
FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in “Appendix I — Accountants’ Report,” together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors” and “Forward-Looking Statements” and elsewhere in this document. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.

OVERVIEW

We are a mineral processing reagent solutions provider serving both domestic and international markets, principally engaged in the R&D, production and sale of flotation reagents, including collectors, modifiers and frothers. Our products primarily serve precious metal and non-ferrous metal mining operations, providing high-efficiency, low-toxicity reagent formulations and lime-free flotation processes that enhance concentrate recovery rates while reducing hazardous waste generation. According to Frost & Sullivan, we ranked second among PRC-based flotation reagents companies by revenue attributable to sales of flotation reagent products in the PRC in 2024, with a market share of 1.05%, and ranked first among PRC-based xanthates companies by revenue attributable to sales of xanthate products in the PRC in 2024, with a market share of 15.57%.

Our revenue grew 12.9% from RMB229.6 million in 2023 to RMB259.2 million in 2024, and further grew by 24.9% to RMB323.7 million in 2025. Our net profit increased by 12.3% from RMB44.0 million in 2023 to RMB49.4 million in 2024 and further increased by 34.7% to RMB66.6 million in 2025.

BASIS OF PREPARATION

The historical financial information (“**Historical Financial Information**”) of our Group has been prepared based on accounting policies that conform with IFRS Accounting Standards as issued by International Accounting Standards Board (“**IASB**”). For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Listing Rules and by the Companies Ordinance. For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, our Group has consistently applied the IFRS Accounting Standards issued by the IASB, which are effective for the accounting period beginning on January 1, 2025 throughout the Track Record Period.

The Historical Financial Information has been prepared on historical cost basis, except for certain financial instruments that are measured at fair values at the end of each year comprising the Track Record Period.

FINANCIAL INFORMATION

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

Industry Trends and Downstream Demand for Our Products

Our results of operations are significantly influenced by the overall market conditions of the flotation reagents industry, which is driven by demand from the global mining sector. Demand for our products is primarily driven by sustained mining production and capacity expansion, as flotation reagents are essential consumables linked to mineral throughput volumes. Additionally, declining global ore grades and increasing ore complexity are pushing mining enterprises to seek high-performance and customized flotation solutions to improve recovery rates. Stringent environmental regulations further consolidate the market toward established players with strong compliance capabilities and technical expertise. We believe we are well-positioned to capitalize on these trends through our comprehensive product portfolio, R&D capabilities, and deep customer relationships. Any significant downturn in the mining industry could materially and adversely affect our business and results of operations.

Relationship with Existing Customers and Ability to Attract New Customers

Our revenue growth and profitability largely depend on maintaining and deepening relationships with existing customers while expanding our customer base. We employ a distinctive “technical marketing” approach, where our technically trained sales personnel engages with customers to understand their operational challenges, enabling us to develop products that directly address market needs. This approach has fostered strong, long-term customer relationships. In 2023, 2024 and 2025, revenue from our five largest customers accounted for 21.6%, 19.5% and 17.5% of total revenue, respectively. Our future growth depends on our ability to maintain relationships with key customers, expand our customer base both domestically and internationally, increase direct sales penetration, and continue providing value-added technical support. Any deterioration in major customer relationships or failure to attract new customers could materially and adversely affect our revenue and profitability.

Research and Development

The flotation reagents industry requires continuous technological advancement to address evolving customer requirements and increasing ore complexity. Our R&D focuses on “one mine, one reagent” customization, developing proprietary technologies including low-alkalinity lime-free flotation and novel collectors that improve recovery rates, and creating environmentally friendly alternatives to traditional reagents. Our research and development expenses amounted to RMB6.8 million, RMB5.4 million and RMB4.3 million in 2023, 2024 and 2025, respectively. Our future success depends on our continued ability to innovate and protect our intellectual property. Failure to do so could materially and adversely affect our competitive position.

FINANCIAL INFORMATION

Fluctuations in Raw Material Costs

Our raw materials primarily consist of carbon disulfide, 1-butanol, sodium hydroxide and diphosphorus pentasulfide. Their prices are subject to volatility driven by global supply and demand dynamics, energy costs, upstream chemical prices and regulatory factors. Purchase and changes in inventories accounted for 90.7%, 90.5% and 91.6% of total cost of sales in 2023, 2024 and 2025, respectively. We manage raw material price risks through procurement optimization, obtaining multiple quotations and annual framework agreements with price adjustment clauses. While we generally adjust product prices to reflect raw material cost changes through our cost-plus pricing mechanism, timing lags and competitive pressures may limit our ability to fully pass on cost increases. Significant sustained increases in raw material prices could materially and adversely affect our gross profit margins and profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of purchase and changes in inventories on our gross profit during the Track Record Period, assuming all other variables remained constant. The hypothetical fluctuation rates are set by reference to the general range of changes in purchase and changes in inventories that our Group experienced during the Track Record Period.

	Effect on gross profit		
	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in purchase and changes in inventories			
+/-5%	-/+7,444	-/+8,457	-/+10,417
+/-10%	-/+14,999	-/+16,913	-/+20,835
+/-15%	-/+22,331	-/+25,370	-/+31,252

Foreign Exchange Fluctuations and Cross-Border Cost Variability

While the PRC has been our major targeted geographical market, throughout the Track Record Period, we also generated revenue from sales overseas markets. In 2023, 2024 and 2025, our overseas sales accounted for 18.7%, 19.6% and 19.8% of our revenue, respectively. During the Track Record Period, certain overseas sales transactions of our Group were denominated in U.S. dollars. Any change in the RMB exchange rate against U.S. dollars could materially affect our overseas sales and operations.

FINANCIAL INFORMATION

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions that we use and the judgments that we make in applying our accounting policies have a significant impact on our financial condition and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

For details on our material accounting policies, estimates and judgments, which are important for understanding our financial condition and results of operations, see notes 4 and 5 to the Accountants’ Report as set out in Appendix I.

SUMMARY OF RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

The following table sets forth a summary of our consolidated results of operations for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	229,586	259,214	323,728
Cost of sales	(164,094)	(186,963)	(227,420)
Gross profit.	65,492	72,251	96,308
Other income	4,876	2,704	2,748
Other gains and losses, net.	(117)	(178)	(785)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	759	7	181
Selling and distribution costs	(3,240)	(2,574)	(2,979)
Administrative and other operating expenses	(9,962)	(8,582)	(9,496)
Research and development expenses	(6,828)	(5,395)	(4,293)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(79)	(137)	(79)
Profit before tax	(50,901)	58,096	77,628
Income tax expense	(6,912)	(8,672)	(11,032)
Profit and total comprehensive income for the year	<u>43,989</u>	<u>49,424</u>	<u>66,596</u>

FINANCIAL INFORMATION

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company	43,989	49,395	66,416
Non-controlling interests	–	29	180
	<u>43,989</u>	<u>49,395</u>	<u>66,416</u>
Profit and total comprehensive income for the year	<u>43,989</u>	<u>49,424</u>	<u>66,596</u>

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated the substantial majority of our revenue from sales of flotation reagents-related products, mainly including collectors, modifiers, frothers and other reagents. We experienced continuous revenue growth during the Track Record Period. Our revenue increased by 12.9% from RMB229.6 million in 2023 to RMB259.2 million in 2024, and further increased by 24.9% to RMB323.7 million in 2025. Such growth was mainly driven by increased demand resulting from the rising market conditions for non-ferrous metals.

Revenue by business line

The following table sets forth a breakdown of our revenue by types of goods or services for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales of flotation reagents-related products:						
Collectors	189,497	82.5	213,390	82.3	258,764	79.9
Modifiers	23,108	10.1	29,676	11.4	39,548	12.2
Frothers	12,569	5.5	11,717	4.5	19,889	6.1
Other reagents	3,829	1.7	4,145	1.6	4,364	1.3
	<u>229,003</u>	<u>99.7</u>	<u>258,928</u>	<u>99.9</u>	<u>322,565</u>	<u>99.6</u>
Service fees	583	0.3	286	0.1	1,163	0.4
	<u>229,586</u>	<u>100.0</u>	<u>259,214</u>	<u>100.0</u>	<u>323,728</u>	<u>100.0</u>
Total	<u>229,586</u>	<u>100.0</u>	<u>259,214</u>	<u>100.0</u>	<u>323,728</u>	<u>100.0</u>

FINANCIAL INFORMATION

During the Track Record Period, collectors formed the predominant portion of our product offerings. Revenue from collectors amounted to RMB189.5 million, RMB213.4 million and RMB258.8 million in 2023, 2024 and 2025, respectively, accounting for 82.5%, 82.3% and 79.9% of revenue for the respective periods.

Modifiers represented a complementary product line, which was used alongside collectors to regulate the chemical conditions of the flotation process. Revenue from modifiers amounted to RMB23.1 million, RMB29.7 million and RMB39.5 million in 2023, 2024 and 2025, respectively, accounting for 10.1%, 11.4% and 12.2% of revenue for the respective periods. The sales of modifiers were closely tied to that of collectors, as modifier was a complementary product frequently purchased in combination with the collectors to meet customers' integrated flotation process requirements.

Frothers were used to generate stable bubbles for mineral attachment in the flotation process. Revenue from frothers amounted to RMB12.6 million, RMB11.7 million and RMB19.9 million in 2023, 2024 and 2025, respectively, accounting for 5.5%, 4.5% and 6.1% of revenue for the respective periods. The slight decline in 2024 was mainly due to the industry's green mining transition. Revenue from frothers increased in 2025, primarily due to an increase in revenue from overseas customers.

Other reagents primarily comprise ammonium sulfide, which is obtained as a byproduct of our dithiophosphate collector production process. Revenue from other reagents amounted to RMB3.8 million, RMB4.1 million and RMB4.4 million in 2023, 2024 and 2025, respectively, accounting for 1.7%, 1.6% and 1.3% of revenue for the respective periods.

To a substantially lesser extent we generated revenue from the provision of comprehensive technical support services to guide some customers in optimizing the use of our products. Revenue from service fees amounted to RMB583,000, RMB286,000 and RMB1.2 million in 2023, 2024 and 2025, respectively. The significant increase in 2025 was primarily due to the provision of technical support services to certain customer in 2025 with relatively higher contract value.

FINANCIAL INFORMATION

Key operating data

The following table sets forth the sales volume and average selling prices of our major flotation reagents-related products for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Sales	Average	Sales	Average	Sales	Average
	volume	selling	volume	selling	volume	selling
	price per		price per		price per	
	ton		ton		ton	
	RMB		RMB		RMB	
Collectors	19,416	9,760	22,406	9,524	26,325	9,830
Modifiers	4,696	4,921	5,485	5,410	7,319	5,403
Frothers	1,687	7,451	1,488	7,874	2,454	8,104
Other reagents	1,890	2,026	2,096	1,977	3,487	1,252

During the Track Record Period, the sales volume of most of our products showed an upward trend driven by growing market demand. The average selling price of collectors fluctuated during the Track Record Period, primarily due to changes in product mix. The average selling prices of collectors decreased in 2024 as the proportion of revenue from collectors with relatively lower prices increased in 2024. The average selling prices of modifiers and frothers were generally affected by the procurement costs of inventories following prevailing market prices. The decrease in average selling price of other reagents during the Track Record Period was primarily because we sold ammonium sulfide, a by-product of our collectors, at a favorable price to optimize inventory management and facilitate the production of our main products.

Revenue by geographic location

The following table sets forth a breakdown of our revenue by geographic locations for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
PRC	186,738	81.3	208,342	80.4	259,591	80.2
Overseas	42,848	18.7	50,872	19.6	64,137	19.8
Total	229,586	100.0	259,214	100.0	323,728	100.0

The majority of our revenue was generated from the PRC, and both our domestic and overseas revenue grew continuously during the Track Record Period. Overseas sales accounted for 18.7%, 19.6% and 19.8% of revenue in 2023, 2024 and 2025, respectively, driven by the increase in orders placed by overseas customers.

FINANCIAL INFORMATION

Revenue by sales channel

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct customers	139,917	60.9	176,176	68.0	194,927	60.2
Trading partners	89,669	39.1	83,038	32.0	128,801	39.8
Total	229,586	100.0	259,214	100.0	323,728	100.0

We have two main categories of customers: (i) direct customers who are generally end users of our products including domestic and overseas non-ferrous metal mining companies, and (ii) trading partners who are generally trading companies in the mineral processing reagent industry. Revenue from direct customers as a percentage of total revenue increased in 2024, primarily due to our sales strategy to expand direct engagement with end-user mining companies. Revenue from trading partners as a percentage of total revenue increased in 2025, primarily driven by increase in sales to overseas market through trading partners.

Cost of Sales

Our cost of sales primarily consists of (i) purchase and changes in inventories, (ii) freight charges, (iii) pollution discharge fees, (iv) depreciation and amortization, (v) work safety expenses, and (vi) tax and surcharges. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Purchase and changes in inventories	148,876	90.7	169,131	90.5	208,347	91.6
Freight charges	12,852	7.8	15,338	8.2	16,998	7.4
Pollution discharge fees	4	0.0	699	0.4	122	0.1
Depreciation and amortization	352	0.2	377	0.2	378	0.2
Work safety expenses	569	0.3	440	0.2	493	0.2
Tax and surcharges	1,441	0.9	978	0.5	1,083	0.5
Total	164,094	100.0	186,963	100.0	227,420	100.0

FINANCIAL INFORMATION

Our purchase and changes in inventories amounted to RMB148.9 million, RMB169.1 million, and RMB208.3 million in 2023, 2024 and 2025, respectively, representing 64.9%, 65.3%, and 64.6% of our revenue for the respective periods. The increase in our cost of sales was primarily due to the increased purchase and changes in inventories in line with growing sales volume during the Track Record Period.

Gross Profit

Our gross profit amounted to RMB65.5 million, RMB72.3 million and RMB96.3 million in 2023, 2024 and 2025, respectively. Our gross profit margin, calculated as gross profit divided by total revenue, amounted to 28.5%, 27.9% and 29.7% for the respective periods.

The following table sets forth a breakdown of our gross profit and gross profit margin by business lines for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sales of flotation reagents-related products:						
Collectors.	53,492	28.2	60,416	28.3	79,542	30.7
Modifiers	6,596	28.5	6,587	22.2	9,806	24.8
Frothers.	3,025	24.1	2,909	24.8	5,065	25.5
Other reagents	1,952	51.1	2,257	54.5	1,505	34.5
Services fees	426	73.1	83	29.0	389	33.5
Total	65,492	28.5	72,251	27.9	96,308	29.7

Our overall gross profit margin remained relatively stable in 2023 and 2024, and then increased slightly to 29.7% in 2025. This improvement was primarily attributable to the increase in gross profit margin of collectors from 28.3% in 2024 to 30.7% in 2025 due to (i) our cost control initiatives such as prepayments to suppliers in exchange of favorable purchase prices and (ii) increased in revenue from certain high-margin collectors. Modifiers are supporting products primarily sourced from external suppliers and cover a wide variety of product sub-categories. The gross profit margin of modifiers decreased in 2024, primarily due to a change in product mix. By enhancing our market price forecasting capabilities and refining procurement management, we achieved an increase in gross profit margin of modifiers in 2025. Gross profit margin of other reagents decreased significantly in 2025 primarily because we sold the inventory of ammonium sulfide, a by-product of our collectors, at a favorable price to optimize inventory management and facilitate the production of our main products.

FINANCIAL INFORMATION

Other Income

Other income primarily consist of (i) interest income of bank deposit, (ii) investment income from loans provided to related parties, (iii) interest income of wealth management product and (iv) government subsidies and VAT additional deduction. Government subsidies recognized in profit and loss are various unconditional subsidies received from the PRC government authorities. Other income amounted to RMB4.9 million, RMB2.7 million and RMB2.7 million in 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our other income for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income of bank deposit	35	43	119
Interest income from loans provided to related parties	637	349	312
Interest income of wealth management product	301	274	494
Government subsidies and VAT additional deduction ^(Note)	3,903	2,038	1,823
Total	4,876	2,704	2,748

Note: The amount mainly represents various subsidies received from the PRC government authorities. Unconditional government grants are recognized in profit and loss when received.

Other Gains and Losses, Net

Other gains and losses, net primarily consist of (i) exchange gain, net (ii) loss on disposal of property, plant and equipment and (iii) loss or gain from changes in fair value of financial assets at fair value through profit or loss (“FVTPL”). We recorded other net losses of RMB117,000, RMB178,000 and RMB785,000 in 2023, 2024 and 2025, respectively. For details, see note 8 to the Accountants’ Report as set out in Appendix I.

Impairment Losses under ECL Model, Net of Reversal

Impairment losses under ECL model, net of reversal represent the provision for impairment losses on our trade receivables. We recorded reversal of impairment losses under ECL model of RMB759,000, RMB7,000 and RMB181,000 in 2023, 2024 and 2025, respectively.

FINANCIAL INFORMATION

Selling and Distribution Costs

Our selling and distribution costs primarily consist of (i) employee salaries, (ii) storage expenses, (iii) business development expenses and (iv) travel expenses. The following table sets forth a breakdown of selling and distribution costs for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee salaries	2,465	1,893	2,403
Storage expenses	123	162	139
Business development expenses	253	334	200
Travel expenses	308	154	118
Others	91	31	119
Total	3,240	2,574	2,979

Our selling and distribution costs amounted to RMB3.2 million, RMB2.6 million and RMB3.0 million in 2023, 2024 and 2025, respectively, representing 1.4%, 1.0% and 0.9% of our revenue for the respective periods.

Administrative and Other Operating Expenses

Our administrative and other operating expenses primarily consist of (i) employee salaries and expenses, (ii) business entertainment expenses, (iii) professional service fee, (iv) environmental protection expenses in connection with our environment improvement measures, (v) depreciation and amortization, (vi) operating tax expenses and (vii) travel expenses. The following table sets forth a breakdown of administrative expenses for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee salaries and expenses	5,009	4,667	5,067
Business entertainment expenses . . .	501	419	486
Professional service fee	538	319	242
Environmental protection expenses . .	967	95	20
Depreciation and amortization	1,225	1,491	1,653
Operating tax expenses	799	888	1,064
Travel expenses	248	217	311
Others	675	486	655
Total	9,962	8,582	9,496

FINANCIAL INFORMATION

Our administrative expenses amounted to RMB10.0 million, RMB8.6 million and RMB9.5 million in 2023, 2024 and 2025, respectively, representing 4.3%, 3.3% and 2.9% of our revenue for the respective periods.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee salaries, (ii) research material expenses, (iii) depreciation and amortization, and (iv) professional service expenses. The following table sets forth a breakdown of research and development expenses for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Employee salaries	3,241	3,283	3,505
Research material expenses	1,539	1,017	76
Professional service expenses.	1,485	920	441
Depreciation and amortization	118	149	152
Others	447	26	119
Total	6,828	5,395	4,293

Our research and development expenses amounted to RMB6.8 million, RMB5.4 million and RMB4.3 million in 2023, 2024 and 2025, respectively, representing 3.0%, 2.1% and 1.3% of our revenue for the respective periods.

Finance Costs

Our finance costs consist of interest expenses on borrowings. Our finance costs amounted to RMB79,000, RMB137,000 and RMB79,000 in 2023, 2024 and 2025, respectively.

Income Tax Expense

We are subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which we and our subsidiaries are domiciled or operating. We recorded income tax expenses of RMB6.9 million, RMB8.7 million and RMB11.0 million in 2023, 2024 and 2025, respectively.

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate is 25% during the Track Record Period. Our Company and Hunan Xinzhuoyao are qualified as High Technology Enterprises and are eligible for a preferential EIT rate of 15% during the Track Record Period. Hunan Juhongming is a small scale enterprise and is entitled to a preferential tax rate of 5% during the Track Record Period. Pursuant to the relevant tax rules and regulation, expenses in research and development nature are deductible at 200% of the cost incurred.

During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities. For details of our income tax, see note 10 to the Accountants’ Report as set out in Appendix I.

FINANCIAL INFORMATION

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 24.9% from RMB259.2 million in 2024 to RMB323.7 million in 2025.

Sales of flotation reagents-related products

Revenue from collectors increased by 21.3% from RMB213.4 million in 2024 to RMB258.8 million in 2025, primarily due to (i) an increase in the demand for our products driven by the sustained growth in demand for non-ferrous metals, and (ii) our technical marketing-driven approach, which provides customers with pre-sales and after-sales technical support in mineral processing and reagent application, benefiting us by expanding customer base and retaining existing customers. Sales volume of collectors further grew increased in 2025 contributed by a number of existing major customers and certain newly developed overseas customer. In particular, revenue from Customer C increased primarily because we offered customized flotation solutions to Customer C which deepened our relationship and drove sales to this customer. Customer G, a peer company, increased its procurement from us due to lack of production capacity to meet its customers' demand.

Revenue from modifiers increased by 33.3% from RMB29.7 million in 2024 to RMB39.5 million in 2025, primarily due to the increased sales of collectors as modifiers are complementary products frequently purchased in combination with collectors to meet customers' integrated process requirements.

Revenue from frothers increased by 69.7% from RMB11.7 million in 2024 to RMB19.9 million in 2025, primarily due to an increase in revenue from overseas customers.

Revenue from other reagents remained relatively stable at RMB4.1 million and RMB4.4 million in 2024 and 2025, respectively.

Service fees

Revenue from service fees increased significantly from RMB286,000 in 2024 to RMB1.2 million in 2025, primarily due to the provision of technical support services to certain customer in 2025 with relatively higher contract value.

Cost of sales

Our costs of sales increased by 21.6% from RMB187.0 million in 2024 to RMB227.4 million in 2025, primarily due to an increase in purchase and changes in inventories of RMB39.2 million as a result of higher sales volume generally in line with our revenue growth in 2025.

FINANCIAL INFORMATION

Gross profit

As a result of the foregoing, gross profit increased by 33.3% from RMB72.3 million in 2024 to RMB96.3 million in 2025. Our overall gross profit margin increased from 27.9% in 2024 to 29.7% in 2025, primarily attributable to the increase in gross profit margin of collectors from 28.3% in 2024 to 30.7% in 2025 as a result of (i) our cost control initiatives such as prepayments to suppliers in exchange of favorable purchase prices and (ii) increased revenue contribution from certain high-margin products.

Other income

Our other income remained relatively stable at RMB2.7 million in both 2024 and 2025.

Other gains and losses, net

Other gains and losses, net increased from other net losses of RMB178,000 in 2024 to other net losses of RMB785,000 in 2025, primarily due to an increase in loss on disposal of property, plant and equipment for upgrading our production lines.

Impairment losses under ECL model, net of reversal

Reversal of impairment losses under ECL model increased from RMB7,000 in 2024 to RMB181,000 in 2025, primarily due to the recovery of certain outstanding receivables in 2025.

Selling and distribution costs

Our selling and distribution costs increased by 15.7% from RMB2.6 million in 2024 to RMB3.0 million in 2025, primarily due to a rise in employee salaries, driven by higher sales bonuses paid to our sales personnel following our sales growth.

Administrative and other operating expenses

Our administrative and other operating expenses increased by 10.7% from RMB8.6 million in 2024 to RMB9.5 million in 2025, primarily due to an increase in employee salaries of RMB0.4 million as a result of increased headcount.

Research and development expenses

Our research and development expenses decreased by 20.4% from RMB5.4 million in 2024 to RMB4.3 million in 2025, primarily due to (i) a decrease in research material expense of RMB0.9 million as a result of the reclassification of R&D expenses as cost of sales after the relevant R&D outputs generated revenue.

Finance costs

Our financial costs decreased by 42.3% from RMB137,000 in 2024 to RMB79,000 in 2025, primarily due to the repayment of bank borrowings in the year.

FINANCIAL INFORMATION

Income tax expenses

Our income tax expenses increased by 27.2% from RMB8.7 million in 2024 to RMB11.0 million in 2025, primarily due to an increase in taxable income.

Profit and total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year increased by 34.8% from RMB49.4 million in 2024 to RMB66.5 million in 2025, and net profit margin increased from 19.0% in 2024 to 20.5% in 2025.

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

Revenue

Our revenue increased by 12.9% from RMB229.6 million in 2023 to RMB259.2 million in 2024.

Sales of flotation reagents-related products

Revenue from collectors increased by 12.6% from RMB189.5 million in 2023 to RMB213.4 million in 2024, primarily due to the increase in sales volume driven by increased sales to a number of existing major customers in the year, and successful development of certain new key customer. In 2024, Customer G, a peer company, increased its procurement of our products due to lack of production capacity to meet its customers' demand. The increase in sales volume was partially offset by a slight decrease in the average selling price of collectors resulting from a reduction in the procurement cost of raw materials following market trend.

Revenue from modifiers increased by 28.4% from RMB23.1 million in 2023 to RMB29.7 million in 2024, primarily following the increased sales of collectors as modifiers are complementary products to collectors.

Revenue from frothers decreased by 6.8% from RMB12.6 million in 2023 to RMB11.7 million in 2024, primarily due to the industry's green mining transition.

Revenue from other reagents increased by 8.0% from RMB3.8 million in 2023 to RMB4.1 million in 2024, primarily due to the increased sales of ammonium sulfide, which is a by-product of collectors.

FINANCIAL INFORMATION

Services fees

Revenue from services fees decreased by 50.9% from RMB583,000 in 2023 to RMB286,000 in 2024, primarily due to the delivery of a one-off R&D project in 2023 with relatively higher contract value.

Cost of sales

Our cost of sales increased by 13.9% from RMB164.1 million in 2023 to RMB187.0 million in 2024, primarily due to an increase in purchase and changes in inventories of RMB20.3 million as a result of higher sales volume generally in line with our revenue growth in 2024.

Gross profit

Our gross profit increased by 10.3% from RMB65.5 million in 2023 to RMB72.3 million in 2024. Our overall gross profit margin remained relatively stable at 28.5% and 27.9% in 2023 and 2024, respectively.

Other income

Our other income decreased by 44.5% from RMB4.9 million in 2023 to RMB2.7 million in 2024, primarily due to a decrease in government subsidies received in 2024.

Other gains and losses, net

Other gains and losses, net remained relatively stable at other net losses of RMB117,000 and RMB178,000 in 2023 and 2024, respectively.

Impairment losses under ECL model, net of reversal

We recorded reversal of impairment losses under ECL model of RMB759,000 in 2023 and RMB7,000 in 2024, respectively, primarily due to the recovery of certain outstanding receivables in both years.

Selling and distribution costs

Our selling and distribution costs decreased by 20.6% from RMB3.2 million in 2023 to RMB2.6 million in 2024, primarily due to a decrease in employee salaries as a result of the decrease in sales bonus of our sales personnel, which were linked to the internal sales target.

FINANCIAL INFORMATION

Administrative and other operating expenses

Our administrative and other operating expenses decreased by 13.9% from RMB10.0 million in 2023 to RMB8.6 million in 2024, primarily due to a decrease in environmental protection expenses as a result of one-off engineering fees related to an industrial park pipeline project and the upgrading of our rain and sewage diversion systems.

Research and development expenses

Our research and development expenses decreased by 21.0% from RMB7.0 million in 2023 to RMB5.4 million in 2024, primarily due to (i) a decrease in research material expenses of RMB0.5 million, and (iii) a decrease in professional service expenses of RMB0.6 million incurred in connection with the R&D collaboration with Central South University (中南大學) as fees were paid in accordance with the payment schedule stipulated in the agreement.

Finance costs

Our financial costs increased by 73.4% from RMB79,000 in 2023 to RMB137,000 in 2024, primarily due to an increase in interest expense stemming from a new bank loan obtained in 2024.

Income tax expenses

Our income tax expenses increased by 25.5% from RMB6.9 million in 2023 to RMB8.7 million in 2024, primarily due to an increase in taxable income.

Profit and total comprehensive income for the year

As a result of the foregoing, profit and total comprehensive income for the year increased by 12.7% from RMB44.0 million in 2023 to RMB49.4 million in 2024, and net profit margin decreased slightly from 19.2% in 2023 to 19.1% in 2024.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Liabilities

The following table sets forth our current assets and liabilities as at the dates indicated:

	As of December 31,			As of
	2023	2024	2025	February 28,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current assets				
Inventories	15,368	15,912	16,602	19,302
Trade and bill receivables	25,930	42,165	48,327	43,773
Prepayments, other receivables and other assets	7,664	12,970	7,999	862
Financial assets at fair value through profit or loss	12,529	14,531	–	1,000
Amount due from related parties	33,566	34,210	8	379
Restricted bank deposits	3	3	3	3
Bank balances and cash	4,027	20,685	42,250	7,017
Total current assets	99,087	140,476	115,189	72,336
Current liabilities				
Trade payables	6,391	8,136	6,306	5,366
Other payables and accrued charges	36,589	39,246	17,863	3,871
Contract liabilities	5,829	9,074	4,336	1,990
Income tax payable	5,934	6,869	6,639	2,421
Amounts due to related parties	–	55	2	3
Borrowings	2,000	3,000	–	5,000
Total current liabilities	56,743	66,380	35,146	18,651
Net current assets	42,344	74,096	80,043	53,685

Our net current assets decreased from RMB80.0 million as of December 31, 2025 to RMB53.7 million as of February 28, 2026, primarily due to (i) a decrease in bank balances and cash of RMB35.2 million, partially offset by (ii) a decrease in other payables and accrued charges of RMB14.0 million.

FINANCIAL INFORMATION

Our net current assets increased from RMB74.1 million as of December 31, 2024 to RMB80.0 million as of December 31, 2025, primarily due to (i) an increase in bank balances and cash of RMB21.6 million and (ii) a decrease in other payables and accrued charges of RMB21.4 million, partially offset by (iii) a decrease in amount due from related parties of RMB34.2 million and (iv) a decrease in financial assets at fair value through profit or loss of RMB14.5 million.

Our net current assets increased from RMB42.3 million as of December 31, 2023 to RMB74.1 million as of December 31, 2024, primarily due to (i) an increase in bank balances and cash of RMB16.7 million and (ii) an increase in trade and bill receivables of RMB16.2 million.

Inventories

Our inventories mainly consist of raw materials and consumables, and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	4,960	5,015	7,388
Finished goods	10,408	10,897	9,214
Total	15,368	15,912	16,602

Our inventories increased from RMB15.4 million as of December 31, 2023 to RMB15.9 million as of December 31, 2024, and further to RMB16.6 million as of December 31, 2025, primarily due to higher production volumes in response to increased orders during the Track Record Period.

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

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	10,464	9,402	14,127
31 to 60 days.	4,904	6,510	2,475
Total	15,368	15,912	16,602

FINANCIAL INFORMATION

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

	For the year ended December 31,		
	2023	2024	2025
Inventory turnover days	33	31	26

Note:

Inventory turnover days for a period equals the average of the opening and closing inventory balances divided by total cost of sales during the relevant period and multiplied by 365 days.

Our inventory turnover days decreased from 33 days in 2023 to 31 days in 2024, and further to 26 days in 2025, reflecting our improvements in inventory management.

As of February 28, 2026, RMB16.6 million, or 100.0%, of our inventories as of December 31, 2025 had been subsequently sold, consumed or utilized.

Trade and bills receivables

Our trade receivables represent the outstanding amount due from our customers for sales of our products. We typically grant credit terms ranging from 30 days to 165 days to customers. Our bills receivable represents short-term bank acceptance notes received from our customers in lieu of cash payments. All bills receivable are due within one year at the end of each year comprising the Track Record Period.

The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	28,183	43,423	46,785
Less: Allowances for credit losses . .	(4,391)	(4,334)	(4,153)
	23,792	39,089	42,632
Bills receivables	2,138	3,076	5,695
Net carrying amount	25,930	42,165	48,327

FINANCIAL INFORMATION

Our trade and bills receivables increased from RMB25.9 million as of December 31, 2023 to RMB42.2 million as of December 31, 2024, primarily attributable to the increased sales to certain overseas customers. Our trade and bills receivables increased from RMB42.2 million as of December 31, 2024 to RMB48.3 million as of December 31, 2025, generally in line with our sales growth.

The following table sets forth an aging analysis of our trade receivables (net of allowance of credit losses) presented based on invoice date as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1 – 90 days	19,201	26,155	34,868
91 – 365 days	4,591	6,517	1,015
1 – 2 years	–	6,417	474
2 – 3 years	–	–	6,275
Total	23,792	39,089	42,632

During the Track Record Period, our long-aged receivables were mainly due from an overseas customer in Zimbabwe. Amounts due from such customer had been fully settled as of the Latest Practicable Date. For details, see “Business — Sales and customers — Third-party payment arrangements.”

The following table sets forth an aging analysis of our bills receivables presented based on the date of issuance of the bills as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 – 90 days	2,088	1,358	1,116
91 – 365 days	50	1,718	4,579
Total	2,138	3,076	5,695

FINANCIAL INFORMATION

The following table sets forth the turnover days of our trade and bills receivables as of the date indicated:

	For the year ended December 31,		
	2023	2024	2025
Trade and bills receivable turnover days	43	48	51

Note:

Trade and bills receivable turnover days for a period equals the average of the opening and closing trade and bills receivable balances divided by total revenue during the relevant period and multiplied by 365 days.

Our trade and bills receivable turnover days increased from 43 days in 2023 to 48 days in 2024, and further to 51 days in 2025, primarily due to a long-aged receivable due from an overseas customer in Zimbabwe, which had been fully settled as of the Latest Practicable Date.

As of February 28, 2026, RMB31.2 million, or 64.5%, of our trade and bills receivables as of December 31, 2025 had been subsequently settled.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables primarily consist of (i) prepayments, mainly incurred for procurement of inventories, (ii) refundable deposits, (iii) deferred [REDACTED], (iv) loans to third parties and (v) input VAT recoverable.

FINANCIAL INFORMATION

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

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments			
– inventories	3,408	7,983	3,148
– construction work	320	575	224
– [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– others	413	608	420
Refundable deposits	1,365	2,100	1,071
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Loans to third parties	850	–	–
Input VAT recoverable	936	1,102	656
Others	372	602	457
	7,664	12,970	7,999

Prepayments, deposits and other receivables increased from RMB7.7 million as of December 31, 2023 to RMB13.0 million as of December 31, 2024, primarily due to an increase in prepayments for inventories to suppliers in 2024 to secure supply and favorable purchase prices. Prepayments, deposits and other receivables decreased from RMB13.0 million as of December 31, 2024 to RMB8.0 million as of December 31, 2025, primarily due to a decrease in prepayments for inventories because the purchased inventories was received near the end of the year.

As of February 28, 2026, RMB5.0 million, or 62.8%, of our prepayments, deposits and other receivables as of December 31, 2025 had been subsequently settled.

Amounts due from related parties

As of December 31, 2023, 2024 and 2025, we had amounts due from related parties of RMB33.6 million, RMB34.2 million and RMB8,000, respectively. Amounts due from related parties are predominantly shareholder loans, which are non-trade in nature, unsecured, interest-bearing at prevailing comparable-term benchmark lending rate of the People’s Bank of China, and have no fixed repayment terms. All related parties are either director or key management personnel and shareholders of the Company. The amounts had been fully settled as of the Latest Practicable Date.

For details on our amounts due from related parties, see note 23 to the Accountants’ Report as set out in Appendix I.

FINANCIAL INFORMATION

Trade payables

Our trade payables primarily represent the outstanding amounts due to our suppliers for purchases of raw materials for production. The average credit period on purchases of goods of our Group is 30 to 60 days. Our trade payables increased from RMB6.4 million as of December 31, 2023 to RMB8.1 million as of December 31, 2024, primarily due to the increased purchases of key raw materials driven by higher production volume. Our trade payables decreased from RMB8.1 million as of December 31, 2024 to RMB6.3 million as of December 31, 2025, primarily due to the accelerated settlement with suppliers.

The following table sets forth an aging analysis of our trade payables and presented based on the invoice date as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1 – 90 days	4,260	5,539	4,804
91 – 365 days	823	801	50
1 – 2 years	143	492	390
2 – 3 years	396	114	54
Over 3 yeas.	769	1,190	1,008
Total	6,391	8,136	6,306

The following table sets forth the turnover days of our trade payables as of the date indicated:

	For the year ended December 31,		
	2023	2024	2025
Trade payable turnover days.	14	10	8

Note:

Trade payable turnover days for a period equals the average of the opening and closing trade payable balances divided by total revenue for the relevant period and multiplied by 365 days.

FINANCIAL INFORMATION

Our trade payables turnover days decreased from 14 days in 2023 to 10 days in 2024, and further to 8 days in 2025, respectively, as a result of our accelerated settlement with suppliers.

As of February 28, 2026, RMB4.5 million, or 71.2%, of our trade payables as of December 31, 2025 had been subsequently settled.

Other payables and accrued charges

Other payables and accruals primarily consist of (i) dividends payable, (ii) accrued staff cost, (iii) other tax payables, (iv) equipment payables, (v) construction cost payable, (vi) deposits received from customers, (vii) other deposits, (viii) accrued [REDACTED], and (ix) accrued [REDACTED].

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

	As of December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividends payable	20,384	20,384	–
Accrued staff cost	1,265	1,432	1,600
Other tax payables.	6,125	5,527	5,551
Equipment payables.	3,375	3,236	221
Construction cost payable	364	364	327
Deposits received from customers. . .	4,431	7,374	7,729
Other deposits.	255	527	275
Accrued [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
Accrued [REDACTED].	[REDACTED]	[REDACTED]	[REDACTED]
Others	390	402	1,281
Total	36,589	39,246	17,863

Other payables and accruals increased from RMB36.6 million as of December 31, 2023 to RMB39.2 million as of December 31, 2024, primarily due to an increase in deposits received from overseas customers as a result of the growth in overseas orders. Other payables and accruals decreased from RMB39.2 million as of December 31, 2024 to RMB17.9 million as of December 31, 2025, primarily due to the settlement of dividends payable of RMB20.4 million.

As of February 28, 2026, RMB13.8 million, or 77.3%, of our other payables and accruals as of December 31, 2025 had been subsequently settled.

FINANCIAL INFORMATION

Non-Current Assets

Property, plant and equipment

Our property, plant and equipment primarily consist of (i) building, (ii) plant and machinery, (iii) furniture, fixtures and office equipment, (iv) motor vehicles and (v) construction in progress. Our property, plant and equipment decreased from RMB66.7 million as of December 31, 2023 to RMB62.8 million as of December 31, 2024, and further decreased to RMB60.0 million as of December 31, 2025, primarily due to normal depreciation charges. Such decrease was partially offset by additions of construction in progress due to the construction of production facilities.

Right-of-use assets

During the Track Record Period, we leased various lands for our operations. Our right-of-use assets primarily consist of leasehold land with carrying amount of RMB14.0 million, RMB13.7 million and RMB13.3 million as of December 31, 2023, 2024 and 2025, respectively. The decrease in our right-of-use assets was primarily due to the annual depreciation of leasehold land over its 50-year lease term.

LIQUIDITY AND CAPITAL RESOURCES

We had historically funded our cash requirements principally with cash generated from operating activities and debt financing. We monitor and maintain a level of cash deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. We had cash and cash equivalents of RMB4.0 million, RMB20.7 million, and RMB42.3 million as of December 31, 2023, 2024 and 2025, respectively. Going forward, we intend to continue to meet our liquidity requirements with cash from such sources, together with the net [REDACTED] from the [REDACTED]. We currently do not have any other plans for material additional external financing. We do not expect our capital expenditures and resources to materially deviate from our business operations during the Track Record Period.

FINANCIAL INFORMATION

Cash Flows

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

	For the year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from operating activities . .	41,782	39,110	56,361
Net cash (used in)/from investing activities	(39,884)	(4,904)	41,270
Net cash used in financing activities .	(1,227)	(17,548)	(76,066)
Net increase in cash and cash equivalents	671	16,658	21,565
Cash and cash equivalents at beginning of the year	3,356	4,027	20,685
Cash and cash equivalents at end of year	4,027	20,685	42,250

Net cash from operating activities

In 2025, net cash from operating activities amounted to RMB56.4 million, primarily attributable to profit before tax of RMB77.6 million, as adjusted by non-cash and non-operational items totaling RMB7.9 million, negative changes in working capital of RMB18.0 million and income tax paid of RMB11.2 million. Changes in working capital mainly consisted of a decrease in trade and other payables of RMB12.4 million and a decrease in contract liabilities of RMB4.7 million.

In 2024, net cash from operating activities amounted to RMB39.1 million, primarily attributable to profit before tax of RMB58.1 million, as adjusted by non-cash and non-operational items totaling RMB7.7 million, negative changes in working capital of RMB19.0 million and income tax paid of RMB7.7 million. Changes in working capital mainly consisted of an increase in trade and other receivable of RMB21.4 million.

In 2023, net cash from operating activities amounted to RMB41.8 million, primarily attributable to profit before tax of RMB50.9 million, as adjusted by non-cash and non-operational items totaling RMB6.8 million, negative changes in working capital of RMB35,000 and income tax paid of RMB14.6 million. Changes in working capital mainly consisted of (i) a decrease in trade and other receivables of RMB4.0 million and (ii) an increase in contract liabilities of RMB3.3 million, partially offset by (iii) a decrease in trade and other payables of RMB6.2 million and (iv) increase in inventories of RMB1.0 million.

See “— Discussion of Certain Key Items of Consolidated Statements of Financial Position” for primary reasons relating to the underlying causes for our operating cash flow changes.

FINANCIAL INFORMATION

Net cash used in/from investing activities

In 2025, net cash from investing activities amounted to RMB41.3 million, primarily attributable to (i) redemption of financial assets at FVTPL of RMB255.5 million and (ii) repayment from shareholders of RMB61.3 million, partially offset by (iii) purchases of financial assets at FVTPL of RMB241.0 million and (iv) advance to shareholders of RMB27.1 million.

In 2024, net cash used in investing activities amounted to RMB4.9 million, primarily attributable to (i) purchases of financial assets at FVTPL of RMB66.0 million and (ii) purchases of property, plant and equipment of RMB4.4 million, partially offset by (iii) redemption of financial assets at FVTPL of RMB64.0 million.

In 2023, net cash used in investing activities amounted to RMB39.9 million, primarily attributable to (i) purchases of financial assets at FVTPL of RMB93.2 million and (ii) advance to shareholders of RMB76.9 million, partially offset by (iii) redemption of financial assets at FVTPL of RMB104.3 million and (iv) repayment from shareholders of RMB29.4 million.

Net cash used in financing activities

In 2025, net cash used in financing activities amounted to RMB76.1 million, primarily attributable to (i) dividends paid of RMB70.8 million, (ii) repayment of bank borrowings of RMB7.8 million and (iii) deferred [REDACTED] paid of RMB[REDACTED], partially offset by (iv) new bank borrowing raised of RMB4.8 million.

In 2024, net cash used in financing activities amounted to RMB17.5 million, primarily attributable to (i) dividends paid of RMB18.6 million and (ii) repayment of bank borrowings of RMB3.2 million, partially offset by (iii) new bank borrowing raised of RMB4.2 million.

In 2023, net cash used in financing activities amounted to RMB1.2 million, primarily attributable to (i) repayment of bank borrowings of RMB9.5 million and (ii) dividends paid of RMB9.2 million, partially offset by (iii) new bank borrowing raised of RMB11.5 million and (iv) capital contributions from a Shareholder of RMB6.1 million.

Working Capital Confirmation

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

FINANCIAL INFORMATION

INDEBTEDNESS

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current:				
Borrowings	2,000	3,000	-	5,000
Total	2,000	3,000	-	5,000

Borrowings

As of December 31, 2023, 2024 and 2025, we had secured borrowings of RMB2.0 million, RMB3.0 million and nil, respectively. Our borrowings are repayable within one year and were dominated in RMB. Borrowings are primarily used for general working capital purposes. We consider our bank loan agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans. Our borrowings carried interest at fixed rates at 3.80% and 3.45% per annum as of December 31, 2023 and 2024, respectively. We consider these interest rates to be within the range of market interest rates. As of December 31, 2023, 2024 and 2025, assets (including property, plant and equipment and bank balances) pledged to banks to secure credit facilities granted to us amounted to RMB24.4 million, RMB23.4 million and RMB21.7 million, respectively. In addition, Ms. Diao and her spouse, the supervisor of the Company and certain key management personnel members of the Company have provided personal guarantees to the banking facilities granted to the Group. These guarantees were released on December 31, 2025. As of February 28, 2026, we had committed unutilized banking facilities of RMB75.0 million.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans or other borrowings, default in payment of bank loans or other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we did not have plans for any other material external debt financing.

No Other Outstanding Indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts, or other similar indebtedness, financing lease, or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured, or unsecured as of February 28, 2026. Our Directors have confirmed that there has been no material change in our indebtedness since February 28, 2026 up to the date of this document.

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2025 up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

	As of/For the year ended December 31,		
	2023	2024	2025
Return on equity (%) ⁽¹⁾	35.5	32.6	43.1
Return on assets (%) ⁽²⁾	24.4	22.7	35.1
Current ratio (times) ⁽³⁾	1.7	2.1	3.3
Quick ratio (times) ⁽⁴⁾	1.5	1.9	2.8
Interest coverage ratio (times) ⁽⁵⁾	645.3	425.1	983.6
Gearing ratio (%) ⁽⁶⁾	1.6	2.0	0.0

Notes:

- (1) Return on equity is calculated as profit and total comprehensive income for the year divided by the closing balance of total equity for the respective year and multiplied by 100%.
- (2) Return on assets is calculated as profit and total comprehensive income for the year divided by the closing balance of total assets for the respective year and multiplied by 100%.
- (3) Current ratio is calculated as current assets divided by current liabilities as of the date indicated.
- (4) Quick ratio is calculated as current assets excluding inventories divided by current liabilities as of the date indicated.
- (5) Interest coverage ratio is calculated as profit and total comprehensive income for the year adjusted for finance costs and income tax expense and divided by finance costs.
- (6) Gearing ratio is calculated as total debt, including borrowings, divided by total equity as of the date indicated.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of payments for purchases of property, plant and equipment as well as intangible assets. Our capital expenditures were RMB4.6 million, RMB4.9 million and RMB8.5 million in 2023, 2024 and 2025, respectively.

We will continue to make capital expenditures to meet the expected growth of our business. We intend to fund our future capital expenditures with our existing cash balance, available banking facilities and [REDACTED] from the [REDACTED]. See the section headed “Future Plans and Use of [REDACTED]” for more details. We may reallocate the fund to be utilized for capital expenditures and long-term investments based on our ongoing business needs.

FINANCIAL INFORMATION

CAPITAL COMMITMENTS

As of December 31, 2023, 2024 and 2025, capital commitments of our Group amounted to nil, RMB4.3 million and RMB2.3 million, respectively, which were capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the historical financial information.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of transactions with our related parties from time to time. As of December 31, 2023, 2024 and 2025, we had amounts due from related parties of RMB33.6 million, RMB34.2 million and RMB8,000, which were non-trade in nature and had been fully settled as of the Latest Practicable Date. For more details, see “— Amounts Due from Related Parties” in this section and notes 23 and 35 to the Accountants’ Report as set out in Appendix I. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including currency risk, interest rate risk, price risk, credit risk and liquidity risk in our normal course of business. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance and has been reviewed and agreed by our Board. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency Risk

The Group has certain overseas sales transactions which are denominated in United States Dollars. The Group currently has not used any derivative contracts and will consider entering into forward contracts to reduce the risks when appropriate.

Interest Rate Risk

The Group is exposed to cash flow interest rate risk in relation to bank balances at the prevailing market deposit rate and variable-rate bank borrowings. The management of the Group closely monitors interest rate movement and manages the potential risk. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate change exposure and will consider hedging significant interest rate change exposure should the need arise.

FINANCIAL INFORMATION

Price Risk

The Group is subject to market price risk in respect of the financial assets at FVTPL which is linked to the market return rate for similar products. The Group's strategy is to utilize the idle cash in investment products which can provide stable return to the Group.

Credit Risk

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables and amounts due from related parties. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except as those disclosed in note 20 to the Accountants' Report as set out in Appendix I.

In order to minimize the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the management of the Group carries out researches on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant. In addition, the Group reviews the recoverability of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. The Group performs impairment test assessment under ECL model upon application of IFRS 9 on trade balances individually or based on provision matrix. The Group's customer base is diverse and there is no concentration of credit risk during the Track Record Period.

Liquidity Risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows.

See note 30 to the Accountants' Report as set out in Appendix I for more details of our financial risk management.

DIVIDEND

In 2023, 2024, and 2025, our Company declared dividends in respect of the years of RMB58.9 million, RMB22.2 million and RMB62.9 million, respectively, all of which had been paid in full. Subsequent to December 31, 2025, our Company had declared and paid dividends amounting to RMB36.0 million to the Shareholders. We currently do not have a formal dividend policy or a pre-determined dividend payout ratio. The decision on whether to pay dividends will be made at the discretion of our Directors in compliance with our Articles of Association and applicable laws and regulations and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant.

FINANCIAL INFORMATION

According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. As confirmed by our PRC Legal Advisor, we will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. Our ability to declare and pay dividends will also depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Distributions from our group companies may be restricted if they incur losses or in accordance with any restrictive covenants in bank borrowing or financing agreements that we or our subsidiaries may enter into in the future. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had distributable reserves of RMB69.9 million.

[REDACTED]

[REDACTED] to be borne by us are estimated to be approximately HK\$[REDACTED] or [REDACTED]% of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the indicative [REDACTED] range, without taking into account the [REDACTED]), including (i) [REDACTED] related expenses of approximately HK\$[REDACTED], and (ii) non-[REDACTED] related expenses of approximately HK\$[REDACTED] which consist of (a) fees and expenses of legal advisors and the Reporting Accountants of approximately HK\$[REDACTED] and (b) other fees and expenses of approximately HK\$[REDACTED]. Approximately HK\$[REDACTED] of our [REDACTED] has been or is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately HK\$[REDACTED] is expected to be accounted for as a deduction from equity upon [REDACTED] under the relevant accounting standard. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

See “Appendix II — Unaudited [REDACTED] Financial Information” for details.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Our selective property interests are set forth in the Property Valuation Report as set out in Appendix IV Colliers Appraisal and Advisory Services (Shanghai) Co., Ltd., an independent property valuer, has valued our selective property interests as of January 31, 2026. A reconciliation of the market value of our selective property interests as extracted from the Property Valuation Report as set out in Appendix IV as of January 31, 2026 and net book value of our selective property interests in our consolidated financial statements as of December 31, 2025 as required under Rule 5.07 of the Listing Rules is set forth below.

	<i>RMB'000</i>
Net book value of our property interests as of December 31, 2025	35,189
Movement during the period from December 31, 2025 to January 31, 2026 (unaudited):	
Less: Depreciation	(227)
Net book value of our property interests as of January 31, 2026 (unaudited)	34,962
Add: Valuation surplus	23,438
Valuation as of January 31, 2026 as set out in Appendix IV	58,400

See “Property Valuation Report” as set out in Appendix IV for further details.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there have been no material adverse changes in our financial, operational, or trading position or prospects since December 31, 2025, being the date of the latest reporting period ended of our consolidated financial statements as set out in the Accountants’ Report included in Appendix I, and there is no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report included in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.