the loss-making of Nanyuan Fund and Jiangsu PureStar.

Income Tax Credited

Our income tax credited decreased by 88.2% from RMB31.1 million in 2024 to RMB3.7 million in 2025, in line with our significantly narrowed loss.

Loss for the Year

Our net loss narrowed significantly by 98.6% from RMB188.6 million in 2024 to RMB2.6 million in 2025, and our net loss margin narrowed from 37.3% in 2024 to 0.3% in 2025. The narrowed losses and loss margins were primarily due to our improved gross profit and gross margin positions as explained above.

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

Revenue

Our revenue decreased by 3.8% from RMB525.0 million in 2023 to RMB504.9 million in 2024, primarily due to a decrease of RMB41.7 million in revenue generated from our FEC products, partially offset by an increase of RMB15.4 million in revenue generated from our VC products.

VC

Our revenue generated from VC increased by 4.7% from RMB328.1 million in 2023 to RMB343.5 million in 2024, primarily due to a 49.6% increase in the sales volume, despite a 30.0% decrease in the average selling prices as a result of the intensified market competition and the corresponding overcapacity in our industry.

FEC

Our revenue generated from FEC decreased by 27.2% from RMB153.1 million in 2023 to RMB111.5 million in 2024, primarily due to a 44.6% decrease in the average selling prices, despite a 31.2% increase in the sale volume as a result of as a result of the intensified market competition and the corresponding overcapacity.

Other Products

Our revenue generated from other products increased by 14.0% from RMB43.8 million in 2023 to RMB49.9 million in 2024.

Cost of Sales

Our cost of sales increased by 26.6% from RM490.4 million in 2023 to RMB620.7 million in 2024, primarily due to (i) an increase of RMB70.8 million in costs of raw materials and (ii) an increase of RMB48.2 million in manufacturing costs, both of which were as a result of a significant increase in the sales volume of our VC and FEC products.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

We recorded gross profit of RMB34.6 million and gross profit margin of 6.6% in 2023, respectively, while gross loss of RMB115.8 million and gross loss margin of 22.9% in 2024, respectively. This was primarily due to the combined effects of our loss-making position of VC, FEC and other products.

VC

For our VC products, we recorded gross profit of RMB28.6 million and gross profit margin of 8.7% in 2023, respectively, while gross loss of RMB34.9 million and gross loss margin of 10.2% in 2024, respectively. This was primarily due to a significant decrease in the average selling prices as a result of the intensified market competition and the corresponding overcapacity.

FEC

For our FEC products, we recorded gross profit of RMB3.8 million and gross profit margin of 2.5% in 2023, respectively, while gross loss of RMB59.4 million and gross loss margin of 53.3% in 2024, respectively. This was primarily due to a significant decrease in the average selling prices as a result of the intensified market competition and the corresponding overcapacity.

Other Products

For our other products, we recorded gross profit of RMB2.2 million and gross profit margin of 5.0% in 2023, respectively, while gross loss of RMB21.4 million and gross loss margin of 42.9% in 2024, respectively. This was primarily due to (i) our inability to make profits at the early stage of new products launch; and (ii) the temporary shutdown of our certain production facilities for technology upgrades. It is common for lithium-ion battery electrolytic additive manufacturers to be loss-making when they launch a new product into the market, according to CIC.

Other Income

Our other income decreased by 39.7% from RMB31.9 million in 2023 to RMB19.3 million in 2024, primarily due to a decrease of RMB12.5 million in interest income of as a result of decreased bank deposits.

Other Gains and Losses, Net

Our other gains and losses, net decreased by 16.4% from RMB42.6 million in 2023 to RMB35.6 million in 2024, primarily due to (i) a decrease of RMB6.0 million in investment income from financial assets at FVTPL as a result of the decreased rate yield in our wealth management products and structured deposits and (ii) a decrease of RMB2.7 million in capital market incentives granted in 2023 in relation to the A-Share Listing.

Research and Development Expenses

Our research and development expenses decreased by 13.6% from RMB47.5 million in 2023 to RMB41.0 million in 2024, primarily due to a decrease of RMB7.5 million in R&D raw materials costs because we consumed a large amount of R&D materials in relation to several R&D projects to improve our technologies in manufacturing VC and FEC products in 2023.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 10.5% from RMB91.9 million in 2023 to RMB101.6 million in 2024, primarily due to (i) an increase of RMB7.3 million in depreciation and amortization as a result of our new office buildings and (ii) an increase of RMB2.1 million in tax and surcharges as a result of the construction of our new office buildings and production facilities.

Selling Expenses

Our selling expenses decreased by 21.9% from RMB7.4 million in 2023 to RMB5.7 million in 2024, primarily due to a decrease of RMB1.8 million in rental and logistics fees for packaging materials because we used more tanks instead of barrels in shipping our products, which is more cost-efficient.

Provision for Impairment Losses on Financial Assets

Our provision for impairment losses on financial assets increased from RMB0.5 million in 2023 to RMB7.0 million in 2024, in line with the significant increase in our trade and notes receivables.

Finance Costs

Our finance costs increased by 94.8% from RMB1.1 million in 2023 to RMB2.2 million in 2024, primarily due to an increase of RMB1.0 million in interest expenses on our borrowings as a result of our increased bank borrowings to support construction projects.

Share of Results of Associates, Net

We recorded share of net loss of associates of RMB1.2 million in 2024, as compared to nil in 2023, primarily due to the loss-making of Anhui Yijin New Energy Technology Co., Ltd. (安徽壹金新能源科技有限公司).

Income Tax Credited

Our income tax credited increased from RMB5.3 million in 2023 to RMB31.1 million in 2024, primarily due to our significant loss in 2024.

Loss for the Year

Our loss for the year increased from RMB33.9 million in 2023 to RMB188.6 million in 2024, and our net loss margin increased from 6.5% in 2023 to 37.3% in 2024. This was in line with our gross loss and gross loss margin positions in 2024, caused by the overcapacity in the lithium-ion battery electrolyte additive industry that led to the low prices for our key lithium-ion battery electrolyte additive products, VC and FEC.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out a breakdown of our consolidated statements of financial position 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	1,511,379	1,700,080	1,898,125
Right-of-use assets	180,494	200,075	255,422
Intangible assets	454	6,397	5,566
Investments in associates	—	100,776	198,885
Financial assets at fair value through profit or loss (FVTPL)	—	5,000	20,000
Prepayments, other receivables and other assets	74,159	27,033	29,151
Deferred tax assets	16,485	48,232	65,029
Total non-current assets	**1,782,971**	**2,087,593**	**2,472,178**
CURRENT ASSETS			
Inventories	107,542	87,071	110,566
Trade and notes receivables	167,819	310,588	592,803
Prepayments, other receivables and other assets	49,859	50,284	49,220
Amounts due from related parties	—	2,291	—
Prepaid income tax	2,183	—	—
Financial assets at FVTPL	80,000	917,438	554,642
Financial assets at fair value through other comprehensive income (FVOCI)	187,478	52,669	46,242
Restricted bank deposits	59,122	54,887	221,900
Cash and cash equivalents	1,984,795	727,264	333,204
Total current assets	**2,638,798**	**2,202,492**	**1,908,577**
CURRENT LIABILITIES			
Trade payables	97,134	106,196	194,565
Notes payables	154,863	186,342	80,498
Contract liabilities	38	205	4,078
Other payables and accruals	189,229	200,129	195,996
Amounts due to related parties	720	977	1,830
Borrowings	4,297	6,087	15,748
Lease liabilities	733	220	159
Income tax payable	2	2	2
Total current liabilities	**447,016**	**500,158**	**492,876**
NET CURRENT ASSETS	**2,191,782**	**1,702,334**	**1,415,701**
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,974,753**	**3,789,927**	**3,887,879**

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES			
Other payables and accruals	58,128	54,127	29,936
Borrowings	123,100	169,250	333,143
Lease liabilities	468	—	164
Deferred tax liabilities	—	54	—
Total non-current liabilities	181,696	233,431	363,243
Net assets	**3,793,057**	**3,566,496**	**3,524,636**
Equity			
Share capital	159,500	159,500	159,500
Treasury Shares	(9,997)	(50,319)	(104,541)
Reserves	3,579,375	3,358,552	3,376,355
Equity attributable to owners of the Company	3,728,878	3,467,733	3,431,314
Non-controlling interests	64,179	98,763	93,322
Total equity	**3,793,057**	**3,566,496**	**3,524,636**

Property, Plant and Equipment

Our property, plant and equipment consisted of (i) properties and buildings; (ii) machinery and equipment; (iii) transportation equipment; (iv) office and electronic equipment; (v) construction in progress; and (vi) leasehold improvement. Our property, plant and equipment increased from RMB1,511.4 million as of December 31, 2023 to RMB1,700.1 million as of December 31, 2024, and further to RMB1,898.1 million as of December 31, 2025, primarily due to the addition of our office buildings, R&D departments and production facilities.

Right-of-use Assets

Our right-of-use assets consisted of (i) buildings and structures; and (ii) land use rights. The following table sets out the carrying amount of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Buildings and structures	1,388	657	448
Land use rights	179,106	199,418	254,974
Total	**180,494**	**200,075**	**255,422**

Our right-of-use assets increased from RMB180.5 million as of December 31, 2023 to RMB200.1 million as of December 31, 2024 and further to RMB255.4 million as of December 31, 2025, primarily due to our acquisition of land in Jiangsu Province and Hubei Province, respectively, for the construction of our new production facilities.

Inventories

Our inventories consisted of (i) raw materials; (ii) semi-finished goods; (iii) work-in-progress; (iv) finished goods; (v) goods in transit; (vi) spare parts; and (vii) materials in outsourced processing. The following table sets out the carrying value of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	17,218	20,503	20,411
Semi-finished goods	15,375	8,705	12,227
Work-in-progress	48,238	41,379	48,171
Finished goods	33,119	14,508	10,398
Goods in transit	3,734	8,372	12,562
Spare parts	15,581	12,651	12,929
Materials in outsourced processing	—	—	881
	133,265	105,920	117,579
Less: provision for impairment	(25,723)	(18,849)	(7,013)
Total	**107,542**	**87,071**	**110,566**

The carrying value of our inventories before provision for impairment decreased from RMB133.3 million as of December 31, 2023 to RMB105.9 million as of December 31, 2024, primarily due to a decrease of RMB18.6 million in finished goods of VC products as a result of more sales driven by strong market demand. The carrying value of our inventories before provision for impairment increased from RMB105.9 million of December 31, 2024 to RMB117.6 million as of December 31, 2025, generally in line with our increased sales volume.

We recorded provision for impairment on inventories of RMB25.7 million, RMB18.8 million and RMB7.0 million as of December 31, 2023, 2024 and 2025, respectively. This provision level was consistent with the level of difference between our selling prices and the book value of our inventories.

Trade and Notes Receivables

Our trade and notes receivables represented receivables due from our customers as well as bank acceptance notes and bills at exchange issued by our customers for the purchase of our products. The following table sets out 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	161,215	312,257	579,601
Notes receivables	15,693	14,303	42,648
	176,908	326,560	622,249
Less: provision for impairment	(9,089)	(15,972)	(29,446)
Total	**167,819**	**310,588**	**592,803**

Our trade and notes receivables increased from RMB167.8 million as of December 31, 2023 to RMB310.6 million as of December 31, 2024, primarily due to the more bills of exchange instead of cash we received from customers A and B which extended the settlement period. Our trade and notes receivables further increased to RMB592.8 million as of December 31, 2025, generally in line with our revenue growth.

We apply the simplified approach in calculating ECLs for trade and notes receivables. Trade and notes receivables relating to our customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade and notes receivables are grouped and collectively assessed for impairment allowance. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing of receivables for groups of customers that have similar credit rating. The calculation reflects the age of the balances, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy. We recorded impairment losses for trade and notes receivables of RMB9.1 million, RMB16.0 million and RMB29.4 million as of December 31, 2023, 2024 and 2025, respectively. This increasing trend was in line with our increased trade and notes receivables during the Track Record Period.

Most of our trade receivables are settled within one year since their due dates. The following table sets out aging analysis of our trade receivables, based on the recognition date, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	159,558	311,804	578,438
Over 1 year but within 2 years	1,465	121	710
Over 2 years but within 3 years	—	140	121
Over 3 years	192	192	332
Total	**161,215**	**312,257**	**579,601**

The following table sets out the turnover days of our trade and notes receivables for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade and notes receivables turnover days(1)	127	173	190

Note:

(1) Trade and notes receivables turnover days for each year equals the average of the beginning and ending balance of trade and notes receivables for that year divided by revenue for the relevant year and multiplied by 365 days.

Our trade and notes receivables turnover days increased from 127 days in 2023 to 173 days in 2024, and further to 190 days in 2025, in line with the levels at our trade and notes receivables.

We provide credit terms of typically 30 to 120 days to our customers. We seek to maintain strict control over our outstanding receivables and has a credit control department to minimize credit risk. We do not hold any collateral or other credit enhancements over our trade and notes receivables balances. Trade and notes receivables are non-interest-bearing. We had not experienced any material failure to collect trade and notes receivables from our customers during the Track Record Period and up to the Latest Practicable Date. We believe that the recoverability of our trade and notes receivables is reasonably assured, and our provisions for impairment of trade and notes receivables are sufficient, primarily because (i) our management regularly reviews our trade and notes receivables balances and monitors the progress on the recoverability of our trade and notes receivables, and (ii) we communicate with our customers on a regular basis during the ordinary course of our business with respect to trade and notes receivables. Our provision policy for impairment of trade and notes receivables is based on ongoing evaluation of the recoverability and aging analysis of the outstanding trade and notes receivables and our management's prudent judgment. For details regarding the impairment of trade receivables, see Note 22 to the Accountants' Report in Appendix I to this document.

As of February 28, 2026, approximately RMB155.5 million, or 26.8% of our trade and notes receivables as of December 31, 2025, had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consisted of (i) prepayment for investment in an associate; (ii) prepayments for acquisition of long-term assets in relation to our construction projects; (iii) other receivables, including deposits and guarantees, employee advances, social security and housing fund receivable from employees; (iv) advance payments for raw materials in relation primarily to electricity; and (v) VAT recoverable. The following table sets out the balances of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayment for investment in an associate	62,000	—	—
Prepayments for acquisition of long-term assets	12,159	27,033	29,151
	74,159	27,033	29,151
Current			
Other receivables			
— Deposits and guarantees	240	242	245
— Employee advances	42	20	7
— Social security and housing fund receivable from employees	958	1,006	1,071
— Others	426	—	—
	1,666	1,268	1,323
Less: provision of impairment	(203)	(222)	(228)
	1,463	1,046	1,095
Advance payments for materials	7,943	4,025	5,058
VAT recoverable[(1)]	40,453	45,213	43,067
	49,859	50,284	49,220
Total	**124,018**	**77,317**	**78,371**

Note:

(1) Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable tax rates for domestic sales of our products are 13% and 6%.

Our prepayments, other receivables and other assets decreased from RMB124.0 million as of December 31, 2023 to RMB77.3 million as of December 31, 2024, primarily due to a decrease of RMB62.0 million in prepayment for investment in an associate as we made the capital injection in 2024. Our prepayments, other receivables and other assets remained relatively stable at RMB78.4 million as of December 31, 2025, as compared to RMB77.3 million as of December 31, 2024.

As of February 28, 2026, approximately RMB7.4 million, or 9.5% of our prepayments, other receivables and other assets as of December 31, 2025, had been settled.

Restricted Bank Deposits and Cash and Cash Equivalents

Our cash and cash equivalents are denominated in RMB, USD and EUR. The following table sets out the balance of our restricted bank deposits and cash and cash equivalents as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank depostis[(1)]	59,122	54,887	221,900
Cash and cash in bank	1,984,795	727,264	333,204
Total	**2,043,917**	**782,151**	**555,104**

Note:

(1) Restricted bank deposits include primarily wealth management products for which the purchase process has not yet been completed, and current deposits placed under pledge due to temporary account control arising from the replacement of the immovable property ownership certificates used as collateral.

Our restricted bank deposits and cash and cash equivalents decreased during the Track Record Period, primarily as a result of (i) our operating cash outflow, (ii) our purchases of land and equipment for the construction of our office buildings, R&D departments and production facilities, and (iii) our investments in financial assets comprising wealth management products, structured deposits and unlisted equity investments.

For details regarding our restricted bank deposits and cash and cash equivalents, see Notes 27 and 28 to Appendix I included in this document.

Trade Payables

Our trade payables represented primarily amounts due to suppliers for raw materials. The following table sets out a breakdown of our trade payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	97,134	106,196	194,565

Our trade payables increased from RMB97.1 million as of December 31, 2023 to RMB106.2 million as of December 31, 2024, and further to RMB194.6 million as of December 31, 2025, in line with our increased cost of sales during the Track Record Period.

The credit period granted by our suppliers generally ranges from 10 to 75 days. The following table sets out an aging analysis of our trade payables, based on the recognition date, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	93,112	95,826	191,826
Over 1 year but within 2 years	2,547	8,094	573
Over 2 years but within 3 years	469	971	433
Over 3 years	1,006	1,305	1,733
Total	**97,134**	**106,196**	**194,565**

Substantially all of our trade payables are short-term in nature, settled within one year.

The following table sets out our trade payables turnover days for the years indicated.

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days(1)	58	60	70

Note:

(1) Trade payables turnover days for each year equals the average of the beginning and ending balance of trade payables for that year divided by the cost of sales and services for the relevant year and multiplied by 365 days.

Our trade payables turnover days remained relatively stable at 58 days in 2023 and 60 days in 2024, and increased to 70 days in 2025, in line with the increase of our trade payables during the Track Record Period.

As of February 28, 2026, approximately RMB48.9 million or 25.1% of our trade payables as of December 31, 2025, had been subsequently settled.

Our Directors confirm that we had no material defaults in our trade payables during the Track Record Period and up to the Latest Practicable Date.

Notes Payables

Our notes payables represented bank acceptance notes and bills at exchange issued to our suppliers for purchase of raw materials and equipment. Our notes payables increased from RMB154.9 million as of December 31, 2023 to RMB186.3 million as of December 31, 2024, in line with our increased cost of sales and construction projects. Our notes payables decreased from RMB186.3 million as of December 31, 2024 to RMB80.5 million as of December 31, 2025, primarily due to the settlement of construction-related payables following the completion of certain projects. As of 31 December 2023, 2024 and 2025, no matured notes payables were unpaid.

Other Payables and Accruals

Our other payables and accruals consisted primarily of (i) deferred government grant income recognized over a period of time in accordance with the specified milestones of our construction projects; (ii) amount due to other investors of a fund; (iii) construction and equipment payables; (iv) employee benefits payables; (v) other tax payable; and (vi) deferred output VAT. The following table sets out our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Deferred government grant income	27,928	23,927	29,936
Amount due to other investors of a fund(1)	30,200	30,200	—
	58,128	54,127	29,936
Current			
Construction and equipment payables	163,398	173,988	162,772
Employee benefits payables	21,970	21,885	26,077
Other tax payable	3,661	4,026	6,603
Deferred output VAT	5	27	453
Others(2)	195	203	91
	189,229	200,129	195,996
Total	**247,357**	**254,256**	**225,932**

Note:

(1) The related company is the other owners of Nanyuan Fund;

(2) Others included primarily deposits on our returnable barrels.

Our other payables and accruals remained relatively stable at RMB247.4 million as of December 31, 2023, RMB254.3 million as of December 31, 2024 and RMB225.9 million as of December 31, 2025.

As of February 28, 2026, approximately RMB79.4 million, or 35.1% of our other payables and accruals as of December 31, 2025, had been settled.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

The following table sets out our financial assets at FVTPL as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank WMPs and structured deposits[1]	80,000	917,438	554,642
Non-current			
Unlisted equity investments	—	5,000	20,000
Total	**80,000**	**922,438**	**574,642**

Note:

(1) The bank wealth management products ("**WMPs**") and structured deposits are mainly managed by licensed financial institutions in the PRC. They are classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Our financial assets at FVTPL increased from RMB80.0 million as of December 31, 2023 to RMB922.4 million as of December 31, 2024, primarily due to our additional purchases of RMB837.4 million in bank wealth management products and structured deposits. Our financial assets at FVTPL decreased from RMB922.4 million as of December 31, 2024 to RMB574.6 million as of December 31, 2025, primarily due to a decrease of RMB362.8 million in bank wealth management products and structured deposits, as offset by an increase of RMB15.0 million in private equity investments in Hubei Gehua.

Financial Assets at fair value through other comprehensive income (FVOCI)

Our financial assets at FVTOCI represented unmatured and untransferred bank acceptance notes issued by our customers for purchase of our products credited by certain prestigious banks in China. The following table sets out our financial assets at FVTOCI as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Notes receivables measured at FVTOCI	187,478	52,669	46,242
Total	**187,478**	**52,669**	**46,242**

Our financial assets at FVTOCI decreased from RMB187.5 million as of December 31, 2023 to RMB52.7 million as of December 31, 2024, and further to RMB46.2 million as of December 31, 2025, primarily because an increasing portion of our sales were settled with bills of exchange instead of bank acceptance notes issued by prestigious banks during the Track Record Period.

NET CURRENT ASSETS

The following table sets out our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	107,542	87,071	110,566	125,950
Trade and notes receivables	167,819	310,588	592,803	668,170
Prepayments, other receivables and other assets	49,859	50,284	49,220	58,481
Amounts due from related parties	—	2,291	—	—
Prepaid income tax	2,183	—	—	—
Financial assets at fair value through profit or loss ("**FVTPL**")	80,000	917,438	554,642	573,579
Financial assets at FVTOCI	187,478	52,669	46,242	94,750
Restricted bank deposits	59,122	54,887	221,900	126,136
Cash and cash equivalents	1,984,795	727,264	333,204	284,981
Total current assets	**2,638,798**	**2,202,492**	**1,908,577**	**1,932,047**
Current liabilities				
Trade payables	97,134	106,196	194,565	191,232
Notes payables	154,863	186,342	80,498	209,430
Contract liabilities	38	205	4,078	8,113
Other payables and accruals	189,229	200,129	195,996	118,016
Amounts due to related parties	720	977	1,830	—
Borrowings	4,297	6,087	15,748	18,248
Lease liabilities	733	220	159	159
Income tax payable	2	2	2	2
Total current liabilities	**447,016**	**500,158**	**492,876**	**545,782**
Net current asset	**2,191,782**	**1,702,334**	**1,415,701**	**1,386,500**

We had net current assets of RMB1,386.5 million as of February 28, 2026, consisting of total current assets of RMB1,932.0 million and total current liabilities of RMB545.5 million, which represented a decrease of RMB29.2 million from our net current assets of RMB1,415.7 million as of December 31, 2025. This decrease was primarily due to (i) a decrease of RMB144.0 million in restricted bank deposits and cash and cash equivalents; and (ii) an increase of RMB128.9 million in notes payables, as partially offset by (i) an increase of RMB15.4 million in inventories; (ii) an increase of RMB75.4 million in trade and notes receivables; (iii) an increase of RMB18.9 million in financial assets at FVTPL; (iv) an increase of RMB48.5 million in financial assets at FVTOCI; and (v) a decrease of RMB78.0 million in other payables and accruals.

We had net current assets of RMB1,415.7 million as of December 31, 2025, consisting of total current assets of RMB1,908.6 million and total current liabilities of RMB492.9 million, which represented a decrease of RMB286.6 million from our net current assets of RMB1,702.3 million as of December 31, 2024. This decrease was primarily due to (i) a decrease of RMB362.8 million in financial assets at FVTPL; (ii) a decrease of RMB227.0 million in restricted bank deposits and cash and cash equivalents; and (iii) an increase of RMB88.4 million in trade payables. This was partially offset by (i) an increase of RMB23.5 million in inventories; (ii) an increase of RMB282.2 million in trade and notes receivables; and (iii) a decrease of RMB105.8 million in notes payables. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

We had net current assets of RMB1,702.3 million as of December 31, 2024, consisting of total current assets of RMB2,202.5 million and total current liabilities of RMB500.2 million, which represented a decrease of RMB489.4 million from our net current assets of RMB2,191.8 million as of December 31, 2023. This decrease was primarily due to (i) a decrease of RMB20.5 million in inventories; (ii) a decrease of RMB134.8 million in financial assets at FVTOCI; (iii) a decrease of RMB1,257.5 million in cash and cash equivalents; (iv) an increase of RMB31.5 million in notes payables; and (v) an increase of RMB10.9 million in other payables and accruals. This was partially offset by (i) an increase of RMB142.8 million in trade and notes receivables; and (ii) an increase of RMB837.4 million in financial assets at FVTPL. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

We had net current assets of RMB2,191.8 million as of December 31, 2023, consisting of total current assets of RMB2,638.8 million and total current liabilities of RMB447.0 million.

Working Capital Sufficiency

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations, bank and other borrowings and capital injection from shareholders.

Taking into account the financial resources available to us, including cash flow from operating activities, unutilized bank 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 requirements for the next 12 months from the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and strategic expansion require significant capital to fund working capital and capital expenditures. Historically, we have financed our operations and growth primarily through cash generated from operations, bank borrowings and capital injections from investors. As of December 31, 2023, 2024 and 2025, we had cash and bank balances comprising cash and cash equivalents and restricted bank deposits of RMB2,043.9 million, RMB782.2 million and RMB555.1 million, respectively.

Cash Flows

The following table sets out a summary of our cash flows during the Track Record Period.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash outflows from operating activities	(134,894)	(110,657)	(257,450)
Net cash outflows from investing activities	(466,383)	(1,154,187)	(216,389)
Net cash (outflows)/inflows from financing activities	(27,396)	5,572	82,436
Net decrease in cash and cash equivalents	**(628,673)**	**(1,259,272)**	**(391,403)**
Cash and cash equivalents at beginning of year	2,611,839	1,984,795	727,264
Effect of foreign exchange rate changes, net	1,629	1,741	(2,657)
Cash and cash equivalents at end of the year	1,984,795	727,264	333,204

Operating Activities

Cash flows from our operating activities are derived from loss before tax, adjusted for non-cash or non-operating related items, including primarily net gain on financial assets, depreciation and impairment of property, plant and equipment, share of profits of associates, write-down of inventories to net realizable value, among others.

Our net cash outflow used in operating activities was RMB257.5 million in 2025. This net cash outflow was primarily due to (i) loss before tax of RMB6.2 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and impairment of property, plant and equipment of RMB148.7 million, share of losses of associates of RMB17.9 million, net gain on financial assets of RMB96.0 million and provision for trade receivables and other receivables of RMB13.4 million; (ii) an increase of RMB403.3 million in trade and notes receivables; and (iii) an increase of RMB27.2 million in inventories, as partially offset by (i) an increase of RMB13.8 million in trade and notes payables; (ii) an increase of RMB26.7 million in other payables and accruals; and (iii) a decrease of RMB25.4 million in restricted bank deposits. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

Our net cash outflow used in operating activities was RMB110.7 million in 2024. This net cash outflow was primarily due to (i) loss before tax of RMB219.7 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and impairment of property, plant and equipment of RMB128.7 million, written down of inventories to net realizable value of RMB17.8 million, and net gain on financial assets of RMB35.4 million; and (ii) an increase of RMB82.3 million in trade and notes receivables, as partially offset by (i) an increase of RMB26.7 million in trade and notes payables; and (ii) an increase of RMB30.8 million in other payables and accruals. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

Our net cash outflow used in operating activities was RMB134.9 million in 2023. This net cash outflow was primarily due to (i) loss before tax of RMB39.2 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and impairment of property, plant and equipment of RMB82.1 million, written down of inventories to net realizable value of RMB24.6 million, and net gain on financial assets of RMB41.4 million; (ii) an increase of RMB197.4 million in trade and notes receivables; (iii) an increase of RMB53.9 million in inventories; (iv) a decrease of RMB91.3 million in trade and notes payables; and (v) an increase of RMB23.5 million in prepayments, other receivables and other assets, as partially set off by (i) a decrease of RMB171.3

million in restricted bank deposits; and (ii) an increase of RMB40.8 million in other payables and accruals. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

Investing Activities

Our net cash used in investing activities primarily reflected our capital expenditures for the purchase and disposal of property, plant and equipment, intangible assets and other non-current assets, purchase and disposal of financial assets at FVTPL, receipt of debt and other investments, and deposit and withdrawal of wealth management products and time deposits.

Our net cash outflow used in investing activities was RMB216.4 million in 2025, primarily due to (i) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB350.4 million in relation to the construction of our production facilities in Jiangyin City, Jiangsu Province; (ii) payment of bank wealth management products of RMB3,224.7 million; (iii) payment for acquisition of associates of RMB31.9 million; (iv) payments for acquisition of financial assets at FVTPL of RMB23.0 million; (v) prepaid investment in bank wealth management products of RMB138.0 million; and (vi) net cash outflows on deemed disposal of subsidiary of RMB41.0 million, as partially offset by (i) receipt of bank wealth management products of RMB3,570.6 million; and (ii) proceeds from sale of financial assets at FVTPL of RMB19.5 million.

Our net cash outflow used in investing activities was RMB1,154.2 million in 2024, primarily due to (i) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB307.7 million in relation to the construction of our production facilities in Yunmeng County, Hubei Province; (ii) payment of bank wealth management products of RMB5,703.0 million; and (iii) payment for acquisition of associates of RMB40.0 million, as partially offset by (i) receipt of bank wealth management products of RMB4,866.2 million; and (ii) proceeds from sale of financial assets FVTPL of RMB35.4 million.

Our net cash outflow used in investing activities was RMB466.4 million in 2023, primarily due to (i) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB363.8 million in relation to the construction of our production facilities in Zhangjiagnag City, Jiangsu Province; (ii) payment of bank wealth management products of RMB7,496.0 million; and (iii) prepayment of investment in associates of RMB62.0 million, as partially offset by (i) receipt of bank wealth management products of RMB7,416.0 million; and (ii) proceeds from sale of financial assets FVTPL of RMB40.8 million.

Financing Activities

Our financing activities primarily related to capital contribution, bank borrowings, interest paid, and dividends paid, to shareholders.

Our net cash inflow from financing activities was RMB82.4 million in 2025, primarily due to (i) proceeds from new borrowings of RMB180.3 million in relation to our construction projects and loans for share repurchase; and (ii) contribution from other partners arising from the establishment of the industrial fund of RMB29.8 million, as partially offset by (i) interest paid of RMB10.2 million; (ii) placement of pledged/restricted bank deposits of RMB56.0 million due to temporary [REDACTED] control arising from the replacement of the immovable property ownership certificates used as collateral; and (iii) purchase of shares of RMB70.0 million for share-based compensation under our employee equity incentive plans.

Our net cash inflow from financing activities was RMB5.6 million in 2024, primarily due to (i) contribution from non-controlling interests of RMB48.5 million; (ii) proceeds from new borrowings of RMB52.0 million in support of our business operations, as partially offset by (i) dividends paid of RMB47.3 million; and (ii) purchase of shares of RMB40.3 million for share-based compensation under our employee equity incentive plans.

Our net cash outflow from financing activities was RMB27.4 million in 2023, primarily due to (i) dividends paid of RMB110.0 million; and (ii) purchase of shares of RMB10.0 million for share-based compensation under our employee equity incentive plans, as partially set off by (i) contributions from non-controlling interests of RMB15.9 million; (ii) proceeds from new borrowings of RMB52.5 million in support of our business operations; and (iii) contribution from other partners arising from the establishment of the industrial fund of RMB30.2 million in relation to Nanyuan Fund.

INDEBTEDNESS

During the Track Record Period, our indebtedness primarily consisted of bank borrowings and lease liabilities. The following table sets out 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				
Bank borrowings — secured	720	5,850	14,925	17,131
Bank borrowings — unsecured	3,440	—	500	500
Interest payable	137	237	323	851
Lease liabilities	733	220	159	159
Subtotal	5,030	6,307	15,907	18,641
Non-current				
Bank borrowings — secured	123,100	169,250	288,643	286,437
Bank borrowings — unsecured	—	—	44,500	44,500
Lease liabilities	468	—	164	166
Subtotal	123,568	169,250	333,307	331,103
Total	**128,598**	**175,557**	**349,214**	**349,744**

Our bank borrowings during the Track Record Period were denominated in Renminbi and were used to finance our capital expenditure and working capital requirements. As of December 31, 2023, the annual interest rates of short-term bank borrowings was 3.10%. As of December 31, 2023, 2024 and 2025, the annual interest rates of long-term bank borrowings ranged from 2.50% to 4.05%, 2.50% to 3.90%, and 1.98% to 2.65%, respectively. See Note 33 to the Accountants' Report included in Appendix I to this document.

Our borrowings increased from RMB127.4 million as of December 31, 2023 to RMB175.3 million as of December 31, 2024, and further to RMB348.9 million as of December 31, 2025. This increasing trend during the Track Record Period was primarily in relation to our increased construction projects for our office buildings and production facilities as well as purchase of shares from market for our employee equity incentive scheme.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there has been no material change in our indebtedness position since February 28, 2026, being the latest practicable date for the purpose of the indebtedness statement, and up to the date of this document. As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing.

As of February 28, 2026, we had unutilized credit facilities of RMB59.5 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining bank loans and other borrowings. We had no default in repayment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily consisted of expenditures on property, plant and equipment.

We expect to incur capital expenditure in terms of property, plant and equipment. See "Future Plans and [REDACTED]". We intend to fund our planned capital expenditures through a combination of the [REDACTED] from the [REDACTED], cash generated from operating activities, and bank borrowings. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business in the future.

CAPITAL COMMITMENTS

During the Track Record Period, we had no material capital commitments contracted but not provided for.

CONTINGENT LIABILITIES

As of December 31, 2025, we did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, guarantees or other material contingent liabilities.

RELATED PARTY TRANSACTIONS

We had certain transactions with the related parties during the Track Record Period, details of which are set out in Note 40 to the Accountants' Report set out in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary course of business and on an arm's length basis, and did not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as of the dates and for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	%	%	%
Profitability ratio			
Gross profit/(loss) margin(1)	6.6	(22.9)	9.7
Net profit/(loss) margin(2)	(6.5)	(37.3)	(0.3)
Return on equity(3)	(0.6)	(4.9)	0.4
Return on assets(4)	(0.8)	(4.3)	(0.1)

	As of/Year ended December 31,		
	2023	2024	2025
Liquidity ratios			
Current ratio(5)	5.9	4.4	3.9
Quick ratio(6)	5.7	4.2	3.6
Capital adequacy ratio			
Gearing ratio (%)(7)	3.4	4.9	9.9

Notes:

(1) Gross profit/(loss) margin is calculated based on gross profit/(loss) divided by revenue and multiplied by 100%.

(2) Net profit/(loss) margin is calculated based on profit/(loss) for the year divided by revenue and multiplied by 100%.

(3) Return on equity is calculated based on profit/(loss) for the year attributable to the owners of the Company divided by the arithmetic mean of the opening and closing balances of equity attributable to owners of the company and multiplied by 100%.

(4) Return on assets is calculated based on profit/(loss) for the year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(5) Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the corresponding period.

(6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the end of the corresponding period.

(7) Gearing ratio is calculated based on our total debt (consisting of interest-bearing bank borrowings and lease liabilities) as of the end of each period divided by the ending balance of total equity as of the same date.

FINANCIAL RISKS

Our activities expose us to a variety of financial risks: foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk. Our overall risk management seeks a balance between risk and return, minimizes the adverse impact of risk on our financial performance and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of our risk management is to identify and analyze the various risks faced by us, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range. For further details, see Note 43 to the Accountants' Report in Appendix I to this document.

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We are primarily exposed to changes in USD and EUR exchange rates. As of December 31, 2023, 2024 and 2025, our major monetary assets and liabilities net exposure to foreign currency risk are RMB128.4 million and RMB11.4 million as of December 31, 2023, RMB186.5 million and RMB13.3 million as of December 31, 2024, and RMB222.1 million and RMB15.4 million as of December 31, 2025, respectively.

Price risk

We are exposed to equity price risk mainly arising from investments held by us that are classified as either FVTPL or FVTOCI. To manage its price risk arising from the investments, we diversify our investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing our liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Interest rate risk

Our interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk. Borrowings issued at fixed rates, and lease liabilities bearing fixed rates expose us to fair value interest rate risk.

We have been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings at variable rates, which will further impact our performance.

The interest rate profiles of our variables interest-bearing financial instruments as of December 31, 2023, 2024 and 2025 are RMB123.1 million, RMB169.3 million and RMB333.1 million, respectively. If interest rates of floating rate instruments had been 100 basis points higher/lower with all other variables held constant, the profit before income tax would have been lower/higher by RMB1.2 million, RMB1.7 million and RMB3.3 million as of December 31, 2023, 2024 and 2025, respectively.

Credit risk

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

Our maximum exposure to credit risk is represented by cash and cash equivalents, restricted bank deposits, trade and notes receivables at amortized cost and at FVTOCI, other receivables. See Note 43 to the Accountant's Report in Appendix I to this document. We do not hold any collateral or other credit enhancements to cover its credit risks associated with our financial assets.

Our concentration of credit risk by geographical locations is mainly in the PRC. As of December 31, 2023, 2024 and 2025, trade receivables in respect of sales within the PRC reported by the Group accounted for 91.76%, 96.36% and 97.96% of the total trade receivables, respectively. We have a concentration of credit risk. As of December 31, 2023, 2024 and 2025, trade receivables due from our largest single customer accounted for 53.60%, 44.60% and 37.77% of the total trade receivables, respectively. As of December 31, 2023, December 31, 2024 and December 31, 2025, trade receivables due from the our five largest customers accounted for 83.70%, 85.90% and 84.38% of the total trade receivables, respectively. In addition, there is a concentration of credit risk on bank balances, pledged bank deposits and term deposits which are deposited with several authorized banks in the PRC. Other than the above, we do not have any other significant concentration of credit risk.

As of December 31, 2023, 2024 and 2025, we have no credit risk other than financial assets whose carrying amounts best represent the maximum exposure to credit risk.

Liquidity risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of our underlying businesses, we maintain flexibility in funding by maintaining adequate balances of such. For further details, see Note 43 to the Accountants' Report in Appendix I to this document.

Capital management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. We set the amount of capital in proportion to risk. We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the subject assets. In order to maintain or adjust the capital structure, we may adjust the amounts of dividends paid to the shareholders or return capital to the shareholders. We are not subject to any external capital requirements. During the Track Record Period, there were no changes in capital management objectives, policies or procedures. For further details, see Note 43 to the Accountant's Report in Appendix I to this document

DIVIDENDS

We are incorporated under the laws of the PRC. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. We do not currently have a formal dividend policy.

Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. We may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisors, our PRC companies cannot pay dividends if such companies are in an accumulated loss position.

We declared and paid dividends of RMB110.0 million, RMB47.3 million and nil in 2023, 2024 and 2025, respectively. For further details, see Note 12 to the Accountants' Report in Appendix I to this document. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Subject to our constitutional documents, our Directors are entitled to propose dividend distributions to the shareholders' meeting, which shall have the final discretion to determine whether to implement such distributions. We cannot assure you that we will be able to declare dividends of any amount each year or in any year.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained earnings of RMB375.0 million available for distribution to our Shareholders.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and fees incurred in connection with the [REDACTED] and the [REDACTED]. We did not incur [REDACTED] during the Track Record Period and expect to incur [REDACTED] of approximately HK$[REDACTED] million (including [REDACTED]) accounting for [REDACTED]% of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK$[REDACTED] per Share, being the [REDACTED] of the [REDACTED] range stated in this document, and no exercise of the [REDACTED]), consisting of (i) approximately HK$[REDACTED] million [REDACTED]-related expenses, (ii) approximately HK$[REDACTED] million [REDACTED]-related expenses and fees of the legal advisors and reporting accountant, and (iii) approximately HK$[REDACTED] million for other [REDACTED]-related expenses and fees. Among our [REDACTED], approximately HK$[REDACTED] million is directly attributable to the issuance of Shares and will be charged to equity upon completion of the [REDACTED]. The [REDACTED] above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such expenses to materially impact our results of operations.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the Latest Practicable Date, (i) there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees, prospects, the industry where we operate, our market or regulatory environment to which we are subject since December 31, 2025, being the date of the latest consolidated financial position of our Group as set out in the Accountants' Report in Appendix I to this document; and (ii) there has been no event since December 31, 2025 that would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.