You should read the following discussion and analysis in conjunction with our consolidated financial information and the related notes thereto included in the Accountants' Report in Appendix I. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. 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 that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document. For further details, see "Forward-Looking Statements."

OVERVIEW

We are a lithium-ion battery recycling and reutilization company dedicated to exploring a circular and clean future. According to the F&S Report, in terms of sales revenue of recycled products in 2025, we were the second-largest lithium-ion battery recycling and reutilization enterprise and the largest third-party lithium-ion battery recycling and reutilization enterprise globally. As one of Chinese mainland's earliest enterprises engaged in lithium-ion battery recycling since 2014, leveraging our first-mover advantage and comprehensive capabilities, we have established an integrated ecosystem for lithium-ion battery recycling that encompasses:

- "**Full Element**" Recovery of all valuable materials of retired lithium-ion batteries, such as lithium, nickel, cobalt, manganese, and iron;

- "**Full Component**" Reutilization of both battery cathodes and anodes; and

- "**Full System**" Coverage which represents our comprehensive and end-to-end production capability that covers the dismantling and crushing of retired batteries, and the production of lithium-ion battery materials for cathodes and anodes.

We specialize in the recycling, resource recovery, and reuse of lithium-ion batteries, offering a wide range of recycled products, primarily including lithium carbonate, nickel sulfate and cobalt sulfate. During the Track Record Period, revenue from sales of our recycled products contributed to a substantial majority of our total revenue. Apart from our recycled products, we also convert retired EV batteries into batteries suitable for light-duty applications.

During the Track Record Period, our business was challenged by the volatility in product prices, especially lithium carbonate market prices which underwent an unprecedented sharp decline in 2023 and continued to drop in 2024, creating a temporary mismatch between our cost of sales and our revenue and resulting in our gross and net losses in 2023 and 2024. Despite these market challenges, we witnessed certain improvements in our operating results as sales volume of our major product, lithium carbonate, increased throughout the Track Record Period, and our gross and net losses narrowed down in 2024. In 2025, we turned to gross profit position.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition, results of operations and prospects are affected by general factors affecting the lithium-ion battery cycling and reuse industry, which include supply, price, economies of scale, product quality, research and development capabilities, technological innovation, product performance, industrial chain resource integration capability, production capabilities, customer service and support, customer recognition, and corporate reputation.

Unfavorable changes in any of these factors could negatively affect the demand for our products and materially and adversely affect our results of operations. Our business, financial condition, results of operations and prospects are also affected by certain company-specific factors, including our ability to achieve the following:

Fluctuations in Market Prices of Our Products and End-Market Demand

During the Track Record Period, we derived a substantial majority of our revenues from sales of recycled products, primarily lithium carbonate, nickel sulfate and cobalt sulfate. We generally sell our products with reference to the prevailing market prices. To a lesser extent, the pricing of our products also takes into account various other customer-specific factors, including product specifications, raw material costs, production costs, contract duration, customer relationships, and delivery and payment terms. As a result, during the Track Record Period, our results of operations were influenced by the market prices of lithium carbonate, nickel sulfate and cobalt sulfate.

The prices of lithium carbonate, nickel sulfate and cobalt sulfate are primarily driven by market factors, particularly supply and demand dynamics. In particular, as the supply of lithium carbonate and nickel sulfate mainly comes from primary mining, the increase in supply of such materials from 2023 to 2025 contributed to the continuous decrease in their market prices in the same period. See "Business — Factors affecting the market price of our raw materials and selling price of our recycled products." During the Track Record Period, the market prices of lithium carbonate, nickel sulfate and cobalt sulfate in China fluctuated significantly. Specifically, according to the F&S Report, the average market prices of lithium carbonate decreased significantly from RMB230,000 per ton in 2023 to RMB81,000 per ton in 2024 and RMB68,000 per ton in 2025. The average market price of nickel sulfate declined from approximately RMB29,800 per ton in 2023 to RMB25,500 per ton in 2024 and RMB24,700 per ton in 2025. In contrast, the average market price of cobalt sulfate, after declining from approximately RMB34,500 per ton in 2023 to RMB26,900 per ton in 2024, recovered to approximately RMB49,700 per ton in 2025. Considering the time lag between the purchase of raw materials and the completion of processing and sales of our products, if the market prices of our products are in a decline cycle, our gross profit margins may be adversely affected.

Additionally, considering that our recycled products will be mainly used for producing lithium-ion batteries, the demand for our products is also influenced by the demand in the lithium-ion battery market. In recent years, our sales and revenue growth have been driven by strong demand in the lithium-ion battery market, particularly due to the significant increase in demand for EV batteries and ESS batteries. According to the F&S report, the production of EV batteries and ESS batteries grew from 220 GWh and 32 GWh in 2021 to 1,254 GWh and 523 GWh in 2025, with a CAGR of 54.5% and 101.1%, respectively. We expect our sales to continue to be driven by demand in the end markets we serve.

The impact of market price fluctuations on our results of operations is amplified by the time lag between raw material procurement and finished product sales. Our production process involves multiple stages requiring approximately 30 days, resulting in a turnover period from raw material procurement to product sales of approximately two to three months. During periods of rapidly declining prices, such as in 2023 and 2024, raw materials purchased at higher prices were processed into finished products sold at lower prevailing market prices, compressing our gross margins. To mitigate this pricing mismatch risk, we have adopted a multi-pronged strategy: (a) price-locking arrangements with back-to-back customers (including recycled product traders and futures traders), under which both procurement costs and selling prices are locked simultaneously through back-to-back sales contracts (revenue from such arrangements increased from RMB209.8 million in 2023 (7.3% of total revenue) to RMB785.7 million in 2024 (36.4% of total revenue) and further to RMB1,310.2 million in 2025 (59.5% of total revenue)); (b) dynamic pricing and settlement mechanisms with non-futures-trader customers, under which selling prices are determined with reference to prevailing market prices at the time of delivery; and (c) shortened inventory turnover days from 66 days in 2023 to 48 days in 2024 and further to 36 days in 2025, reducing our exposure window. As market prices stabilized in the second half of 2025, the combination of these strategies and reduced price volatility contributed to our gross profit turnaround.

Operational Efficiency and Cost Control

Our ability to maintain and improve production efficiency and control production costs will impact business performance, results of operations, and profitability. We continuously optimize our technological processes, including technological innovation, upgrades, equipment and machinery upgrades, and process improvements to enhance production efficiency and reduce production costs, thereby mitigating risks associated with fluctuations in the prices of our products and raw materials.

We have developed a wealth of key technologies that are used in our production process and applied in our products. Leveraging these advanced technologies and our R&D capabilities, together with our manufacturing expertise, we are able to produce high-quality products that meet our customers' requirements while maintaining cost efficiency. For example, our innovative Multi-Component Salt Separation Technology for Nickel and Lithium Extraction (多組份分鹽法分離提取鎳鋰技術) enables one-step lithium salt extraction through physical methods.

In addition, in anticipation of the future wave of retirement for EV power batteries and ESS batteries, we strategically increased our direct procurement of retired lithium-ion batteries and battery manufacturing scraps during the Track Record Period. This initiative allows us to directly recycle retired lithium-ion batteries, significantly, enhancing our overall operational efficiency, improving our control over costs, and increasing profit margins. We also sell intermediate products such as black mass obtained from the "mass shredding" process, which complements our main source of revenue. Looking ahead, we expect that retired battery packs will gradually become one of our important raw material sources.

Manufacturing Capacity

During the Track Record Period, we have continually increased our production capacities to meet the customer demand. Leveraging our extensive manufacturing experience and insights, we have achieved significant results in cost reduction and efficiency improvement. According to the F&S Report, our recycling capacity of retired lithium-ion batteries and production capacity of recycled products from lithium-ion battery recycling ranked third in Chinese mainland in 2025. For the year ended December 31, 2025, the overall production capacity utilization rate for our primary products reached 80.5%. Additionally, our capability to improve production processes allows us to flexibly optimize the use of our production lines. We are able to coordinate production among our facilities and adjust production plans to respond to changes in demand.

According to the F&S Report, the global lithium-ion battery recycling and reutilization solutions market is expected to continue rapid development, reaching a treatment volume of 21.1 million tons by 2031, representing a CAGR of 52.2% from 2025. Following careful evaluation of market conditions, we plan to further expand our production capacities, which we believe will enhance our ability to serve customers with high-quality products while achieving greater economies of scale. Our continual enhancement of production capacities, as well as the maintenance and improvement of production efficiency, affect our results of operations and profitability. Going forward, we plan to further improve our production capacities and efficiency by adopting advanced and energy-efficient technologies and highly automated machinery and equipment.

PATH TO PROFITABILITY

We recorded gross losses of RMB157.6 million and RMB87.7 million and net loss of RMB471.4 million and RMB343.6 million in 2023 and 2024, respectively. For the year ended December 31, 2025, we achieved a decisive turnaround: despite our net loss of RMB166.5 million, we recorded gross profit of RMB155.5 million (gross profit margin of 7.1%), compared to gross loss of RMB87.7 million (gross loss margin of 4.1%) in 2024. Our EBITDA (non-IFRS measure) improved from negative RMB200.9 million in 2024 to approximately breakeven at RMB4.9 million in 2025. This substantial recovery — validating the effectiveness of management's path to profitability strategy, which we will continue to advance — narrowed our net loss and was driven by (i) the increase in average selling prices of our cobalt recycled products, (ii) the stabilization and partial recovery of selling prices of our lithium and nickel recycled products, (iii) our continuous efforts in improving our production technology, resulting in reduced unit manufacturing costs, and (iv) enhanced inventory management through shortened procurement-to-sale cycles, with average inventory turnover days decreasing from 66 days in 2023 to 48 days in 2024 and further to 36 days in 2025, and more disciplined raw material purchasing aligned with confirmed customer orders, leading to a significant reduction in inventory impairment losses from RMB24.6 million in 2024 to RMB4.4 million in 2025. Notably, our gross profit margin showed substantial and accelerating sequential improvement throughout 2025, reaching 7.4% and 12.0% for the third and fourth quarters of 2025, respectively, compared with the gross loss margins of 6.1% and 5.1% for the corresponding periods in 2024, demonstrating a compelling margin expansion trajectory.

The turnaround of gross profit in 2025 with a positive recovery of RMB243.2 million was primarily driven by the effectiveness of management's path to profitability strategy and a combination of factors that operated simultaneously across our business:

(a) all three core product lines staged a successful turnaround from gross loss to gross profit in 2025. Most notably, cobalt recycled products marked the most significant recovery, achieving a positive variance of RMB101.5 million — from a gross loss of RMB30.4 million in 2024 to a gross profit of RMB71.1 million in 2025. This rebound was primarily driven by the strong recovery in our average selling price of cobalt sulfate from RMB25,158 per ton in 2024 to RMB45,517 per ton in 2025, in line with the recovery of cobalt sulfate market prices from approximately RMB26,900 per ton in 2024 to approximately RMB49,700 per ton in 2025. Lithium recycled products recovered from a gross loss of RMB17.7 million to a gross profit of RMB18.8 million. Nickel recycled products recovered from a gross loss of RMB10.3 million to a gross profit of RMB14.5 million;

(b) inventory impairment losses decreased significantly from RMB108.9 million in 2023 to RMB24.6 million in 2024 and further to RMB4.4 million in 2025, reflecting the combined effect of shortened inventory turnover days (66 days in 2023, 48 days in 2024, 36 days in 2025), a "produce-on-demand" procurement model aligned with confirmed customer orders, and the stabilization of market prices in the second half of 2025;

(c) unit manufacturing costs declined across all product lines: lithium recycled products from RMB5,354 per ton in 2024 to RMB4,280 per ton in 2025 (a 20.1% reduction), nickel recycled products from RMB2,251 to RMB1,832 per ton (a 18.6% reduction), and cobalt recycled products from RMB2,158 to RMB1,714 per ton (a 20.6% reduction). The reduction was primarily driven by increased production scale, technological improvements in extraction efficiency, and the transition towards processing a higher proportion of battery-grade lithium carbonate from semi-finished products in 2025; and

(d) notably, our gross profit margin improved sequentially throughout 2025: from 2.4% and 4.8% for the first and second quarters of 2025 to 7.4% and 12.0% for the third and fourth quarters of 2025, respectively, demonstrating a clear and accelerating improving trajectory as compared with the gross loss margins of 16.8%, 6.1% and 5.1% in the first, third and fourth quarters of 2024 and the gross profit margin of 5.7% in the second quarter of 2024, respectively.

Our gross profit is primarily affected by our product prices and cost of raw materials, both of which generally fluctuate in line with the market prices of relevant metallic compounds, namely lithium carbonate, nickel sulfate and cobalt sulfate. According to the F&S Report, the average price of lithium carbonate in lithium-ion battery recycling and reutilization solution market in China experienced unprecedented and significant volatility in recent years, declining by approximately

64.8% from RMB230,000 per ton in 2023 to RMB81,000 per ton in 2024 and further decreased by 16.0% to RMB68,000 per ton in 2025. Importantly, while lithium carbonate prices continued to decline year-on-year throughout 2025, the rate of decline moderated significantly, with prices showing partial recovery since June 2025 and stabilization in the second half of 2025. The average market price of nickel sulfate declined from approximately RMB29,800 per ton in 2023 to RMB25,500 per ton in 2024 and RMB24,700 per ton in 2025. In contrast, the average market price of cobalt sulfate, after declining from approximately RMB34,500 per ton in 2023 to RMB26,900 per ton in 2024, recovered to approximately RMB49,700 per ton in 2025.

Due to the time lag between the purchase of raw materials and the completion of processing and sales of our products, declining market prices could adversely affect our gross profit as we may purchase raw materials at higher prices but be forced to sell finished products at lower prices following the declining market price trend. This occurs because our production process involves multiple stages requiring approximately 30 days to complete, and there is a natural delay between the completion of production and the eventual sale of products, resulting in a turnover period from raw material procurement to product sales of approximately 2-3 months. During periods of extreme price volatility, such as what we experienced in 2023 and 2024 when lithium carbonate prices could fall by over 20-30% within single months, even this relatively short processing period created significant exposure to pricing mismatch risks. While we have actively managed our inventory turnover period, reducing it from 66 days in 2023 to 48 days in 2024 and 36 days in 2025, the unprecedented speed and magnitude of price declines in 2023 and 2024 still significantly impacted our performance.

Despite continued lithium market price volatility in 2024, our proactive inventory management strategies helped mitigate some negative impacts. As a result, the impairment losses of our inventories decreased from RMB108.9 million in 2023 to RMB24.6 million in 2024. This positive trend continued into 2025, with impairment losses on inventories further decreasing to RMB4.4 million, representing a 82.1% decrease from 2024.

Furthermore, the ramp-up of our new production lines and increases in expenses due to business expansion also contributed to our net losses since 2023 and our gross losses in 2023 and 2024. Our production capacity increased from 68,641 tons in 2023 to 76,575 tons in 2024 and decreased to 63,639 tons in 2025 (excluding the capacity attributable to production lines under technical improvement which had been completed in July 2025). For details of our production capacity and utilization during the Track Record Period, see "Business — Production — Production capacity and utilization."

We believe the following measures would support our growth and achieve profitability in the future:

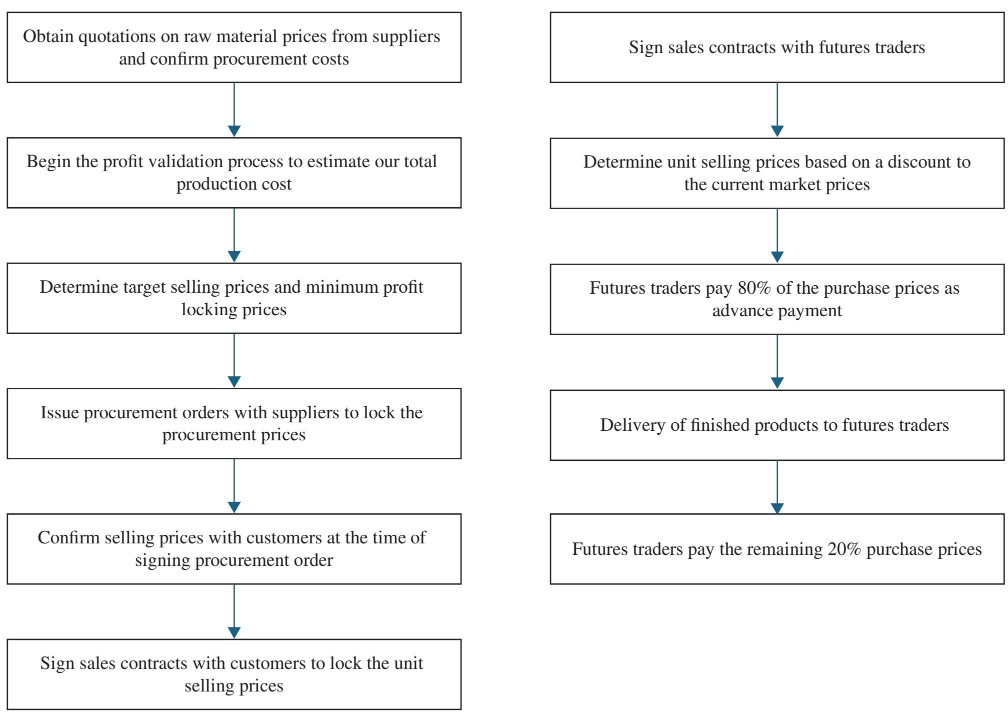
Enhance resilience to fluctuations in product and raw material prices

The fluctuation in pricing of our products and the procurement prices of our raw materials necessitate vigilant cost management strategies and pricing mechanisms to ensure profitability and financial stability. To further mitigate the impact of the volatility in product prices, we are implementing refined pricing strategies and settlement arrangements that better align customer pricing with raw material costs. These initiatives include:

- *Promote sales with price-locking mechanism:* We have entered, and may continue to enter, into sales contracts with price-locking mechanisms pursuant to which the selling price of our products, such as lithium carbonate, are locked in at the time of entering into such contracts (back-to-back sales) while the delivery of our products takes place after a period of time. In 2025, our sales with recycled product traders and futures traders were RMB742.0 million and RMB920.6 million, respectively, which together accounted for over 75.5% of our total revenue. We partially implemented price-locking mechanisms on our sales with recycled product traders and futures traders. Revenue from sales with price-locking mechanisms increased from RMB209.8 million (7.3% of total revenue) in 2023 to RMB785.7 million (36.4% of total revenue) in 2024 and further to RMB1,310.2 million (59.5% of total revenue) in 2025. We typically implement our price-locking arrangement through (i) back-to-back sales arrangement and (ii) sales to futures traders. In 2023, 2024 and 2025, the number of back-to-back sales customers was 23, 55, and 41, respectively, while the number of futures trader customers was 2, 3 and 6, respectively. We believe this arrangement enables us to mitigate price volatility during the interim period before delivery and we plan to further promote sales with price locking mechanisms going forward to further leverage such benefits. According to the F&S Report, the price-locking arrangement is expected to be a hedging mechanism and industry norm going forward observed among the Company and its peers. For further details of our transactions with futures traders, see "Business — Sales, marketing and customers — Our customers";

The diagrams below demonstrate the typical implementation of our price-locking arrangement through (i) back-to-back sales arrangement and (ii) sales to futures traders.

Back-to-back sales arrangement **Sales to futures traders**



Our back-to-back sales arrangement with price-locking mechanisms typically involves three critical gatekeeping steps. First, the procurement cost must be confirmed before issuing procurement orders or confirming quotations with suppliers. This ensures raw material costs are clear, fixed, and acceptable through legally binding contracts or confirmed orders with explicit pricing terms. Second, once procurement costs are confirmed, we begin a profit validation process to estimate our total production cost and set a minimum profit locking price. Finally, selling prices are then promptly fixed with customers through legally binding sales contracts to cover our estimated costs, achieve our profit targets, and thereby secure reasonable profit.

In respect of the transactions adopting the price-locking arrangement, we recorded gross profit margin of approximately 3.2%, 0.9% and 3.9% in 2023, 2024 and 2025, respectively. The gross profit margin of price-locking transactions decreased from 3.2% in 2023 to 0.9% in 2024. This decline was primarily attributable to heightened market volatility and the impact of the rapid downturn in lithium carbonate prices on certain orders in 2024. For example, following a short-lived price peak between April and May 2024, market prices of lithium carbonate experienced a steep decline. As our initial risk management strategies did not facilitate timely price-locking for these specific orders until June, we were unable to fully mitigate the resulting downward pressure on margins. In addition, during early 2024, our production processes were in a refinement phase, which constrained yield rates for battery-grade lithium carbonate and necessitated the engagement of third-party processors. These operational constraints extended our inventory turnover cycle and exposed us to the significant market price decline during the holding period.

The recovery of gross profit margin of price-locking transactions in 2025 was primarily driven by (i) a significant increase in the Group's processing services business in 2025 compared with 2024, which further improved gross margin; (ii) further improvement in inventory turnover, with inventory turnover days decreasing from 48 days in 2024 to 36 days in 2025, minimizing the risk of mismatches between procurement prices and selling prices; (iii) the stabilization of lithium carbonate market prices in the second half of 2025, which increased the gap between locked prices and realized procurement costs; and (iv) the increase in cobalt sulfate prices, which improved margins on cobalt-related price-locking contracts.

We cover our operating costs with the price-locking mechanism primarily through minimizing the uncertainties caused by price fluctuations, thereby achieving stability in cash flow planning and cost management. Moving forward, we plan to further reduce overall production costs by optimizing manufacturing processes, upgrading technology, streamlining supply chain operations, and implementing intelligent manufacturing solutions.

Futures traders purchase our products under the price-locking arrangement primarily for the purposes of physical delivery of spot goods providing a tangible basis for hedging and price discovery, direct downstream sales and their own strategic inventory. Futures traders are particularly well-suited for price-locking arrangements because they can simultaneously hedge their exposure on regulated commodity futures exchanges, effectively securing a defined margin across both the physical procurement and futures settlement legs of the transaction. Having already entered into futures contracts, these traders are obligated to make physical delivery at a pre-determined price, which creates a commercial imperative to secure supply at a cost that guarantees their profitability. Consequently, such need to align physical procurement costs with their existing futures delivery commitments makes futures traders more inclined to enter into price-locking contracts than other customer types, contributing to the higher proportion of revenue derived from this segment. For details of the salient terms of the typical purchase agreements between us and futures traders, see "Business — Sales, Marketing and Customers — Our Customers." For recycled product traders, price-locking provides supply security and allows them to manage downstream customer pricing with greater certainty. Non-futures trader customers tend to be relatively slow in adopting price-locking arrangements with the Group primarily due to their inherent business model and risk tolerance. Unlike licensed futures traders, they usually assume full price fluctuation risks themselves and rely on market timing and judgment to maximize profits, making them less inclined to commit to fixed prices in advance. Furthermore, their financial structures may limit upfront prepaid payments or complex hedging mechanisms, making flexible market-based pricing more attractive despite the volatility.

We plan to remain flexible in respect of our pricing strategies based on market conditions, including back-to-back sales arrangements, sales to futures traders, and market price settlement arrangements. This approach allows us to optimize pricing and manage risk exposure in alignment with market dynamics. It also ensures that we can benefit from favorable price movements while mitigating downside risks when appropriate.

- *Leverage dynamic pricing and settlement arrangement under long-term sales contracts:* We maintain long-term sales contracts with certain customers that require product delivery in installments over a period of time. Instead of setting fixed prices upon entering into such sales contracts, we endeavor to price our products and settle payments on a monthly basis with reference to the prevailing average market prices for the month of delivery, thus enhancing our resilience to price fluctuations and our ability to adapt to market conditions. In addition to our back-to-back sales arrangements and sales to futures traders, our pricing and settlement arrangements with customers under long-term sales contracts are highly dynamic with market price settlement based on prevailing average prices for the month of delivery. Pricing products with reference to prevailing average market prices for the delivery month ensures that transactions reflect current market realities rather than outdated or speculative prices, improving pricing transparency and alignment with market supply-demand fundamentals. This approach smooths revenue volatility, helping the Group better absorb price swings and maintain more predictable financial performance over time.

  In 2023, 2024 and 2025, the number of our contracts that adopted dynamic pricing and settlement arrangement was 7, 31 and 20, respectively, generating gross profits of RMB2.0 million, RMB12.5 million and RMB10.9 million, respectively.

  For example, in the first half of 2025, when market prices of cobalt sulfate were rising, we entered into a six-month long-term dynamic pricing sales contract of cobalt sulfate with a customer. Under the dynamic pricing mechanism, monthly settlement prices (based on the prevailing monthly average spot prices on the Shanghai Metals Market) were approximately RMB23,600 per ton in January 2025, RMB23,800 per ton in February 2025, RMB40,500 per ton in March 2025, RMB43,800 per ton in April 2025, RMB43,500 per ton in May 2025, and RMB42,600 per ton in June 2025. In particular, in March 2025, our delivery of 256 tons of cobalt sulfate to the customer was settled at an average price of approximately RMB37,400 per ton under dynamic pricing mechanism. If the same amount of cobalt sulfate was transacted at the spot price on March 1, 2025, the settlement price would be approximately RMB26,100 per ton. As such, the dynamic pricing mechanism enabled the Group to capture the upward price trend, realizing an incremental average selling price of approximately RMB11,300 per ton, representing about 30% of the contract's monthly selling price.

- *Reduce large-scale sales and procurement under single-order transactions priced based on real-time market prices:* In the past, to ensure stable upstream supply, we implemented a lenient procurement policy, making bulk purchases even when unit prices were relatively high. We intend to reduce the proportion of large-scale sales and procurement under single-order transactions where selling or purchase prices are determined and settled based on the real-time market prices at the time of delivery, which will mitigate our exposure to price fluctuations. Starting around mid-2024, we generally reduced purchase amount for raw materials when market prices reached relatively elevated levels. In particular, reducing large-scale sales and procurement of lower-value crude lithium sulfate, which typically sells significantly below battery-grade lithium carbonate prices, allows us to mitigate the dilutive effect that lower-value products have on average prices, which in turn strengthens our pricing power and resilience to market fluctuations.

  The number of large-scale sales and procurement transactions based on real-time market prices, especially those with higher transaction volume, decreased in 2025, primarily due to the increase in transactions with futures traders and price-locking mechanism. On the sales side, (i) the number of sales transactions based on real-time market prices with sales volume exceeding 500 tons each decreased from 32 in 2024 to 15 in 2025, with total transaction value declining 56.5% from RMB552.2 million to RMB240.5 million, respectively; (ii) transactions with sales volume between 200 and 500 tons each decreased from 62 to 36, with transaction value declining 24.2% from RMB449.7 million to RMB341.0 million; and (iii) transactions with sales volume below 200 tons each decreased from 149 to 90, with transaction value declining 39.8% from RMB244.2 million to RMB147.1 million. On the procurement side, (i) orders with procurement volume exceeding 500 tons of black mass each decreased from 3 in 2024 to 2 in 2025, with total procurement volume declining 20.7% from 2,426 tons to 1,924 tons; and (ii) orders with procurement volume between 200 and 500 tons of black mass each decreased from 26 in 2024 to 6 in 2025, with total procurement volume declining 82.6% from 8,323 tons to 1,451 tons. Overall, the reduction in large-scale sales and procurement allowed the Group to better manage price volatility risk, enabled more flexible procurement aligned with market trends. The gross profit of sales transactions based on real-time market prices with sales volume exceeding 500 tons each increased by RMB27.7 million from 2024 to 2025, turning the gross loss margin of 2.8% in 2024 to the gross profit margin of 5.1% in 2025. Additionally, this strategy improved our inventory management efficiency, reduced inventory turnover days from 66 days in 2023 to 48 days in 2024 and 36 days in 2025, and reduced inventory impairment losses from RMB108.9 million in 2023 to RMB24.6 million in 2024 and RMB4.4 million in 2025. This strategy also allowed us to lower our advance payments for raw materials, reducing our prepaid raw material inventory from RMB141.0 million in 2024 to RMB128.0 million in 2025.

For example, in early May 2023, the Company entered into a contract with a customer for the supply of 448 ton of cobalt sulfate at a fixed price of approximately RMB30,100 per ton, with delivery scheduled from late May to early June 2023. Following contract execution, cobalt sulfate market prices experienced a significant upward adjustment. Due to the fixed pricing of this large-scale transaction, the order resulted in a gross loss margin of 22.0%, highlighting the vulnerability of single-order transactions priced based on prevailing market conditions at contract signing, especially during periods of subsequent price volatility.

To complement these initiatives, we will also refine our regular reviews of product pricing to ensure alignment with market conditions and mitigate potential risks associated with raw material price volatility.

We also plan to further enhance our monitoring of raw material price fluctuations. Our management and sales personnel can keep abreast of real-time price changes in the metals market with full access to market data on Guangzhou Futures Exchange or Shanghai Metal Market, thus enabling swift and informed decision-making. Furthermore, we have instituted a practice of preparing monthly operating analysis which includes detailed assessments of cost fluctuations, allowing us to closely monitor changes in raw material prices and adjust our pricing strategies promptly.

Optimize procurement strategy and inventory management in response to evolving market dynamics

We operate in a fast-growing and dynamic industry with vast opportunities for our growth in the future. According to the F&S Report, the volume of retired lithium-ion batteries in Chinese mainland had grown at a CAGR of 25.7% from 2021 to 2025, and is projected to grow at a CAGR of 46.0% from 2025 to 2031. With the approaching retirement wave of power batteries in electric vehicles, the volume of retired lithium-ion batteries has significantly increased, which provides the battery recycling and reutilization solution market with growing demand as well as sufficient supply of raw materials. We believe this shift in supply and demand in the industry creates market opportunities for us as our bargaining power will be greatly enhanced.

Capitalizing on this market trend, we have begun transitioning from solely procuring black mass to directly souring retired lithium-ion battery packs from vehicle manufacturers, battery manufacturers and automotive service providers. We plan to further increase our direct procurement of retired lithium-ion battery packs going forward. To support this strategic transition, we have established a dedicated production line for producing black mass from retired lithium-ion battery packs, including ternary cathode, LFP cathode and anode powdering lines.

The cost advantage of in-house black mass production has been consistently demonstrated: specifically, based on our estimation considering, among others, staff cost, equipment and utility expenses, our in-house production cost of black mass is around RMB46,625, RMB44,189 and RMB41,938 per ton in 2023, 2024 and 2025, respectively, whereas the external procurement cost for black mass of equivalent quality is approximately RMB67,515, RMB44,463 and RMB45,546 per ton over the same years. This represents cost savings of RMB20,890 per ton (30.9%) in 2023, RMB274 per ton (0.6%) in 2024, and RMB3,608 per ton (7.9%) in 2025. Importantly, the narrowing cost advantage in 2024 reflected the sharp decline in external black mass prices to near in-house levels, but the advantage widened again in 2025 as external prices rebounded while our in-house costs continued to decline. For details of our black mass production capacity and utilization during the Track Record Period, see "Business — Production — Production capacity and utilization." We expect to further increase the proportion of internally sourced black mass, reducing our dependence on third-party suppliers and strengthening our cost position. Our Directors are of the view that the external procurement cost of black mass is expected to remain stable and may show a slight rebound primarily because the growing demand from the battery recycling sector is gradually propelling up prices of black mass. Moreover, with our in-house black mass production capabilities, we have gained the ability to process lower-grade black mass containing higher levels of impurities with lower procurement costs without incurring additional processing expenses. As such, since the second half of 2024, we have progressively increased procurement of such lower-grade black mass to further reduce our unit cost for raw materials. In 2025, our in-house production cost for each ton of black mass was lower than the external procurement cost for black mass of equivalent quality. The Group plans to continue its strategy of expanding in-house production capacity for black mass primarily because in-house production of black mass is expected to ensure stable supply of black mass, diversify sourcing channels beyond third-party black mass suppliers, and enhance the Group's overall cost control and supply chain resilience.

Additionally, we plan to implement refined inventory management, including accelerating inventory turnover and maintaining appropriate inventory levels. In particular, we plan to refine the demand estimation for our products to avoid over-purchasing, reduce holding costs and identify slow-moving or obsolete inventory for timely disposal. Through our active inventory management, including demand estimation, identification of slow-moving inventory and adjusting procurement practices to align with real-time market needs, in view of the market price fluctuations, we have progressively transitioned to a produce-on-demand model with shorter procurement-to-sale cycles. As a result, our inventory turnover days decreased from 66 days in 2023 to 48 days in 2024 and further to 36 days in 2025. The reduction in holding periods directly reduced the Group's exposure to commodity price declines, which in turn drove a significant decrease in inventory impairment losses from RMB108.9 million in 2023 (when market prices declined sharply) to RMB24.6 million in 2024 and RMB4.4 million in 2025. Procurement pricing is referenced to the spot price index on Guangzhou Futures Exchange or Shanghai Metal Market, consistent with our dynamic pricing mechanism. The combination of shorter inventory cycles and real-time pricing benchmarks has substantially reduced the mismatch between procurement cost and selling price that previously drove large impairment charges. We aim to further accelerate our inventory turnover by strengthening coordination between our sales, production and procurement teams to shorten our procurement cycle. We believe this will allow us to be more responsive to market changes, thereby reducing inventory impairment risks. Our Directors are of the view that there is potential for further decrease in turnover days, particularly through predictive analytics and improved supply chain coordination, which could enable faster response times to inventory management, although diminishing returns and operational constraints may eventually limit these improvements.

Enrich product offerings and application scenarios

The demand for lithium-ion battery recycling and utilization solutions is expected to continue to expand, driven by the rapid development of EV and ESS industry. To capture such expanding market, we intend to further enrich our product offerings and application scenarios, dedicating the sales of products that enjoy higher gross profits.

Looking forward, we plan to tap into the downstream market and produce electrodeposited nickel and electrodeposited cobalt in 2026, which are expected to have higher product prices, higher gross profit margin and more customer demand than our current nickel and cobalt recycled products. The global production capacity for electrodeposited nickel and cobalt is currently concentrated among a limited number of countries and enterprises, creating market opportunity for new high-quality producers who can meet increasing demand while navigating supply chain constraints and geopolitical considerations. Major application areas include: for electrodeposited nickel, premium stainless steel production and high-performance electroplating for electronic components and automotive parts requiring superior corrosion resistance; for electrodeposited cobalt, aerospace engines with high-temperature resistant superalloys for turbine blades, and industrial tools where cobalt enhances durability and performance in drilling and cutting applications across mining, construction, and manufacturing sectors. In Chinese mainland, the average prices of electrodeposited nickel and electrodeposited cobalt reached RMB108.1 thousand per ton and RMB238.1 thousand per ton in 2025, respectively, which are higher than that of nickel sulfate and cobalt sulfate according to the F&S Report. We expect that our electrodeposited nickel and electrodeposited cobalt products will represent an important part of our nickel and cobalt recycled products in the future.

Furthermore, leveraging our manufacturing facility dedicated to recycling LFP batteries and produces lithium carbonate and iron phosphate, we also plan to produce LFP cathode materials in the future.

Through the expansion of our offerings, we expect to not only diversify our product offerings but also solidify our position in the industry. By continuously innovating and adapting our offers and technological processes, we aspire to meet the evolving demands of the market efficiently.

Improve operational efficiency and achieve economies of scale

Our ability to manage and control our costs and expenses is critical to the success of our business and our profitability.

As we grow our operational scale and achieve better economies of scale, we expect the fixed portion of our production costs will be largely diluted, leading to a decline in the unit manufacturing costs of our products. The table below sets forth a breakdown of the unit manufacturing costs (excluding the manufacturing costs for processing services) for our key products for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
		RMB per ton	
Lithium recycled products	5,402	5,354	4,280
Nickel recycled products	3,342	2,251	1,832
Cobalt recycled products	3,514	2,158	1,714

The table above illustrates the consistent decline in unit manufacturing costs across all three core product lines during the Track Record Period. In aggregate, the reduction in unit manufacturing costs across all three product lines contributed approximately RMB162.8 million to our gross profit improvement in 2025 compared to 2024. Specifically:

(a) Lithium recycled products: unit manufacturing cost decreased from RMB5,402 per ton in 2023 to RMB5,354 per ton in 2024 and further to RMB4,280 per ton in 2025, representing a cumulative reduction of 20.8%. This downward trend was primarily attributable to the strategic technical upgrades and refinements to our production processes implemented in 2025, which significantly enhanced our operational efficiency and cost structure.

(b) Nickel recycled products: unit manufacturing cost decreased from RMB3,342 per ton in 2023 to RMB2,251 per ton in 2024 and RMB1,832 per ton in 2025, representing a cumulative reduction of 45.2%. This efficiency gain was driven by the successful deployment of our multi-component salt separation technology, which effectively reduced energy consumption and other overhead expenditures.

(c) Cobalt recycled products: unit manufacturing cost decreased from RMB3,514 per ton in 2023 to RMB2,158 per ton in 2024 and RMB1,714 per ton in 2025, representing a cumulative reduction of 51.2%. This improvement was primarily due to the successful deployment of our multi-component salt separation technology, which effectively reduced energy consumption and other overhead expenditures.

We believe the unit manufacturing costs of our major products will continue to decrease in the foreseeable future. Such decrease is expected to be mainly driven by (a) further increases in production capacity utilization as our technical improvement process completed in July 2025 and production lines return to full operation (see "Business — Production — Production Capacity and Utilization"); (b) continued yield improvements from our multi-component salt separation technology; and (c) increasing economies of scale as sales volumes grow.

We are implementing comprehensive measures to control our operating expenses, including selling and marketing expenses, administrative expenses and research and development expenses. By streamlining our sales team and internal support team, we aim to achieve a cost-effective per capita output. We also optimize our technological processes through technological innovations, equipment and machinery upgrades, and process improvements to reduce material costs in our research and development expenses. As our business expands, we expect that the percentage of operating expenses in our revenue will decrease as we benefit from economies of scale and improved operational efficiencies.

Despite the challenges in our industry brought by the unprecedented market price decline and our net loss position in 2023 and 2024, we still experienced positive trends in sales volume indicating strong demand for our products. Sales volume for lithium carbonate increased from 7,410 tons in 2023 to 10,599 tons and 15,318 tons in 2024 and 2025, respectively. Sales volume for nickel sulfate increased from 32,827 tons in 2023 to 37,652 tons in 2024, and decreased to 23,134 tons in 2025. Sales volume for cobalt sulfate increased from 12,407 tons in 2023 to 12,908 tons in 2024, and decreased to 9,376 tons in 2025. In 2025, our sales volume of lithium carbonate continued to increase while the sales volume of nickel sulfate and cobalt sulfate decreased. For details, see "Financial Information — Description of Major Components of our Results of Operations — Revenues — Sales Volume and Average Selling Price of Our Products."

Our net loss narrowed from RMB471.4 million in 2023 to RMB343.6 million in 2024 and RMB166.5 million in 2025. Industry wise, there have been signs of stabilizing market prices. Currently, lithium carbonate supply comes from two main sources: primary mining, which accounts for approximately 90% of the total supply, and recycled materials, which contribute about 10%. The price foundation of lithium carbonate is determined by the marginal cost of primary mining. The average market prices of lithium carbonate decreased significantly from RMB230,000 per ton in

2023 to RMB81,000 per ton in 2024 and RMB68,000 per ton in 2025. After plunging to a low of RMB53,500 per ton in the first half of 2025, the market prices of lithium carbonate began to recover in the second half of 2025. Our Directors are of the view that, in the long run, it is unlikely for the lithium carbonate market prices to decrease sharply primarily because these prices are essentially on par with the costs of mining and processing. Under these circumstances, many domestic mining enterprises have reduced production or suspended operations to support market prices of lithium carbonate. According to F&S Report, as of December 31, 2024, there were approximately 100 lithium mining enterprises in Chinese mainland, among which approximately ten domestic mining enterprises had suspended operations in 2024.

With the growing downstream demand for battery materials and need for sustainable recycling solutions, our Directors believe that the lithium-ion battery recycling and reutilization market and our overall business are promising. Based on the foregoing, with the recent stabilization in market prices and the mitigating measures we have been implementing, our Directors believe that the Group has a clear and achievable path from gross profitability to net profitability, supported by the following quantitative analysis:

(a) Revenue growth potential: During the Track Record Period, we experienced positive trends in sales volume indicating strong demand for our products. With market prices stabilizing and the Company's production capacity at 63,639 tons in 2025 (excluding the capacity attributable to production lines under technical improvement which had been completed in July 2025), we expect revenue to grow through a combination of volume increases and the moderation of price declines.

(b) Gross margin expansion: We recorded gross profit of RMB155.5 million (gross profit margin of 7.1% in 2025), compared to gross loss of RMB87.7 million (gross loss margin of 4.1%) in 2024, demonstrating that the gross margin level required for net profitability is achievable. At our 2025 revenue level of RMB2,202.0 million, a sustained gross profit margin of approximately 15% would generate gross profit of approximately RMB330.3 million, which would be sufficient to cover our 2025 below-gross-profit-line expenses of RMB326.8 million. The continuation of the trends of price stabilization, price-locking expansion, cost reduction and inventory optimization supports our Directors' view that this level of gross margin is achievable in the near term.

(c) Operating leverage: A significant portion of our administrative expenses (RMB149.8 million in 2025) includes professional fees and other expenses associated with the preparation for the [**REDACTED**], which are non-recurring in nature. Excluding [**REDACTED**] expenses of RMB[**REDACTED**], our recurring administrative expenses were approximately RMB145.2 million. After the [**REDACTED**], we expect administrative expenses as a percentage of revenue to decrease as the non-recurring [**REDACTED**] expenses are eliminated and economies of scale take effect.

(d) EBITDA (non-IFRS measure) inflection: Our EBITDA (non-IFRS measure) improved from negative RMB200.9 million in 2024 to approximately breakeven at RMB4.9 million in 2025, demonstrating that on an underlying operational basis (excluding non-cash charges and finance costs), the business has achieved profitability. This inflection point, combined with the completion of major capital expenditure programs (investing cash outflow decreased from RMB922.3 million in 2023 to RMB88.1 million in 2025) and the positive operating cash flow of RMB382.0 million in 2025, indicates that the operational turnaround is well-established.

BASIS OF PREPARATION

The historical financial information of our Group has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been consistently adopted by our Group in the preparation of the Historical Financial Information. For further details, see Note 2.1 to the Accountants' Report as set out in Appendix I.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions that we use and the judgments that we make in applying our accounting policies have a significant impact on our financial condition and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. For details on our material accounting policies, estimates and judgments, which are important for understanding our financial condition and results of operations, see Note 2.3 and 3 to the Accountants' Report as set out in Appendix I.

IMPACT OF THE COVID-19 OUTBREAK

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has affected the global economy. In response to the COVID-19 pandemic, including the recurrence of the Omicron variant of COVID-19 since the end of 2021 across the world, governments had implemented numerous measures to contain the spread of the virus, including mandatory quarantine, closure of workplaces and facilities, travel bans and restrictions and stay-at-home orders. During the outbreak of COVID-19, we had implemented closed-loop management and our staff stationed at our production facilities to reduce the risk of exposure to COVID-19. Accordingly, we had not experienced any material disruption to our production as a result of COVID-19. Given the measures we had taken to mitigate the impact of COVID-19 on our operations and the results thereof, and the gradual normalization of COVID-19, we do not expect the outbreaks to have a material adverse effect on our long-term overall business and financial performance. Nevertheless, we will continue to monitor the development of the COVID-19 pandemic and evaluate its impact on our business operations.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statement of profit or loss. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,		
	2023	**2024**	**2025**
		(RMB in thousands)	
Revenue	2,891,545	2,157,238	2,202,014
Cost of sales			
Cost of sales of goods and services	(2,940,264)	(2,220,357)	(2,042,156)
Impairment losses on inventories	(108,863)	(24,568)	(4,379)
Gross profit/(loss)	**(157,582)**	**(87,687)**	**155,479**
Other income and gains	45,164	40,028	27,613
Selling and marketing expenses	(4,319)	(3,565)	(4,402)
Administrative expenses	(112,677)	(132,041)	(149,755)
Research and development expenses	(99,961)	(77,097)	(95,532)
(Impairment losses)/reversal of impairment losses on financial assets and prepayments, net	(36,937)	328	(2,811)
Other expenses	(47,009)	(9,545)	(12,196)
Finance costs	(57,832)	(60,878)	(77,143)
Share of losses of associates and a joint venture	(164)	(11,684)	(6,054)
Loss before tax	**(471,317)**	**(342,141)**	**(164,801)**
Income tax expense	(65)	(1,458)	(1,675)
Loss for the year	**(471,382)**	**(343,599)**	**(166,476)**

NON-IFRS MEASURES

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that the non-IFRS measures facilitate comparisons of operating performance from period to period and company to company.

However, our presentation of the non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The uses of the non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net loss (non-IFRS measure) as loss for the year adjusted by adding back share-based payment expenses and [**REDACTED**] expenses. We define adjusted EBITDA (non-IFRS measure) as adjusted net loss (non-IFRS measure) adding back depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, net finance costs, and income tax expense. Specifically, share-based payment expenses are non-cash in nature.

The following table sets forth a reconciliation of our adjusted net loss (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) during the Track Record Period presented in accordance with IFRS, which is loss for the year.

	For the Year Ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Loss for the year	**(471,382)**	**(343,599)**	**(166,476)**
Add:			
Share-based payment expenses	11,013	9,567	12,015
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net loss (non-IFRS measure)	**(460,369)**	**(319,130)**	**(149,871)**

	For the Year Ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Loss for the year	(471,382)	(343,599)	(166,476)
Add:			
Depreciation of property, plant and equipment	44,727	71,824	84,673
Depreciation of right-of-use assets	4,430	11,314	11,546
Amortization of intangible assets	266	305	322
Net finance costs	55,318	57,769	73,146
Income tax expense	65	1,458	1,675
EBITDA (non-IFRS measure)	**(366,576)**	**(200,929)**	**4,886**
Add:			
Share-based payment expenses	11,013	9,567	12,015
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted EBITDA (non-IFRS measure)	**(355,563)**	**(176,460)**	**21,491**

We recorded gross losses of RMB157.6 million and RMB87.7 million in 2023 and 2024, respectively. During the same periods, we incurred net loss of RMB471.4 million and RMB343.6 million, respectively. Our gross and net losses in 2023 and 2024 were primarily a result of a significant decline in the market prices of our major products during the Track Record Period. In particular, the average selling price of our lithium recycled products decreased from approximately RMB196,443 per ton in 2023 to approximately RMB72,594 per ton in 2024, while the average selling price of our cobalt recycled products decreased from approximately RMB32,273 per ton in 2023 to approximately RMB25,158 per ton in 2024. The decline in selling prices resulted in (i) a pricing mismatch, as the raw materials we purchased at higher prices were processed and sold as finished products at lower prevailing market prices, and (ii) impairment losses on inventories of RMB108.9 million in 2023 and RMB24.6 million in 2024, as the net realizable value of our inventories fell below their carrying amounts. In addition, the ramp-up of our new production lines and increases in expenses due to business expansion also contributed to our gross and net losses since 2023. Notwithstanding the foregoing, our gross loss narrowed from RMB157.6 million in 2023 to RMB87.7 million in 2024, primarily reflecting (i) the significant reduction in inventory impairment losses and (ii) improvements in our production efficiency as production lines reached higher utilization rates.

We recorded revenue of RMB2,202.0 million, gross profit of RMB155.5 million and net loss of RMB166.5 million in 2025, compared to revenue of RMB2,157.2 million, gross loss of RMB87.7 million and net loss of RMB343.6 million in 2024. All of our three core products, namely lithium, nickel and cobalt recycled products, turned from gross loss in 2024 to gross profit in 2025. The improvement from gross loss to gross profit in 2025 was primarily due to (i) the increase in average selling prices of our cobalt recycled products, (ii) the stabilization and partial recovery of selling prices of our lithium and nickel recycled products, (iii) our continuous cost structure optimization, resulting from (a) improved production technology that reduced unit manufacturing costs, (b) enhanced inventory management with average inventory turnover days decreasing from 48 days in 2024 to 36 days in 2025 and more disciplined raw material purchasing aligned with confirmed customer orders, and (c) a significant reduction in inventory impairment losses from RMB24.6 million in 2024 to RMB4.4 million in 2025. However, we continued to incur net loss in 2025, primarily due to (i) an increase in administrative expenses from RMB132.0 million in 2024 to RMB149.8 million in 2025, primarily attributable to increased headcount and professional fees and other expenses associated with the preparation for our [**REDACTED**], (ii) an increase in research and development expenses from RMB77.1 million in 2024 to RMB95.5 million in 2025, as we continued to invest in battery recycling technologies, and (iii) an increase in finance costs from RMB60.9 million in 2024 to RMB77.1 million in 2025, reflecting higher average borrowings to fund our capacity expansion. In aggregate, these below-gross-profit-line items totaled approximately RMB326.8 million, which more than offset the RMB155.5 million gross profit achieved in 2025. Nonetheless, our EBITDA improved significantly from negative RMB200.9 million in 2024 to approximately breakeven at RMB4.9 million in 2025, indicating that our underlying operational performance has substantially recovered.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenues

During the Track Record Period, we derived our revenues primarily from sales of recycled products, primarily including lithium carbonate, nickel sulfate and cobalt sulfate. Revenue from sales of recycled products accounted for a substantial majority of our total revenue from continuing operations during the Track Record Period. All of our revenue was derived from operations in the PRC during the Track Record Period.

The following table sets forth a breakdown of our revenues both in absolute amount and as a percentage of our total revenues for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Lithium recycled products	1,455,704	50.4	769,391	35.6	988,163	44.8
Nickel recycled products	926,598	32.0	903,973	41.9	537,815	24.4
Cobalt recycled products	400,411	13.8	324,727	15.1	426,755	19.4
Provision of processing services(1)	5,703	0.2	834	0.0	60,817	2.8
Others(2)	103,129	3.6	158,313	7.4	188,464	8.6
Total	**2,891,545**	**100.0**	**2,157,238**	**100.0**	**2,202,014**	**100.0**

Note:

(1) Includes provision of certain processing services cobalt sulfate and industrial grade lithium carbonate.

(2) Mainly includes sales of manganese sulfate, iron phosphate, black mass and by-products and scraps, such as sodium sulfate.

We recycle retired lithium-ion batteries of all major types — both ternary and LFP batteries — along with battery production remnants and excess materials. We recover valuable metals and produce critical battery material products. We sell these products to producers of ternary precursors and cathode materials, which are then used to manufacture new lithium-ion batteries, thereby forming a circular economy model.

During the Track Record Period, lithium recycled products and nickel recycled products accounted for a majority of our recycled products. We also produced other metal compounds including cobalt sulfate as well as other lithium compounds such as lithium sulfate and lithium sulfate solution. We plan to tap into the downstream market and produce electrodeposited nickel and electrodeposited cobalt by 2026. Despite our sales volumes increased in 2023, revenue from sales of recycled products slightly decreased in the year, primarily due to the decrease in average selling prices of our products as affected by supply and demand dynamics on market. In particular, as the supply of lithium carbonate and nickel sulfate mainly comes from primary mining, the increase in supply of such materials from 2023 to 2025 contributed to the continuous decrease in their market prices in the same period. See "Business — Factors affecting the market price of our raw materials and selling price of our recycled products." The continuation of such market trend had led to a further period-to-period decline of our revenue from sales of recycled products in 2024. For the year ended December 31, 2025, despite the increased average selling price of cobalt sulfate, the average selling prices of lithium carbonate and nickel sulfate continued to decline, resulting in the further decrease in our revenue from sales of recycled products during the period.

Our comprehensive recycling capabilities extend beyond cathode materials. Since 2023, we have begun recycling and producing graphite for anode materials, which we sold to producers of anode materials. Leveraging our manufacturing facility dedicated to recycling LFP batteries and produces lithium carbonate and iron phosphate, we also plan to produce LFP cathode materials in the future. In addition, we also generated revenue from sales of manganese sulfate, iron phosphate, black mass and by-products and scraps, such as sodium sulfate, and revenue from provision of certain processing services. These other revenues were not a material contributor to our total revenue, and we do not expect them to become a material contributor to our total revenue in the near future.

Sales Volume and Average Selling Price of Our Products

The table below sets forth a breakdown of our sales volume and average selling price of our major recycled products for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	Sales Volume[1]	*Average Selling Price per ton*	*Sales Volume*[1]	*Average Selling Price per ton*	*Sales Volume*[1]	*Average Selling Price per ton*
	ton	*RMB*	*ton*	*RMB*	*ton*	*RMB*
Lithium carbonate	7,410	196,443	10,599	72,594	15,318	64,511
Nickel sulfate	32,827	28,227	37,652	24,009	23,134[2]	23,248
Cobalt sulfate	12,407	32,273	12,908	25,158	9,376[2]	45,517

Notes:

(1) Sales volumes of different lithium, nickel and cobalt compounds are converted to that of lithium carbonate, nickel sulfate and cobalt sulfate based on the contents of metal, i.e. lithium, nickel and cobalt contained in these compounds to provide meaningful information.

(2) Our sales volume of nickel sulfate and cobalt sulfate decreased since 2024 primarily due to (i) our strategic product portfolio optimization in 2025 to reallocate capacity to the production and sale of lithium carbonate (benefiting from price recovery due to improved supply-demand balance) and (ii) the Group's partial shutdown of production facilities for technical improvement in 2025, which temporarily reduced the Group's nickel sulfate and cobalt sulfate production output and consequently the available-for-sale volume.

Cost of Sales

Our cost of sales includes cost of sales of goods and services and impairment losses on inventories. Our cost of sales of goods and services primarily consists of (i) cost of raw materials, (ii) manufacturing overheads, (iii) staff costs, among others. During the Track Record Period, cost of raw materials constituted a substantial majority of our cost of sales, which was primarily affected by fluctuations in the prevailing market prices of the raw materials.

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

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Cost of raw materials	2,690,073	88.2	1,985,440	88.4	1,894,090	92.6
Manufacturing overheads	194,080	6.4	167,394	7.5	103,768	5.1
Staff costs	40,664	1.3	39,595	1.8	28,975	1.4
Other costs[1]	15,447	0.5	27,928	1.2	15,323	0.7
Impairment losses on inventories	108,863	3.6	24,568	1.1	4,379	0.2
Total	**3,049,127**	**100.0**	**2,244,925**	**100.0**	**2,046,535**	**100.0**

Note:

(1) Including transportation cost, outsourcing processing fees, etc.

Our cost of sales decreased from RMB3,049.1 million in 2023 to RMB2,244.9 million in 2024, and further decreased to RMB2,046.5 million in 2025. The decreases were primarily due to (i) the decrease in purchase prices of raw materials, and (ii) decrease in manufacturing overheads resulting from temporary production suspensions during our technological transformation in 2025. Our cost of raw materials accounted for a substantial majority of cost of sales during the Track Record Period.

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

Our gross profit/(loss) represents our revenue less our cost of sales. Our gross profit/(loss) margin represents our gross profit/(loss) as a percentage of our revenue. The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross profit/ (loss)	*Gross profit/ (loss) margin*	*Gross profit/ (loss)*	*Gross profit/ (loss) margin*	*Gross profit/ (loss)*	*Gross profit/ (loss) margin*
	(RMB in thousands, except for percentages)					
Lithium recycled products	(42,659)	(2.9)	(17,712)	(2.3)	18,825	1.9
Nickel recycled products	(26,734)	(2.9)	(10,254)	(1.1)	14,511	2.7
Cobalt recycled products	(18,672)	(4.7)	(30,377)	(9.4)	71,084	16.7
Others	39,346	36.2	(4,776)	(3.0)	55,438	22.2
Impairment losses on inventories	(108,863)	N/A	(24,568)	N/A	(4,379)	N/A
Total	**(157,582)**	**(5.4)**	**(87,687)**	**(4.1)**	**155,479**	**7.1**

During the Track Record Period, our gross profit/loss and gross profit/loss margin were primarily affected by our product prices and cost of raw materials. We generally sell our products with reference to the prevailing market prices of our products, which fluctuated significantly during the Track Record Period. The purchase prices of our raw materials also generally fluctuate in line with the market prices of our major products, namely lithium carbonate, nickel sulfate and cobalt sulfate. Considering the time lag between the purchase of raw materials and the completion of processing and sales of our products, if the prices of our products are in a decline cycle, our gross profit margins may be adversely affected.

We recorded a gross loss in 2023, primarily due to the significant decrease in the selling prices of our lithium, nickel and cobalt recycled products in 2023, despite our sales volumes for these products increased in the year. Such decrease was because the market prices of these products continuously and significantly dropped in the year as affected by supply and demand dynamics. In particular, as the supply of lithium carbonate, nickel sulfate and cobalt sulfate mainly comes from primary mining, the increase in supply of such materials from 2023 to 2025 contributed to the continuous decrease in their market prices in the same period. See "Business — Factors affecting the market price of our raw materials and selling price of our recycled products." As a result, cost of sales of our major products sold in the year was higher than revenue from sales of our major products, leading to our overall gross loss in 2023.

We continued to incur gross loss in 2024, primarily because the decline in the market prices of our major products slowed down in 2024.

We then turned to gross profit position in 2025, recording a gross profit of RMB155.5 million compared to a gross loss of RMB87.7 million in 2024. This turnaround was primarily attributable to the following factors: (i) the increase in average selling prices of our cobalt recycled products, driven by a recovery in cobalt market prices and favorable supply-demand dynamics, which resulted in our cobalt recycled products segment swinging from a gross loss of RMB30.4 million in 2024 to a gross profit of RMB71.1 million in 2025, representing a positive swing of RMB101.5 million; (ii) our continuous efforts in improving our production technology, resulting in reduced unit manufacturing costs across our major products — specifically, the unit manufacturing cost of lithium carbonate decreased by approximately 20.1%, nickel sulfate by approximately 18.6%, and cobalt sulfate by approximately 20.6% from 2024 to 2025 (see "Financial Information — Path to Profitability"); and (iii) enhanced inventory management, under which we progressively adopted a produce-on-demand model with shorter procurement-to-sale cycles, leading to a significant reduction in inventory impairment losses from RMB108.9 million in 2023 to RMB24.6 million in 2024 and further to RMB4.4 million in 2025, and a decrease in inventory turnover days from 66 days in 2023 to 48 days in 2024 and 36 days in 2025.

Other Income and Gains

Our other income and gains primarily include (i) interest income, (ii) government grants and subsidies, (iii) dividend income, (iv) realized gains from financial assets at fair value through profit or loss ("**FVTPL**"), (v) realized gains from derivatives, (vi) gain on disposal of items of property, plant and equipment, and (vii) unrealized gains/(losses) from derivatives, among others. Government grants and subsidies mainly represent incentives received from local governments for the purpose of compensation on local economic contribution and purchases of items of property, plant and equipment, and super deduction and refunds of value-added tax. There are no unfulfilled conditions or contingencies relating to these grants and subsidies. Except for certain tax refunds, the government grants and subsidies we received were generally non-recurring in nature. Gain on disposal of derivatives mainly represent gain on historical futures and option trades to hedge the risk of volatile prices of our products.

The following table sets forth a breakdown of our other income and gains for the periods indicated.

	For the Year Ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Other income			
Interest income	2,514	3,109	3,997
Government grants and subsidies	34,782	21,181	19,578
Dividend income	4,009	3,938	3,375
Others	756	4,268	110
Total other income	**42,061**	**32,496**	**27,060**
Gains			
Realized gains from financial assets at FVTPL	2	–	17
Realized gains/(losses) from derivatives	2,468	3,362	(159)
Gain on disposal of items of property, plant and equipment	8	–	1,011
Unrealized gains/(losses) from derivatives	625	(675)	(316)
Gain on disposal of equity interest in a joint venture	–	4,845	–
Total gains	**3,103**	**7,532**	**553**
Total other income and gains	**45,164**	**40,028**	**27,613**

Our other income and gains amounted to RMB45.2 million, RMB40.0 million, and RMB27.6 million in 2023, 2024 and 2025, respectively. The increase in other incomes and gains in 2023 was primarily due to the significant increase in government grants and subsidies attributable to the increased super deduction and refunds of value-added tax attributable to the relevant preferential tax policies in Chinese mainland. The decrease in 2025 was primarily attributable to (i) a reduction in government grants and subsidies resulting from a decrease in value-added tax payable, driven by the utilization of previously accumulated input VAT credits against higher output VAT arising from the Group's improved gross profit margin in 2025, (ii) decreased gains from derivatives following the scale-down of our futures business, and (iii) the absence of a one-off gain on disposal of equity interest in a joint venture recognized in 2024.

Investment policies in relation to financial assets at FVTPL

We have adopted a comprehensive set of internal control policies that guides our investments in financial assets at fair value through profit or loss. Our strategy is primarily focused on the preservation of capital, while maintaining a high degree of liquidity. Accordingly, we invest in low-risk financial instruments, primarily including wealth management products from commercial banks, structured deposits, and fixed-income securities offered by reputable financial institutions.

We have established a clear investment approval hierarchy, whereby all investments must be approved by our Chairman, the Board, or our Shareholders based on the size of investments. Our Board, which includes members with professional financial certifications and extensive industry experience, retains ultimate oversight of our investment activities. This includes (i) approving the investment policy and any material amendments thereto, and periodically reviewing its sufficiency, (ii) approving investments as stipulated in the approval hierarchy, and (iii) conducting periodic reviews of the performance of major investment projects. We appoint dedicated personnel to monitor the progress and safety of the investments. Pursuant to our internal policies, our finance department, comprising personnel with extensive experience in investments and finance, is responsible for the day-to-day management, analysis, and execution of these investments. Our finance department also conducts ongoing portfolio monitoring to manage and mitigate investment risks.

After the [**REDACTED**], we will continue to make investments in financial assets at fair value through profit or loss in strict accordance with our internal policies and the requirements under Chapter 14 of the Listing Rules.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) staff costs and (ii) marketing and product promotion expenses, among others. Our selling and marketing expenses amounted to RMB4.3 million, RMB3.6 million and RMB4.4 million in 2023, 2024 and 2025, respectively. The decrease in our selling and marketing expenses in 2024 was primarily due to a decrease in staff costs, driven by our efforts to streamline and optimize our sales and marketing team. The increase in our selling and marketing expenses in 2025 was primarily due to increased miscellaneous expenses for business development.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, (ii) depreciation and amortization, (iii) safety and environmental protection expenses, (iv) business development expenses, (v) professional service fees, (vi) taxes and surcharges, (vii) office expenses, and (viii) [**REDACTED**] expenses, among others.

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

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Staff costs	50,246	44.6	42,876	32.6	55,854	37.3
Depreciation and amortization	6,405	5.7	26,403	20.0	46,741	31.2
Safety and environmental protection expenses	12,088	10.7	9,080	6.9	11,320	7.6
Business development expenses	12,755	11.3	7,986	6.0	4,110	2.7
Professional service fees	10,016	8.9	7,722	5.8	6,473	4.3
Taxes and surcharges	6,836	6.1	10,627	8.0	8,775	5.9
Office expenses	3,532	3.1	2,965	2.2	4,347	2.9
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	10,799	9.6	9,480	7.2	7,545	5.0
Total	**112,677**	**100.0**	**132,041**	**100.0**	**149,755**	**100.0**

Our administrative expenses increased from 2023 to 2024, primarily due to the [**REDACTED**] expenses incurred in connection with the [**REDACTED**]. The increase in our administrative expenses in 2025 was primarily due to (i) an increase in depreciation and amortization as a result of the transfer of construction in progress to property, plant and equipment, and (ii) an increase in staff costs, primarily attributable to the reclassification of salaries of production management personnel during our technological transformation.

Research and Development Expenses

Our research and development expenses primarily consist of (i) material costs, (ii) staff costs, (iii) depreciation and amortization, and (iv) utilities expenses, among others. The following table sets forth a breakdown of our research and development expenses both in absolute amount and as a percentage of our total research and development expenses for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)					
Material costs	61,488	61.5	39,420	51.1	49,008	51.3
Staff costs	23,117	23.1	21,728	28.2	18,468	19.3
Depreciation and amortization	4,581	4.6	5,976	7.8	12,357	12.9
Utilities expenses	5,335	5.3	4,868	6.3	14,148	14.8
Others	5,440	5.5	5,105	6.6	1,551	1.7
Total	**99,961**	**100.0**	**77,097**	**100.0**	**95,532**	**100.0**

Our research and development expenses decreased from 2023 to 2024, primarily due to the decrease in material costs, as we used less ancillary materials for R&D activities due to our continually improved technology. Our research and development expenses then increased in 2025, primarily due to an increase in material costs attributable to increased materials consumed for our research and development activities.

Impairment Losses/Reversal of Impairment Losses on Financial Assets and Prepayments, Net

Our impairment losses/reversal of impairment losses on financial assets and prepayments, net primarily represents the expected credit losses on our trade and bills receivables and impairment made on our prepayments at the end of each year of the Track Record Period. We recorded impairment losses on financial assets and prepayments, net of RMB36.9 million in 2023, while we recorded reversal of impairment losses on financial assets and prepayments, net of RMB0.3 million in 2024. In 2025, we recorded impairment losses on financial assets and prepayments, net of RMB2.8 million. The increase in impairment losses on financial assets and prepayments, net in 2023 was primarily due to the increase in the balance of our trade receivables and the impairment losses on certain prepayments for purchase of raw materials.

Other Expenses

Our other expenses primarily consist of (i) loss on derecognition of financial assets measured at fair value, representing interest expenses on discounted bills, (ii) loss on disposal of items of property, plant and equipment, (iii) donations, among others. We recorded other expenses of RMB47.0 million, RMB9.5 million, and RMB12.2 million in 2023, 2024 and 2025, respectively. The increase in other expenses in 2023 was primarily due to an increase in loss on disposal of items of property, plant and equipment attributable to damage of production facilities caused by a fire accident that occurred during the testing phase at our Zhaoqing Base, which resulted in a loss on disposal of approximately RMB33.2 million. The incident was one-off in nature, occurred during equipment testing phases prior to commercial production, and did not involve any production safety non-compliance. For details of the fire accident, including its cause and the remedial measures taken, see "Business — Health, Safety and Social Responsibilities".

Finance Costs

Our finance costs consist of (i) interest on interest-bearing bank and other borrowings, and (ii) interest on lease liabilities, net of interest capitalized. The following table sets forth a breakdown of our finance costs for the periods indicated.

	For the Year Ended December 31,		
	2023	2024	2025
		(RMB in thousands)	
Interest on interest-bearing bank and other borrowings	64,590	66,106	80,185
Interest on lease liabilities	1,105	3,423	2,467
Subtotal	65,695	69,529	82,652
Less: Interest capitalized	(7,863)	(8,651)	(5,509)
Total	**57,832**	**60,878**	**77,143**

We recorded finance costs of RMB57.8 million, RMB60.9 million, and RMB77.1 million in 2023, 2024 and 2025, respectively.

Share of Loss of Associates and a Joint Venture

Share of loss of associates and a joint venture represents losses attributable to us from our investments in associates and a joint venture, namely Guangdong Longji Power Technology Co., Ltd. and Hubei Ruipai New Energy Technology Co., Ltd. We recorded share of loss of associates and a joint venture of RMB164,000, RMB11.7 million, and RMB6.1 million in 2023, 2024 and 2025, respectively.

Taxation

Chinese mainland

In Chinese mainland, pursuant to the Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of our Company and our subsidiaries in Chinese mainland was 25% during the Track Record Period, except that the Company and a subsidiary in Chinese mainland enjoyed preferential enterprise income tax rate of 15% due to preferential tax policies for being approved as High and New Technology Enterprises. They also enjoy accelerated tax deduction on their research and development costs. For details, see Note 10 to the Accountants' Report as set out in Appendix I.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

In 2023, 2024 and 2025, we recorded income tax expenses of RMB65,000, RMB1.5 million, and RMB1.7 million, respectively. During the Track Record Period and as of the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased slightly by 2.1% from RMB2,157.2 million in 2024 to RMB2,202.0 million in 2025, primarily due to an increase in revenue of RMB218.8 million from lithium recycled products and RMB102.0 million from cobalt recycled products.

Cost of sales

Our cost of sales decreased by 8.8% from RMB2,244.9 million in 2024 to RMB2,046.5 million in 2025, primarily due to (i) decreases in cost of raw materials of RMB91.4 million as a result of the lower sales volume of our recycled products, (ii) a decrease in impairment losses of RMB20.2 million on inventories driven by the increase in market prices of lithium and cobalt products as of the end of 2025, mainly driven by the decreased purchase prices of raw materials as well as our enhanced inventory management, (iii) a decrease in manufacturing overheads of RMB63.6 million resulting from temporary production suspensions during our technological transformation.

Gross profit/(loss)

We recorded a gross loss of RMB87.7 million in 2024, while we recorded a gross profit of RMB155.5 million in 2025, primarily due to (i) the increase in average selling prices of our cobalt recycled products, (ii) our continuous efforts in improving our production technology, resulting in reduced unit manufacturing cost, and (iii) enhanced inventory management, leading to lower inventory impairment losses.

Other income and gains

Our other income and gains decreased by 31.0% from RMB40.0 million in 2024 to RMB27.6 million in 2025, mainly due to (i) a reduction in government grants and subsidies resulting from changes in the applicable value-added tax policies, (ii) decreased gains from derivatives following the scale-down of our futures business, and (iii) the absence of the one-off gain on disposal of joint ventures and associates in 2024.

Selling and marketing expenses

Our selling and marketing expenses increased by 22.2% from RMB3.6 million in 2024 to RMB4.4 million in 2025, primarily due to increased miscellaneous expenses for business development.

Administrative expenses

Our administrative expenses increased by 13.4% from RMB132.0 million in 2024 to RMB149.8 million in 2025, primarily due to an increase in depreciation and amortization resulting from the transfer of construction in progress to property, plant and equipment in the second half of 2024 and an increase in staff costs, primarily attributable to the reclassification of salaries of production management personnel during our technological transformation.

Research and development expenses

Our research and development expenses increased by 23.9% from RMB77.1 million in 2024 to RMB95.5 million in 2025, primarily due to an increase in material costs attributable to increased materials consumed for our research and development activities.

Impairment losses/reversal of impairment losses on financial assets and prepayments, net

We recorded net reversal of impairment losses on financial assets and prepayments of RMB0.3 million in 2024 and net impairment losses on financial assets and prepayments of RMB2.8 million in 2025, primarily due to subsequent collection of trade receivables and settlement of prepayments.

Other expenses

Our other expenses increased by 28.4% from RMB9.5 million in 2024 to RMB12.2 million in 2025, primarily due to (i) higher discount interest on bills receivables from banks with higher credit ratings as we sought to mitigate credit and payment deferral risks associated with bills receivables, and (ii) an increase in provisions for expected compensation in relation to pending litigation.

Finance costs

Our finance costs increased by 26.7% from RMB60.9 million in 2024 to RMB77.1 million in 2025, primarily due to the increase in the interest on bank and other borrowings.

Share of loss of associates and a joint venture

Share of loss of associates and a joint venture decreased from RMB11.7 million in 2024 to RMB6.1 million in 2025, respectively, primarily due to the reduction in losses following the disposal of our investment in Guangdong Longji Power Technology Co., Ltd. completed in the second half of 2024.

Income tax expense

Our income tax expense increased by 13.3% from RMB1.5 million in 2024 to RMB1.7 million in 2025, primarily due to the tax effect on deductible temporary differences in connection with our leases.

Loss for the year

As a result of the foregoing, our loss for the year decreased by 51.5% from RMB343.6 million in 2024 to RMB166.5 million in 2025.

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

Revenue

Our revenue decreased by 25.4% from RMB2,891.5 million in 2023 to RMB2,157.2 million in 2024. This decrease was primarily due to a 28.2% decrease in revenue from sales of recycled products.

The decrease in revenue from sales of recycled products in 2024 was primarily attributable to the decreases in revenue from our lithium, nickel and cobalt recycled products by 47.1%, 2.4% and 18.9%, respectively, mainly due to the decreases in average selling prices of our major products, lithium carbonate, nickel sulfate and cobalt sulfate, by 63.0%, 14.9% and 22.0% respectively following the decline in market prices as a result of the intensified competition in the industry, partially offset by the increases in sales volume of our lithium carbonate, nickel sulfate and cobalt sulfate by 43.0%, 14.7% and 4.0%, respectively.

The decrease in revenue from sales of recycled products was partially offset by a significant increase in revenue from sales of other products, particularly graphite as a result of natural growth of this business which we developed in October 2023.

Cost of sales

Our cost of sales decreased by 26.4% from RMB3,049.1 million in 2023 to RMB2,244.9 million in 2024, primarily due to the decrease in cost of raw materials from RMB2,690.1 million in 2023 to RMB1,985.4 million in 2024, driven by the decreases in purchase prices of raw materials, as well as the decrease in impairment losses on inventories of RMB84.3 million. The decrease in our cost of sales outpaced the decrease in our revenue as a result of improvements in our production process to reduce production costs.

Gross loss

Our gross loss decreased by 44.4% from RMB157.6 million in 2023 to RMB87.7 million in 2024, primarily because the decline in the market prices of our products slowed down in 2024 compared to 2023.

Other income and gains

Our other income and gains decreased by 11.5% from RMB45.2 million in 2023 to RMB40.0 million in 2024, mainly due to the decrease in government grants and subsidies of RMB13.6 million, partially offset by the gain on disposal of joint ventures and associates of RMB4.8 million.

Selling and marketing expenses

Our selling and marketing expenses decreased by 16.3% from RMB4.3 million in 2023 to RMB3.6 million in 2024, primarily due to a decrease in staff costs, driven by our efforts to streamline and optimize our sales and marketing team.

Administrative expenses

Our administrative expenses increased by 17.2% from RMB112.7 million in 2023 to RMB132.0 million in 2024, primarily due to an increase in depreciation and amortization as a result of the completion of the construction of our office buildings and the [**REDACTED**] expenses incurred in connection with the [**REDACTED**].

Research and development expenses

Our research and development expenses decreased by 22.9% from RMB100.0 million in 2023 to RMB77.1 million in 2024, primarily due to the decrease in material costs from RMB61.5 million in 2023 to RMB39.4 million for the same period in 2024, as we used less ancillary materials for R&D activities due to our continually improved technology.

Impairment losses/reversal of impairment losses on financial assets and prepayments, net

We recorded net impairment losses on financial assets and prepayments of RMB36.9 million in 2023 and net reversal of impairment losses on financial assets and prepayments of RMB0.3 million in 2024, primarily due to the reversal of previously-made impairment due to subsequent collection of trade receivables and settlement of prepayments.

Other expenses

Our other expenses decreased by 79.8% from RMB47.0 million in 2023 to RMB9.5 million in 2024, primarily due to the non-recurrence in 2024 of a loss on disposal of items of property, plant and equipment of approximately RMB33.7 million that was recorded in 2023, which resulted from damage to production facilities caused by a fire accident during the testing phase at our Zhaoqing Base.

Finance costs

Our finance costs increased from RMB57.8 million in 2023 to RMB60.9 million in 2024, primarily due to an increases in the interest on lease liabilities and bank and other borrowings.

Share of loss of associates and a joint venture

We recorded share of loss of associates and a joint venture of RMB164,000 in 2023 and RMB11.7 million in 2024, respectively, primarily because the relevant joint venture and associates incurred losses in 2024.

Income tax expense

We recorded income tax expense of RMB65,000 in 2023 and RMB1.5 million in 2024 primarily due to the tax effect on deductible temporary differences in connection with our leases.

Loss for the period

As a result of the foregoing, our loss for the period decreased by 27.1% from RMB471.4 million in 2023 to RMB343.6 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Liabilities

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

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB in thousands)			(unaudited)
Current assets				
Inventories	291,416	293,577	106,805	364,523
Trade and bills receivables	421,188	304,250	411,985	229,496
Prepayments, other receivables and other assets	433,474	399,655	308,276	490,050
Financial assets at fair value through profit or loss	6,000	10,000	–	–
Derivative financial instruments	490	318	–	–
Pledged and restricted deposits	134,811	286,087	171,161	70,884
Cash and cash equivalents	99,698	53,044	33,163	129,490
Total current assets	**1,387,077**	**1,346,941**	**1,031,390**	**1,284,443**
Current liabilities				
Trade and bills payables	301,664	332,039	673,536	942,662
Other payables and accruals	64,874	73,687	70,038	81,154
Tax payable	3,740	–	–	1
Contract liabilities	10,950	20,640	13,555	162,347
Derivative financial instruments	291	–	–	299
Interest-bearing bank and other borrowings	1,162,976	1,853,210	1,286,583	1,048,127
Lease liabilities	11,851	24,383	22,724	10,508
Provision	979	–	2,984	270
Total current liabilities	**1,557,325**	**2,303,959**	**2,069,420**	**2,245,368**
Net current liabilities	**(170,248)**	**(957,018)**	**(1,038,030)**	**(960,925)**

Our net current liabilities increased from RMB170.2 million as of December 31, 2023 to RMB957.0 million as of December 31, 2024. The increase was mainly due to (i) an increase of RMB690.2 million in interest-bearing bank and other borrowings, and (ii) a decrease of trade and bills receivables of RMB116.9 million.

Our net current liabilities further increased from RMB957.0 million as of December 31, 2024 to RMB1,038.0 million as of December 31, 2025. The increase was mainly due to (i) a decrease in inventories of RMB186.8 million and (ii) a decrease in prepayments, other receivables and other assets of RMB91.4 million.

Our net current liabilities decreased from RMB1,038.0 million as of December 31, 2025 to RMB960.9 million as of April 30, 2026. The decrease was mainly due to a decrease in interest-bearing bank and other borrowings of RMB238.5 million.

Although we had net current liabilities during the Track Record Period, we expect to improve our net current liabilities position in the future through the following measures.

Cash inflow generated from our operation. We anticipate that operational improvements, together with the commencement of operations and revenue generation from our new projects will be a primary driver for future cash inflows. The planned ramp-up of projects is expected to contribute to operating cash flow in the future. Key projects include the 180,000 tons Ternary Project at our Ganzhou Base, for which the necessary long-term project financing has been secured. See "Business — Production — Production Expansion Plans" for details.

Restructuring bank loans and facilities. We plan to optimize our debt structure by restructuring our current short-term borrowings. This includes obtaining long-term project loans for specific capital expenditures and replacing certain existing short-term balances with longer-term facilities. We have already received bank approvals for certain long-term project loans and are in discussions regarding other facilities. Furthermore, we currently maintain access to unutilized banking facilities of RMB0.9 billion to support our general working capital needs.

Enhancing cash and liability management measures. We intend to enhance the management of our working capital. This involves measures such as diligently monitoring the collection of trade receivables and optimizing the terms of trade payables. We also plan to regularly review our cash position and liability structure to ensure alignment with our operational requirements and strategic plans.

[**REDACTED**] *from the* [**REDACTED**]. We expect to receive the [**REDACTED**] from the [**REDACTED**]. We intend to use [**REDACTED**], or [**REDACTED**] of [**REDACTED**] from the [**REDACTED**] for working capital and general corporate purposes, which will directly improve our net current liabilities position upon [**REDACTED**].

Inventories

Our inventories represent raw materials and consumables, working-in-progress products, and finished products. The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
		(RMB in thousands)	
Raw materials and consumables	105,509	81,444	8,165
Working-in-progress products	123,638	104,813	89,063
Finished products	62,269	107,320	9,577
Total	**291,416**	**293,577**	**106,805**

Our inventories remained relatively stable at RMB291.4 million as of December 31, 2023 and RMB293.6 million as of December 31, 2024, respectively. Our inventories decreased by 63.6% from RMB293.6 million as of December 31, 2024 to RMB106.8 million as of December 31, 2025, primarily due to (i) our progressive transition to a produce-on-demand model, and (ii) the expansion of processing services in the fourth quarter of 2025, under which certain inventories were not recognized at cost and therefore excluded from our owned inventories.

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

	For the Year Ended December 31,		
	2023	2024	2025
Inventory turnover days	66	48	36

Note:

(1) Turnover days of inventories equals the average of the opening and closing inventory balance divided by cost of sales for the relevant period and multiplied by 365 days.

Our inventory turnover days were 66 days, 48 days and 36 days in 2023, 2024 and 2025, respectively. The decreases in inventory turnover days throughout the Track Record Period reflected our progressive transition to a produce-on-demand model. Specifically, we implemented the following measures during the Track Record Period: (i) aligning procurement volumes with confirmed or near-term customer orders, reducing the average raw material holding period; (ii) referencing procurement pricing to the SMM spot price index to ensure raw material costs reflect prevailing market conditions; and (iii) shortening the production-to-delivery cycle through production scheduling optimisation and direct shipment arrangements with customers. These measures collectively reduced the exposure of our inventory to market price declines, as evidenced by the significant reduction in inventory impairment losses during the same period. See "Financial Information — Path to Profitability" for further details.

As of April 30, 2026, RMB112.6 million, or 95.4%, of our gross inventory balance (i.e., before provision for write-down) as of December 31, 2025 had been subsequently sold or utilized.

Our Directors review the carrying amounts of the inventories at the end of each of year comprising the Track Record Period to determine whether the inventories are carried at the lower of cost and net realizable value. The net realizable value is estimated based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect the Group's financial position. For details, please refer to Note 2.3 and 3 to the Accountants' Report as set out in Appendix I.

Our Directors considered subsequent utilization rate of our inventories is reasonable and in line with our normal business operation. Our Directors considered the accumulated provision for our inventories in the amount of RMB11.2 million, representing 9.5% of gross amount of our inventories as of December 31, 2025 is appropriate and sufficient.

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

	As of December 31,		
	2023	2024	2025
	(in thousands of RMB)		
Within 1 year	285,814	284,886	105,320
1 to 2 years	4,837	6,795	881
2 to 3 years	634	1,896	600
Over 3 years	131	–	4
Total	**291,416**	**293,577**	**106,805**

Trade and bills receivables

Our trade and bills receivables consist of trade receivables, bills receivables, net of impairment. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Trade receivables	134,402	116,229	351,946
Bills receivables, carried at amortised cost	279,954	183,281	85,100
Bills receivable, measured at fair value through other comprehensive income	27,728	21,368	–
Impairment	(20,896)	(16,628)	(25,061)
Total	**421,188**	**304,250**	**411,985**

Our trade and bills receivables decreased by 27.8% from RMB421.2 million as of December 31, 2023 to RMB304.3 million as of December 31, 2024, because we shortened the credit terms granted to our customers to enhance our cash flow management. Our trade and bills receivables then increased by 35.4% from RMB304.3 million as of December 31, 2024 to RMB412.0 million as of December 31, 2025, primarily due to an increase in trade receivables as a result of the extension of credit terms granted to certain customers, partially offset by a decrease in bills receivables.

The following table sets forth the aging analysis of our trade and bills receivables as of the date indicated, based on the invoice date and net of loss allowance.

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Within 3 months	413,692	295,944	260,267
3 to 6 months	1,851	3,557	140,004
6 months to 1 year	5,203	511	7,539
1 to 2 years	416	4,238	1,526
2 to 3 years	26	–	2,649
Total	**421,188**	**304,250**	**411,985**

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

	As of December 31,		
	2023	2024	2025
Trade and bills receivables turnover days	49	61	59

Note:

(1) Trade and bills receivables turnover days for a period equals the average of the opening and closing trade and bills receivables balance divided by total revenue during the relevant period and multiplied by 365 days.

Our trade and bills receivables turnover days were 49 days, 61 days and 59 days in 2023, 2024 and 2025, respectively. Our trade and bills receivables turnover days increased in 2024, primarily due to the increase in bank acceptance bills we received from customers which were generally due within 180 days. The decrease in trade and bills receivables turnover days for the year ended December 31, 2025 was primarily due to the reduced opening and closing balance of bills receivables for the year.

As of 30 April, 2026, RMB231.5 million, or 53.0%, of our gross trade and bills receivables (i.e., before expected credit loss allowance) as of December 31, 2025 had been subsequently settled.

We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Our senior management regularly reviews the recoverability of our outstanding balances and when appropriate, provides for impairment of these trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection are assessed individually for impairment allowance. The remaining trade receivables are grouped and collectively assessed for impairment allowance. When onboarding new customers, we conduct initial screening to evaluate their creditworthiness, which we also routinely review and monitor. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging analysis for grouping of customers that have similar loss patterns.

For more details our Group's credit risk assessment and disclosures, please refer to Note 2.3, 3, 21 and 40 to the Accountants' Report as set out in Appendix I. Our Directors considered the provision of expected credit loss of our trade and bill receivables was sufficient and appropriate as at the end of each year comprising the Track Record Period.

Prepayments, other receivables, and other assets (current portion)

Our prepayments, other receivables, and other assets (current portion) primarily consist of prepayments and value-added tax recoverable. The following table sets forth our prepayments, other receivables, and other assets (current portion) as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Prepayments	335,511	351,464	315,966
Deposits	19,157	20,056	12,667
Other receivables	17,807	17,728	4,317
Value-added tax recoverable	198,850	237,130	155,898
Tax repayments	–	165	280
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Less: impairment losses	(37,111)	(28,915)	(29,876)
Less: non-current portion	(100,740)	(205,990)	(160,866)
Total	**433,474**	**399,665**	**308,276**

Our prepayments, other receivables, and other assets (current portion) decreased by 7.8% from RMB433.5 million as of December 31, 2023 to RMB399.7 million as of December 31, 2024. The decrease was mainly due to an increase in non-current prepayments for construction in progress as of December 31, 2024.

Our prepayments, other receivables, and other assets (current portion) further decreased by 22.9% from RMB399.7 million as of December 31, 2024 to RMB308.3 million as of December 31, 2025. The decrease was primarily due to (i) a decrease in prepayments as a result of lower procurement activities during 2025, and (ii) decreases in deposits, other receivables and value-added tax recoverable mainly due to the recovery of deposits and other receivables and the utilisation of prior years' input value-added tax credits after our gross profit turned positive in 2025.

As of April 30, 2026, RMB43.5 million, or 30.2%, of our prepayments, deposits and other receivables (current portion) as of December 31, 2025 had been subsequently settled.

At the end of each year of the Track Record Period, the expected credit losses of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss. An impairment analysis was performed at the end of each year of the Track Record Period. Our senior management regularly reviews the recoverability of our outstanding prepayments for purchases of raw materials and construction in progress and when appropriate, provides for impairment of these prepayments. Prepayment relating to overdue delivery of raw materials, suppliers with known financial difficulties and contract disputes, or significant doubt on collection are assessed individually for impairment allowance.

Trade and bills payables

Our trade and bills payables consist of payables to suppliers mainly for the procurement of raw materials of our products. The following table sets forth our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Trade payables	229,215	296,252	673,536
Bills payables	72,449	35,787	–
Total	**301,664**	**332,039**	**673,536**

Our trade and bills payables increased by 10.1% from RMB301.7 million as of December 31, 2023 to RMB332.0 million as of December 31, 2024, primarily due to increasing purchases of raw materials to meet the need of production and sales. Our trade and bills payables further increased from RMB332.0 million as of December 31, 2024 to RMB673.5 million as of December 31, 2025. The increase was primarily due to the extension of credit terms by our major suppliers.

The following table sets forth the aging analysis of our trade and bills payables as of the date indicated.

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Within 1 year	289,790	255,487	538,797
1 to 2 years	9,031	67,878	90,127
2 to 3 years	1,557	7,242	39,253
Over 3 years	1,286	1,432	5,359
Total	**301,664**	**332,039**	**673,536**

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

	As of December 31,		
	2023	2024	2025
Trade and bills payables turnover days	35	52	90

Note:

(1) Trade and bills payables turnover days for a period equals the average of the opening and closing trade and bills payables balance divided by cost of sales during the relevant period and multiplied by 365 days.

The turnover days of our trade and bills payables were 35 days, 52 days and 90 days in 2023, 2024 and 2025, respectively. The increase in trade and bills payable turnover days in 2024 was primarily due to the increase in payables for the procurement of construction in progress and equipment for the construction and/or expansion of our production facilities. The further increase in trade and bills payable turnover days in 2025 was mainly attributable to an increase in trade payables as we negotiated with our suppliers for more favorable payment arrangements with them.

As of April 30, 2026, RMB 260.8 million, or 38.7%, of our trade and bills payables as of December 31, 2025 had been subsequently settled.

Non-Current Assets and Liabilities

Property, Plant and Equipment (PP&E)

Our PP&E primarily consists of buildings, machinery, and construction-in-progress. The following table sets forth our PP&E as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Property, Plant and Equipment			
Buildings	523,165	619,805	595,837
Machinery	322,040	436,843	418,767
Construction-in-progress	755,652	861,368	939,472
Others	23,983	17,053	9,484
Total	**1,624,840**	**1,935,069**	**1,963,560**

Our PP&E increased from RMB1,624.8 million as of December 31, 2023 to RMB1,935.1 million as of December 31, 2024. These increases were primarily attributable to our expansions in manufacturing plants and machinery, driven by our business development and expansion during the Track Record Period. Our PP&E then increased slightly from RMB1,935.1 million as of December 31, 2024 to RMB1,963.6 million as of December 31, 2025, primarily due to an increase of RMB78.1 million in construction in progress.

Impairment testing for non-financial assets

We assess whether there are any indicators of impairment for all non-financial assets as at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As of December 31, 2023, 2024 and 2025, due to the downturn of market prices of the Group's major products which has led to the Group's loss-making in the years ended December 31, 2023, 2024 and 2025, our Directors considered there were impairment indicators that the carry amounts of our Group's major non-financial assets including property, plant and equipment, right-of-use assets and intangible assets may not be recoverable and hence has involved external experts to perform impairment assessments on the abovesaid non-financial assets.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections derived from financial budgets covering the remaining useful life of the non-financial assets, as approved by the Group's senior management. The compound annual revenue growth rates and the average gross margin rates, and pre-tax discount rates applied to the value-in-use calculation of the cash-generating units are as follows:

	As of December 31,		
	2023	2024	2025
Compound annual revenue growth rates	0.2%-28.86%	1.22%-17.11%	1.20%-15.96%
Average gross margin rates	4.17%-39.74%	4.86%-41.32%	2.20%-30.10%
Pre-tax discount rates	13.66%-14.74%	14.35%-16.10%	13.99%-16.09%

The calculation of value-in-use is based on the following assumptions:

- Compound annual revenue growth rates and average gross margin rates are based on the cash generating units' past performance and expected market development.
- Discount rates reflect current market assessments of the time value of money and the specific risks relating to the cash generating units.

Based on the assessment, the recoverable amounts of the cash-generating units have exceeded their carrying amounts and no impairment provision was made for non-financial assets as of December 31, 2023, 2024 and 2025. Our Directors have considered the reasonably possible changes to the key assumptions as adopted in the impairment assessments and considered will not result in any impairment charge to be recognized. For further details, see Note 2.4, Note 3 and Note 13 to the Accountants' Report as set out in Appendix I.

Prepayments, other receivables, and other assets (non-current potion)

The following table sets forth our prepayments, other receivables, and other current assets (non-current portion) as of the dates indicated:

	As of December 31,		
	2023	2024	2025
		(RMB in thousands)	
Prepayments, other receivables, and other assets (non-current portion)	100,740	205,990	160,866

Our prepayments, other receivables, and other assets (non-current portion) increased from RMB100.7 million as of December 31, 2023 to RMB206.0 million as of December 31, 2024, primarily due to increase in construction in progress of property and plants, production lines. Our prepayments, other receivables, and other assets (non-current portion) decreased from RMB206.0 million as of December 31, 2024 to RMB160.9 million as of December 31, 2025, primarily due to (i) the reclassification of lease guarantee deposits to current assets, (ii) the recovery of lease deposits from a lessor, and (iii) the settlement of prepayments for construction projects. As of April 30, 2026, RMB39.6 million, or 20.9%, of our prepayments, deposits and other receivables (non-current portion) as of December 31, 2025 had been subsequently settled.

INDEBTEDNESS

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

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB in thousands)			*(unaudited)*
Current portion:				
Interest-bearing bank and other borrowings	1,162,976	1,853,210	1,286,583	1,048,127
Lease liabilities	11,851	24,383	22,724	10,508
Non-current portion:				
Interest-bearing bank and other borrowings	420,593	359,995	215,468	213,349
Lease liabilities	37,390	32,814	15,657	14,913
Total	**1,632,810**	**2,270,402**	**1,540,432**	**1,286,897**

Interest-Bearing Bank and Other Borrowings

The following table sets forth our interest-bearing bank and other borrowings as of the dates indicated.

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	(RMB in thousands)			*(unaudited)*
Interest-bearing bank and other borrowings:				
Current:				
Bank loans – secured	953,897	1,328,007	741,716	585,149
Long term bank loans – secured	128,095	239,164	151,274	136,853
Other loans – secured	80,984	265,899	140,032	232,129
Other loans – unsecured	–	20,140	253,561	93,996
Subtotal	**1,162,976**	**1,853,210**	**1,286,583**	**1,048,127**
Non-current:				
Long term bank loans – secured	410,833	245,548	180,289	185,079
Other loans – secured	9,760	114,447	35,179	28,270
Subtotal	**420,593**	**359,995**	**215,468**	**213,349**
Total	**1,583,569**	**2,213,205**	**1,502,051**	**1,261,476**

During the Track Record Period, we entered into borrowing agreements with certain commercial banks. Our interest-bearing bank and other borrowings increased during the Track Record Period, primarily due to our increasing working capital needs following our business expansion. Our interest-bearing bank and other borrowings were generally used to finance our working capitals such as procurement of raw materials used for production. The interest-bearing bank and other borrowings were also used for the construction of our production lines and facilities during the Track Record Period as a supplement to our Group's internal financial resources.

As of December 31, 2023, 2024 and 2025, our secured long-term bank loans amounted to RMB538.9 million, RMB484.7 million and RMB331.6 million, respectively, of which RMB128.1 million, RMB239.2 million and RMB151.3 million will be due within one year from the respective date. These loans were secured by guarantee from Controlling Shareholders and their respective associates and pledge of certain land, buildings and machines of us. These guaranteed long-term bank loans bear interests at fixed interest rates ranging from 2.8% to 5.0% per annum.

As at December 31, 2023, 2024 and 2025, certain bank loans, other loans and lease liabilities under finance leases in the total amount of RMB1,283.8 million, RMB1,663.1 million, and RMB942.5 million, respectively, were guaranteed by the controlling shareholders and their respective associates. Such guarantees provided by related parties will not be released before [**REDACTED**]. For details, please refer to Notes 30 and 37 in the Accountants' Report as set out in Appendix I to this document. Save for the above, there were no outstanding loans, guarantees, or other financial assistance provided by or granted to each of our Controlling Shareholders, their respective associates, or any of our related parties as of December 31, 2025.

Our Directors are of the view that premature discharge of all outstanding debts underlying the bank loans guaranteed by our Controlling Shareholders before the [**REDACTED**] would be impractical and unduly onerous to the Group and would not be in the best interests of the Group and our Shareholders, considering that the early discharge of the Controlling Shareholders' Guarantees would require renegotiation of the terms with the relevant banks, and the renegotiation would be time-consuming and may affect our normal operation. For further details of the Controlling Shareholders' Guarantees, please refer to the section headed "Relationship with our Controlling Shareholders" in this document.

During the Track Record Period, we entered into several short-term bank loans agreements with interest rates ranging from 0.7% to 5.5% per annum. As of December 31, 2023, 2024 and 2025, our short-term bank loans amounted to RMB953.9 million, RMB1,328.0 million and RMB741.7 million, respectively. The loans were guaranteed by certain buildings and bank deposits.

Other loans primarily relate to liquidity that we obtain from financing lease companies. As of December 31, 2023, 2024 and 2025, our other loans were RMB90.7 million, RMB380.3 million and RMB175.2 million, respectively. These loans were secured by our machinery and equipment. The effective interest rates of these secured loans during the Track Record Period ranged from 5.88% to 9.58% per annum.

As of December 31, 2023, 2024, 2025 and April 30, 2026, our bank and other loans were repayable as follows:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
		(RMB in thousands)		*(unaudited)*
Within 1 year or on demand	1,162,976	1,853,210	1,286,583	1,048,127
In the second year	232,756	258,806	146,086	141,349
In the third to fifth years, inclusive	123,320	101,189	69,382	72,000
Beyond five years	64,517	–	–	–
Total	**1,583,569**	**2,213,205**	**1,502,051**	**1,261,476**

We are subject to certain restrictive covenants under the terms of our bank loans, which are commonly found in loan arrangements with financial institutions in Chinese mainland. Some of our bank borrowings are subject to the fulfilment of covenants, primarily with requirements regarding the liability-to-asset ratio. As of December 31, 2025, our Group had outstanding bank loans with an aggregate principal amount of RMB252.2 million that were subject to financial covenants, requiring our Company (parent) to maintain a liability-to-asset ratio of not more than 70.0%. As of December 31, 2025, the liability-to-asset ratio of our Company (parent) was 57.0%, representing a headroom of 13.0 percentage points relative to the covenant threshold. As of the Latest Practicable Date, none of our banking facilities contained restrictions on dividend distribution. Our Directors confirm that we have not been in violation of any of the covenants pursuant to the applicable borrowing agreements that we entered into with the respective lenders during the Track Record Period and up to Latest Practicable Date. Our Directors are of the view that, taking into account the headroom available as set forth in the table above and the expected improvement in our financial performance, the risk of breaching the above financial covenants is remote.

Lease Liabilities

The following table sets forth a breakdown of our lease liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
		(RMB in thousands)		*(unaudited)*
Current	11,851	24,383	22,724	10,508
Non-current	37,390	32,814	15,657	14,913
Total	**49,241**	**57,197**	**38,381**	**25,421**

Our lease liabilities primarily represent our obligations related to the leasing of leasehold land, buildings and machinery for our operations. Lease liabilities are measured at net present value of the lease payments during the lease terms that are not yet paid. Our lease liabilities continued to increase from RMB49.2 million as of December 31, 2023 to RMB57.2 million as of December 31, 2024, primarily due to the increased number of leased properties in light of our business expansion. Our lease liabilities then decreased from RMB57.2 million as of December 31, 2024 to RMB38.4 million as of December 31, 2025 and further decreased to RMB25.4 million as of April 30, 2026, primarily due to our scheduled rental payments and the absence of new lease contracts during the year.

No Other Outstanding Indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts, or other similar indebtedness, financing lease, or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured, or unsecured as of April 30, 2026. After due and careful consideration, our Directors confirm that there had been no material change in our indebtedness since April 30, 2026 and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from capital contribution from Shareholders, financing through private placements and bank and other borrowings. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB99.7 million, RMB53.0 million and RMB33.2 million as of December 31, 2023, 2024 and 2025, respectively. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, the [**REDACTED**] received from the [**REDACTED**], and our future bank and other borrowings. We currently do not have any other plans for material additional external financing. We do not expect our capital expenditures and resources to materially deviate from our business operations during the Track Record Period.

Cash Flows

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

	For the Year Ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Net cash (used in)/generated from operating activities	(58,141)	(187,204)	382,032
Net cash used in investing activities	(922,298)	(511,888)	(88,061)
Net cash generated from financing activities	868,916	652,438	(313,852)
Cash and cash equivalents at the beginning of the year	**211,221**	**99,698**	**53,044**
Net increase/(decrease) in cash and cash equivalents	(111,523)	(46,654)	(19,881)
Cash and cash equivalents at the end of year	**99,698**	**53,044**	**33,163**

Net Cash (Used in)/Generated from Operating Activities

In the year ended December 31, 2025, net cash generated from operating activities was RMB382.0 million, primarily attributable to loss before tax of RMB164.8 million, as adjusted by non-cash and non-operational items totaling RMB192.7 million and positive changes in working capital of RMB350.2 million. Changes in working capital mainly consisted of an increase in trade and bills payables of RMB468.9 million, a decrease in inventories of RMB182.4 million, a decrease in prepayments, other receivables and other assets of RMB114.4 million and an increase in deferred income of RMB45.4 million, partially offset by an increase in trade and bills receivables of RMB479.3 million.

In 2024, net cash used in operating activities was RMB187.2 million, primarily attributable to loss before tax of RMB342.1 million, as adjusted by non-cash and non-operational items totaling RMB185.7 million and negative changes in working capital of RMB30.2 million. Changes in working capital mainly consisted of an increase in trade and bills receivables of RMB446.7 million partially offset by an increase in other payables and accruals of RMB60.6 million and by an increase in trade and bills payables of RMB292.1 million.

In 2023, net cash used in operating activities was RMB58.1 million, primarily attributable to loss before tax of RMB471.3 million, as adjusted by non-cash and non-operational items totaling RMB288.3 million, positive changes in working capital of RMB143.7 million and income tax paid of RMB21.3 million. Changes in working capital mainly consisted of a decrease in inventories of RMB412.5 million and an increase in trade and bills payables of RMB262.6 million, partially offset by an increase in trade and bills receivables of RMB418.5 million.

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

Net Cash Used in Investing Activities

In 2025, net cash used in investing activities was RMB88.1 million, primarily attributable to purchases of items of property, plant and equipment of RMB107.0 million, partially offset by withdrawal of financial assets at fair value through profit or loss of RMB10.0 million.

In 2024, net cash used in investing activities was RMB511.9 million, primarily attributable to purchases of items of property, plant and equipment of RMB474.7 million.

In 2023, net cash used in investing activities was RMB922.3 million, primarily attributable to purchases of items of property, plant and equipment of RMB904.1 million.

Net Cash Generated from/(used in) Financing Activities

In 2025, net cash used in financing activities was RMB313.9 million, primarily attributable to repayment of bank and other borrowings of RMB1,866.3 million and interest paid RMB59.1 million, partially offset by new bank and other borrowings of RMB1,536.3 million.

In 2024, net cash generated from financing activities was RMB652.4 million, primarily attributable to new bank and other borrowings of RMB2,172.7 million, partially offset by repayment of bank and other borrowings of RMB1,312.8 million.

In 2023, net cash generated from financing activities was RMB868.9 million, primarily attributable to new bank and other borrowings of RMB1,370.1 million, partially offset by repayment of bank and other borrowings of RMB641.4 million.

Working Capital Sufficiency

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, available financial facilities and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

KEY FINANCIAL RATIOS

	As of December 31,		
	2023	**2024**	**2025**
Current ratio (times)[(1)]	0.9	0.6	0.5
Quick ratio (times)[(2)]	0.7	0.5	0.4
Liabilities-to-assets ratio[(3)]	61.6%	74.8%	71.7%

Notes:

(1) Current ratio is calculated based on current assets divided by current liabilities as of the date indicated.

(2) Quick ratio is calculated based on current assets less inventories divided by current liabilities as of the date indicated.

(3) Liabilities-to-assets ratio is calculated based on total liabilities divided by total assets as of the date indicated.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of purchases of intangible asset and machinery and equipment, and construction of buildings and properties. The following table sets forth our capital expenditures for the periods indicated.

	For the Year Ended December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Purchases of items of property, plant and equipment	904,133	474,683	106,998
Purchases of intangible assets	562	–	91
Total	**904,695**	**474,683**	**107,089**

Our capital expenditures were RMB904.7 million, RMB474.7 million and RMB107.1 million in 2023, 2024 and 2025, respectively. We expect that our capital expenditures in 2025 will primarily consist of construction of buildings and properties. We intend to fund our future capital expenditures with our existing cash balance, cash generated from our operating activities and financing activities, and [**REDACTED**] from the [**REDACTED**]. See the section headed "Future Plans and [**REDACTED**]" for more details. We may reallocate the fund to be utilized for capital expenditures and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Commitments

We had the following contractual commitments as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Contracted, but not provided for:			
Property, plant and equipment	523,999	673,692	555,525

In addition, we had the following commitments provided to associates as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	(RMB in thousands)		
Contracted, but not provided for:			
Capital injection obligation	33,900	500	500

Other than the contractual commitments set forth above, we do not have any other long-term debt obligations, operating lease commitments, capital commitments or other long-term liabilities.

Contingent Liabilities or Guarantee

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

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For more details about our related party transactions during the Track Record Period, see Note 37 to the Accountants' Report as set out in Appendix I and "Relationship with Our Controlling Shareholders." Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance. We will settle outstanding balances with related parties that are non-trade in nature before [**REDACTED**].

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, interest rate risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. The board of directors of our Company reviewed and agreed the following risk management policies. See Note 40 to the Accountants' Report as set out in Appendix I for a detailed description of our financial risk management.

DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute any dividend. According to our Articles of Association and applicable laws and regulations, the decision on whether to pay dividends will be made by our Shareholders and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Shareholders may consider relevant. Currently, we do not have a pre-determined dividend payout ratio.

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

DISTRIBUTABLE RESERVES

As of December 31, 2025, our Company did not have any distributable reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

Our [**REDACTED**] mainly include [**REDACTED**] fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. Assuming full payment of the discretionary incentive fee, the estimated total [**REDACTED**] expenses (based on the mid-point of the [**REDACTED**] of [**REDACTED**] per H Share and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] will be approximately [**REDACTED**] (including (i) [**REDACTED**] commission and sponsor fees of approximately [**REDACTED**], and (ii) [**REDACTED**] related expenses of approximately [**REDACTED**], which consist of fees and expenses of legal advisors and Reporting Accountants of [**REDACTED**] and other fees and expenses of approximately [**REDACTED**]), accounting for approximately of [**REDACTED**] of our [**REDACTED**]. An estimated amount of [**REDACTED**] for our [**REDACTED**] expenses, accounting for approximately [**REDACTED**] of our [**REDACTED**], is expected to be expensed through the statement of profit or loss and the remaining amount of [**REDACTED**] is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. During the Track Record Period, the [**REDACTED**] expenses charged to our consolidated statements of profit or loss were [**REDACTED**] and the [**REDACTED**] expenses, which were recognized as prepayments and are expected to be deducted from equity upon the [**REDACTED**], were [**REDACTED**].

UNAUDITED [REDACTED] ADJUSTED STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS

For details of our unaudited [**REDACTED**] adjusted statement of consolidated net tangible assets, please refer to the section headed "Unaudited [**REDACTED**] Financial Information" as set out in Appendix II.

NO MATERIAL ADVERSE CHANGE

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

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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