You should read the following discussion and analysis in conjunction with consolidated financial statements, including the notes thereto included in the Accountants' Report in Appendix I to this document and the selected historical financial information presented elsewhere to this document. Our historical financial information was prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make considering our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in the sections headed "Risk Factors", "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a world-leading independent lithium battery recycling and material recovery solution provider. According to CIC, we ranked first globally in terms of lithium battery recycling volume via third-party channels in 2025. We have established a fully integrated closed-loop business model that spans recycling, hydrometallurgy and cascade utilization. In 2025, we recycled 71.6 kilotons of lithium battery recycling materials, including electrode sheets, battery cells and used batteries, establishing comprehensive capabilities for full-category, full-form and full-chain lithium battery recycling and material recovery.

We recorded revenue of RMB1,157.9 million, RMB1,170.5 million and RMB1,499.6 million for the years ended December 31, 2023, 2024 and 2025, respectively. We recorded a net loss of RMB151.4 million and RMB95.1 million for the years ended December 31, 2023 and 2024, respectively, and recorded a net profit of RMB16.2 million for the year ended December 31, 2025.

BASIS OF PREPARATION

See Note 2 to the Accountants' Report in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

End-market demand

Considering that our recycling products, hydrometallurgy products and cascade utilization products are mainly used for producing lithium batteries, the demand for our products is influenced by the demand in the lithium battery market. In recent years, our revenue growth has been driven by strong demand in the lithium battery market, particularly due to the significant increase in demand for EV batteries and ESS batteries. According to the CIC, China's EV battery market size expanded rapidly from 133.6 GWh in 2021 to 670.7 GWh in 2025, and is expected to reach 1,568.0 GWh in 2030, representing a CAGR of 18.5% from 2025 to 2030. China's ESS battery market is expected to grow from 204.6 GWh in 2025 to 945.9 GWh in 2030, representing a CAGR of 35.8%. We expect our sales to continue to be driven by demand in the end markets we serve.

Prices of raw materials and our products

The financial performance of our recycling products, hydrometallurgical products and cascade utilization products is subject to fluctuations in the market prices of critical metal salts and metals. Such price movements may materially affect our revenue, cost of sales, and gross profit margins. For example, to the extent we cannot fully pass on the changes in raw material costs to customers, our profit margin would be affected by the changes in raw material prices. For our recycling products and hydrometallurgical products, we primarily price our products with reference to the market prices of specific metal salts and metals such as lithium carbonate, cobalt sulfate, nickel sulfate and copper. Moreover, our cost of sales may be affected by impairment losses on inventories, which is primarily affected by the market prices of our raw materials. If we fail to consume raw materials in a timely manner and the market prices of such raw materials decline, we may incur impairment losses on inventories, which could adversely affect our gross profit and gross profit margin.

Operational efficiency and cost control

Our ability to maintain and improve production efficiency and control production costs will impact our business, 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 unit 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 can produce high-quality products that meet our customers' requirements while maintaining cost efficiency. For example, our particle discharge technology shortens the battery cell discharge process and improves discharge efficiency; and our innovative pre-lithium extraction technology achieves efficient lithium extraction with a front-end lithium extraction rate of over 90% through safe carbon reduction and selective leaching.

R&D capabilities and technology innovation

Our revenue growth is influenced by our ability to continuously enhance our R&D capabilities, which drive ongoing advancements in our technology and manufacturing processes. These developments enable us to deliver products that remain high-quality and meet the needs of our customers and the broader market. We have made substantial investments in talent, technology, and R&D to continuously strengthen our R&D capabilities, further reduce unit costs in scale production, improve gross margins, and reinforce our market position.

During the Track Record Period, we incurred RMB33.9 million, RMB32.7 million and RMB24.4 million of research and development expenses in 2023, 2024 and 2025, respectively. As of the Latest Practicable Date, we had a total of 36 R&D personnel, many of whom held bachelor's degree or above in chemistry, refining, engineering, and other scientific fields essential to the lithium battery recycling business, and had extensive work experience in related fields. Going forward, we expect to continue to invest in R&D and recruit top technical talent, focusing on innovation strategies to enhance our competitiveness.

MATERIAL ACCOUNTING POLICY INFORMATION AND ACCOUNTING JUDGMENTS AND ESTIMATES

See Note 2 and Note 3 to the Accountants' Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,157,945	1,170,532	1,499,617
Cost of sales			
Cost of sales of goods	(1,147,021)	(1,135,599)	(1,373,707)
Impairment losses on inventories	(76,870)	(34,290)	(22,836)
Gross (loss)/profit	(65,946)	643	103,074
Other income and gains	13,558	22,545	17,099
Selling and distribution expenses	(3,475)	(3,524)	(4,997)
Administrative expenses	(53,738)	(64,397)	(52,799)
Research and development expenses	(33,881)	(32,717)	(24,361)
Impairment reversal/(losses) on financial assets, net	330	(3,591)	(1,593)
Other expenses	(820)	(470)	(4,280)
Finance costs	(7,399)	(13,541)	(15,902)
(Loss)/Profit before tax	(151,371)	(95,052)	16,241
Income tax expense	–	–	–
(Loss)/Profit for the year	(151,371)	(95,052)	16,241

Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also used adjusted net profit or 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 provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The uses of 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 profit or loss (non-IFRS measure) as profit or loss for the year adjusted by adding back share-based payment expenses. We define adjusted EBITDA (non-IFRS measure) as adjusted net profit or 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.

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

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
(Loss)/profit for the year	(151,371)	(95,052)	16,241
Add:			
Share-based payment expenses	2,229	2,165	(1,732)
Adjusted (loss)/profit (non-IFRS measure)	(149,142)	(92,887)	14,509
Add:			
Depreciation of property, plant and equipment	3,412	9,168	29,099
Depreciation of right-of-use assets	10,151	12,560	7,486
Amortization of intangible assets	556	551	545
Finance costs	7,399	13,541	15,902
Income tax expense	–	–	–
Adjusted EBITDA (non-IFRS measure)	(127,624)	(57,067)	67,541

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

Revenue

During the Track Record Period, we generated revenue primarily from recycling products, hydrometallurgy products, cascade utilization products and others.

The following table sets forth a breakdown of our revenue by business line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Recycling products	976,838	84.4	983,652	84.1	1,230,348	82.0
Hydrometallurgy products	–	–	25,795	2.2	186,899	12.5
Cascade utilization products	181,107	15.6	160,809	13.7	82,370	5.5
Others(1)	–	–	276	*	–	–
Total	1,157,945	100.0	1,170,532	100.0	1,499,617	100.0

* Below 0.05

Note:

(1) Representing the sale of an equipment.

Sales Volume and Average Selling Price of Our Products

The following table sets forth a breakdown of the sales volume and average selling price of our major products by business line for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales Volume	Average Selling Price(1) *(RMB/ton or RMB/kWh)*	Sales Volume	Average Selling Price(1) *(RMB/ton or RMB/kWh)*	Sales Volume	Average Selling Price(1) *(RMB/ton or RMB/kWh)*
Recycling products (ton)	24,246	40,289	37,353	26,334	49,342	24,935
Hydrometallurgy products (ton)	–	–	4,248	6,072	26,086	7,165
Cascade utilization products (kWh)	314,296	576	628,283	256	394,393	209

Note:

(1) Average selling price is calculated as revenue for the year divided by sales volume for the same year.

Cost of sales

Our cost of sales primarily consists of (i) cost of raw materials; (ii) manufacturing overheads; (iii) staff costs; (iv) transportation costs; and (v) impairment losses on inventories.

The following table sets forth a breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of raw materials	1,111,771	90.8	1,103,543	94.4	1,314,444	94.2
Manufacturing overhead	22,767	1.9	18,967	1.6	36,888	2.6
Staff costs	11,070	0.9	9,593	0.8	18,172	1.3
Transportation costs	1,413	0.1	3,496	0.3	4,203	0.3
Impairment losses on inventories	76,870	6.3	34,290	2.9	22,836	1.6
Total	1,223,891	100.0	1,169,889	100.0	1,396,543	100.0

During the Track Record Period, cost of raw material was the largest component of our cost of sales, accounting for over 90% for each year. Our cost of raw materials is primarily affected by fluctuations in the prevailing market prices of relevant raw materials such as lithium carbonate, nickel sulfate and cobalt sulfate. Our cost of raw materials remained relatively stable at RMB1,111.8 million in 2023 and RMB1,103.5 million in 2024, and increased to RMB1,314.4 million in 2025, mainly reflecting our increased sales volume and business expansion.

The following table sets forth a sensitivity analysis of our gross profit for the years ended December 31, 2023, 2024 and 2025, for illustrative purposes only, based on the extent of fluctuation in cost of raw materials with regard to certain hypothetical changes in cost of raw materials, assuming all other variables remain constant:

	Year ended December 31,		
	2023	2024	2025
	Change in gross profit	Change in gross profit	Change in gross profit
	RMB'000	*RMB'000*	*RMB'000*
Percentage change in amount of cost of raw materials			
+/-10%	+/-111,177	+/-110,354	+/-131,444
+/-5%	+/-55,589	+/-55,177	+/-65,722

Gross profit or loss and gross profit or loss margin

Our gross profit or loss represents our revenue less our cost of sales. Our gross profit or loss margin represents our gross profit or loss as a percentage of our revenue.

The following table sets forth a breakdown of our gross profit or loss and gross profit or loss margin by business line for the years indicated:

	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'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Recycling products	285	*	34,245	3.5	97,365	7.9
Hydrometallurgy products	–	–	(4,761)	(18.5)	8,323	4.5
Cascade utilization products	10,639	5.9	5,257	3.3	20,222	24.6
Others	–	–	192	69.6	–	–
Impairment losses on inventories	(76,870)	N/A	(34,290)	N/A	(22,836)	N/A
Total/Overall	(65,946)	(5.7)	643	0.1	103,074	6.9

* Below 0.05

During the Track Record Period, our gross profit or loss and gross profit or loss margin were primarily driven by the selling prices of our products and raw material costs. We generally price our products with reference to prevailing market prices, which fluctuated significantly during the Track Record Period. The purchase prices of our raw materials also generally move in tandem with the market prices of key material components including lithium carbonate, nickel sulfate, and cobalt sulfate. Considering the time lag between our 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.

Other income and gains

During the Track Record Period, our other income and gains primarily consisted of (i) interest income; (ii) government grants and subsidies; (iii) additional VAT deduction; (iv) realized gains from financial assets at FVTPL; (v) unrealized gains from financial assets at FVTPL; (vi) gains on disposal of items of property, plant and equipment; (vii) gains on disposal of a subsidiary, namely Guangdong Environmental Protection, of which we disposed our 55% shares held by our Company in 2024; (viii) gains on disposal of right-of-use assets; and (ix) others.

Government grants and subsidies mainly represent incentives received from local governments for the purpose of compensation on local economic contribution, purchases of property, plant and equipment, and research and development expenditure. There were no unfulfilled conditions or contingencies relating to these grants and subsidies during the Track Record Period. The government grants and subsidies we received were generally non-recurring in nature.

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

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Interest income	1,036	325	270
Government grants and subsidies	3,040	916	4,878
Income from additional VAT input deduction	7,119	9,915	11,305
Total other income	11,195	11,156	16,453
Gains			
Fair value gains on financial assets at fair value through profit or loss	2,171	1,173	162
Gains on disposal of items of property, plant and equipment	–	13	1
Gains on disposal of a subsidiary	–	4,329	–
Gains on disposal of right-of-use assets	13	5,325	–
Others	179	549	483
Total gains	2,363	11,389	646
Total other income and gains	13,558	22,545	17,099

Selling and distribution expenses

During the Track Record Period, our sales and marketing expenses consisted of (i) staff cost; (ii) travel expenses; (iii) business development expenses; (iv) depreciation and amortization expenses related to office equipment and assets used in sales operations; (v) office expenses related to office operations supporting sales and marketing activities; and (vi) other expenses.

The following table sets forth a breakdown of our selling and distribution expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff cost	2,711	78.0	2,699	76.6	3,955	79.1
Travel expenses	400	11.5	671	19.0	698	14.0
Business development expenses	228	6.6	39	1.1	132	2.6
Depreciation and amortization	20	0.6	33	0.9	120	2.4
Office expenses	40	1.1	15	0.5	24	0.5
Others	76	2.2	67	1.9	68	1.4
Total	3,475	100.0	3,524	100.0	4,997	100.0

Administrative expenses

During the Track Record Period, our administrative expenses consisted of (i) staff cost; (ii) professional service fees, referring to professional and consulting fees incurred in the ordinary course of administrative operations; (iii) depreciation and amortization expenses, which were related to office facilities and equipment; (iv) business development expenses; (v) travel expenses; (vi) office expenses, primarily related to office supplies and other general administrative operational needs; (vii) taxes and surcharges; and (viii) other expenses.

The following table sets forth a breakdown of our administrative expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff cost	30,996	57.7	38,708	60.0	28,218	53.4
Professional service fees	7,160	13.3	10,949	17.0	5,561	10.5
Depreciation and amortization	4,587	8.5	6,286	9.8	10,447	19.8
Business development expenses	4,310	8.0	2,095	3.3	1,363	2.6
Travel expenses	2,349	4.4	1,983	3.1	1,530	2.9
Office expenses	1,878	3.5	2,032	3.2	1,551	2.9
Taxes and surcharges	2,098	3.9	2,006	3.1	3,516	6.7
Others	360	0.7	338	0.5	613	1.2
Total	53,738	100.0	64,397	100.0	52,799	100.0

Research and development expenses

During the Track Record Period, our research and development expenses consisted of (i) material costs, which primarily represented raw material and consumable expenses incurred in our R&D activities; (ii) staff cost; (iii) depreciation and amortization, mainly associated with R&D equipment and intangible assets used in our R&D operations; and (iv) other expenses.

The following table sets forth a breakdown of our research and development expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Material costs	22,387	66.1	17,316	52.9	15,816	64.9
Staff cost	7,376	21.8	9,804	30.0	5,189	21.3
Depreciation and amortization	1,054	3.1	3,703	11.3	1,259	5.2
Others	3,064	9.0	1,894	5.8	2,097	8.6
Total	33,881	100.0	32,717	100.0	24,361	100.0

Impairment reversal or losses on financial assets, net

During the Track Record Period, our impairment reversal or losses on financial assets, net was mainly related to our trade and bills receivables and other receivables. We recorded net impairment reversal on financial assets of RMB0.3 million for the year ended December 31, 2023, and net impairment losses on financial assets of RMB3.6 million and RMB1.6 million for the years ended December 31, 2024 and 2025, respectively.

Other expenses

During the Track Record Period, our other expenses primarily consisted of (i) non-operating expenses, mainly including litigation and arbitration compensation payments; (ii) loss on derecognition of debt instruments measured at fair value through other comprehensive income, representing interest expenses on discounted bills; (iii) loss on disposal of PPE, incurred from the disposal or write-down of property, plant and equipment; and (iv) exchange losses, attributable to fluctuations in foreign currency exchange rates during the relevant years.

The following table sets forth a breakdown of our other expenses for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Non-operating expenses	644	78.5	62	13.2	3,612	84.4
Loss on derecognition of debt instruments measured at fair value through other comprehensive income	171	20.9	408	86.8	347	8.1
Loss on disposal of PPE	5	0.6	–	–	20	0.5
Exchange losses	–	–	–	–	301	7.0
Total	820	100.0	470	100.0	4,280	100.0

Finance costs

During the Track Record Period, our finance costs consisted of (i) interest on interest-bearing bank borrowings; and (ii) interest on lease liabilities, less any interest capitalized.

The following table sets forth a breakdown of our finance costs for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest on interest-bearing bank borrowings	6,237	15,210	15,201
Interest on lease liabilities	4,689	4,421	865
Less: interest capitalized	(3,527)	(6,090)	(164)
Total	7,399	13,541	15,902

Income tax expense

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

Our 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 we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the "EIT Law"), our entities which operate in the Chinese mainland are subject to EIT at a rate of 25% on the taxable income. In 2023, our Company was accredited as a "High and New Technology Enterprise" ("HNTE"). Hence, our Company was entitled to a preferential EIT rate of 15% for the Track Record Period.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year ended December 31, 2025 compared to year ended December 31, 2024

Revenue

Our revenue increased by 28.1% from RMB1,170.5 million for the year ended December 31, 2024 to RMB1,499.6 million for the year ended December 31, 2025, which was primarily due to a 25.1% increase in revenue from sales of recycling products and a 624.6% increase in revenue from sales of hydrometallurgy products, partially offset by a 48.8% decrease in revenue from sales of cascade utilization products.

Revenue generated from the sales of recycling products

Our revenue from the sales of recycling products increased by 25.1% from RMB983.7 million for the year ended December 31, 2024 to RMB1,230.3 million for the year ended December 31, 2025. This increase was driven by an increase in the sales volume of our recycling products. Our sales volume of recycling products increased from 37,353 ton for the year ended December 31, 2024 to 49,342 ton for the year ended December 31, 2025, mainly attributable to (i) our customers' increased demands for our recycling products; and (ii) our efforts in developing new customers for our recycling products. On the other hand, the average selling price of our recycling products decreased from RMB26,334 per ton for the year ended December 31, 2024 to RMB24,935 per ton for the year ended December 31, 2025. The decline in prices primarily reflected our competitive pricing strategy in response to the general decline in the market prices of lithium carbonate in 2025.

Revenue generated from the sales of hydrometallurgy products

Our revenue from the sales of hydrometallurgy products increased by 624.6% from RMB25.8 million for the year ended December 31, 2024 to RMB186.9 million for the year ended December 31, 2025. This increase was driven by increases in the sales volume and our average selling price of our hydrometallurgy products. Our sales volume of hydrometallurgy products increased from 4,248 ton for the year ended December 31, 2024 to 26,086 tons for the year ended December 31, 2025, mainly reflecting a full year of production from our new hydrometallurgy production line in 2025, which commenced operation in November 2024. Our average selling price of our hydrometallurgy products increased from RMB6,072 per ton for the year ended December 31, 2024 to RMB7,165 per ton for the year ended December 31, 2025, which was primarily due to the increase in market price of cobalt sulfate.

Revenue generated from the sales of cascade utilization products

Our revenue from the sales of cascade utilization products decreased by 48.8% from RMB160.8 million for the year ended December 31, 2024 to RMB82.4 million for the year ended December 31, 2025. This decrease was primarily attributable to the decrease in sales volume and average selling price of our cascade utilization products. Our sales volume of cascade utilization products decreased from 628,283 kWh for the year ended December 31, 2024 to 394,393 kWh for the year ended December 31, 2025, primarily reflecting our adjustment in sales effort focus on recycling products in 2025. Meanwhile, our average selling price for cascade utilization products decreased from RMB256 per kWh for the year ended December 31, 2024 to RMB209 per kWh for the year ended December 31, 2025. The decrease was primarily attributable to our strategic pricing strategy to remain competitive in the market following the decline in the market price of battery cells.

Cost of sales

Our cost of sales increased by 19.4% from RMB1,169.9 million for the year ended December 31, 2024 to RMB1,396.5 million for the year ended December 31, 2025, primarily due to an increase in raw materials cost by 19.1% from RMB1,103.5 million for the year ended December 31, 2024 to RMB1,314.4 million for the year ended December 31, 2025, which was in line with our sales volume and revenue growths, partially offset by a decrease of RMB11.5 million in impairment loss on inventories.

Gross profit or loss and gross profit or loss margin

As a result of the foregoing, our gross profit increased significantly from RMB0.6 million for the year ended December 31, 2024 to RMB103.1 million for the year ended December 31, 2025, primarily attributable to (i) an increase in gross profit from recycling products from RMB34.2 million for the year ended December 31, 2024 to RMB97.4 million for the year ended December 31, 2025; and (ii) a 33.4% reduction in impairment losses on inventories from RMB34.3 million for the year ended December 31, 2024 to RMB22.8 million for the year ended December 31, 2025.

Our overall gross profit margin increased from 0.1% for the year ended December 31, 2024 to 6.9% for the year ended December 31, 2025, primarily due to the increase in gross profit margins of recycling products and cascade utilization products.

Gross profit and gross profit margin from the sales of recycling products

Gross profit from the sales of recycling products increased from RMB34.2 million for the year ended December 31, 2024 to RMB97.4 million for the year ended December 31, 2025, and gross profit margin from the sales of recycling products increased from 3.5% for the year ended December 31, 2024 to 7.9% for the year ended December 31, 2025, primarily due to the economies of scale driven by the expanded production volume of our recycling products, and our sales and pricing strategy under which the reduction in our selling prices was more moderate than the decline in raw material market prices, thereby enhancing our gross profit and gross profit margin.

Gross loss or profit and gross loss or profit margin from the sales of hydrometallurgy products

We recorded a gross loss of RMB4.8 million for the year ended December 31, 2024, compared to a gross profit of RMB8.3 million for the year ended December 31, 2025, with a gross profit margin of 4.5% from the sales of hydrometallurgy products for the year ended December 31, 2025. The turnaround from gross loss to gross profit for the year ended December 31, 2025 was primarily due to the sales of hydrometallurgy products reflecting a full year of production for the corresponding year from our new hydrometallurgy production line in 2025, which commenced operation in November 2024.

Gross profit and gross profit margin from the sales of cascade utilization products

Gross profit from the sales of cascade utilization products increased by 284.7% from RMB5.3 million for the year ended December 31, 2024 to RMB20.2 million for the year ended December 31, 2025, and gross profit margin from the sales of cascade utilization products increased from 3.3% for the year ended December 31, 2024 to 24.6% for the year ended December 31, 2025, mainly attributable to our procurement of certain battery packs with relatively higher pack-level state of health.

Other income and gains

Our other income and gains decreased from RMB22.5 million for the year ended December 31, 2024 to RMB17.1 million for the year ended December 31, 2025, primarily due to (i) a decrease in gains on disposal of right-of-use assets from RMB5.3 million for the year ended December 31, 2024 to nil for the year ended December 31, 2025 mainly because of early lease termination of our Jiangmen Base in 2024; and (ii) a decrease in gains on disposal of a subsidiary from RMB4.3 million for the year ended December 31, 2024 to nil for the year ended December 31, 2025 which was in connection with our disposal of Guangdong Environmental Protection in 2024.

Selling and distribution expenses

Our selling and distribution expenses increased from RMB3.5 million for the year ended December 31, 2024 to RMB5.0 million for the year ended December 31, 2025, primarily due to an increase in staff cost from RMB2.7 million for the year ended December 31, 2024 to RMB4.0 million for the year ended December 31, 2025 as a result of the additional staffing as well as salary and bonus increases for these personnel to support business expansion.

Administrative expenses

Our administrative expenses decreased from RMB64.4 million for the year ended December 31, 2024 to RMB52.8 million for the year ended December 31, 2025, primarily due to (i) a decrease in staff cost from RMB38.7 million for the year ended December 31, 2024 to RMB28.2 million for the year ended December 31, 2025 mainly because certain personnel recruited in advance for our hydrometallurgy production were reclassified from administrative expenses to cost of sales following the commencement of our hydrometallurgy production line in November 2024; and (ii) a decrease in professional service fees from RMB10.9 million for the year ended December 31, 2024 to RMB5.6 million for the year ended December 31, 2025 mainly as a result of the accrual of a disputed consulting service fee in 2024.

Research and development expenses

Our research and development expenses decreased from RMB32.7 million for the year ended December 31, 2024 to RMB24.4 million for the year ended December 31, 2025, primarily due to (i) a decrease in staff cost from RMB9.8 million for the year ended December 31, 2024 to RMB5.2 million for the year ended December 31, 2025; and (ii) a decrease in material cost from RMB17.3 million for the year ended December 31, 2024 to RMB15.8 million for the year ended December 31, 2025 as a result of the completion of several R&D projects in 2025.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net decreased from RMB3.6 million for the year ended December 31, 2024 to RMB1.6 million for the year ended December 31, 2025, primarily due to a one off provision of impairment loss of trade receivable from a customer in 2024.

Other expenses

Our other expenses increased from RMB0.5 million for the year ended December 31, 2024 to RMB4.3 million for the year ended December 31, 2025, primarily because of an increase in non-operating expenses from RMB62,000 for the year ended December 31, 2024 to RMB3.6 million for the year ended December 31, 2025, primarily representing a provision of RMB2.8 million for an arbitration against us. As of the Latest Practicable Date, the parties had reached a settlement in respect of this arbitration.

Finance costs

Our finance costs increased from RMB13.5 million for the year ended December 31, 2024 to RMB15.9 million for the year ended December 31, 2025, primarily because interest capitalized decreased from RMB6.1 million for the year ended December 31, 2024 to RMB0.2 million for the year ended December 31, 2025, as the construction project of our Jiangmen Base was completed in December 2024. Upon the completion, interest on bank borrowings related to this project was no longer eligible for capitalization thereby increasing our finance costs for the year ended December 31, 2025.

Income tax expense or credit

We did not have any income tax expense or credit for the years ended December 31, 2024 and 2025 because we did not record any taxable income for the year ended December 31, 2024 and we had unused tax losses available for offset against assessable profit for the year ended December 31, 2025.

Profit or loss for the year

As a result of the foregoing, we recorded a loss of RMB95.1 million for the year ended December 31, 2024 and a profit of RMB16.2 million for the year ended December 31, 2025.

Year ended December 31, 2024 compared to year ended December 31, 2023

Revenue

Our revenue increased by 1.1% from RMB1,157.9 million for the year ended December 31, 2023 to RMB1,170.5 million for the year ended December 31, 2024, which was primarily due to an increase in revenue from sales of hydrometallurgy products and recycling products, partially offset by a 11.2% decrease in revenue from sales of cascade utilization products.

Revenue generated from the sales of recycling products

Our revenue from the sales of recycling products increased by 0.7% from RMB976.8 million for the year ended December 31, 2023 to RMB983.7 million for the year ended December 31, 2024. This increase was driven by increase in the sales volume of our recycling products. Our sales volume of recycling products increased from 24,246 tons for the year ended December 31, 2023 to 37,353 tons for the year ended December 31, 2024, mainly attributable to the increased market demands for recycling products. On the other hand, the average selling price of our recycling products decreased from RMB40,289 per ton for the year ended December 31, 2023 to RMB26,334 per ton for the year ended December 31, 2024. The decrease in prices were primarily due to our pricing strategy to lower selling prices of our recycling products to be more competitive in response to the decline in the market prices of lithium carbonate, nickel sulfate and cobalt sulfate.

Revenue generated from the sales of hydrometallurgy products

We began the formal production and sales of hydrometallurgy products in November 2024 and recorded revenue generated from the sales of hydrometallurgy products of RMB25.8 million for the year ended December 31, 2024, mainly because we intended to further diversify our product portfolio to capitalize on the growing market demand for hydrometallurgy products.

Revenue generated from the sales of cascade utilization products

Our revenue from the sales of cascade utilization products decreased by 11.2% from RMB181.1 million for the year ended December 31, 2023 to RMB160.8 million for the year ended December 31, 2024. This decrease was primarily driven by the decrease in average selling price of our cascade utilization products from RMB576 per kWh for the year ended December 31, 2023 to RMB256 per kWh for the year ended December 31, 2024, in response to the decline in market prices of battery cells as a result of the intensified competition in the industry, partially offset by the increase in sales volume of our cascade utilization products from 314,296 kWh for the year ended December 31, 2023 to 628,283 kWh for the year ended December 31, 2024.

Cost of sales

Our cost of sales decreased by 4.4% from RMB1,223.9 million for the year ended December 31, 2023 to RMB1,169.9 million for the year ended December 31, 2024, primarily due to (i) a decrease in cost of raw materials from RMB1,111.8 million for the year ended December 31, 2023 to RMB1,103.5 million for the year ended December 31, 2024, driven by a decline in the market prices of major raw materials, notwithstanding an increase in our procurement volume; and (ii) a decrease of RMB42.6 million in impairment losses on inventories.

Gross profit or loss and gross profit or loss margin

As a result of the foregoing, we recorded a gross loss of RMB65.9 million for the year ended December 31, 2023 and a gross profit of RMB0.6 million for the year ended December 31, 2024. The turnaround from gross loss to gross profit for the year ended December 31, 2024, was primarily attributable to an increase in gross profit from our recycling products from RMB0.3 million for the year ended December 31, 2023 to RMB34.2 million for the year ended December 31, 2024.

We recorded an overall-gross loss margin of 5.7% for the year ended December 31, 2023 and gross profit margin of 0.1% for the year ended December 31, 2024.

Gross profit and gross profit margin from the sales of recycling products

Gross profit from the sales of recycling products increased from RMB0.3 million for the year ended December 31, 2023 to RMB34.2 million for the year ended December 31, 2024, and gross profit margin from the sales of recycling products increased from 0.03% for the year ended December 31, 2023 to 3.5% for the year ended December 31, 2024, primarily due to (i) an improvement in market conditions in 2024, with a more moderate decline in the prices of lithium carbonate, nickel sulfate and cobalt sulfate compared to 2023; and (ii) our strategic acceleration of sales efforts, which enhanced inventory turnover and improved overall operating efficiency.

Gross loss and gross loss margin from the sales of hydrometallurgy products

We recorded a gross loss of RMB4.8 million and a gross loss margin of 18.5% for the year ended December 31, 2024. The gross loss was primarily attributable to the hydrometallurgy production line being in its ramp-up phase during the two months following its commencement in November 2024 and an elevated cost of sales driven by increased depreciation charges on new building and machinery.

Gross profit and gross profit margin from the sales of cascade utilization products

Gross profit from the sales of cascade utilization products decreased by 50.6% from RMB10.6 million for the year ended December 31, 2023 to RMB5.3 million for the year ended December 31, 2024, and gross profit margin from the sales of cascade utilization products decreased from 5.9% for the year ended December 31, 2023 to 3.3% for the year ended December 31, 2024. The decrease in gross profit and gross profit margin was primarily due to the decline in the average selling price of our cascade utilization products by 55.6% from RMB576 per kWh for the year ended December 31, 2023 to RMB256 per kWh for the year ended December 31, 2024, despite a 99.9% increase in sales volume from 314,296 kWh for the year ended December 31, 2023 to 628,283 kWh for the year ended December 31, 2024, which was primarily due to the sales of products processed from downgraded battery cell raw materials we procured in 2023 at relatively higher prices. In view of the sharp market downturn in 2024, we accelerated sales of relevant products during the same year to mitigate further losses.

Other income and gains

Our other income and gains increased from RMB13.6 million for the year ended December 31, 2023 to RMB22.5 million for the year ended December 31, 2024, primarily due to (i) an increase in gains on disposal of right-of-use assets from RMB13,000 for the year ended December 31, 2023 to RMB5.3 million for the year ended December 31, 2024 mainly because of the early lease termination of our Jiangmen Base in 2024 and (ii) an increase in gains on disposal of a subsidiary from nil for the year ended December 31, 2023 to RMB4.3 million for the year ended December 31, 2024 which was in connection with our disposal of Guangdong Environmental Protection in 2024.

Selling and distribution expenses

Our selling and distribution expenses remained relatively stable and were RMB3.5 million and RMB3.5 million for the years ended December 31, 2023 and 2024, respectively.

Administrative expenses

Our administrative expenses increased from RMB53.7 million for the year ended December 31, 2023 to RMB64.4 million for the year ended December 31, 2024 primarily due to an increase in staff cost from RMB31.0 million for the year ended December 31, 2023 to RMB38.7 million for the year ended December 31, 2024 mainly as a result of certain personnel recruited in advance for the commencement of our hydrometallurgy production line in 2024.

Research and development expenses

Our research and development expenses were RMB33.9 million and RMB32.7 million, respectively, for the years ended December 31, 2023 and 2024, and remained relatively stable.

Impairment reversal/losses on financial assets, net

Our reversal of impairment on financial assets was RMB0.3 million for the year ended December 31, 2023, primarily due to our efforts to collect outstanding trade and bills receivables and other receivables. Our impairment losses on financial assets, net was RMB3.6 million for the year ended December 31, 2024, which was in line with the increase in our trade and bills receivables balance as of December 31, 2024 as compared to December 31, 2023.

Other expenses

Our other expenses decreased from RMB0.8 million for the year ended December 31, 2023 to RMB0.5 million for the year ended December 31, 2024 primarily due to a decrease in non-operating expenses from RMB0.6 million for the year ended December 31, 2023 to RMB62,000 for the year ended December 31, 2024.

Finance costs

Our finance costs increased from RMB7.4 million for the year ended December 31, 2023 to RMB13.5 million for the year ended December 31, 2024. This increase was mainly attributable to an increase in interest on interest-bearing bank borrowings from RMB6.2 million for the year ended December 31, 2023 to RMB15.2 million for the year ended December 31, 2024, which was primarily due to the increase in interest-bearing bank borrowings to finance our business operations.

Income tax expense or credit

We did not have any income tax expense or credit for the years ended December 31, 2023 and 2024 because we did not record any taxable income.

Loss for the year

As a result of the foregoing, our loss for the year decreased from RMB151.4 million for the year ended December 31, 2023 to RMB95.1 million for the year ended December 31, 2024.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR 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 March 31,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Current Assets				
Inventories	242,766	170,299	207,232	272,835
Trade and bills receivables	48,823	82,437	115,939	83,331
Prepayments, other receivable and other assets	105,901	120,437	115,565	204,579
Financial assets at fair value through profit or loss	–	452	50,300	755
Pledged and restricted deposits	6,000	20,000	9,389	9,389
Cash and cash equivalents	57,463	81,545	92,763	85,450
	460,953	**475,170**	**591,188**	**656,339**
Current Liabilities				
Trade and bills payables	9,682	22,677	86,091	67,810
Interest-bearing bank borrowings	145,314	287,773	314,857	369,932
Other payables and accruals	29,315	87,713	53,608	54,011
Contract liabilities	10,099	2,607	33,003	36,715
Lease liabilities	9,663	4,948	5,576	5,599
	204,073	**405,718**	**493,135**	**534,067**
Net Current Assets	**256,880**	**69,452**	**98,053**	**122,272**

Our net current assets decreased from RMB256.9 million as of December 31, 2023 to RMB69.5 million as of December 31, 2024 primarily due to (i) an increase of RMB142.5 million in interest-bearing bank borrowings; and (ii) a decrease of RMB72.5 million in inventories.

Our net current assets increased from RMB69.5 million as of December 31, 2024 to RMB98.1 million as of December 31, 2025 primarily due to (i) an increase of RMB49.8 million in financial assets as fair value through profit or loss; and (ii) an increase of RMB33.5 million in trade and bills receivables, partially offset by an increase of RMB63.4 million in trade and bills payables.

Our net current asset increased from RMB98.1 million as of December 31, 2025 to RMB122.3 million as of March 31, 2026 primarily due to (i) an increase of RMB89.0 million in prepayments, other receivable and other assets; and (ii) an increase of RMB65.6 million in inventories, both of which were primarily due to our procurement of raw materials for future production plans, partially offset by an increase of RMB55.1 million in interest-bearing bank borrowings.

We had a net assets position as of December 31, 2023, 2024 and 2025. Our net assets decreased from RMB419.5 million as of December 31, 2023 to RMB328.8 million as of December 31, 2024, which was primarily attributable to our total comprehensive loss of RMB95.1 million for the year ended December 31, 2024. Our net assets increased from RMB328.8 million as of December 31, 2024 to RMB343.2 million as of December 31, 2025, which was primarily attributable to our total comprehensive income of RMB16.1 million for the year ended December 31, 2025. See "Consolidated Statements of Changes in Equity" in the Accountants' Report in Appendix I to this document for further details.

Inventories

Our inventories primarily consist of (i) raw materials and consumables; (ii) work in progress; and (iii) finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	40,869	57,239	75,659
Work in progress	–	3	5,721
Finished goods	201,897	113,057	125,852
Total	242,766	170,299	207,232

Our inventories decreased by 29.9% from RMB242.8 million as of December 31, 2023 to RMB170.3 million as of December 31, 2024, which was mainly attributable to a decrease of RMB88.8 million in finished goods. This decrease was mainly driven by our accelerated sales in the fourth quarter of 2024, as we anticipated a continued downward trend in market prices for 2025. Our inventories increased by 21.7% from RMB170.3 million as of December 31, 2024 to RMB207.2 million as of December 31, 2025, which was mainly attributable to (i) an increase of RMB18.4 million in raw materials and consumables to support our hydrometallurgy production line at our Jiangmen Base; and (ii) an increase of RMB12.8 million in finished goods for stocking purposes in anticipation of sales in the coming year.

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	241,689	158,202	206,548
One to two years	1,077	12,097	208
Two to three years	–	–	476
Total	242,766	170,299	207,232

The following table sets forth the average turnover days of our inventories as of the dates indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
Average inventory turnover days	57	64	49

Note: Average inventory turnover days are calculated by dividing the average of the opening and closing balance of inventories by cost of sales and multiplying by 365 days for the years ended December 31, 2023, 2024 and 2025.

Our average inventory turnover days increased from 57 days for the year ended December 31, 2023 to 64 days for the year ended December 31, 2024 because of a significant decline in raw material market prices in 2024. The drop in raw material costs reduced our cost of sales, which outpaced the decrease in our inventories. Our average inventory turnover days decreased from 64 days for the year ended December 31, 2024 to 49 days for the year ended December 31, 2025. This was mainly due to an upward trend in market prices of our major raw materials during the fourth quarter of 2025, which led to a faster increase in our cost of sales.

As of March 31, 2026, approximately RMB161.6 million, or 78.0% of our inventories as of December 31, 2025 had been utilized or sold.

Trade and bills receivables

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	37,180	71,510	100,287
Bills receivables, carried at amortized cost	13,539	9,617	282
Bills receivable from third parties, measured at fair value through other comprehensive income	–	7,283	22,800
Impairment	(1,896)	(5,973)	(7,430)
Net carrying amount	**48,823**	**82,437**	**115,939**

Our trade and bills receivables were RMB48.8 million, RMB82.4 million and RMB115.9 million as of December 31, 2023, 2024 and 2025, respectively. The increase in our trade and bills receivables during the Track Record Period, which was in line with the increase in our revenue, was primarily attributable to our business expansion in the relevant years. Our bills receivables increased mainly because an increasing number of customers chose to settle with bank acceptance bills. We generally require customers to pay a certain percentage of payment in advance, with the balance settled after goods delivery and mutual confirmation of the settlement statement. We generally grant a credit period of nil to 45 days to customers. The following table sets forth the aging analysis of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within three months	48,823	82,178	115,583
Three to six months	–	234	342
Six months to one year	–	25	4
One to two years	–	–	10
Total	**48,823**	**82,437**	**115,939**

The following table sets forth the average turnover days of our trade and bills receivables for the years indicated:

	For the year ended December 31,		
	2023	**2024**	**2025**
Average trade and bills receivables turnover days	16	20	24

Note: Average trade and bills receivables turnover days are calculated by dividing the average of the opening and closing balance of trade and bills receivables by revenue and multiplying by 365 days.

Our average trade and bills receivables turnover days increased from 16 days for the year ended December 31, 2023 to 20 days for the year ended December 31, 2024 and further increased to 24 days for the year ended December 31, 2025 as growth of our trade and bills receivables outpaced the growth of our revenue, partially driven by slight delays in payment cycles for some customers for the years ended December 31, 2024 and 2025.

As of March 31, 2026, RMB106.3 million, or 86.2% of our trade and bills receivables as of December 31, 2025 was settled.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets primarily include (i) prepayment for materials, which are mainly in relation to prepayments for raw material purchases; (ii) prepayment for equipment and construction, such as progress payments prepaid for equipment purchases and progress payments prepaid for construction projects; (iii) other long term assets, which are mainly in relation to production auxiliary materials prepared for the commissioning of the hydrometallurgy production line at our Jiangmen Base; (iv) other prepayments; (v) deposits; (vi) value-added tax recoverable; (vii) prepaid income tax; and (viii) other receivables. The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for materials	20,171	66,390	59,937
Prepayment for equipment and construction	21,194	9,933	5,704
Other long term assets	–	11,823	11,823
Other prepayments	790	1,618	1,671
Deposits	22,416	10,304	8,965
Value-added tax recoverable	54,167	42,283	45,368
Prepaid income tax	8,131	–	–
Other receivables	8,251	7,229	7,148
Less: Impairment losses	(8,025)	(7,387)	(7,524)
Less: Non-current portion	(21,194)	(21,756)	(17,527)
Total	105,901	120,437	115,565

Our prepayments, other receivables and other assets increased by 13.7% from RMB105.9 million as of December 31, 2023 to RMB120.4 million as of December 31, 2024, which was primarily due to (i) an increase in prepayment for materials from RMB20.2 million as of December 31, 2023 to RMB66.4 million as of December 31, 2024 mainly as a result of our expansion of upstream supply channels and increased procurement of raw materials; and (ii) an increase in other long term assets from nil as of December 31, 2023 to RMB11.8 million as of December 31, 2024 mainly as a result of the commissioning of the hydrometallurgy production line at our Jiangmen Base, partially offset by (i) a decrease in value-added tax recoverable mainly as a result of the utilization of input VAT carried forward from 2023 to offset output VAT arising from sales in 2024; (ii) a decrease in prepayment for equipment and construction mainly as a result of the completion of the construction project of our Jiangmen Base; and (iii) a decrease in deposits mainly as a result of the release of project deposits upon the completion and settlement of the infrastructure works for our Jiangmen Base. Our prepayments, other receivables and other assets decreased from RMB120.4 million as of December 31, 2024 to RMB115.6 million as of December 31, 2025, primarily due to a decrease in prepayment for materials from RMB66.4 million as of December 31, 2024 to RMB59.9 million as of December 31, 2025 mainly as a result of our negotiation with suppliers for more favorable payment arrangements.

Financial assets at fair value through profit or loss

We had financial assets at fair value through profit or loss of nil, RMB0.5 million and RMB50.3 million as of December 31, 2023, 2024 and 2025, respectively, representing the fair value of wealth management products we purchased from banks in the PRC.

We would invest in financial products in accordance with our internal investment policies. After the [REDACTED], we will consider investing in financial products when we have surplus cash that is not required for any of our working capital purposes so as to gain higher investment returns on our excess cash than regular bank deposits. In general, we will consider factors such as investment target, investment term, investment amount, expected return rate, source of capital and relevant risk analysis with respect to our investment decisions and compile investment proposals which will be reviewed and approved by the Board. The Board will review the status of our major investments. After the [REDACTED], we will strictly comply with requirements under Chapter 14 of the Listing Rules and our internal policies when making investment in such financial products.

Trade and bills payables

Our trade and bills payables primarily represent payables to suppliers for the procurement of raw materials of our products. Our trade and bills payables increased by 134.2% from RMB9.7 million as of December 31, 2023 to RMB22.7 million as of December 31, 2024, and further increased by 279.6% to RMB86.1 million as of December 31, 2025. The increase was mainly due to increased purchases of raw materials to meet the needs of our production and sales. The following table sets forth a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	9,682	22,677	77,311
Bills payables	–	–	8,780
Total	9,682	22,677	86,091

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	9,682	22,275	85,008
One to two years	–	402	695
Two to three years	–	–	388
Total	9,682	22,677	86,091

Trade and bills payables are non-interest-bearing. Our suppliers generally require us to pay a certain percentage of payment in advance, with the balance settled after goods delivery and mutual confirmation of the settlement statement. Our suppliers generally grant us a credit period of nil to 10 days. At the end of each year of the Track Record Period, the carrying amounts of trade and bills payables approximated to their fair values.

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

	Year ended December 31,		
	2023	**2024**	**2025**
Average trade and bills payables turnover days	3	5	14

Note: Average trade and bills payables turnover days are calculated by dividing the average of the opening and closing balance of trade and bills payables by cost of sales and multiplying by 365 days.

Our average trade and bills payables turnover days remained relatively stable and were three days and five days for the year ended December 31, 2023 and 2024, respectively. Our average trade and bills payables turnover days increased from five days for the year ended December 31, 2024 to 14 days for the year ended December 31, 2025 because of the growth of trade and bills payable balance outpaces that of cost of sales.

As of March 31, 2026, RMB70.2 million, or 81.6% of our trade and bills payables as of December 31, 2025 was settled.

Other payables and accruals

Our other payables and accruals primarily represent (i) payroll and welfare payable; (ii) payables for purchase of property, plant, and equipment; (iii) security deposit; (iv) service fee payables; (v) investment received in advance; (vi) other tax payables; and (vii) others.

The following tables set forth the breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	5,138	7,232	7,032
Payables for purchase of property, plant and equipment	5,831	66,528	16,725
Security deposit	1,169	1,230	750
Service fee payables	337	7,522	7,710
Investment received in advance	–	–	10,000
Other tax payables	1,960	945	3,115
Others	14,880	4,256	8,276
Total	**29,315**	**87,713**	**53,608**

Our other payables and accruals increased from RMB29.3 million as of December 31, 2023 to RMB87.7 million as of December 31, 2024, primarily due to an increase in payables for purchase of property, plant, and equipment mainly due to capital expenditures for our processing capacity expansion. Our other payables and accruals decreased to RMB53.6 million as of December 31, 2025, primarily due to a decrease in payables for purchase of property, plant, and equipment mainly as a result of the completion of construction project of our Jiangmen Base, partially offset by an increase of RMB10.0 million in investment received in advance.

Contract liabilities

Our contract liabilities, primarily representing advances from customers, were RMB10.1 million, RMB2.6 million and RMB33.0 million as of December 31, 2023, 2024 and 2025, respectively.

Our contract liabilities decreased from RMB10.1 million as of December 31, 2023 to RMB2.6 million as of December 31, 2024, primarily due to lower advance payments from customers amid weaker market conditions in 2024. Our contract liabilities increased from RMB2.6 million as of December 31, 2024 to RMB33.0 million as of December 31, 2025, primarily due to the increase in sales which require advance payments, supported by the improvement in market conditions during the fourth quarter of 2025.

As of March 31, 2026, RMB19.6 million, or 59.4% of our contract liabilities as of December 31, 2025 was recognized as revenue.

Non-Current Assets and Liabilities

Property, plant and equipment

Our property, plant and equipment primarily consist of (i) buildings; (ii) machinery; (iii) construction in progress; (iv) leasehold improvement; and (v) others. The following table sets forth a breakdown of the net carry amount of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	–	205,157	197,440
Machinery	12,387	113,371	113,145
Construction in progress	205,894	84,934	114,454
Leasehold improvement	16,576	12,938	15,621
Others	6,232	4,317	2,580
Total	**241,089**	**420,717**	**443,240**

Our property, plant and equipment increased by 74.5% from RMB241.1 million as of December 31, 2023, to RMB420.7 million as of December 31, 2024 primarily due to the completion of the construction of our Jiangmen Base, which resulted in additions to factory buildings and machinery. Our property, plant and equipment remained relatively stable at RMB420.7 million as of December 31, 2024 and RMB443.2 million as of December 31, 2025.

Right-of-use assets

Our right-of-use assets represent our land and buildings. The following table sets forth a breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Land	46,059	71,280	69,441
Buildings	110,051	22,569	17,948
Total	156,110	93,849	87,389

Our right-of-use assets decreased by 39.9% from RMB156.1 million as of December 31, 2023 to RMB93.8 million as of December 31, 2024, which was primarily due to a decrease in right-of-use assets related to buildings resulting from the early termination of our lease of Jiangmen Base in 2024. Our right-of-use assets decreased from RMB93.8 million as of December 31, 2024 to RMB87.4 million as of December 31, 2025 and such decrease was primarily due to depreciation.

Intangible assets

Our intangible assets primarily consist of software, trade marks and patents. Our intangible assets decreased from RMB4.9 million as of December 31, 2023 to RMB4.3 million as of December 31, 2024, and further decreased to RMB3.8 million as of December 31, 2025 primarily due to amortization of our software, trademarks and patents.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements primarily with net cash generated from our operations, bank borrowings and financing activities. As of December 31, 2025, we had cash and cash equivalents of RMB92.8 million, which primarily consisted of cash and bank balances.

Cash flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows (used in)/generated from operating activities	(268,524)	(48,991)	86,549
Net cash flows used in investing activities	(219,884)	(132,870)	(153,422)
Net cash flows generated from financing activities	487,249	205,943	78,186
Net (decrease)/increase in cash and cash equivalents	(1,159)	24,082	11,313
Cash and cash equivalents at beginning of year	58,622	57,463	81,545
Effect of foreign exchange rate changes, net	–	–	(95)
Cash and cash equivalents at end of year	**57,463**	**81,545**	**92,763**

Net cash flows used in or generated from operating activities

Our cash flows from operating activities mainly reflect our profit before tax adjusted for (i) certain non-cash or non-operating activities related items such as depreciation, amortization, and impairment losses on inventories; and (ii) the effect of changes in working capital, such as changes in inventories, trade and bills receivables, prepayments, other receivables and other assets, and trade and bills payables.

For the year ended December 31, 2025, we had net cash generated from operating activities of RMB86.5 million, resulting from our profit for the year of RMB16.2 million, as adjusted by non-cash and non-operational items, primarily comprising (i) depreciation of items of property, plant and equipment of RMB29.1 million; (ii) an increase in trade and bills payables of RMB63.4 million and (iii) an increase in contract liabilities of RMB30.4 million, partially offset by an increase in trade and bills receivables of RMB62.9 million.

For the year ended December 31, 2024, we had net cash used in operating activities of RMB49.0 million, resulting from our loss before tax of RMB95.1 million, as adjusted by non-cash and non-operational items, primarily comprising (i) depreciation of items of property, plant and equipment of RMB9.2 million; (ii) depreciation of right-of-use assets of RMB12.6 million; (iii) impairment loss on inventory of RMB34.3 million; (iv) a decrease in inventories of RMB38.1 million; (v) an increase in trade and bills payables of RMB13.2 million; and (vi) an increase in other payables and accruals of RMB30.4 million, partially offset by (i) an increase in trade and bills receivables of RMB58.0 million; (ii) an increase in pledged and restricted deposits of RMB14.0 million; and (iii) an increase in prepayments, other receivables and other assets of RMB16.8 million.

For the year ended December 31, 2023, we had net cash used in operating activities of RMB268.5 million, resulting from our loss before tax of RMB151.4 million, as adjusted by non-cash and non-operational items, primarily comprising (i) depreciation of right-of-use assets of RMB10.2 million; and (ii) impairment losses on inventory of RMB76.9 million, partially offset by increase in inventories of RMB178.4 million.

Net cash flows used in investing activities

For the year ended December 31, 2025, we had net cash used in investing activities amounted to RMB153.4 million, primarily attributable to (i) the purchase of financial assets at fair value through profit or loss of RMB206.3 million; and (ii) the purchase of property, plant and equipment of RMB103.9 million, partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB156.6 million.

For the year ended December 31, 2024, our net cash used in investing activities amounted to RMB132.9 million, primarily attributable to (i) the purchase of financial assets at fair value through profit or loss of RMB306.2 million; and (ii) the purchase of property, plant and equipment of RMB140.5 million, partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB306.9 million.

For the year ended December 31, 2023, our net cash used in investing activities amounted to RMB219.9 million, primarily attributable to the purchase of property, plant and equipment of RMB222.0 million, partially offset by the proceeds from disposal of financial assets at fair value through profit or loss of RMB2.2 million.

Net cash flows generated from financing activities

For the year ended December 31, 2025, our net cash generated from financing activities amounted to RMB78.2 million, primarily resulted from the interest-bearing bank borrowing received of RMB373.7 million, partially offset by interest-bearing bank borrowing repaid of RMB285.5 million.

For the year ended December 31, 2024, our net cash generated from financing activities amounted to RMB205.9 million, primarily resulted from the interest-bearing bank borrowing received of RMB407.4 million, partially offset by interest-bearing bank borrowing repaid of RMB178.4 million.

For the year ended December 31, 2023, our net cash generated from financing activities amounted to RMB487.2 million, primarily resulted from (i) the capital received of RMB310.0 million; and (ii) the interest-bearing bank borrowing received of RMB300.1 million, partially offset by interest-bearing bank borrowing repaid of RMB104.4 million.

Working capital sufficiency

As of March 31, 2026, we had cash and cash equivalents of RMB85.5 million. Taking into account the financial resources available to us, including our cash and cash equivalents on hand, cash flow generated from operating activities, [REDACTED] from the [REDACTED] and other financing activities, in the absence of unforeseeable circumstances, our Directors are of the opinion that we have sufficient working capital to meet our present and future requirements for at least the next 12 months from the date of publication of this document.

INDEBTEDNESS

Our indebtedness primarily consisted of interest-bearing bank borrowings, and lease liabilities. As of December 31, 2023, 2024 and 2025 and March 31, 2026, except as disclosed below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, acceptance credits, hire purchase commitments, or any guarantees.

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

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
Current				
Interest-bearing bank borrowings	145,314	287,773	314,857	369,932
Lease liabilities	9,663	4,948	5,576	5,599
Non-current				
Interest-bearing bank borrowings	154,801	223,919	258,343	262,474
Lease liabilities	105,878	18,370	13,407	12,031
Total	**415,656**	**535,010**	**592,183**	**650,036**

Interest-bearing bank borrowings

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

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Interest-bearing bank borrowings				
Current				
Bank loans — secured	139,918	67,851	9,988	9,987
Bank loans — unsecured	5,280	186,348	271,837	300,583
Current portion of long-term bank loans — secured	116	33,574	32,431	29,431
Current portion of long-term bank loans — unsecured	–	–	601	29,931
Subtotal	145,314	287,773	314,857	369,932
Non-current				
Bank loans — secured	154,801	223,919	224,293	257,774
Bank loans — unsecured	–	–	34,050	4,700
Subtotal	154,801	223,919	258,343	262,474
Total	**300,115**	**511,692**	**573,200**	**632,406**

Our interest-bearing bank borrowings were RMB300.1 million, RMB511.7 million and RMB573.2 million as of December 31, 2023, 2024 and 2025, respectively. The general increase in balances of bank loans as of December 31, 2023 to as of December 31, 2024 and further to as of December 31, 2025 primarily due to our increasing working capital needs following our business expansion. Our interest-bearing bank borrowings were mainly used for general working capital purposes and to finance our construction of Shenzhen Base and Jiangmen Base. Our interest-bearing bank borrowings during the Track Record Period were all dominated in RMB with effective interest rates ranging from 0.71% to 3.95%. Our interest-bearing bank borrowings were guaranteed by Mr. Zheng, or guaranteed jointly by Mr. Zheng, our Group and Guangdong Jiecheng New Energy Materials Technology Co., Ltd, or secured by assets of our Group, or pledged by our trade and bills receivables. Our Directors confirm that all guarantees provided by Mr. Zheng in relation to our bank borrowings will be released upon the [REDACTED]. See Note 24 to the Accountants' Report in Appendix I to this document for further details.

As of March 31, 2026, we had aggregate banking facilities of RMB1,080.0 million and had drawn down RMB533.9 million, with unutilized banking facilities of RMB546.1 million.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. For example, we are required to maintain our asset-liability ratio not exceeding a specified level, or be restricted from declaring or paying dividends, among other covenants, as stipulated in the relevant agreements. As of December 31, 2023, 2024 and 2025, we were not in violation of the covenants related to bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional or renewal of bank borrowings in the future.

Lease liabilities

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

	As of December 31,			As of March 31,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Current	9,663	4,948	5,576	5,599
Non-current	105,878	18,370	13,407	12,031
Total	115,541	23,318	18,983	17,630

During the Track Record Period, our lease liabilities were mainly related to the leasing of offices for business operations. Our lease liabilities decreased from RMB115.5 million as of December 31, 2023 to RMB23.3 million as of December 31, 2024, which was primarily due to the early termination of our lease of Jiangmen Base. Our lease liabilities further decreased to RMB19.0 million as of December 31, 2025, which was primarily due to our rent payments.

CONTINGENT LIABILITIES

See Note 35 to the Accountants' Report in Appendix I to this document for further details.

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURE

Capital commitments

As of December 31, 2023, 2024 and 2025, our capital commitments were RMB195.7 million, RMB83.5 million and RMB264.1 million, respectively. The following table sets forth our capital commitment as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Property, plant and equipment	195,687	83,461	235,317
Acquisition of a third party	–	–	28,733
Total	**195,687**	**83,461**	**264,050**

Capital expenditure

The following table sets forth our capital expenditure as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Purchase of items of property, plant and equipment	222,046	140,509	103,856
Purchase of intangible asset	11	–	–
Purchase of items of land use rights	–	26,471	–
Purchase of other long term assets	–	11,823	–
Total	222,057	178,803	103,856

For the years ended December 31, 2023, 2024 and 2025, our capital expenditure amounted to RMB222.1 million, RMB178.8 million and RMB103.9 million, respectively. We intend to fund our planned capital expenditures through a combination of cash generated from operating activities, financing activities as well as the [REDACTED] from the [REDACTED]. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. See Note 34 to the Accountants' Report in Appendix I to this document for further details.

KEY FINANCIAL RATIOS

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

	As of/For the year ended December 31,		
	2023	2024	2025
Net (loss)/profit margin[1] (%)	(13.1)	(8.1)	1.1
Current ratio[2] (Times)	2.3	1.2	1.2
Quick ratio[3] (Times)	1.1	0.8	0.8
Gearing ratio[4] (%)	99.1	162.7	172.6

Notes:

(1) Net profit margin equals to net profit for the year divided by revenue for the year and multiplied by 100%.

(2) Current ratio is calculated based on total current assets divided by total current liabilities.

(3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(4) Gearing ratio is calculated based on total indebtedness (including bank borrowings and lease liabilities) divided by total equity and multiplied by 100%.

FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including credit risk, interest rate risk and liquidity risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 38 to the Accountants' Report in Appendix I to this document for further details.

DIVIDENDS AND DIVIDEND POLICY

No dividend has been paid or declared by our Company during the Track Record Period. We currently do not have a fixed dividend payout ratio. Any future determination to declare and pay any dividends will be at the discretion of our Board and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board deems relevant. In addition, any final dividends for a financial year will be subject to our Shareholders' approval.

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.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had accumulated losses of RMB186.2 million, as such our Company did not have any distributable reserves available for distribution to our Shareholders.

PROPERTY INTERESTS AND PROPERTY VALUATION

Colliers Appraisal and Advisory Services (Shanghai) Co., Ltd., an independent property valuer, has valued our selective property interests and is of the opinion that the fair value of such property interests as of March 31, 2026 was approximately RMB245.3 million. The full text of the valuation report and the valuation certificate are set forth in Appendix VI to this document.

A reconciliation between the net book value of our selective property interests in our financial statements as of December 31, 2025 and the market value of our selective property interests as of March 31, 2026 as required under Rule 5.07 of the Listing Rules is set forth below:

	(RMB in thousand)
Net book value of property interest as of December 31, 2025	241,587
Movements during the three months ended March 31, 2026	(2,700)
Net book value of property interest as of March 31, 2026	238,887
Valuation surplus	6,403
Valuation as of March 31, 2026	245,290

[REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "[REDACTED] Financial Information" in Appendix II to this document for further details.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We expect to incur total [REDACTED] expenses of approximately RMB[REDACTED] million (assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range), representing [REDACTED]% of the [REDACTED] of the [REDACTED] assuming no H Shares are issued pursuant to the [REDACTED]. The total [REDACTED] expenses consist of (i) approximately RMB[REDACTED] million [REDACTED] related expenses (including [REDACTED] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy); and (ii) approximately RMB[REDACTED] million non-[REDACTED] related expenses (including

(a) fees and expenses of legal advisors and reporting accountants of approximately RMB[REDACTED] million; and (b) other fees and expenses of approximately RMB[REDACTED] million). During the Track Record Period, we did not incur any [REDACTED] expenses. We expect to incur additional [REDACTED] expenses of approximately RMB[REDACTED] million after the Track Record Period, approximately RMB[REDACTED] million of which is expected to be charged to our statements of profit or loss, and approximately RMB[REDACTED] million of which is attributable to the issue of H Shares and will be deducted from equity upon the [REDACTED]. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial and [REDACTED] position or prospects since December 31, 2025, and there is no event since December 31, 2025 which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

EVENTS AFTER THE TRACK RECORD PERIOD

See Note 39 to the Accountants' Report in Appendix I to this document for further details.