*You should read the following discussion and analysis in conjunction with our financial statements, included in the Accountants' Report in Appendix I, together with the respective accompanying notes. Our financial information has been prepared in accordance with the International Financial Reporting Standards ("**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. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business," and elsewhere in this document. For further details, see "Forward-Looking Statements."

OVERVIEW

We are a leading enterprise in China with an integrated business model based on full-life-cycle cascading utilization of phosphate resources. Our vertically integrated business spans the entire industry chain, including phosphate rock mining, beneficiation, sulfuric acid preparation, phosphoric acid production, ammonium phosphate products manufacturing, and green recycling of phosphogypsum. During the Track Record Period, we derived revenue primarily from sales of (i) traditional ammonium phosphate products, which included monoammonium phosphate ("**MAP**") and diammonium phosphate ("**DAP**"); (ii) specialty ammonium phosphate products, which included technical-grade MAP and other water-soluble products; (iii) phosphate rock, which included phosphate rock and residual slag after beneficiation of phosphate rock; and (iv) others, which primarily consisted of chemical by-products. During the Track Record Period, our traditional ammonium phosphate products and specialty ammonium phosphate products were sold primarily as fertilizers. Our operating model is designed to realize the value embedded in phosphate rock across fertilizers, higher-value phosphate chemical applications and solid-waste recycling. During the Track Record Period, we served over 360 domestic and international customers, primarily consisting of established market participants in downstream industries. Leveraging our integrated value chain and flexible market strategies, we achieved steady revenue growth during the Track Record Period. Our revenue increased from RMB1,506.1 million in 2023 to RMB1,622.8 million in 2024, and further increased to RMB1,858.6 million in 2025, representing a CAGR of 11.1%.

BASIS OF PREPARATION

Our Company was incorporated as a limited liability company under the laws of the PRC on December 23, 2003. The historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**").

KEY FACTORS AFFECTING OUR PERFORMANCE

Our results of operations and financial condition have been, and will continue to be, materially affected by a number of factors, some of which are beyond our control, including:

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of cost of raw materials, staff costs, mining costs, depreciation and amortization, transportation costs, utilities, resource tax and environment tax, and others. Cost of raw materials represented 59.7%, 64.7% and 74.8%, respectively, of our total cost of sales for the years ended December 31, 2023, 2024 and 2025. Our results of operations are affected by fluctuations in the prices of our raw materials. Raw materials used in the production of our products primarily consisted of sulfur, phosphate rock and synthetic ammonia. We source a majority of our sulfur from traders of imported sulfur, and the remainder from petrochemical plants in China which produce sulfur as a by-product in the oil refining process. During the Track Record Period, our cost of raw materials increased significantly (i) from 2023 to 2024 primarily as a result of the increase in the cost of phosphate rock, which in turn was because (a) we generated less phosphate rock from our mine construction work in 2024, and as a result the unit cost of our self-generated phosphate rock increased in 2024 compared to 2023 and (b) we procured more phosphate rock externally in 2024, which had higher unit cost and (ii) from 2024 to 2025 because the market price of sulfur increased significantly, and these changes in cost of raw materials had a material impact on our cost of sales and profitability. The average selling price of sulfur increased from approximately RMB1,043 for 2023 to RMB1,104 for 2024 and RMB2,642 for 2025. As of the Latest Practicable Date, the prevailing market price for sulfur was RMB6,700. If the market price of sulfur continues to increase in the future, our cost of raw materials may increase, which in turn may have a material and adverse impact on our profitability. Beginning in 2024, we have been producing sulfuric acid internally with our phosphogypsum recycling project, which can be used in the place of sulfur as raw material in our production. We intend to continue to increase the amount of sulfuric acid produced internally, which we believe will help to reduce our average cost of raw materials and enhance our profitability.

Sensitivity analysis

Our results of operations are affected by the changes in cost of raw materials. The tables below set forth the impact of the fluctuations of cost of raw materials, during the Track Record Period, assuming all other factors were to remain unchanged.

Percentage changes in the cost of raw materials	Increase/(Decrease) in gross profit Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
+5%	(28,348)	(42,396)	(54,387)
+10%	(56,697)	(84,792)	(108,774)
-5%	28,348	42,396	54,387
-10%	56,697	84,792	108,774

Percentage changes in the cost of energy costs	Increase/(Decrease) in gross profit Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
+5%	(3,865)	(3,124)	(3,269)
+10%	(7,729)	(6,247)	(6,538)
-5%	3,865	3,124	3,269
-10%	7,729	6,247	6,538

Percentage changes in the cost of transportation costs	Increase/(Decrease) in gross profit		
	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
+5%	(365)	(1,686)	(2,470)
+10%	(729)	(3,372)	(4,939)
-5%	365	1,686	2,470
-10%	729	3,372	4,939

Demand for Our Products

Market demand for our products has a material impact on our results of operations. During the Track Record Period, we derived revenue primarily from (i) traditional ammonium phosphate products; (ii) specialty ammonium phosphate products; (iii) phosphate rock, which included phosphate rock and residual slag after beneficiation of phosphate rock; and (iv) others, which primarily consisted of chemical by-products. During the Track Record Period, our traditional ammonium phosphate products and specialty ammonium phosphate products were primarily sold as fertilizers and together accounted for 73.4%, 83.8% and 94.4% of our total revenue for the years ended December 31, 2023, 2024 and 2025, respectively. If for any reason ammonium phosphate products are perceived negatively in the agricultural industry or deemed less advantageous or effective than other products, demand for our ammonium phosphate products may decrease, and our revenue and profit may decrease as a result.

Demand for our ammonium phosphate products in different geographical markets is correlated with agricultural development in those markets. In recent years, we have benefited from growth of the agriculture industry in Southeast Asia, South Asia and South America, and our sales to those regions increased significantly during the Track Record Period. For the years ended December 31, 2023, 2024 and 2025, our sales to overseas markets amounted to RMB204.3 million, RMB425.7 million and RMB633.8 million, respectively, representing 13.6%, 26.2% and 34.1% of our total revenue for the relevant years. If there is negative economic development or local policy changes in our overseas markets, demand for our products may decrease and our results of operations and financial condition may be adversely affected.

Governmental Policies and Industry Regulations

Our business involves the production and sale of chemicals and mining operations, both of which are heavily regulated by various laws and regulations including mine exploration, development, production, taxation, labor, occupational health, safety, waste treatment and environmental protection. The ever-changing regulatory framework may expose us to increased unforeseen regulatory scrutiny and risks of administrative actions and litigation, which may cause us to incur substantial legal and compliance costs.

In addition, the China Phosphate & Compound Fertilizer Industry Association issues guidance opinions from time to time, which among other things provides pricing frameworks for relevant products under its supervision. Any changes in the guidance opinions, in particular the pricing range, would have a material impact on the pricing of our products that are covered by the pricing frameworks, and our profitability and our results of operations in general will be affected. In addition, export of our ammonium phosphate products is subject to quotas, which need to be obtained in advance. Export quotas fluctuate depending on global economic development, raw material prices and other geopolitical factors. If we fail to obtain export quotas in time or at all, we will not be able to export our ammonium phosphate products to overseas markets, which may result in a material adverse impact on us even though we will be able to redirect sales of those products to the domestic market.

Furthermore, our continued operations rely on the acquisition and renewal of government licenses and permits for mining and production activities. While we expect to renew our mining and production permits, if for any reason we are unable to do so in a timely manner or at all, our business, financial condition and results of operations may be materially and adversely affected. See "Risks Relating to Our Business and Industry — Our operations may be materially and adversely affected if we fail to obtain, maintain and renew material licenses, permits and approvals, or we otherwise fail to comply with the laws and regulations that are applicable to, our operations."

Product Mix

During the Track Record Period, our products consisted of (i) traditional ammonium phosphate products, which included MAP and DAP; (ii) specialty ammonium phosphate products, which included technical-grade MAP and other water-soluble products; (iii) phosphate rock, which included phosphate rock and residual slag after beneficiation of phosphate rock; and (iv) others, which primarily consisted of chemical by-products. MAP and DAP are subject to the pricing guidance frameworks promulgated by the China Phosphate & Compound Fertilizer Industry Association from time to time. Our other products are not subject to these pricing guidance frameworks. In addition, our ammonium phosphate products are subject to export quotas that limit the amount we can sell to overseas markets each year. As our products have different pricing mechanisms and profit margins, our product mix has a direct impact on our overall profitability. We intend to increase the percentage of high profit margin products in our product mix, and continue to enhance our profitability.

Preferential Tax Treatment

Changes in preferential tax treatment and governmental grants can significantly affect our results of operations. Our Company was designated as a "High-tech Enterprise" in December 2020 and renewed the qualification in October 2023, enjoying a preferential enterprise income tax rate of 15% for 2023, 2024 and 2025. Subject to the successful renewal of the certificate, we will continue to enjoy the preferential enterprise income tax rate status. This preferential tax treatment substantially enhances our profitability by lowering our tax liabilities. However, any changes in tax policies or failure to renew our High-tech Enterprise status may result in increased tax burdens and restrain our business operations.

MATERIAL ACCOUNTING POLICY INFORMATION

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 we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on historical experiences and other factors, including expectations 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.

Our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report included as Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our statements of profit or loss for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
REVENUE	1,506,076	1,622,806	1,858,618
Cost of sales	(950,298)	(1,309,742)	(1,453,455)
Gross profit	555,778	313,064	405,163
Other income and gains	5,816	10,926	11,312
Selling and marketing expenses	(1,443)	(2,201)	(3,838)
Administrative expenses	(24,062)	(28,936)	(35,360)
Research and development costs	(45,260)	(41,048)	(62,967)
Other expenses	(3,035)	(11,831)	(26,057)
Finance costs	(55,425)	(53,166)	(47,912)
PROFIT BEFORE TAX	432,369	186,808	240,341
Income tax expense	(65,706)	(37,261)	(48,505)
PROFIT FOR THE YEAR	366,663	149,547	191,836
Profit attributable to:			
Owners of the parent	333,822	157,118	195,425
Non-controlling interests	32,841	(7,571)	(3,589)
	366,663	149,547	191,836

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we derived revenue from sales of (i) traditional ammonium phosphate products, which included MAP and DAP; (ii) specialty ammonium phosphate products, which included technical-grade MAP and other water-soluble products; (iii) phosphate rock, which included phosphate rock and residual slag after beneficiation of phosphate rock; and (iv) others, which primarily consisted of chemical by-products, as well as (v) rental income from renting out a parcel of our land to an Independent Third Party. For the years ended December 31, 2023, 2024 and 2025, we recorded revenue of RMB1,506.1 million, RMB1,622.8 million and RMB1,858.6 million, respectively. The table below sets forth our revenue breakdown by category in absolute amounts and as percentages of our total revenue for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Revenue from contracts with customers						
Traditional ammonium phosphate products	1,025,511	68.1	1,111,503	68.5	1,375,118	74.0
Specialty ammonium phosphate products	79,827	5.3	248,164	15.3	379,544	20.4
Phosphate rock	391,837	26.0	243,576	15.0	79,132	4.3
Others	8,139	0.5	18,829	1.2	24,090	1.3
Subtotal	1,505,314	99.9	1,622,072	100.0	1,857,884	100.0
Revenue from other sources						
Rental income	762	0.1	734	—	734	—
Total	**1,506,076**	**100.0**	**1,622,806**	**100.0**	**1,858,618**	**100.0**

The following table sets forth the sales volumes and average selling prices for our traditional ammonium phosphate products, specialty ammonium phosphate products and phosphate rock for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	(t)	*(RMB)*	*(t)*	*(RMB)*	*(t)*	*(RMB)*
Traditional ammonium phosphate products	326,429	3,140	317,370	3,500	342,867	4,010
Specialty ammonium phosphate products	17,220	4,640	50,959	4,870	77,305	4,910
Phosphate rock	754,500	520	607,900	400	293,689	270

During the Track Record Period, the sales volume of our traditional ammonium phosphate products decreased from 326,429 tonnes for 2023 to 317,370 tonnes for 2024 primarily because in 2024 we prioritized specialty ammonium phosphate products when allocating our production resources as we planned to focus on developing higher margin products. The sales volume of our traditional ammonium phosphate products then increased to 342,867 tonnes for 2025 after we completed the transitional period that began in 2024 and were able to increase production volume for traditional ammonium phosphate products in 2025. The average selling price for our traditional ammonium phosphate products increased from approximately RMB3,140 for 2023 to approximately RMB3,500 for 2024 and then to approximately RMB4,010 for 2025 primarily as the result of the continued increases in the selling price of traditional ammonium phosphate products in the overseas markets.

During the Track Record Period, the sales volume of our specialty ammonium phosphate products increased from 17,220 tonnes for 2023 to 50,959 tonnes for 2024 and then to 77,305 tonnes for 2025 because we increased our production volume of specialty ammonium phosphate products as they have relatively higher profit margin compared with traditional ammonium phosphate products and their market demand continued to increase during the Track Record Period. The average selling price for our specialty ammonium phosphate products increased from approximately RMB4,640 for 2023 to approximately RMB4,870 for 2024 and approximately RMB4,910 for 2025 primarily as the result of increasing market demand.

During the Track Record Period, the sales volume of our phosphate rock decreased from 754,500 tonnes for 2023 to 607,900 tonnes for 2024, as phosphate rock we sold in these two years was primarily generated from our mine construction work and the amount of phosphate rock generated decreased. The sales volume of phosphate rock then decreased to 293,689 tonnes for 2025 because we generated less phosphate rock from mine construction as we completed the construction in March 2025, and we did not have any sale of phosphate rock between March 2025 and November 2025 when we obtained the Safe Production Permit. The selling price of phosphate rock is primarily based on its grade. The average selling price for our phosphate rock products decreased from approximately RMB520 for 2023 to approximately RMB400 for 2024 and then approximately RMB270 for 2025 primarily due to the increasing percentage of our phosphate rock revenue contributed by residual slag, which had relatively lower price than our self-generated phosphate rock.

For the years ended December 31, 2023, 2024 and 2025, we generated a significant portion of our revenue from sales to overseas markets, primarily including Southeast Asia, South Asia and South America. The following table sets forth our revenue breakdown by geographical market for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Geographical market						
Chinese Mainland	1,301,792	86.4	1,197,091	73.8	1,224,847	65.9
Outside Chinese Mainland. . .	204,284	13.6	425,715	26.2	633,771	34.1
Total	**1,506,076**	**100.0**	**1,622,806**	**100.0**	**1,858,618**	**100.0**

During the Track Record Period, our sales of products included (i) direct sales to end customers and trading companies; and (ii) sales to distributors. The following table sets forth a breakdown of our revenue by sales model for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Sales model						
Direct sales	1,506,076	100.0	1,608,738	99.1	1,827,266	98.3
Sales to distributors	—	—	14,068	0.9	31,352	1.7
Total	**1,506,076**	**100.0**	**1,622,806**	**100.0**	**1,858,618**	**100.0**

Cost of Sales

Our cost of sales amounted to RMB950.3 million, RMB1,309.7 million and RMB1,453.5 million for the years ended December 31, 2023, 2024 and 2025, respectively. During the Track Record Period, our cost of sales primarily consisted of (i) cost of raw materials, which represent external procurement costs of the raw materials used in our production primarily including sulfur, phosphate rock and synthetic ammonia, as well as cost of our self-generated phosphate rock used as raw material in our production; (ii) staff costs, which represented salaries and benefits for our production personnel; (iii) depreciation and amortization relating to our production facilities, equipment and our mining right; (iv) utilities used in our production activities; (v) mining costs, which represent mine construction costs allocated to the cost of our phosphate rock sold; (vi) transportation costs for shipping our products to customers; (vii) resource tax and environment tax paid in connection with sales of phosphate rock; and (viii) others, which primarily consisted of cost of spare parts and maintenance costs.

The following table sets forth a breakdown of our cost of sales by nature in absolute amounts and as percentages of our total cost of sales for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Cost of raw materials	566,967	59.7	847,922	64.7	1,087,743	74.8
Staff costs	48,382	5.1	51,477	3.9	63,934	4.4
Depreciation and amortization	30,290	3.2	59,205	4.5	86,284	5.9
Utilities	77,293	8.1	62,474	4.8	65,381	4.5
Mining costs	140,121	14.7	164,925	12.6	17,445	1.2
Transportation costs	7,291	0.8	33,720	2.6	49,393	3.4
Resource tax and environment tax	41,960	4.4	33,702	2.6	11,123	0.8
Others	37,994	4.0	56,317	4.3	72,152	5.0
Total	**950,298**	**100.0**	**1,309,742**	**100.0**	**1,453,455**	**100.0**

See "Business — Our Mineral Assets and Mining Rights — Yulinxi Phosphate Mine" in this document for discussions of our production costs and total cash operating costs.

We had completed exploration of our Yulinxi Phosphate Mine prior to the Track Record Period and, as a result, did not record any exploration expenses during the Track Record Period and up to the Latest Practicable Date.

Gross Profit and Gross Profit Margin

Our gross profit amounted to RMB555.8 million, RMB313.1 million and RMB405.2 million for the years ended December 31, 2023, 2024 and 2025, respectively. Our gross profit margin was 36.9%, 19.3% and 21.8% for the years ended December 31, 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross Profit margin %	Gross profit/(loss)	Gross Profit margin %	Gross profit	Gross Profit margin %
	(RMB in thousands, except for percentages)					
Contracts with customers						
Traditional ammonium phosphate products	448,500	43.7	244,028	22.0	289,890	21.1
Specialty ammonium phosphate products	44,151	55.3	85,788	34.6	101,969	26.9
Phosphate rock	61,431	15.7	(26,789)	(11.0)	849	1.1
Others	981	12.1	9,350	49.7	11,768	48.9
Subtotal	**555,063**	**36.9**	**312,377**	**19.3**	**404,476**	**21.8**
Other sources						
Rental income	715	93.8	687	93.6	687	93.6
Total	**555,778**	**36.9**	**313,064**	**19.3**	**405,163**	**21.8**

Traditional ammonium phosphate products and specialty ammonium phosphate products

During the Track Record Period, gross profit margins for our traditional ammonium phosphate products and specialty ammonium phosphate products decreased (i) from 2023 to 2024 primarily due to the increase in the cost of phosphate rock used as raw material in our production due to (A) the increase in the unit cost of our self-generated phosphate rock because we generated less in 2024 and (B) an increase in externally procured phosphate rock; (ii) from 2024 to 2025 primarily due to the significant increase in sulfur price, both of which are key raw materials used in our production of traditional ammonium phosphate products and specialty ammonium phosphate products.

Phosphate rock

We recorded RMB61.4 million of gross profit and a gross profit margin of 15.7% for phosphate rock for 2023, compared to a gross loss of RMB26.8 million and a gross loss margin of 11.0% for 2024, primarily because (i) we generated less phosphate rock in 2024 and low grade residual slag represented a higher percentage of our total phosphate rock sold for 2024, resulting in lower average selling price; (ii) the unit cost of generating phosphate rock increased because the output volume decreased in 2024 compared with 2023. We recorded RMB0.8 million of gross profit and a gross profit margin of 1.1% for phosphate rock for 2025. The average selling price of our phosphate rock decreased in 2025 as a result of low grade residual slag contributing a higher percentage of our revenue, which was partially offset by the decrease in average cost of sales. Residual slag is produced as a by-product after beneficiation of phosphate rock and, as such, we have not allocated any cost of sales to it. In 2025 residual slag represented a significantly higher percentage of the revenue for the phosphate rock product category compared with 2024. As a result of the significant increase in the percentage of phosphate rock revenue derived from residual slag without any corresponding increase in cost, the phosphate rock product category improved from a gross loss for 2024 to a gross profit margin of 1.1% for 2025.

Other Income and Gains

During the Track Record Period, our other income and gains primarily included (i) government grants mainly representing incentives received from local governments as subsidies for our research and development activities, award for contribution to the local economy and purchases of items of property, plant and equipment. There are no unfulfilled conditions or contingencies relating to these grants; (ii) bank interest income; (iii) net foreign exchange differences; (iv) net gain on disposal of items of property, plant and equipment; and (v) others, which primarily represents penalty payments received from construction companies for non-compliance with our requirements during construction work. Our other income and gains amounted to RMB5.8 million, RMB10.9 million and RMB11.3 million for the years ended December 31, 2023, 2024 and 2025, respectively. The following table sets forth a breakdown of our other income and gains for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Other income						
Government grants	1,447	24.9	5,755	52.7	10,571	93.4
Bank interest income	50	0.9	368	3.4	225	2.0
Others	1,485	25.5	638	5.8	516	4.6
Total other income	2,982	51.3	6,761	61.9	11,312	100.0
Gains						
Foreign exchange differences, net	2,834	48.7	963	8.8	—	—
Gain on disposal of items of property, plant and equipment, net	—	—	3,202	29.3	—	—
Total gains	2,834	48.7	4,165	38.1	—	—
Total other income and gains	**5,816**	**100.0**	**10,926**	**100.0**	**11,312**	**100.0**

Selling and marketing expenses

During the Track Record Period, our selling and marketing expenses primarily consisted of (i) staff costs, which represented salaries and benefits for our sales and marketing personnel; (ii) travelling expenses incurred in connection with sales and marketing activities; (iii) depreciation and amortization relating to fixed assets used by our sales business department; (iv) rental expenses for our sales office in Shanghai; (v) warehousing expenses, which represent fees paid for our use of warehousing service in Xinjiang to store products to be sold to the local customers; (vi) business entertainment expenses; (vii) marketing and promotional expenses; (viii) office expenses; (ix) registration expenses, which relate to exporting our products to the European Union; and (x) others, which primarily consisted of fees paid for phosphate fertilizer surveys and reports provided to customers and annual membership fees for industry associations. Our selling and marketing expenses amounted to RMB1.4 million, RMB2.2 million and RMB3.8 million for the years ended December 31, 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our selling and marketing expenses in absolute amounts and as percentages of our total selling and marketing expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Staff costs	591	41.0	840	38.2	802	20.9
Travelling expenses	336	23.3	419	19.0	699	18.2
Depreciation and amortization	33	2.3	77	3.5	61	1.6
Rental expenses	—	0.0	195	8.9	192	5.0
Warehousing expenses	—	0.0	90	4.1	706	18.4
Business entertainment expenses	300	20.8	149	6.8	143	3.7
Marketing and promotion expenses	18	1.2	226	10.3	445	11.6
Office expenses	31	2.1	151	6.9	270	7.0
Registration expenses	—	0.0	—	0.0	284	7.4
Others	134	9.3	54	2.3	236	6.2
Total	**1,443**	**100.0**	**2,201**	**100.0**	**3,838**	**100.0**

Administrative expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) staff costs, which represent salaries and benefits for our administrative personnel; (ii) depreciation and amortization relating to fixed assets used for administrative purposes; (iii) professional service fees, primarily including technical consulting services in connection with our production and fees relating to the proposed **[REDACTED]**; (iv) inventory stock count (gain)/loss; (v) business entertainment expenses; (vi) office expenses; (vii) traveling expenses; (viii) inventory safekeeping fees, which represent fees we paid for safekeeping the inventories we pledged as security for bank loans; (ix) taxes and surcharges, which represent miscellaneous taxes and surcharges such as stamp duty tax, land use right tax, property tax, urban construction tax, and education surcharges; and (x) others, which primarily consists of miscellaneous administrative fees. Our administrative expenses amounted to RMB24.1 million, RMB28.9 million and RMB35.4 million for the years ended December 31, 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of our total administrative expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Staff costs	8,647	36.0	10,626	36.8	12,447	35.2
Depreciation and amortization	6,285	26.1	8,200	28.3	9,061	25.6
Office expenses	1,280	5.3	1,591	5.5	2,251	6.4
Business entertainment expenses	1,749	7.3	1,194	4.1	2,121	6.0
Professional service fees	445	1.8	1,026	3.5	1,872	5.3
Inventory stock count (gain)/loss	438	1.8	(201)	(0.7)	1,574	4.5
Travelling expenses	705	2.9	1,493	5.2	1,217	3.4
Inventory safekeeping fees	799	3.3	1,238	4.3	—	—
Taxes and surcharges	3,262	13.6	2,748	9.5	3,882	11.0
Others	452	1.9	1,021	3.5	935	2.6
Total	**24,062**	**100.0**	**28,936**	**100.0**	**35,360**	**100.0**

Research and development costs

During the Track Record Period, our research and development costs primarily consisted of (i) staff costs, which represented salaries and benefits for our personnel allocated to research and development; (ii) cost of direct input, which represented materials, consumables and utilities used in our research and development activities; (iii) depreciation and amortization relating to facilities and equipment allocated to research and development; and (iv) others, which primarily consisted of consulting fees, travelling expenses of our research and development personnel and meeting expenses. Our research and development costs amounted to RMB45.3 million, RMB41.0 million and RMB63.0 million, respectively, for the years ended December 31, 2023, 2024 and 2025.

The following table sets forth a breakdown of our research and development costs in absolute amounts and as percentages of our total research and development costs for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Staff costs	5,460	12.1	9,741	23.7	5,427	8.6
Cost of direct input	35,016	77.4	29,254	71.3	55,462	88.1
Depreciation and amortization	4,530	10.0	1,428	3.5	1,791	2.8
Others	254	0.6	625	1.5	287	0.5
Total	**45,260**	**100.0**	**41,048**	**100.0**	**62,967**	**100.0**

Other expenses

During the Track Record Period, our other expenses primarily consisted of (i) penalty and provision, which primarily included administrative penalty in connection with the Yulinxi Mining Non-compliance and provision for our liabilities primarily relating to the Meisheng Litigation. For details, see "Business — Legal Proceedings and Compliance Matters" in this document; (ii) fixed assets write-off; (iii) donations to charitable foundations; (iv) compensation payments, which primarily represented compensation for relocation of residents near some of our projects; (v) foreign exchange loss and (vi) others. Our other expenses amounted to RMB3.0 million, RMB11.8 million and RMB26.1 million for the years ended December 31, 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our other expenses in absolute amounts and as percentages of our total other expenses for the years indicated:

	For the year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)					
Penalty and provision	348	11.5	11,500	97.2	17,407	66.8
Fixed assets write-off	201	6.6	—	—	1,580	6.1
Donations	2,178	71.8	180	1.5	—	—
Compensation payments	—	—	—	—	3,956	15.2
Foreign exchange loss	—	—	—	—	2,366	9.1
Others	308	10.1	151	1.3	748	2.8
Total	**3,035**	**100**	**11,831**	**100**	**26,057**	**100**

Finance costs

During the Track Record Period, our finance costs primarily consisted of (i) interest on bank and other borrowings; and (ii) unwinding of discount arising from the rehabilitation provision for our Yulinxi Phosphate Mine. The amount we are required to pay for the rehabilitation of the mine upon its closure at the end of its expected 30-year life is discounted to present value for each of the preceding 30 years, and we account for the increase from one year to the next as finance costs. Our finance costs amounted to RMB55.4 million, RMB53.2 million and RMB47.9 million, for the years ended December 31, 2023, 2024 and 2025, respectively.

The following table sets forth a breakdown of our financial costs in absolute amounts and as percentages of our total financial costs for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	55,425	53,078	47,287
Unwinding of discount	—	88	625
Total	**55,425**	**53,166**	**47,912**

Income tax expenses

During the Track Record Period, our income tax expenses primarily consisted of current tax and deferred tax. Our income tax expenses amounted to RMB65.7 million, RMB37.3 million, and RMB48.5 million, for the years ended December 31, 2023, 2024 and 2025, respectively.

Members of our Group are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and/or operate.

Chinese Mainland

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) and the respective regulations (the "**EIT Law**"), our Company and our subsidiaries which operate in Mainland China are subject to EIT at a rate of 25% on taxable income, except for those which are subject to preferential tax treatment, as set out below:

Our Company qualifies as high-technology enterprises under the tax law is entitled to a preferential income tax rate of 15%.

Hong Kong

The first HK$2.0 million of assessable profits of Hong Kong Dongsheng Chemical Trading Co., Limited, our subsidiary incorporated in Hong Kong, were taxed at 8.25% and the remaining assessable profits were taxed at 16.5% for each of the years during the Track Record Period.

YEAR ON YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by RMB235.8 million, or 14.5%, from RMB1,622.8 million in 2024 to RMB1,858.6 million in 2025, primarily due to a significant increase in revenue generated from sales of traditional ammonium phosphate products and specialty ammonium phosphate products primarily as a result of the growth in our export sales to overseas markets, which in turn was primarily due to increases in selling prices for traditional ammonium phosphate products and specialty ammonium phosphate products in the overseas markets. The increase in revenue derived from traditional ammonium phosphate products and specialty ammonium phosphate products was partially offset by a significant decrease in revenue generated from sales of phosphate rock. We generated phosphate rock as a by-product of our mine construction work. The amount of phosphate rock we sold decreased in 2025 compared to 2024 primarily because we generated less phosphate rock as our mine construction was completed in March 2025. The average selling price for phosphate rock decreased because residual slag contributed a higher percentage of our phosphate rock sales.

Cost of Sales

Our cost of sales increased by RMB143.8 million, or 11.0%, from RMB1,309.7 million in 2024 to RMB1,453.5 million in 2025. The increase was mainly attributable to (i) a significant increase in cost of raw materials primarily due to the increase in the price of sulfur; (ii) an increase in depreciation and amortization because in 2024 we completed certain mining construction work and procured mining and production equipment, which began to incur depreciation and amortization expenses in 2025; and (iii) an increase in transportation expenses as we continued to develop a customer base in Xinjiang, which is relatively far from our production base and required higher transportation costs. These increases were partially offset by decreases in mine construction costs allocated to cost of sales and resource tax and environment tax as we conducted less mining construction work in 2025 and had less phosphate rock sale in 2025 compared to 2024.

Gross Profit and Gross Profit Margin

Our gross profit increased by RMB92.1 million, or 29.4%, from RMB313.1 million in 2024 to RMB405.2 million in 2025, and our gross profit margin increased from 19.3% in 2024 to 21.8% in 2025. Among our four product categories, traditional ammonium phosphate products and specialty ammonium phosphate products had higher gross profit margins than phosphate rock and others. The increases in our overall gross profit and gross profit margin from 2024 to 2025 were primarily due to increases in the percentages of revenue contributed by our traditional ammonium phosphate products and specialty ammonium phosphate products.

Other Income and Gains

Our other income and gains increased by RMB0.4 million, or 3.5%, from RMB10.9 million in 2024 to RMB11.3 million in 2025, primarily due to an increase of RMB4.8 million in government grants, as partially offset by a decrease of RMB3.2 million in net gain on disposal of items of property, plant and equipment.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB1.6 million, or 74.4%, from RMB2.2 million in 2024 to RMB3.8 million in 2025, primarily due to (i) an increase in warehousing expenses due to the increase in our sales to customers in Xinjiang; (ii) increases in marketing and promotional expenses and traveling expenses in line with increased sales and marketing activities; and (iii) an increase in registration fee in connection with exporting products to the European Union.

Administrative Expenses

Our administrative expenses increased by RMB6.5 million, or 22.2%, from RMB28.9 million in 2024 to RMB35.4 million in 2025, primarily due to (i) an increase in staff costs for administrative personnel as a result of increases in the number of such personnel and their average compensation level; (ii) an increase in depreciation and amortization in connection with our staff canteen for which we recorded depreciation and amortization for part of 2024 but the whole year of 2025; (iii) an increase in professional service fees primarily as a result of technical consulting services in connection with our production; (iv) the change from an inventory stock count gain of RMB0.2 million in 2024 to an inventory stock loss of RMB1.6 million in 2025; (v) an increase in business entertainment expenses in line with the expansion of our operations; and (vi) an increase in taxes and surcharges in line with the expansion of our operations. These increases were partially offset by a decrease in inventory safekeeping fees as we repaid the underlying bank loan and took back the pledged inventories.

Research and Development Costs

Our research and development costs increased by RMB22.0 million, or 53.4%, from RMB41.0 million in 2024 to RMB63.0 million in 2025, primarily due to a significant increase in direct input costs arising from procurement of raw materials for research projects, as partially offset by a decrease in staff costs due to a decrease in the total number of work hours incurred by our research and development personnel as our projects in 2025 required fewer work hours in total.

Other Expenses

Our other expenses increased significantly by RMB14.3 million, or 120.2%, from RMB11.8 million in 2024 to RMB26.1 million in 2025, primarily due to (i) an increase in penalty payment and provision of RMB5.9 million because we recorded in 2025 a payment of RMB15.2 million primarily including the administrative penalty in connection with the Yulinxi Mining Non-compliance; (ii) compensation in the amount of RMB4.0 million in connection with relocation of residents near some of our projects; (iii) a net exchange loss of RMB2.4 million and (iii) fixed asset write-off loss of RMB1.6 million we recognized in 2025.

Finance Costs

Our finance costs decreased by RMB5.3 million, or 9.9%, from RMB53.2 million in 2024 to RMB47.9 million in 2025 due to a decrease in interest on bank and other borrowings as a result of decreased interest rates on bank borrowings.

Income Tax

Our income tax expense increased by RMB11.2 million, or 30.2%, from RMB37.3 million in 2024 to RMB48.5 million in 2025, primarily due to the increase in our profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by RMB42.3 million, or 28.3%, from RMB149.5 million in 2024 to RMB191.8 million in 2025.

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

Revenue

Our revenue increased by RMB116.7 million, or 7.8%, from RMB1,506.1 million for 2023 to RMB1,622.8 million for 2024, primarily due to an increase in revenue generated from sales of traditional ammonium phosphate products and specialty ammonium phosphate products as a result of the growth in our export sales to overseas markets, which in turn was primarily due to increases in selling prices for traditional ammonium phosphate products and specialty ammonium phosphate products in the overseas markets. This increase in revenue from traditional ammonium phosphate products and specialty ammonium phosphate products was partially offset by a significant decrease in revenue generated from sales of phosphate rock. We generated phosphate rock as a by-product of our mine construction, and the sales volume decreased in 2024 compared to 2023 because we conducted less mine construction work in 2024. The average selling price for phosphate rock decreased because residual slag contributed a higher percentage of our phosphate revenue in 2024 compared with 2023.

Cost of Sales

Our cost of sales increased by RMB359.4 million, or 37.8%, from RMB950.3 million for 2023 to RMB1,309.7 million for 2024. The increase was mainly attributable to (i) a significant increase in cost of raw materials primarily due to an increase in the cost of our phosphate rock. The amount of phosphate rock generated from mine construction decreased in 2024 compared to 2023 and as a result the mine construction costs allocated to each unit of sales of self-generated phosphate increased. In addition, our external procurement of phosphate rock used as raw material in our production increased in 2024 compared to 2023, resulting in higher cost for phosphate rock; (ii) an increase in transportation expenses as we focused on developing a customer base in Xinjiang, which is relatively far from our production base and required higher transportation costs; and (iii) an increase in depreciation and amortization as a result of addition to our property, plant and equipment used for mining and production. These increases were partially offset by (i) a decrease in utilities as we self-generated more electricity in 2024 as a by-product of our in-house production of sulfuric acid from sulfur; and (ii) a decrease in resource tax and environment tax as the sale of phosphate rock decreased.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by RMB242.7 million, or 43.7%, from RMB555.8 million for 2023 to RMB313.1 million for 2024. Our gross profit margin decreased from 36.9% for 2023 to 19.3% for 2024 primarily due to the increase in the cost of raw materials which in turn was primarily because we generated less phosphate rock from our own mine and had more external procurement of phosphate rock in 2024 for use as raw material in our production.

Other Income and Gains

Our other income and gains increased by RMB5.1 million, or 87.9%, from RMB5.8 million in 2023 to RMB10.9 million in 2024, primarily due to an increase of RMB4.3 million in government grants and RMB3.2 million of gain on disposal of property, plant and equipment, which were partially offset by a decrease of RMB1.9 million in net foreign exchange gains.

Selling and Marketing Expenses

Our selling and marketing expenses increased by RMB0.8 million, or 52.5%, from RMB1.4 million in 2023 to RMB2.2 million in 2024, primarily as a result of (i) an increase in staff costs for our sales and marketing personnel as a result of increases in the number of such personnel and their average compensation level; (ii) an increase in rental expenses as we began to rent our sales office in Shanghai in 2024; (iii) an increase in marketing and promotion expenses in line with our increased sales and marketing efforts; and (iv) an increase in warehousing expenses as we began to develop our customer base in Xinjiang.

Administrative Expenses

Our administrative expenses increased by RMB4.8 million, or 20.3%, from RMB24.1 million in 2023 to RMB28.9 million in 2024, primarily as a result of (i) an increase in staff costs for our administrative personnel as a result of increases in the number of such personnel and their average compensation level and (ii) an increase in depreciation and amortization as a result of an administrative office building completed which began to incur depreciation and amortization in 2024.

Research and Development Costs

Our research and development costs decreased by RMB4.3 million, or 9.3%, from RMB45.3 million in 2023 to RMB41.0 million in 2024, primarily due to (i) a decrease in cost of direct input due to a decrease in the number of our research projects; and (ii) a decrease in depreciation and amortization because some equipment had been fully depreciated or reached its useful life and written off and we did not add new equipment. These decreases were partially offset by an increase in staff costs for our research and development personnel as a result of an increase in the total number of work hours incurred by our research and development personnel as our projects in 2024 required more work hours in total.

Other Expenses

Our other expenses increased by RMB8.8 million, or 289.8%, from RMB3.0 million in 2023 to RMB11.8 million in 2024, primarily due to a penalty provision we recorded in 2024 in the amount of RMB10.9 million in connection with the Meisheng Litigation. For details, see "Business — Legal Proceedings and Compliance Matters" in this document.

Finance Costs

Our finance costs decreased by RMB2.2 million, or 4.1%, from RMB55.4 million in 2023 to RMB53.2 million in 2024 due to a decrease in interest on bank and other borrowings as a result of decreased interest rates.

Income Tax

Our income tax expense decreased by RMB28.4 million, or 43.3%, from RMB65.7 million in 2023 to RMB37.3 million in 2024, primarily due to the decrease in our profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by RMB217.2 million, or 59.2%, from RMB366.7 million in 2023 to RMB149.5 million in 2024.

ACCUMULATED LOSSES

As of January 1, 2023, we had accumulated losses of RMB873.7 million. Our accumulated losses as of the beginning of the Track Record Period primarily resulted from the following:

- In 2017, Yichang City promulgated a policy which aimed to require chemical companies to relocate for environmental protection purposes. Our Company was on the initial list for relocation, which caused concerns among our customers and suppliers and resulted in a significant decline in our production and sales;

- Between 2017 and 2022, while awaiting for further clarification from the government relating to the proposed relocation, we maintained a limited amount of production and sales while continuing to incur significant costs, including personnel costs, depreciation and amortization, and environmental compliance costs, resulting in net losses each year;

- In 2022, it was confirmed that our Company did not need to relocate. Our supply chain and customer relationships stabilized and our production and sale gradually returned to normal. In addition, we implemented a series of cost control measures to reduce our costs. As a result of the foregoing, we generated net profit each year from 2022 to 2025.

As of December 31, 2023, 2024 and 2025, we recorded accumulated losses of RMB544.7 million, RMB394.3 million and RMB204.0 million, respectively. Our accumulated losses continued to decrease during the Track Record Period primarily due to our net profit each year.

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

The following table sets out a summary of our 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	1,296,164	1,548,170	1,742,040
Right-of-use assets	82,653	92,676	94,746
Intangible assets	32,278	31,559	30,864
Deferred tax assets	8,468	11,200	11,913
Other non-current assets	17,424	36,056	47,949
Total non-current assets	1,436,987	1,719,661	1,927,512
CURRENT ASSETS			
Inventories	198,676	360,241	350,597
Trade and bills receivables	632,718	240,600	307,504
Prepayments, deposits and other receivables	30,282	20,021	52,034
Financial assets at fair value through profit or loss	—	—	80,000
Restricted cash	6,279	8,020	49,881
Financial assets at fair value through other comprehensive income	—	58,393	174
Cash and cash equivalents	951	113,918	68,552
Total current assets	868,906	801,193	908,742
CURRENT LIABILITIES			
Trade payables	210,249	260,832	422,704
Other payables and accruals	1,055,806	785,648	591,929
Interest-bearing bank and other borrowings	987,305	1,072,530	969,314
Contract liabilities	208,901	398,079	219,423
Provision	—	10,850	10,850
Tax payable	17,090	52,998	42,159
Total current liabilities	2,479,351	2,580,937	2,256,379
NET CURRENT LIABILITIES	(1,610,445)	(1,779,744)	(1,347,637)
TOTAL ASSETS LESS CURRENT LIABILITIES	(173,458)	(60,083)	579,875

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	264,100	188,380	334,947
Provision	—	12,747	13,372
Deferred income	16,800	57,876	67,961
Deferred tax liabilities	4,506	4,564	13,196
Long-term other payables	—	—	282,177
Total non-current liabilities	285,406	263,567	711,653
Net liabilities	(458,864)	(323,650)	(131,778)

Net Liabilities

As of January 1, 2023, we had accumulated losses of RMB873.7 million. See discussions under "— Accumulated Losses" above for details. We recorded net liabilities of RMB458.9 million, RMB323.7 million and RMB131.8 million as of December 31, 2023, 2024 and 2025. Our net liabilities position continued to improve during the Track Record Period, primarily as a result of our net profit recorded for each of 2023, 2024 and 2025.

We expect to be in a net asset position after taking into account the estimated net **[REDACTED]** from the **[REDACTED]**. See "— Dividends" and "— Distributable Reserves" in this section for discussions of some of the impact of our historical net liabilities position, and "Net Current Liabilities Position" below for a discussion of measures we plan to take which are expected to help reduce our net liabilities position. We generated positive cashflows from operating activities throughout the Track Record Period. Historically we have consistently been able to meet our working capital requirements through cash generated from our operating activities and bank loans, and expect to continue to be able to do so. See "— Working Capital Sufficiency" below for details.

Property, Plant and Equipment

Our property, plant and equipment primarily represent (i) buildings, (ii) mining infrastructure, (iii) production equipment, (iv) vehicles and machinery, (v) electrical and other equipment and (vi) construction in progress. As of December 31, 2023, 2024 and 2025, our property, plant and equipment amounted to RMB1,296.2 million, RMB1,548.2 million and RMB1,742.0 million, respectively.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Buildings	209,172	240,408	273,689
Mining infrastructure	335,477	901,265	945,093
Production equipment	108,129	272,313	331,716
Vehicles and machinery	27,390	30,749	48,099
Electrical and other equipment	25,711	48,949	57,964
Construction in progress	590,285	54,486	85,479
Total	**1,296,164**	**1,548,170**	**1,742,040**

Our property, plant and equipment increased by RMB252.0 million, or 19.4%, from RMB1,296.2 million as of December 31, 2023 to RMB1,548.2 million as of December 31, 2024, primarily attributable to increases in mining infrastructure and buildings which were partially offset by a decrease in construction in progress, as construction was completed and the relevant assets were reclassified from construction in progress to mining infrastructure and buildings. Our production equipment and electrical and other equipment also increased as we procured more equipment for our operations.

Our property, plant and equipment further increased to RMB1,742.0 million as of December 31, 2025, primarily as a result of increases in production equipment and electrical and other equipment. Buildings increased due to completion of construction of buildings. Construction in progress increased in 2025 as a result of the ongoing construction of our staff canteen and smart center of centralized monitoring of operations.

Right-of-Use Assets

Our right-of-use assets mainly represent leasehold land used in our operations. Our right-of-use assets increased from RMB82.7 million as of December 31, 2023 to RMB92.7 million as of December 31, 2024 and further to RMB94.7 million as of December 31, 2025 primarily because we continued to obtain land use rights for additional land to build new plants and related facilities.

Intangible Assets

Our intangible assets primarily represent (i) mining right to the Yulinxi Phosphate Mine; and (ii) software and others. As of December 31, 2023, 2024 and 2025, our intangible assets amounted to RMB32.3 million, RMB31.6 million and RMB30.9 million, respectively. Our intangible assets decreased over the Track Record Period primarily due to the accumulated amortization of our mining right.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Mining right	31,842	30,656	30,245
Software and others	436	903	619
Total	**32,278**	**31,559**	**30,864**

Other Non-current Assets

Our other non-current assets primarily represent (i) prepayments for long-term assets including property, plant and equipment and (ii) long-term deferred expense, which represents payment for catalysts installed in our equipment to treat emissions from sulfuric acid. The catalysts are used for more than one year since installation. As of December 31, 2023, 2024 and 2025, our other non-current assets amounted to RMB17.4 million, RMB36.1 million and RMB47.9 million, respectively.

The following table sets forth the breakdown of our other non-current assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for long-term assets	17,424	23,253	39,029
Long-term deferred expense	—	12,803	8,920
Total	**17,424**	**36,056**	**47,949**

Our other non-current assets increased from December 31, 2023 to December 31, 2024 primarily as a result of our long-term deferred expense due to the installation of the catalysts in our equipment in 2024. Our other non-current assets further increased from December 31, 2024 to December 31, 2025 primarily due to the significant increase in prepayments for property, plant and equipment. We recorded prepayments for equipment and for construction as of December 31, 2024 when we had entered into the relevant contracts and made the prepayments prior to December 31, 2025 but the relevant equipment and construction work had not yet been delivered. The balances of prepayments as of year end fluctuate depending on the timing of our procurement contracts for equipment and construction work.

Inventories

Our inventories consist of raw materials, work in progress and finished goods. During the Track Record Period, our raw materials primarily consisted of sulfur, phosphate rock and synthetic ammonia. The table below sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Raw materials	134,471	127,454	162,777
Work in progress	20,673	30,148	44,227
Finished goods	43,532	208,583	150,399
	198,676	366,185	357,403
Less: Write-down of Inventories to net realizable value	—	(5,944)	(6,806)
Total	**198,676**	**360,241**	**350,597**

Our inventories increased from RMB198.7 million as of December 31, 2023 to RMB360.2 million as of December 31, 2024, primarily due to a significant increase in finished goods because we had completed production according to orders but had not yet delivered the products. Raw materials decreased at the same time because we had a high balance of finished goods and did not need to maintain a high inventory level of raw materials for production.

Our inventories decreased slightly from RMB360.2 million as of December 31, 2024 to RMB350.6 million as of December 31, 2025, primarily reflecting a decrease in finished goods as our delivery schedule normalized, as partially offset by a significant increase in raw materials balance primarily as a result of the increase in sulfur price.

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

	For the year ended December 31,		
	2023	2024	2025
Average inventory turnover days[(1)]	80.9	77.6	89.6

Note:

(1) The inventory turnover days for each year equals the average of the beginning and ending balances of inventory for that year divided by cost of sales and multiplied by 360 days.

Our average inventory turnover days remained stable between 2023 and 2024. Our average inventory turnover days increased from 77.6 days for 2024 to 89.6 days for 2025 primarily due to the increase in our average inventory balance.

As of April 30, 2026, RMB350.6 million, or 100.0%, of our inventories as of December 31, 2025 had been sold or utilized.

Trade and Bills Receivables

During the Track Record Period, our customers made payments for our sales primarily with bills. For domestic products sales, we typically require payment in advance either in cash or by bills. For export sales, payment is generally due within 20 days from bill of trading.

We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Overdue balances are reviewed regularly by our senior management. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

Our bills receivables were all issued by reputable banks and within short-term maturities. We apply the general approach in calculating ECLs for bill receivables and the impairment losses were minimal at the end of each year.

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

	As of December 31,		
	2023	**2024**	**2025**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Trade receivables	—	145	491
Bills receivables	632,718	240,455	307,013
Net carrying amount	**632,718**	**240,600**	**307,504**

Substantially all of our trade and bills receivables during the Track Record Period were in the form of bills receivable. Our trade receivables were only nil as of December 31, 2023, RMB0.1 million as of December 31, 2024, and RMB0.5 million as of December 31, 2025.

Our bills receivables decreased from RMB632.7 million as of December 31, 2023 to RMB240.5 million as of December 31, 2024 primarily due to derecognition of the bills receivables upon payment by the issuing banks at maturity of the relevant bills. Our bills receivables increased from RMB240.5 million as of December 31, 2024 to RMB307.0 million as of December 31, 2025 primarily because we received more bills that had not reached maturity as of December 31, 2025.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Within 3 months	—	145	491
Total	**—**	**145**	**491**

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

	For the year ended December 31,		
	2023	2024	2025
Average trade receivables turnover days[(1)] . . .	0.00	0.02	0.06

Note:

(1) Trade turnover days for each year equals the average of the beginning and ending balances of trade receivables for that year divided by revenue for that year and multiplied by 360 days.

Our average trade receivables turnover days remained stable during the Track Record Period at 0.00 days for 2023, 0.02 days for 2024 and 0.06 days for 2025.

As of April 30, 2026, approximately RMB0.3 million, or 60.0%, of our trade receivables outstanding as of December 31, 2025 had been collected.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consisted of (i) prepayments for procurement of raw materials, utilities and transportation expenses; (ii) deferred **[REDACTED]** expenses in connection with our proposed **[REDACTED]**; (iii) deposits and other receivables which primarily consisted of deposits from our suppliers and contractors as performance guarantee; (iv) advances to our employees for business travel; and (v) recoverable value-added tax. The following table sets forth details of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments.	18,032	15,394	14,719
Deferred **[REDACTED]** expenses	—	—	4,541
Deposits and other receivables.	1,882	2,990	3,150
Deductible input value-added tax.	10,368	1,637	29,624
Total	**30,282**	**20,021**	**52,034**

Our prepayments, deposits and other receivables decreased from RMB30.3 million as of December 31, 2023 to RMB20.0 million as of December 31, 2024 primarily as a result of (i) a decrease in the ending balance of prepayments as of December 31, 2024 compared with December 31, 2023 reflecting different prepayments made under supplier contracts at the relevant time; and (ii) a decrease in deductible input value-added tax because invoices for a significant amount of our procurements in 2024 were issued in 2025 due to administrative delays, and recoverable value-added tax was only recorded upon issuance of the related invoices. As a result, a significant amount of recoverable value-added tax that was actually incurred in 2024 was recorded for 2025 instead.

Our prepayments, deposits and other receivables increased from RMB20.0 million as of December 31, 2024 to RMB52.0 million as of December 31, 2025 primarily as a result of a significant increase in recoverable value-added tax in 2025 for the reasons described above.

Financial Assets at Fair Value Through Profit or Loss

The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Wealth Management Products, at fair value . .	—	—	80,000

Our financial assets at fair value through profit or loss represent a wealth management product purchased from a reputable bank in Chinese mainland. It is a fixed-income product without guarantee of either principal or yield. It is mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. As of April 30, 2026, this wealth management product had been redeemed in full.

Restricted Cash

Our restricted cash mainly represents (i) cash deposited in designated bank accounts for specific purposes, including (a) court-ordered deposit of RMB5.0 million in connection with the Meisheng Litigation, and (b) annual contribution to the fund required for the rehabilitation of our Yulinxi Phosphate Mine; and (ii) bank deposits as guarantee for bills and letter of credit. Our pledged deposits increased from RMB6.3 million as of December 31, 2023 to RMB8.0 million as of December 31, 2024 and RMB49.9 million as of December 31, 2025 as a result of increases in deposits for our bills and letter of credit.

Financial Assets at Fair Value Through Other Comprehensive Income ("FVTOCI")

The following table sets forth our financial assets at fair value through other comprehensive income as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Bills receivable, at fair value.	—	58,393	174

Our financial assets at FVTOCI represent bills receivable at fair value through other comprehensive income that are bank acceptance bills issued by certain reputable banks in the Chinese mainland. They are classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cashflows and selling. The fair value approximates to the carrying value due to the short maturity. Bills receivable at fair value through other comprehensive income is subject to impairment under the general approach and the impairment is considered to be minimal.

Trade Payables

During the Track Record Period, our trade payables primarily consisted of payables to suppliers of raw materials including sulfur, phosphate rock, synthetic ammonia and auxiliary materials and spare parts. Our suppliers typically grant us credit periods of around 90 days. Our trade payables increased from RMB210.2 million as of December 31, 2023 to RMB260.8 million as of December 31, 2024 and further increased to RMB422.7 million as of December 31, 2025 in line with increases in our cost of raw materials.

The following table sets forth the aging analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	113,831	176,967	338,979
1 to 2 years	20,353	18,753	12,887
2 to 3 years	1,918	1,459	6,447
Over 3 years	74,147	63,653	64,391
Total	210,249	260,832	422,704

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

	For the year ended December 31,		
	2023	2024	2025
Average trade payables turnover days(1)	83.6	64.7	84.7

Note:

(1) Trade payables turnover days for each year equals the average of the beginning and ending balances of trade payables for that year divided by cost of sales for that year and multiplied by 360 days.

Our average trade payables turnover days were 83.6 days for 2023 64.7 days for 2024 and 84.7 days for 2025. Our average trade payables turnover days were lower in 2024 primarily because we settled our payables faster as we had more cash on hand in 2024.

As of April 30, 2026, approximately RMB217.8 million, or 51.5%, of our trade payables outstanding as of December 31, 2025 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payable for endorsed bills receivable that are not derecognized; (ii) payables for long-term assets; (iii) payroll and welfare payable to our employees; (iv) other payables primarily including performance guarantee deposits our contractors placed with us; (v) payable for **[REDACTED]** expenses in connection with the proposed **[REDACTED]**; (vi) other tax payables primarily representing tax payables in connection with expected revenue under our contract liabilities; and (vii) output VAT to be transferred representing VAT payables in connection with contract liability.

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payable for endorsed bills receivable that are not derecognized	622,608	240,091	307,013
Payables for long-term assets	376,542	477.853	512,673
Payroll and welfare payable	10,264	12,853	16,784
Other payables	7,219	8,544	5,442
Payable for **[REDACTED]** expense	—	—	3,601
Other tax payables	20,375	10,480	8,847
Output VAT to be transferred	18,798	35,827	19,746
Less: Non-current portion	—	—	282,177
Total	1,055,806	785,648	591,929

Our other payables and accruals decreased from RMB1,055.8 million as of December 31, 2023 to RMB785.6 million as of December 31, 2024, primarily due to a decrease of RMB382.5 million in payable for endorsed bills receivable that are not derecognized, which was partially offset by an increase of RMB101.3 million in payables for long-term assets. Our other payables and accruals payables further decreased from approximately RMB785.6 million as of December 31, 2024 to RMB591.9 million as of December 31, 2025, primarily because pursuant to our amended agreement with construction suppliers, the construction suppliers agreed to extend the due date of our construction payables of a total amount of RMB282.2 million to July 1, 2027 or later, and as a result, these construction payables are classified as non-current liabilities as of December 31, 2025. This decrease was partially offset by an increase of RMB66.9 million in payable for endorsed bills receivable that are not derecognized and an increase of RMB34.8 million in payables for long-term assets as we continued to invest in property, plant and equipment to expand our operations.

Contract Liabilities

Contract liabilities represent advance payments received from customers for goods to be delivered. The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers	208,901	398,079	219,423

Our contract liabilities increased from RMB208.9 million as of December 31, 2023 to RMB398.1 million as of December 31, 2024 then decreased to RMB219.4 million as of December 31, 2025, primarily due to timing of our customer contracts which affected the balance of our contract liabilities as of year end.

As of April 30, 2026, approximately RMB168.3 million, or 76.7%, of our contract liabilities as of December 31, 2025 had been recognized as revenue.

Provision

Our provision primarily consists of (i) provision for rehabilitation relating to our Yulinxi Phosphate Mine; and (ii) provision for our potential liabilities primarily relating to the Meisheng Litigation. See "Business — Legal Proceedings and Compliance Matters" in this document for details.

Provisions for our obligations for rehabilitation are based on estimates of required expenditure at the Yulinxi Phosphate Mine in accordance with the rules and regulations of the PRC. The obligation generally arises when an asset is installed or the ground environment is disturbed at the production location. We estimate our liabilities for the final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related asset.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Provision for rehabilitation	—	12,747	13,372
Litigation	—	10,850	10,850
Less: current portion	—	(10,850)	(10,850)
Non-current portion	—	12,747	13,372

As of December 31, 2023, 2024 and 2025, we had nil, RMB12.7 million and RMB13.4 million, respectively, in provision.

Deferred Income

Our deferred income primarily consists of government grants and subsidies. As of December 31, 2023, 2024 and 2025, we had RMB16.8 million, RMB57.9 million and RMB68.0 million, respectively, in deferred income. Our deferred income increased significantly from 2023 to 2024 primarily as a result of government grants we received in 2024 relating to procurement of fixed assets, which were amortized over the useful life of the assets and recognized as deferred income. Our deferred income further increased from 2024 to 2025 due to additional government grants received which were amortized and recognized as deferred income for 2025.

Deferred Tax Assets and Liabilities

Deferred tax assets

During the Track Record Period, our deferred tax assets primarily consisted of deferred tax credited to our consolidated statements of profit or loss in connection with deferred income, accruals and provision. The following table sets forth our deferred tax assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Deferred Tax Assets			
Deferred income	2,520	8,681	9,265
Inventory impairment	—	892	1,021
Provision	—	4,773	4,731
Losses available for offsetting against future taxable profits	5,948	—	—
Total	**8,468**	**14,346**	**15,017**

Deferred tax liabilities

During the Track Record Period, our deferred tax liabilities primarily consisted of deferred tax charged to our consolidated statements of profit or loss in connection with depreciation allowance in excess of related depreciation in connection with our Yulinxi Phosphate Mine, which resulted from different depreciation methods used for tax reporting purposes and for preparation of our financial statements under IFRS. Under relevant PRC tax reporting requirements, depreciation of the mining infrastructure for our Yulinxi Phosphate Mine under our property, plant and equipment is based on the straight line method, while under IFRS, depreciation of such mining infrastructure is based on its production volume. The following table sets forth our deferred tax liabilities as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Deferred Tax Liabilities			
Depreciation allowance in excess of related depreciation	4,506	7,710	16,300
	4,506	7,710	16,300

Our deferred tax liabilities increased significantly from 2024 to 2025 due to the increased difference between the calculations based on production volume and the straight line method as the mining infrastructure at our Yulinxi Phosphate Mine increased.

CURRENT ASSETS AND CURRENT LIABILITIES

We recorded net current liabilities of RMB1,610.4 million, RMB1,779.7 million, RMB1,347.6 million and RMB869.3 million as of December 31, 2023, 2024 and 2025 and April 30, 2026, respectively. The table below sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(unaudited) (RMB'000)*
Current assets:				
Inventories	198,676	360,241	350,597	314,559
Trade and bills receivables	632,718	240,600	307,504	69,924
Prepayments, deposits and other receivables	30,282	20,021	52,034	52,978
Financial assets at fair value through profit or loss	—	—	80,000	—
Restricted cash	6,279	8,020	49,881	25,334
Financial assets at fair value through other comprehensive income	—	58,393	174	15,872
Cash and cash equivalents	951	113,918	68,552	83,772
Total current assets	**868,906**	**801,193**	**908,742**	**562,439**
Current liabilities:				
Trade payables	210,249	260,832	422,704	376,648
Other payables and accruals	1,055,806	785,648	591,929	337,190
Interest-bearing bank and other borrowings	987,305	1,072,530	969,314	546,523
Contract liabilities	208,901	398,079	219,423	147,670
Provision	—	10,850	10,850	10,850
Tax payable	17,090	52,998	42,159	12,809
Total current liabilities	**2,479,351**	**2,580,937**	**2,256,379**	**1,431,690**
Net current liabilities	**(1,610,445)**	**(1,779,744)**	**(1,347,637)**	**(869,251)**

Our net current liabilities increased by RMB169.3 million, or 10.5%, from RMB1,610.4 million as of December 31, 2023 to RMB1,779.7 million as of December 31, 2024 due to a decrease in total current assets and an increase in total current liabilities. The decrease in our current assets was primarily attributable to a decrease of RMB392.1 million in trade and bills receivables, partially offset by an increase of RMB161.6 million in inventories and an increase of RMB113.0 million in cash and cash equivalents. The increase in our total current liabilities was primarily attributable to (i) an increase of RMB189.2 million in contract liabilities and (ii) an increase of RMB85.2 million in the current portion of interest-bearing bank and other borrowing, partially offset by a decrease of RMB270.2 million in other payables and accruals.

Our net current liabilities decreased from RMB1,779.7 million as of December 31, 2024 to RMB1,347.6 million as of December 31, 2025 due to a decrease in total current liabilities and an increase in total current assets. Our total current liabilities decreased primarily as a result of (i) a decrease of RMB193.7 million in other payables and accruals; and (ii) a decrease of RMB178.7 million in contract liabilities, which were partially offset by an increase of RMB161.9 million in trade payables. Our total current assets increased primarily as a result of (i) an increase of RMB66.9 million in trade and bills receivables; (ii) an increase of RMB80.0 million in financial assets at fair value through profit or loss; and (iii) an increase of RMB41.9 million in restricted cash, which were partially offset by (i) a decrease of RMB58.2 million in financial assets at fair value through other comprehensive income and (ii) a decrease of RMB45.4 million in cash and cash equivalents.

Our net current liabilities decreased from RMB1,347.6 million as of December 31, 2025 to RMB783.8 million as of April 30, 2026 primarily due to a decrease of RMB824.7 million in total current liabilities, as partially offset by a decrease of RMB346.3 million in total current assets. The decrease in total current liabilities was primarily attributable to (i) a decrease of RMB254.7 million in other payables and accruals primarily due to the decrease in payable for endorsed bills receivable that are not derecognized, which in turn was primarily due to the decrease in bills receivables as explained below; and (ii) a decrease of RMB422.8 million in interest-bearing bank and other borrowings because we borrowed long-term bank borrowings to repay some of our short-term bank borrowings. The decrease in total current assets was primarily attributable to (i) a decrease of RMB237.6 million in trade and bills receivables. We usually had a high balance of bills receivable near year end as it was the peak season for settlement of sales, and the majority of the bills we received near the end of 2025 matured prior to April 30, 2026; and (ii) a decrease of RMB80.0 million in financial assets at fair value through profit or loss because we had RMB80.0 million of wealth management products as of December 31, 2025 which had been redeemed in full by April 30, 2026.

Net Current Liabilities Position

During the Track Record Period, our business primarily consisted of the production and sales of (i) traditional ammonium phosphate products; (ii) specialty ammonium phosphate products; (iii) phosphate rock, which included phosphate rock and residual slag after beneficiation of phosphate rock; and (iv) others, which primarily consisted of chemical by-products. Our business model required significant capital investments in production facilities and mine construction, which are long-term assets in nature. We have primarily financed these capital investments with bank borrowings, including short-term bank borrowings and the current portion of long-term bank borrowings. As we incurred short-term liabilities to finance long-term assets, this mismatch resulted in our net current liabilities position as of December 31, 2023, 2024 and 2025 and April 30, 2026.

To improve our net current liabilities position, during the first four months of 2026, we have taken the following measures:

(i) renewed certain bank borrowings originally due within one year in the total amount of RMB926.0 million and obtained waivers of certain covenants in these bank loan agreements to extend payment obligations to periods later than December 31, 2026;

(ii) entered into sales and lease back arrangements to sell and lease back some of our equipment for financing purposes and obtained borrowings in the total amount of RMB271.5 million; and

(iii) implemented cost saving initiatives. Our Yulingxi Phosphate Mine began production in December 2025, which we believe will help reduce costs in 2026 and onwards.

We expect that the above measures, together with our expected positive cash flows from our operating activities, estimated net **[REDACTED]** from the **[REDACTED]** and other possible equity financings, will be able to help significantly reduce our net current liabilities in 2026.

WORKING CAPITAL SUFFICIENCY

Historically, we have financed our working capital requirements primarily through cash generated from our operating activities and bank loans. Set forth below is a summary of our existing and expected additional capital resources and estimated working capital requirements for the 12 months from the date of this document.

Our existing and expected sources of capital primarily include the following:

- Cash and cash equivalents on hand;
- Expected net cash flows from operating activities;
- Bank borrowings;
- Borrowings under sales and leaseback arrangements; and
- Estimated net **[REDACTED]** from the **[REDACTED]**.

Our estimated working capital requirements for the 12 months from the date of this document primarily include the following:

(i) operating cash outflows;

(ii) sustaining capital expenditure of our mine and production expansion;

(iii) repayment of bank loans;

(iv) payment of interest on bank loans; and

(v) property holding costs.

Taking into account the capital resources available to us as described above, our Directors are of the view that, after due and careful inquiry, we have sufficient available working capital to cover at least 125% of our working capital requirements as required under Rule 18.03(4) of the Listing Rules, that is, for at least the next 12 months from the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

Our primary uses of cash are for our working capital needs and capital expenditures. Historically, we have met our working capital needs primarily through cash generated from our operating activities, interest-bearing bank and other borrowings.

Upon the completion of the **[REDACTED]**, we expect to meet our working capital needs primarily through cash flows from operating activities, interest-bearing bank and other borrowings and the net **[REDACTED]** from the **[REDACTED]**.

The table below sets forth our cash flows for the years indicated:

	For the year ended December 31,		
	2023	**2024**	**2025**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net cash flows from operating activities	438,550	325,294	207,742
Net cash flows used in investing activities	(433,553)	(155,327)	(247,176)
Net cash flows used in financing activities	(6,366)	(57,433)	(4,877)
Net (decrease)/increase in cash and cash equivalents	(1,369)	112,534	(44,311)
Cash and cash equivalents at beginning of year	2,320	951	113,918
Effect of foreign exchange rate changes, net	—	433	(1,055)
Cash and cash equivalents at end of year	**951**	**113,918**	**68,552**

Net Cash Flows From Operating Activities

During the Track Record Period, our operating activities primarily consisted of the production and sales of fertilizers, phosphate rock and chemical products for industrial use.

Our net cash flows from operating activities for 2025 was RMB207.7 million, primarily reflecting profit before tax of RMB240.3 million, as adjusted by (i) positive total adjustments before movements in working capital in the amount of RMB151.2 million primarily including depreciation of property, plant and equipment of RMB89.2 million and finance costs of RMB47.9 million; (ii) negative total movements in working capital in the amount of RMB132.6 million primarily including RMB959.9 million of increase in trade and bills receivables, RMB178.7 million of decrease in contract liabilities, RMB41.9 million increase in restricted cash, RMB27.1 million increase in financial assets at fair value through other comprehensive income, as partially offset by increase in RMB1,046.1 million in trade payables; and (iii) RMB51.4 million of corporate income tax paid.

Our net cash flows from operating activities for 2024 was RMB325.3 million, primarily reflecting profit before tax of RMB 186.8 million, as adjusted by (i) positive total adjustments before movements in working capital in the amount of RMB126.5 million primarily including depreciation of property, plant and equipment of RMB67.0 million and finance costs of RMB53.2 million; (ii) positive total movements in working capital in the total amount of RMB15.6 million primarily including RMB1,157.7 million of increase in trade payables and RMB189.2 million increase in contract liabilities partially offset by RMB1,199.8 million of increase in trade and bills receivables; and (iii) RMB4.0 million of corporate income tax paid.

Our net cash flows from operating activities for 2023 was RMB438.6 million, primarily reflecting profit before tax of RMB432.4 million, as adjusted by (i) positive total adjustments before movements in working capital in the total amount of RMB99.1 million primarily including finance costs of RMB55.4 million and depreciation of property, plant and equipment of RMB42.1 million; (ii) negative total movements in working capital in the amount of RMB88.5 million primarily including RMB1,039.6 million of increase in trade and bills receivables, RMB110.5 million of decrease in contract liabilities, RMB42.1 million decrease in other payables and accruals, as partially offset by RMB790.8 million of increase in trade payables, RMB272.7 million of decrease in prepayments, other receivables and other assets, and RMB29.8 million of decrease in inventories; and (iii) RMB4.5 million of corporate income tax paid.

Net Cash Flows Used in Investing Activities

During the Track Record Period, our cash flows from investing activities primarily related to (i) purchases and disposal of items of property, plant and equipment; (ii) purchases of financial assets at fair value through profit or loss.

Our net cash flows used in investing activities in 2025 was RMB247.2 million, which primarily reflected (i) RMB180.2 million used in purchases of items of property, plant and equipment; (ii) RMB80.0 million used in purchases of financial assets at fair value through profit or loss, which represented wealth management products issued by a PRC bank; and (iii) RMB13.1 million of proceeds from disposal of items of property, plant and equipment.

Our net cash flows used in investing activities in 2024 was RMB155.3 million, which primarily reflected (i) RMB161.8 million used in purchases of items of property, plant and equipment; and (ii) RMB7.1 million of proceeds from disposal of items of property, plant and equipment.

Our net cash flows used in investing activities in 2023 was RMB433.6 million, which primarily reflected (i) RMB437.9 million used in purchases of items of property, plant and equipment; (ii) RMB4.7 million of proceeds from disposal of items of property, plant and equipment; and (iii) RMB0.3 million used in purchases of intangible assets relating to financial software.

Net Cash Flows From(Used in) Financing Activities

During the Track Record Period, our cash flows from financing activities primarily related to (i) proceeds from bank borrowings and other borrowings, (ii) repayment of bank borrowings and other borrowings, (iii) interest paid, (iv) payment of **[REDACTED]** expenses; (v) deemed capital contribution from shareholders; and (vi) acquisition of non-controlling interests.

Our net cash flows used in financing activities in 2025 was RMB4.9 million, primarily reflecting RMB1,538.6 million of proceeds from bank borrowings and other borrowings, as partially offset by RMB1,495.5 million of repayment of bank borrowings and other borrowings, RMB47.1 million of interest paid and RMB0.9 million of payment of **[REDACTED]** expenses.

Our net cash flows used in financing activities in 2024 was RMB57.4 million, primarily reflecting repayment of bank borrowings and other borrowings of RMB1,071.8 million acquisition of non-controlling interests of RMB13.9 million and interest paid of RMB53.3 million, as partially offset by proceeds from bank borrowings and other borrowings of RMB1,081.5 million.

Our net cash flows used in financing activities in 2023 was RMB6.4 million, primarily reflecting proceeds from bank borrowings and other borrowings of RMB1,124.1 million and deemed capital contribution from shareholders of RMB37.0 million, as partially offset by repayment of bank borrowings and other borrowings of RMB1,100.9 million acquisition of non-controlling interests of RMB7.0 million and interest paid of RMB59.6 million.

INDEBTEDNESS

During the Track Record Period, our indebtedness consisted of interest-bearing bank and other borrowings.

Interest-bearing Bank and Other Borrowings

As of December 31, 2023, 2024, 2025 and April 30, 2026, we had total interest-bearing bank and other borrowings of RMB1,251.4 million, RMB1,260.9 million, RMB1,304.3 million and RMB1,496.0 million, respectively. None of the agreements underlying our bank and other borrowings contained any covenants that would restrict our ability to raise additional capital. The following table sets forth our borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2023	**2024**	**2025,**	**2026**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* (Unaudited)
Current				
Bank loans — secured	900,500	887,820	929,620	414,800
Other borrowings	17,800	22,500	20,000	105,480
Current portion of long-term bank loans — secured	66,700	160,100	17,120	23,140
Interest payable accrued	2,305	2,110	2,574	3,103
Total — current	987,305	1,072,530	969,314	546,523
Non-current				
Bank loans — secured	264,100	188,380	290,947	793,931
Other loans — secured	—	—	26,000	155,520
Other loans — unsecured	—	—	18,000	—
Total — non-current	264,100	188,380	334,947	949,451
Total	**1,251,405**	**1,260,910**	**1,304,261**	**1,495,974**

As of April 30, 2026, we had banking facilities of RMB445.8 million, among which nil was unutilized.

Statement of Indebtedness

Our Directors confirm that except as disclosed above under "Interest-bearing bank and other borrowings" in this section, as of the Latest Practicable Date, there were no material covenants on any of our outstanding debt, and there was no breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans or other borrowings, nor any default in repayment or breach of covenant, during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, as of April 30, 2026, we did not have any other material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since April 30, 2026 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any unrecorded material contingent liabilities, guarantees, or litigation against us.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the years indicated:

	As of/for the year ended December 31,		
	2023	**2024**	**2025**
Current ratio (times)(1)	0.4	0.3	0.4
Quick ratio (times)(2)	0.3	0.2	0.2
Interest coverage ratio (times)(3)	6.8	2.5	4.1
Return on assets(4)	17.7%	6.2%	7.2%

Notes:

(1) Current ratio equals our current assets divided by current liabilities as of the end of the year.

(2) Quick ratio equals our current assets less inventories divided by current liabilities as of the end of the year.

(3) Interest coverage ratio equals profit before finance costs and income tax expenses divided by interest expenses for the year.

(4) Return on assets equals profit for the year divided by the average of the beginning and ending balances of total assets for the same year and multiplied by 100%.

Current Ratio

Our current ratio decreased from 0.4 as of December 31, 2023 to 0.3 as of December 31, 2024, primarily because the decrease of our current assets outpaced the increase of our current liabilities as of December 31, 2024. Our current ratio increased from 0.3 as of December 31, 2024 to 0.4 as of December 31, 2025, primarily because the increase of our current assets outpaced the decrease of our current liabilities as of December 31, 2025. The specific reasons for the fluctuation of our current assets and current liabilities were discussed in "— Current Assets and Current Liabilities".

Quick Ratio

Our quick ratio decreased from 0.3 as of December 31, 2023 to 0.2 as of December 31, 2024, primarily because our current assets decreased but our inventories increased, while our current liabilities increased. Our quick ratio remained stable at 0.2 and 0.2, respectively, as of December 31, 2024 and December 31, 2025.

Interest Coverage Ratio

Our interest coverage ratio decreased from 6.8 as of December 31, 2023 to 2.5 as of December 31, 2024, primarily due to a decrease in profit before tax of RMB245.6 million. Our interest coverage ratio increased from 2.5 as of December 31, 2024 to 4.1 as of December 31, 2025, primarily due to an increase in profit before tax of RMB53.5 million and a decrease in interest expenses of RMB5.8 million in 2025.

Return on Assets

Our return on assets ratio decreased from 17.7% as of December 31, 2023 to 6.2% as of December 31, 2024, primarily because the increase in our total assets and the decrease in our profit for the year in 2024. Our return on assets ratio was relatively stable at 6.2% and 7.2%, respectively, for the years ended December 31, 2024 and 2025.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted of purchases of property, plant and equipment, leasehold improvements, construction in progress and intangible assets. Our capital expenditures amounted to RMB417.2 million, RMB335.8 million and RMB302.2 million for the years ended December 31, 2023, 2024 and 2025, respectively.

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments primarily related to purchases of property, plant and equipment. The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Capital commitments	65,257	31,770	236,536

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

During the Track Record Period, other than the compensation to our key management personnel, we had certain transactions and balances with the related parties during the Track Record Period, the details of which are set out in Note 35 to the Accountants' Report set out in Appendix I to this document.

Our Directors confirm that, all material related party transactions during the Track Record Period were conducted on an arm's length basis and on normal commercial terms and/or that such terms that were no less favorable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our major financial instruments include trade, bills and other receivables, restricted cash, cash and cash equivalents, trade, bills and other payables, interest-bearing bank and other borrowing and long-term other payables. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

For further details, please see Note 40 to the Accountants' Report set out in Appendix I to this document.

DIVIDENDS

We had accumulated losses and a net liabilities position throughout the Track Record Period. No dividend was declared or paid by our Company during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period. As advised by our PRC Legal Advisors, no dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our Group currently does not have a pre-determined dividend policy. The Board may declare, and our Company may pay, dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. We may distribute dividends by way of cash, or warrant. We may distribute stock dividends if our Directors consider that our stock price and equity scale do not match and that distribution of stock dividends is beneficial to all Shareholders' interest. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC Company Law. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. In addition, we may declare interim dividends as our Board considers to be justified by our profits and overall financial requirements. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board and subject to the approval of Shareholders' meeting.

DISTRIBUTABLE RESERVES

As of December 31, 2023, 2024 and 2025, we did not have any reserves available for distribution because we had accumulated losses throughout the Track Record Period. See "— Accumulated Losses" above for details.

[REDACTED] EXPENSES

Our **[REDACTED]** expenses mainly include **[REDACTED]** fees and commissions and professional fees paid to legal advisors and service providers for their services rendered in relation to the **[REDACTED]**. We expect to incur a total of HK$**[REDACTED]** of **[REDACTED]** expenses (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range between HK$**[REDACTED]** and HK$**[REDACTED]**, and assuming that the **[REDACTED]** is not exercised) until the completion of the **[REDACTED]**. **[REDACTED]** expenses represent professional fees and other fees incurred in connection with the **[REDACTED]**, including **[REDACTED]** commission. Such **[REDACTED]** expenses comprise **[REDACTED]**-related expenses of HK$**[REDACTED]** and non-**[REDACTED]** expenses of HK$**[REDACTED]**, respectively. The non-**[REDACTED]** expenses consist of (i) HK$**[REDACTED]** of fees and expenses of legal advisors and reporting accountant, and (ii) HK$**[REDACTED]** of fees and expenses of the Sole Sponsor and other fees and expenses, which primarily represent fees and expenses for other professional services. Approximately HK$**[REDACTED]** is expected to be capitalized. The **[REDACTED]** expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the date on which our latest consolidated financial statements were prepared, and there is no event since December 31, 2025 which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, 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.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See Appendix II to this document for details on our unaudited **[REDACTED]** adjusted consolidated net tangible assets.