The following discussion and analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

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

OVERVIEW

We are a leading new energy conductive carbon materials technology company in Chinese Mainland, driven by innovation and guided by our customers' needs. We strive to achieve sustainable development through our core competitive strengths to become a world-leading new energy conductive carbon materials technology company.

Our revenue remained relatively stable at RMB324.0 million in 2023 and RMB314.7 million in 2024, and increased by 185.1% to RMB897.3 million in 2025. We recorded profit for the year of RMB13.9 million in 2023, loss for the year of RMB37.4 million in 2024 and profit for the year of RMB59.5 million in 2025. Our adjusted net profit/(loss) (non-IFRS measure), which was adjusted by adding back (i) [**REDACTED**] and (ii) equity-settled share-based payment expenses, amounted to RMB16.3 million in 2023, adjusted net loss of RMB33.0 million in 2024, and adjusted net profit of RMB67.1 million in 2025.

BASIS OF PREPARATION

The consolidated statements of financial position as of 31 December 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2023, 2024 and 2025, and material accounting policy information and other explanatory information (the "**Historical Financial Information**") have been prepared in accordance with all applicable IFRSs.

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board. All IFRS Accounting Standards effective for the accounting period commencing from 1 January, 2025, together with the relevant transitional provisions, have been consistently applied in the preparation of the Historical Financial Information throughout the Track Record Period. Further details are set out in Note 2.1 to the Accountant's Report included in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Demand from Downstream Market

Our business performance is affected by the downstream market size and customer demand for more advanced new energy battery products. The overall growth of global new energy battery market is mainly driven by the increasing demand for EV battery, ESS battery and customer electronics battery. As a key component widely used in new energy batteries, conductive carbon materials have benefited from the expansion of the new energy battery market, which in turn has driven demand for such materials. According to Frost & Sullivan, the global market size of new energy conductive carbon materials expanded from RMB5.1 billion in 2021 to RMB17.5 billion in 2025, and is expected to reach RMB52.2 billion in 2030.

The market size of new energy conductive carbon materials in China is also undergoing a positive development trend. As downstream battery manufacturers in China increasingly focus on improving cycle life, fast-charging capability and energy density of new energy batteries, the demand for advanced conductive carbon materials, particularly few-walled CNT products, is expected to continue to grow. As such, our revenue proportion from Chinese mainland increased from 57.5% in 2023 to 70.7% in 2024 and further increased to 93.3% in 2025. In addition, we experienced fluctuations in demand from overseas market. For example, we have experienced decreases in sales to our overseas customers, as a result of fluctuations in overseas market demand from 2023 to 2025.

Relationship with Our Key Customers

Our ability to establish and maintain relationships with leading battery manufacturers is critical to our business performance. The new energy battery industry is characterized by stringent supplier qualification procedures, lengthy product validation cycles and close technical collaboration between material suppliers and downstream battery manufacturers. These industry characteristics generally result in long-term supply relationships and a relatively concentrated customer base for conductive carbon material suppliers. Our established relationships with key customers have contributed to our business performance, and we expect customer concentration to remain at a relatively high level in the near future.

For the years ended December 31, 2023 and 2024 and 2025, revenue from our top five customers in each year accounted for 95.6%, 94.2% and 96.1% of our total revenue, respectively. Revenue from our largest customer represented 45.9%, 49.9% and 74.9% of total revenue for each respective year. Accordingly, changes in the procurement schedules of our large customers, product mix and pricing arrangements may lead to fluctuations in our sales volume. Such variations may also influence our production planning and capacity utilization, which in turn affect our revenue and gross profit margin. In addition, as a substantial part of our trade receivables is attributable to these key customers, the timing of their settlements may impact our receivables turnover, working capital position and operating cash flows. See "Business — Our Relationship with Customer A."

We remain firmly committed to retaining our key customers by delivering competitive products that meet their evolving needs and support their long-term success. At the same time, we are focused on attracting and securing new customers to further strengthen our business performance and drive sustainable financial growth.

During the Track Record Period, our existing production capacity was largely utilized to meet the demand of our major customers. As our production capacity further increases, we expect to be able to further diversify our customer base by serving a broader range of customers and accommodating their demand, which is expected to in turn reduce the impact of fluctuations in demand from any single customer on our revenue and operating results over time.

Raw Material Costs and Product Pricing

The raw materials used in our production processes primarily include (i) carbon source materials (such as LNG, ehylene, propene, crude carbon materials and others); (ii) solvent; (iii) catalyst materials and (iv) dispersant materials. As raw material constitute a significant portion of our cost of sales, changes in the prices of our raw material, particularly, carbon source materials and solvent, may directly affect our production costs and gross profit margins.

We are able to pass through raw material price fluctuations for certain products. For products supplied to key customers under long-term cooperation arrangements, adjustments in selling prices may not always occur concurrently with changes in raw material costs. We manage such impacts through operational improvements and ongoing efforts to enhance production efficiency. In addition, to mitigate the impact of price volatility, we employ a dual-pronged procurement strategy. See "Business — Our Suppliers — Principal Raw Materials and Components."

Product Mix

Our profitability has been and will continue to be affected by our product mix. Specifically:

- The gross profit margin of our CNT products is usually higher than that of our conductive carbon black products, primarily due to higher technical barriers and stronger performance characteristics;
- The gross profit margin of CNT powder is generally higher than that of CNT slurry on a per-unit-weight basis, primarily because CNT powder constitutes the core functional component of CNT slurry, while CNT slurry is formed by a combination of CNT powder, solvents and other additives, such as NMP;
- We primarily sell CNT powder in overseas market, and CNT slurry in domestic market. Therefore, the gross profit margin of overseas sales is generally higher than domestic sales.
- The selling prices of our few-walled and single-walled CNT powder are generally higher than the traditional multi-walled CNT, as the few-walled and single-walled CNT exhibit improved structural characteristics, such as higher aspect ratios, and enable the formation of more efficient conductive networks. Meanwhile, during the Track Record Period, certain of our new single-walled CNT products were in the early stages of production ramp-up. As these products had not yet fully benefited from economies of scale and process optimization, they incurred relatively higher production costs and, accordingly, generated lower gross profit margins during the initial stage of commercialization.
- We primarily sold multi-walled CNT products in 2023, began selling a small portion of few-walled and single-walled CNT products in 2024, and significantly increased the sales of few-walled CNT products and new single-walled CNT in 2025. As these products have different pricing and gross profit margin profiles, changes in our product mix affected our overall gross profit margin.

NON-IFRS MEASURES

To supplement our consolidated financial statements that are presented in accordance with IFRS Accounting Standards, we also use adjusted net profit/(loss) (non-IFRS measure) and adjusted net profit/(loss) margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS Accounting Standards. We believe that these non-IFRS measures facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of certain items. We believe that these measures provide useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit/(loss) (non-IFRS measure) and adjusted net profit/(loss) margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year	**13,853**	**(37,402)**	**59,506**
Add back:			
[REDACTED][1]	–	–	**[REDACTED]**
Equity-settled share-based payment expenses[2]	2,470	4,398	1,897
Adjusted net profit/(loss) (non-IFRS measure)	16,323	(33,004)	67,088
Adjusted net profit/(loss) margin (non-IFRS measure)	5.0	(10.5)	7.5

Notes:

(1) [**REDACTED**] represent professional fees incurred in connection with the [**REDACTED**].

(2) Equity-settled share-based payment expenses mainly represent the arrangement that we receive services from employees as consideration for our equity instruments. Equity-settled share-based payment expense is not expected to result in future cash payments.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our consolidated financial statements. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from 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 of our material accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, see Note 2.3 and Note 3 to the Accountants' Report in Appendix I to this document.

RESULTS OF OPERATIONS

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	**323,985**	**100.0**	**314,691**	**100.0**	**897,260**	**100.0**
Cost of sales	(216,063)	(66.7)	(246,537)	(78.3)	(694,687)	(77.4)
Gross profit	**107,922**	**33.3**	**68,154**	**21.7**	**202,573**	**22.6**
Other income and gains	7,751	2.4	7,696	2.4	8,053	0.9
Selling and marketing expenses	(3,773)	(1.2)	(3,894)	(1.2)	(3,033)	(0.3)
Administrative expenses	(56,042)	(17.3)	(71,663)	(22.8)	(82,246)	(9.2)
Research and development expenses	(37,675)	(11.6)	(36,811)	(11.7)	(50,524)	(5.6)
Impairment losses on financial assets, net	(1,173)	(0.4)	(672)	(0.2)	(3,027)	(0.3)
Other expenses	(1,152)	(0.4)	(627)	(0.2)	(424)	0.0
Finance costs	(3,764)	(1.2)	(4,788)	(1.5)	(7,674)	(0.9)
Profit/(loss) before tax	**12,094**	**3.7**	**(42,605)**	**(13.5)**	**63,698**	**7.1**
Income tax credit	1,759	0.5	5,203	1.7	(4,192)	(0.5)
Profit/(loss) for the year	**13,853**	**4.3**	**(37,402)**	**(11.9)**	**59,506**	**6.6**

Revenue

The following table sets forth a breakdown of our revenue by type of goods, in absolute amounts and as percentages of the total revenue, for the years indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Conductive carbon black	152,277	47.0	160,634	51.0	160,338	17.9
CNT	169,449	52.3	153,040	48.6	732,161	81.6
– CNT powder	138,760	42.8	97,293	30.9	108,277	12.1
– CNT slurry	30,689	9.5	55,747	17.7	623,884	69.5
Graphene	2,047	0.6	103	0.1	–	–
Others[1]	212	0.1	914	0.3	4,761	0.5
Total	**323,985**	**100.0**	**314,691**	**100.0**	**897,260**	**100.0**

Note:

(1) Others primarily comprise sales of products generated during the commissioning process of our production line that do not meet the specifications for new energy battery applications but are suitable for alternative uses, including applications in rubber, tires and dry batteries.

Comparison between 2025 and 2024. Our revenue increased significantly from RMB314.7 million in 2024 to RMB897.3 million in 2025, which was primarily attributable to a significant increase in revenue from our CNT slurry products. Specifically,

- Revenue generated from conductive carbon black remained relatively stable at RMB160.6 million in 2024 and RMB160.3 million in 2025.
- Revenue generated from CNT increased significantly from RMB153.0 million in 2024 to RMB732.2 million in 2025, primarily attributable to:
  - (i) a 11.3% increase in revenue from CNT powder from RMB97.3 million in 2024 to RMB108.3 million in 2025, as we started to sell certain new single-walled CNT powder products in 2025.
  - (ii) a significant increase in revenue from CNT slurry from RMB55.7 million in 2024 to RMB623.9 million in 2025, primarily due to (i) the growing demand for few-walled CNT slurry driven by increasing demand from EV battery applications and ESS battery applications, and (ii) the increased sales of our few-walled CNT slurry to Customer A upon completion of the product verification procedure.

Comparison between 2024 and 2023. Our revenue remained relatively stable at RMB324.0 million in 2023, RMB314.7 million in 2024. Specifically,

- Revenue generated from conductive carbon black increased by 5.4% from RMB152.3 million in 2023 to RMB160.6 million in 2024, primarily attributable to the increased sales to our existing customers as a result of our enhanced cooperation.
- Revenue generated from CNT decreased by 9.7% from RMB169.4 million in 2023 to RMB153.0 million in 2024, primarily attributable a 29.9% decrease in revenue from CNT powder from RMB138.8 million in 2023 to RMB97.3 million in 2024, primarily due to the decrease in sales to our overseas customers, as a result of the fluctuations in overseas market demand from 2023 to 2024.

  Such decrease was partially offset by an 81.4% increase in revenue from CNT slurry from RMB30.7 million in 2023 to RMB55.7 million in 2024, primarily due to an increase in sales of our CNT slurry, as we steadily expanded our commercial cooperation with our existing domestic customers.

During the Track Record Period, revenue generated from graphene decreased from RMB2.0 million in 2023 to RMB0.1 million in 2024 and further to nil in 2025, primarily due to the decrease in market demand, attributable to the cooling-down commercialization in graphene downstream application scenario.

The following table sets forth a breakdown of our revenue by geographic region based on the locations of direct customers with whom we entered into sales agreements during the Track Record Period:

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chinese Mainland	186,160	57.5	222,436	70.7	836,718	93.3
Overseas	137,825	42.5	92,255	29.3	60,542	6.7
Total	**323,985**	**100.0**	**314,691**	**100.0**	**897,260**	**100.0**

Note:

(1) Overseas primarily include Asia and Europe.

The proportion of revenue generated from Chinese Mainland market increased from 57.5% in 2023 to 70.7% in 2024 and further increased to 93.3% in 2025, primarily due to (i) an increase in demand from the domestic customers for our conductive carbon black and CNT products, driven by the favorable development trend in the domestic market as well as the enhanced cooperation with our existing customers; and (ii) the decrease in sales to our overseas customers, as a result of the fluctuations in overseas market demand from 2023 to 2025.

Cost of Sales

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

	Year Ended December 31,					
	2023		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw material	138,192	64.0	165,147	67.0	570,269	82.1
Manufacturing costs	44,698	20.7	49,530	20.1	73,015	10.5
Transportation costs	14,445	6.7	16,399	6.7	28,262	4.1
Labor costs	13,139	6.1	11,290	4.6	19,182	2.8
Others	5,589	2.5	4,171	1.6	3,959	0.5
Total	**216,063**	**100.0**	**246,537**	**100.0**	**694,687**	**100.0**

Our raw materials used in production of our products account for the largest component of our cost of sales, which primarily include (i) carbon source materials; (ii) solvent; (iii) catalyst materials and (iv) dispersant materials. The costs of carbon source materials in aggregate were 80.3%, 77.6% and 71.7% of our raw material costs in 2023, 2024 and 2025, respectively.

Comparison between 2025 and 2024. Our cost of sales increased by 181.8% from RMB246.5 million in 2024 to RMB694.7 million in 2025, primarily attributable to the increase in procurement of raw material, which was in line with our increase in revenue.

Comparison between 2024 and 2023. Our cost of sales increased by 14.1% from RMB216.1 million in 2023 to RMB246.5 million in 2024, which is primarily attributable to the increase in procurement of raw material, as a result of the increase in sales volume of our conductive carbon black and CNT slurry.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The following table sets forth a breakdown of our gross profit and gross profit margin by type of goods for the years indicated.

	Year Ended December 31,					
	2023		2024		2025	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Carbon black	20,622	13.5	18,624	11.6	14,701	9.2
CNT	90,865	53.6	53,297	34.8	203,276	27.8
– CNT powder	94,971	68.4	60,848	62.5	21,241	19.6
– CNT slurry	(4,106)	(13.4)	(7,551)	(13.5)	182,035	29.2
Graphene	953	46.6	49	47.6	–	–
Others[(1)]	(2,340)	(1,103.8)	(609)	(66.6)	(11,298)	(237.3)
Total	**107,922**	**33.3**	**68,154**	**21.7**	**202,573**	**22.6**

Note:

(1) Others primarily comprise sales of products generated during the commissioning process of our production line that do not meet the specifications for new energy battery applications but are suitable for alternative uses, including applications in rubber, tires and dry batteries. During the Track Record Period, the gross loss incurred for others were primarily due to the sales of such products at prices below their production costs.

Comparison between 2025 and 2024. Our gross profit increased significantly from RMB68.2 million in 2024 to RMB202.6 million in 2025. Our gross profit margin increased from 21.7% to 22.6% in the same years, primarily due to the significant increase in the sales of our CNT slurry products. Specifically,

- The gross profit margin of conductive carbon black decreased from 11.6% in 2024 to 9.2% in 2025, primarily reflecting pricing adjustments implemented to align with customers' procurement strategies and support long-term customer relationships. According to Frost & Sullivan, such pricing arrangements are consistent with prevailing market practices in the new energy conductive carbon material industry.
- The gross profit margin of CNT decreased from 34.8% in 2024 to 27.8% in 2025. Specifically,
  - (i) the gross profit margin of CNT powder decreased from 62.5% in 2024 to 19.6% in 2025, primarily due to (i) a decrease in the proportion of our overseas sales of CNT powder, which carried relatively higher gross profit margins; and (ii) the launch of certain new single-walled CNT powder in 2025, which was at an early stage of mass production and therefore (a) incurred relatively higher production costs and (b) was offered under a more favorable pricing strategy to facilitate customer adoption and market penetration.
  - (ii) our CNT slurry turned from gross loss margin of 13.5% in 2024 to gross profit margin of 29.2% in 2025, primarily due to (a) the economies of scale arising from the increased production and (b) the increased sales of our few-walled CNT slurry products, which are of relatively higher gross profit margin.

Comparison between 2024 and 2023. Our gross profit decreased by 36.8% from RMB107.9 million in 2023 to RMB68.2 million in 2024. Our gross profit margin decreased from 33.3% to 21.7% in the same years, primarily due to the decrease in sales of our CNT powder products to overseas market, which carry relatively higher gross profit margin. Specifically,

- The gross profit margin of conductive carbon black decreased from 13.5% in 2023 to 11.6% in 2024, primarily reflecting pricing adjustments implemented to align with customers' procurement strategies and support long-term customer relationships. According to Frost & Sullivan, such pricing arrangements are consistent with prevailing market practices in the new energy conductive carbon material industry.
- The gross profit margin of CNT decreased from 53.6% in 2023 to 34.8% in 2024. Specifically,
  - (i) the gross profit margin of CNT powder decreased from 68.4% in 2023 to 62.5% in 2024, primarily due to the decrease in sales of CNT powder to our overseas customers, as a result of the fluctuations in overseas market demand from 2023 to 2024. In addition, revenue from our CNT powder as a percentage of total revenue from our CNT products decreased from 81.9% in 2023 to 63.6% in 2024;
  - (ii) the gross loss margin of CNT slurry remained relatively stable at 13.4% in 2023 and 13.5% in 2024. The gross loss margin recorded for our CNT slurry was primarily due to the higher production cost of our CNT slurry products, as such products were still at an early stage of mass production and had not yet benefited from economies of scale. In addition, revenue from our CNT slurry as a percentage of total revenue from our CNT products increased from 18.1% in 2023 to 36.4% in 2024.
- The gross profit margin of graphene remained relatively stable at 46.6% in 2023 to 47.6% in 2024.

Other Income and Gains

The following table sets forth a breakdown of our other income and gains, in absolute amounts and as percentages of our total other income and gains, for the years indicated.

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other income						
Government grants	1,999	25.8	5,440	70.7	6,866	85.4
Interest income	1,893	24.4	883	11.5	318	3.9
Others	16	0.2	244	3.1	318	3.9
Total other income	**3,908**	**50.4**	**6,567**	**85.3**	**7,502**	**93.2**
Gains						
Foreign exchange gains, net	2,978	38.4	1,039	13.5	551	6.8
Fair value changes on financial assets at fair value through profit or loss	145	1.9	–	–	–	–
Investment income from financial assets at fair value through profit or loss	720	9.3	90	1.2	–	–
Total gains	**3,843**	**49.6**	**1,129**	**14.7**	**551**	**6.8**
Total other income and gains	**7,751**	**100.0**	**7,696**	**100.0**	**8,053**	**100.0**

Comparison between 2025 and 2024. Our other income and gains increased by 4.6% from RMB7.7 million in 2024 to RMB8.1 million in 2025, which is primarily attributable to an increase in government grants, in relation to the intelligent manufacturing upgrade initiatives of our Zigong production base.

Comparison between 2024 and 2023. Our other income and gains remained relatively stable at RMB7.8 million in 2023 and RMB7.7 million in 2024, primarily due to (i) a decrease in foreign exchange gains as a result of fluctuations in foreign exchange rate and (ii) a decrease in interest income, primarily due to the decrease of bank deposit, which we used to support the construction and operation of our Zigong production base, offset by an increase in government grant, in relation to the favourable VAT input tax deduction policy for advanced manufacturing enterprises.

Selling and Marketing Expenses

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

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	1,624	43.0	1,896	48.7	1,640	54.1
Business promotion expenses	1,605	42.5	1,500	38.5	894	29.5
Material costs	476	12.6	410	10.5	406	13.4
Others	68	1.9	88	2.3	93	3.0
Total	**3,773**	**100.0**	**3,894**	**100.0**	**3,033**	**100.0**

Comparison between 2025 and 2024. Our selling expenses decreased by 22.1% from RMB3.9 million in 2024 to RMB3.0 million in 2025, which is primarily attributable to (i) the decrease in employee benefit expenses, as a result of the fluctuation in number of our sales personnel; and (ii) the decrease in business promotion expenses, as a result of the optimization of our sales and marketing strategies to improve our marketing efficiency.

Comparison between 2024 and 2023. Our selling expenses remained relatively stable at RMB3.8 million in 2023 and RMB3.9 million in 2024.

Administrative Expenses

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

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	33,165	59.2	42,208	58.9	40,232	48.9
Depreciation and amortization	7,861	14.0	11,545	16.1	14,262	17.3
Travel and office expenses	5,427	9.7	5,213	7.3	5,498	6.7
Entertainment expenses	3,101	5.5	5,370	7.5	5,411	6.6
Taxes and surcharges	1,686	3.0	3,046	4.3	4,333	5.3
Professional service expenses	2,533	4.5	2,089	2.9	2,900	3.5
[REDACTED]	–	–	–	–	[REDACTED]	[REDACTED]
Others[(1)]	2,269	4.1	2,192	3.0	3,925	4.8
Total	**56,042**	**100.0**	**71,663**	**100.0**	**82,246**	**100.0**

Note:

(1) Others primarily include bank charges and office maintenance and testing fees.

Comparison between 2025 and 2024. Our administrative expenses increased by 14.8% from RMB71.7 million in 2024 to RMB82.2 million in 2025, which is primarily attributable to the increase in **[REDACTED]** in connection with our **[REDACTED]** activities.

Comparison between 2024 and 2023. Our administrative expenses increased by 27.9% from RMB56.0 million in 2023 to RMB71.7 million in 2024, which is primarily attributable to an increase in employee benefit expenses, as a result of the expansion of our administrative team to support the operations of our Zigong production base.

Research and Development Expenses

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

	Year Ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	10,305	27.4	11,179	30.4	17,118	33.9
Materials and utilities expenses	14,020	37.2	17,137	46.6	25,521	50.5
Outsourced service expenses	8,596	22.8	2,120	5.8	–	–
Depreciation and amortization	3,519	9.3	5,909	16.1	6,939	13.7
Others[(1)]	1,235	3.3	466	1.1	946	1.9
Total	**37,675**	**100.0**	**36,811**	**100.0**	**50,524**	**100.0**

Note:

(1) Others primarily include (i) off gas and sewage treatment fees and (ii) patent fees.

Comparison between 2025 and 2024. Our research and development expenses increased by 37.3% from RMB36.8 million in 2024 to RMB50.5 million in 2025, which is primarily attributable to (i) the increase in materials and utilities expenses, primarily due to the increase of our R&D activities in relation to our conductive carbon black and CNT products, and (ii) the increase in employee benefit expenses, as a result of the expansion of our R&D team to support our increased R&D activities.

Comparison between 2024 and 2023. Our research and development expenses remained relatively stable at RMB37.7 million in 2023 and RMB36.8 million in 2024.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net arose from the recognition of expected credit loss provisions for our trade and bill receivables and other receivables.

Comparison between 2025 and 2024. Our impairment losses on financial assets, net increased significantly from RMB0.7 million in 2024 to RMB3.0 million in 2025, primarily due to the increase in amount of our trade and bill receivables, which was in line with our business expansion.

Comparison between 2024 and 2023. Our impairment losses on financial assets, net decreased from RMB1.2 million in 2023 to RMB0.7 million in 2024, primarily due to higher impairment provisions made on our other receivables in 2023.

Other Expenses

Our other expenses primarily comprise impairment losses on property, plant and equipment and donation expenses.

Our other expenses decreased by 45.6% from RMB1.2 million in 2023 to RMB0.6 million in 2024, and further decreased by 32.4% to RMB0.4 million in 2025, primarily due to decreases in donation expenses incurred.

Finance Costs

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

	Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings	2,933	5,279	8,073
Interest on lease liabilities	831	849	751
Interest on discounted bills receivables	–	–	576
Less: Interest capitalized	–	1,340	1,726
Total	**3,764**	**4,788**	**7,674**

Comparison between 2025 and 2024. Our finance costs increased by 60.3% from RMB4.8 million in 2024 to RMB7.7 million in 2025, primarily attributed to the increase in interests on bank borrowings, due to the additional capital needs to support our business expansion and construction of our Zigong production base.

Comparison between 2024 and 2023. Our finance costs increased by 27.2% from RMB3.8 million in 2023 to RMB4.8 million in 2024, primarily attributed to an increase in our interest on bank borrowings in relation to the establishment of our Zigong production base.

Income Tax Credit

Our income tax expenses primarily comprise our current and deferred income tax expenses under the applicable tax rates in accordance with the relevant laws and regulations.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25% during the Track Record Period, based on the existing legislation, interpretation and practices in respect thereof, unless subject to preferential tax rates as set out below:

Our Company were qualified as a High and New Technology Enterprise in 2023 and is entitled to a preferential tax rate of 15% from 2023 to 2025. This qualification is subject to review by the relevant tax authority in the PRC every three years;

Nantong Dongheng New Energy Technology Co., Ltd. was qualified as a High and New Technology Enterprise in 2024 and is entitled to a preferential tax rate of 15% from 2024 to 2026. This qualification is subject to review by the relevant tax authority in the PRC every three years; and

Zigong Dongheng New Energy Technology Co., Ltd. was qualified as an encouraged industry enterprise established in the western regions as defined by the Ministry of Finance and the State Taxation Administration of the PRC. Such enterprises are subject to a reduced enterprise income tax rate of 15%, applicable from 1 January 2021 to 31 December 2030.

We recorded income tax credit of RMB1.8 million and RMB5.2 million in 2023 and 2024, respectively, and income tax expense of RMB4.2 million in 2025. As of the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

Comparison between 2025 and 2024, Our income tax credit of RMB5.2 million turned into income tax expenses of RMB4.2 million in 2025, as we recorded profit before tax in 2025, compared with loss before tax in 2024.

Comparison between 2024 and 2023. Our income tax credit increased from RMB1.8 million in 2023 to RMB5.2 million in 2024, primarily because we recorded loss before tax in 2024. The income tax credit in 2023 was primarily due to the super deduction of eligible R&D expenditures from our taxable profits.

Profit/(Loss) for the Year

As a result of the above, we recorded net profit of RMB13.9 million in 2023, net loss of RMB37.4 million in 2024, and net profit of RMB59.5 million in 2025. We recorded net loss in 2024, primarily due to (i) the decrease in sales of CNT powder products to our overseas customers in 2024 due to fluctuations in overseas market demand; and (ii) an increase in administrative expenses, primarily attributable to the expansion of our administrative team to support the operations of the newly established Zigong production base.

LIQUIDITY AND CAPITAL RESOURCES

Overview

We have historically funded our cash requirements mainly from cash generated from our business operations, bank borrowings and shareholder contributions. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations, the net [**REDACTED**] from the [**REDACTED**], and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalent of RMB107.4 million, RMB17.8 million and RMB22.4 million as of December 31, 2023, 2024 and 2025, respectively.

Working Capital Sufficiency

Taking into account the net [**REDACTED**] from the [**REDACTED**] and the financial resources available to us, including cash and cash equivalents and cash flows from operating activities, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document and will continue to monitor our working capital, cash flows and our business development progress. Our Directors confirm that we had no material defaults on trade and non-trade payables and borrowings, nor did we breach any covenants during the Track Record Period and up to the date of this document.

Cash Flows Analysis

The following table sets forth selected cash flow statement information for the years indicated.

	Year Ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows (used in)/generated from operating activities	(4,211)	58,876	248,025
Net cash flows used in investing activities	(100,340)	(255,029)	(293,748)
Net cash flows (used in)/generated from financing activities	(2,046)	106,558	50,366
Net (decrease)/increase in cash and cash equivalents	**(106,597)**	**(89,595)**	**4,643**
Cash and cash equivalents at the beginning of the year	213,893	107,392	17,817
Effect of foreign exchange rate changes, net	96	20	(30)
Cash and cash equivalents at the end of the year	**107,392**	**17,817**	**22,430**

Net Cash Flows (Used in)/generated from Operating Activities

In 2025, we had net cash flows from operating activities of RMB248.0 million, which primarily consisted of profit before tax of RMB63.7 million, adjusted for certain non-cash or non-operating items. Adjustments for such non-cash and non-operating items primarily include depreciation of items of property, plant and equipment of RMB55.7 million. The amount was further adjusted by changes in working capital, including increase in trade and bills payables of RMB521.8 million and increase in other payables and accruals of RMB416.6 million, partially offset by increase in trade and bills receivables of RMB638.2 million.

In 2024, we had net cash flows from operating activities of RMB58.9 million, which primarily consisted of loss before tax of RMB42.6 million, adjusted for certain non-cash or non-operating items. Adjustments for such non-cash and non-operating items primarily include depreciation of items of property, plant and equipment of RMB44.0 million. The amount was further adjusted by changes in working capital, including decrease in restricted cash of RMB56.9 million and increase in contract liabilities of RMB25.9 million, partially offset by increase in prepayments, other receivables and other assets of RMB16.3 million. In 2024, despite recording a loss before tax, we generated net cash inflows from operating activities, primarily attributable to decrease in restricted cash of RMB56.9 million in 2024.

In 2023, we had net cash flows used in operating activities of RMB4.2 million, which primarily consisted of profit before tax of RMB12.1 million, adjusted for certain non-cash or non-operating items. Adjustments for such non-cash and non-operating items primarily include depreciation of items of property, plant and equipment of RMB29.6 million, partially offset by foreign exchange differences, net of RMB3.0 million. The amount was further adjusted by changes in working capital, including decrease in trade and bills payables of RMB184.5 million and increase in restricted cash of RMB57.6 million, partially offset by decrease in trade and bills receivables of RMB179.9 million. We recorded net cash used in operating activities of RMB4.2 million in 2023, despite generating profit before tax of RMB12.1 million and operating cash flow before working capital changes of RMB51.3 million. Such net operating cash outflow was primarily attributable to (i) the settlement of trade and bills payables, primarily due to our settlement of outstanding payables to suppliers during the year, and (ii) the increase in restricted cash pledged for the issuance of bills payables, which more than offset the positive cash inflow from the collection of trade and bill receivables and inventory reduction.

Net Cash Flows used in Investing Activities

In 2025, our net cash flows used in investing activities was RMB293.7 million, which consisted primarily of purchases of items of property, plant and equipment of RMB294.5 million, partially offset by proceeds from disposal of items of property, plant and equipment of RMB0.1 million.

In 2024, our net cash flows used in investing activities was RMB255.0 million, which consisted primarily of purchases of items of property, plant and equipment of RMB276.2 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB48.2 million and proceeds from disposal of items of property, plant and equipment of RMB0.9 million.

In 2023, our net cash flows used in investing activities was RMB100.3 million, which consisted primarily of purchases of items of property, plant and equipment of RMB65.0 million, purchase of financial assets at fair value through profit or loss of RMB80.0 million and purchase of land use right of RMB17.2 million.

Net Cash Flows (used in)/generated from Financing Activities

In 2025, our net cash flows from financing activities was RMB50.4 million, which consisted primarily of new bank loans of RMB244.8 million, partially offset by repayments of bank loans of RMB184.2 million.

In 2024, our net cash flows from financing activities was RMB106.6 million, which consisted primarily of new bank loans of RMB284.4 million, partially offset by repayment of bank loans of RMB166.4 million.

In 2023, our net cash flows used in financing activities was RMB2.0 million, which consisted primarily of repayments of bank loans of RMB109.8 million, principal portion of lease payments of RMB4.1 million and interest paid of RMB3.2 million, partially offset by new bank loans of RMB115.0 million.

SELECTED BALANCE SHEET ITEMS

Current Assets/Liabilities

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

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Current Assets				
Inventories	55,317	63,425	144,727	155,589
Trade and bills receivables	129,290	140,397	775,597	690,456
Prepayments, other receivables and other assets	10,392	6,607	47,828	56,339
Financial assets at fair value through profit or loss	20,145	–	–	–
Prepaid income tax	–	2,056	–	4,929
Restricted cash	57,905	988	61,344	121,986
Cash and cash equivalents	107,392	17,817	22,430	333,269
Total current assets	**380,441**	**231,290**	**1,051,926**	**1,362,568**
Current liabilities				
Trade and bills payables	216,290	166,113	645,003	674,286
Other payables and accruals	137,867	211,357	643,328	564,449
Contract liabilities	23,648	49,575	7,252	10,280
Interest-bearing bank borrowings	79,740	197,855	248,972	272,453
Lease liabilities	7,809	9,491	8,320	7,166
Tax payable	2,089	–	320	–
Amounts due to a related party	4,500	4,500	4,500	4,500
Total current liabilities	**471,943**	**638,891**	**1,557,695**	**1,533,134**
Net current liabilities	**91,502**	**407,601**	**505,769**	**170,566**

Comparison between December 31, 2025 and April 30, 2026. Our net current liabilities decreased from RMB505.8 million as of December 31, 2025 to RMB170.6 million as of April 30, 2026, primarily due to the increase of cash and cash equivalents of RMB310.8 million, partially offset by the decrease of trade and bills receivables of RMB85.1 million.

Comparison between December 31, 2024 and December 31, 2025. Our net current liabilities increased from RMB407.6 million as of December 31, 2024 to RMB505.8 million as of December 31, 2025, primarily due to an increase in trade and bills payables of RMB478.9 million and an increase in other payables and accruals of RMB432.0 million partially offset by an increase in trade and bill receivables of RMB635.2 million.

Comparison between December 31, 2023 and December 31, 2024. Our net current liabilities increased from RMB91.5 million as of December 31, 2023 to RMB407.6 million as of December 31, 2024, primarily due to an increase in interest-bearing bank borrowings of RMB118.1 million and an increase in other payables and accruals of RMB73.5 million, partially offset by a decrease in cash and cash equivalent of RMB89.6 million.

Inventories

Our inventories are comprised of (i) raw materials, which are primarily (a) carbon source materials, (b) solvent, (iii) catalyst materials and (d) dispersant materials; (ii) work in progress, which are primarily products undergoing processing, such as CNT powder that has not been demagnetized or de-bundled, (iii) goods in transit that are dispatched but not yet delivered to customers and (iv) finished goods. The following table sets forth our inventories as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	25,764	22,090	51,223
Work in progress	8,170	11,359	14,935
Goods in transit	3,301	3,720	14,569
Finished goods	31,660	39,680	79,439
	68,895	76,849	160,166
Impairment allowance	(13,578)	(13,424)	(15,439)
Total	**55,317**	**63,425**	**144,727**

Our inventory increased by 14.7% from RMB55.3 million as of December 31, 2023 to RMB63.4 million as of December 31, 2024, primarily due to an increase in finished goods, as we maintained a stable production schedule to support expected customer demand and ensure operational continuity.

Our inventory increased by 128.2% from RMB63.4 million as of December 31, 2024 to RMB144.7 million as of December 31, 2025, primarily due to (i) an increase in finished goods, as we maintained a relatively higher inventory level of finished goods in response to the significant increase in sales of our CNT slurry products, and (ii) an increase in raw material, driven by an increase in our procurement of gases, catalysts and solvents, which was also in line with the increase in sales of our CNT slurry products.

We believe that by maintaining optimal inventory levels, we can meet our consumer demand and ensure their satisfaction without compromising our liquidity. To this end, we have put in place a set of policies and procedures to manage our inventories. For details, see "Business — Inventory."

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

	Year Ended December 31,		
	2023	**2024**	**2025**
Inventory turnover days[(1)]	127	106	61

Note:

(1) Average inventory turnover days were calculated based on the average of the beginning and ending balances of inventories of a given year divided by cost of sales for that corresponding year and multiplied by 360 days for 2023 and 2024 and 2025.

Our inventory turnover days decreased from 127 days in 2023 to 106 days in 2024, and further decreased to 61 days in 2025, primarily due to (i) our improved inventory management and operational efficiency with increased customer demand and large-scale product shipments; and (ii) the increase in the proportion of our sales of CNT slurry, which is subject to more stringent inventory management and typically has shorter production cycles.

As of April 30, 2026, RMB145.1 million, or 90.6%, of our inventories as of December 31, 2025 had been sold or utilized.

Trade and Bills Receivables

Our trade receivables represent amounts due from customers for sales of goods in the ordinary course of business. Our bills receivables represent payment by customers with bills of acceptance. We normally grant credit periods ranging from one to three months to our trade customers. See "Business — Our Customers" for details.

The following table sets forth our trade and bill receivables as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	36,803	62,443	175,237
Bills receivables	95,454	82,039	607,472
Impairment	(2,967)	(4,085)	(7,112)
Total	**129,290**	**140,397**	**775,597**

Our trade and bill receivables increased by 8.6% from RMB129.3 million as of December 31, 2023 to RMB140.4 million as of December 31, 2024, primarily due to an increase in our trade receivables, as a result of the increase in the proportion of revenue from our key domestic customers, to whom we typically granted longer credit periods.

Our trade and bill receivables increased by 452.4% from RMB140.4 million as of December 31, 2024 to RMB775.6 million as of December 31, 2025, primarily due to an increase in our bill receivables, which was in line with the significant increase in sales of our CNT slurry products.

The following table sets forth an aging analysis of our trade and bill receivables based on revenue recognition date as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	129,285	138,748	772,552
1 to 2 years	5	1,649	3,045
Total	**129,290**	**140,397**	**775,597**

The following table sets forth our trade receivables turnover days during the years indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
Trade receivable turnover days[(1)]	50	57	48

Note:

(1) Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables less allowance for impairment for the relevant year, divided by the revenue for the same year and multiplied by 360 days for 2023, 2024 and 2025.

Our trade and bill receivables turnover days increased from 50 days in 2023 to 57 days in 2024, primarily due to the increase in the proportion of revenue from our key domestic customers, to whom we granted longer credit periods. Our trade and bill receivables turnover days decreased from 57 days in 2024 to 48 days in 2025, primarily due to the increase in sales to Customer A, to whom we granted a credit period of 30 days during the Track Record Period.

During the Track Record Period, we did not experience any significant losses associated with our trade and bill receivables, and the fluctuation in our trade and bill receivables did not have any material adverse impact on our liquidity or cash flows.

As of April 30, 2026, RMB159.4 million, or 89.9%, of our trade receivables as of December 31, 2025, had been settled.

Prepayments, Other Receivables and Other Assets

The following table sets forth 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*
Prepayments to suppliers	1,971	2,706	5,679
Other receivables	2,343	434	609
Capitalized [**REDACTED**]	–	–	[**REDACTED**]
Value-added tax recoverable	3,603	997	35,883
Deposits	2,449	2,451	3,059
Staff advance	26	19	23
Total	**10,392**	**6,607**	**47,828**

Our prepayments, other receivables and other assets decreased from RMB10.4 million as of December 31, 2023 to RMB6.6 million as of December 31, 2024, primarily due to (i) a decrease in our current VAT recoverable, as we incurred higher deductible input VAT from the construction of long-term assets in Nantong production base in 2023, and (ii) a decrease in other receivables, as a result of the settlement of outstanding receivables in relation to the disposal of property, plant and equipment in 2024.

Our prepayments, other receivables and other assets increased from RMB6.6 million as of December 31, 2024 to RMB47.8 million as of December 31, 2025. The increase was primarily due to the increase in VAT recoverable, resulted from the reclassification of non-current VAT recoverable to current assets, as such deductible input VAT was expected to be utilized within one year, following the commencement of operations of our Zigong production base in late 2024.

Financial Assets at Fair Value through Profit or Loss

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	20,145	–	–

Our financial assets at fair value through profit or loss decreased from RMB20.1 million as of December 31, 2023 to nil and nil as of December 31, 2024 and 2025. The decrease was primarily due to our disposal of bank financial products to support the establishment of our Zigong production base.

Trade and Bills Payables

Our trade and bills payables consist of (i) trade payables that are non-interest-bearing and (ii) bills payables that are secured by certain of our bills receivables.

The following table sets forth our trade and bill payables as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	61,304	99,796	169,474
Bills payable	154,986	66,317	475,529
Total	**216,290**	**166,113**	**645,003**

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	214,502	164,748	641,039
1 to 2 years	1,788	1,365	3,964
Total	**216,290**	**166,113**	**645,003**

Our trade and bill payables decreased by 23.2% from RMB216.3 million as of December 31, 2023 to RMB166.1 million as of December 31, 2024, primarily due to the settlement of outstanding bill payables of equipment procurement for our Zigong production base.

Our trade and bill payables increased from RMB166.1 million as of December 31, 2024 to RMB645.0 million as of December 31, 2025. The increase was primarily due to the increase in procurement of raw material to support our business expansion.

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

	Year ended December 31,		
	2023	**2024**	**2025**
Trade payable turnover days[(1)]	77	118	70

Note:

(1) Trade payables turnover days are calculated using the average of opening balance and closing balance of trade payables for a year divided by our cost of sales for the relevant year and multiplied by 360 days for 2023, 2024 and 2025.

Our trade payables turnover days increased from 77 days in 2023 to 118 days in 2024, and decreased to 70 days in 2025. The higher turnover days in 2024 was primarily due to the longer settlement period of payables to certain of our suppliers.

As of April 30, 2026, RMB123.9 million, or 73.1%, of total trade payables as of December 31, 2025, had been subsequently settled.

Other Payables and Accruals

The following table sets forth a 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*
Payables for purchase of property, plant and equipment	126,233	194,613	208,772
Payroll and welfare payable	5,788	4,386	10,052
Accrued [**REDACTED**]	–	–	[**REDACTED**]
Other tax payables	480	1,229	3,108
Other current liabilities	881	6,141	403,442
Other payables	2,429	3,689	3,295
Value-added tax payables	1,056	299	9,049
Deposit payables	1,000	1,000	1,700
Total	**137,867**	**211,357**	**643,328**

Our other payables and accruals increased by 53.3% from RMB137.9 million as of December 31, 2023 to RMB211.4 million as of December 31, 2024, primarily due to an increase in payables for purchase of property, plant and equipment, primarily due to the increase in procurement of equipment for the construction of our Zigong production base.

Our other payables and accruals increased significantly from RMB211.4 million as of December 31, 2024 to RMB643.3 million as of December 31, 2025, primarily due to an increase in other current liabilities, mainly as a result of the prepayments received from Customer A under our cooperation agreements to secure delivery of our products. Such prepayment was secured by our plant and machinery, leasehold land and letters of guarantee in banks. See Note 23 in Appendix I to this document.

Contract Liabilities

Our contract liabilities primarily represent advances received from customers, presented on a net basis after offsetting the trade receivables due from Customer A. The gross amount of contract liabilities was RMB20.9 million, RMB49.3 million and RMB31.1 million as of December 31, 2023, 2024 and 2025, respectively.

Our contract liabilities increased from RMB23.6 million as of December 31, 2023 to RMB49.6 million as of December 31, 2024, which was in line with our increased sales to Customer A. Our contract liabilities decreased from RMB49.6 million in 2024 to RMB7.3 million in 2025, primarily due to (i) the decrease in the advances received from Customer A, (ii) the increase of trade receivable from Customer A that was net off, and (iii) the settlement of the contract liabilities.

As of April 30, 2026, RMB12.0 million, or 38.8%, of the total gross amount of the contract liabilities as of December 31, 2025, had been subsequently settled.

Non-current Assets and Liabilities

The following table sets out our non-current assets and liabilities as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Property, plant and equipment	510,346	779,361	903,699
Right-of-use assets	59,806	61,746	55,299
Intangible assets	207	135	67
Investment in associates	4,500	4,500	4,500
Prepayments, other receivables and other assets	31,709	39,223	93,896
Deferred tax assets	14,483	19,686	17,870
Total non-current assets	**621,051**	**904,651**	**1,075,331**
Non-current liabilities			
Interest-bearing bank borrowings	–	–	10,123
Deferred government grants	782	693	1,203
Lease liabilities	9,927	10,521	4,997
Total non-current liabilities	**10,709**	**11,214**	**16,323**

Property, Plant and Equipment

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

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	68,086	291,130	291,275
Leasehold improvements	16,187	14,252	23,407
Plant and machinery	164,662	199,868	278,267
Motor vehicles	2,291	1,414	661
Furniture and others	20,278	22,925	20,289
Construction in progress	238,842	249,772	289,800
Total	**510,346**	**779,361**	**903,699**

Our property, plant and equipment increased from RMB510.3 million as of December 31, 2023 to RMB779.4 million as of December 31, 2024, primarily due to the increase in the buildings constructed in our Zigong production base.

Our property, plant and equipment increased from RMB779.4 million as of December 31, 2024 to RMB903.7 million as of December 31, 2025, primarily due to the increase in (i) plant and machinery and (ii) construction in progress in relation to the continuing expansion of our Wuxi production base.

Right-of-use Assets

Our right-of-use assets increased from RMB59.8 million as of December 31, 2023 to RMB61.7 million as of December 31, 2024, primarily due to the increase in leased properties in our Wuxi production base used for office buildings. Our right-of-use assets decreased from RMB61.7 million as of December 31, 2024 to RMB55.3 million as of December 31, 2025, primarily due to the reduction of leased warehouses in Nantong, following the commencement of operations at our Zigong production base, which reduced the warehousing demand near our Nantong production base.

Prepayments, Other Receivables and Other Assets

Our non-current prepayments, other receivables and other assets primarily consist of prepayments for property, plant and equipment.

Our non-current prepayments, other receivables and other assets increased from RMB31.7 million as of December 31, 2023 to RMB39.2 million as of December 31, 2024, primarily due to an increase in VAT recoverable, as we incurred higher deductible input VAT from the buildings constructed in our Zigong production base in 2024. Our non-current prepayments, other receivables and other assets further increased from RMB39.2 million as of December 31, 2024 to RMB93.9 million as of December 31, 2025, primarily due to the increase in equipment procurement and prepayment in relation to the construction of our Wuxi production base.

INDEBTEDNESS

The table below sets out the details of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Current				
Interest-bearing bank borrowings	79,740	197,855	248,972	272,453
Lease liabilities	7,809	9,491	8,320	7,166
Non-current				
Interest-bearing bank borrowings	–	–	10,123	10,123
Lease liabilities	9,927	10,521	4,997	4,853
Total	**97,476**	**217,867**	**272,412**	**294,595**

Bank Borrowings

As of December 31, 2023, 2024, 2025 and April 30, 2026, our bank borrowings, including current and non-current portion, amounted to RMB79.7 million, RMB197.9 million, RMB259.1 million and RMB282.6 million, respectively, mainly representing bank loans relating to the establishment and operation of our production bases, which was in line with our business expansion. During the Track Record Period, our bank borrowings are all denominated in RMB bearing effective interest rates ranging from 1.4% to 4.7%. As of the April 30, our unutilized banking facilities amounted to RMB308.4 million. For further information regarding our interest-bearing bank borrowings, see Note 25 to the Accountants' Report in Appendix I to this document.

Our Directors confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities are primarily in relation to offices and production facilities in our Wuxi production base. As of December 31, 2023, 2024, 2025 and April 30, 2026, our lease liabilities, including current and non-current portion, amounted to RMB17.7 million, RMB20.0 million, RMB13.3 million and RMB12.1 million, respectively, which are primarily related to our leased properties at our Wuxi and Nantong production bases. For the maturity analysis and other detailed information regarding our leased liabilities, see Note 14 to the Accountants' Report in Appendix I to this document.

No Other Outstanding Indebtedness

Except as disclosed above, as of April 30, 2026, being the Latest Practicable Date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our indebtedness since April 30, 2026.

CONTINGENT LIABILITIES OR GUARANTEES

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities that would have a material impact on our financial position or results of operations.

CAPITAL EXPENDITURE

Our capital expenditures consisted of purchases of property, plant and equipment and leasehold land. Our capital expenditures in 2023, 2024 and 2025 were RMB82.2 million, RMB276.2 million and RMB294.5 million, respectively.

We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from operating activities and bank borrowings. We expect to incur capital expenditure in the near future, primarily to support the growth of our business. We expect to fund these capital expenditures with a combination of cash flow generated from operating activities, equity and debt financing and net [**REDACTED**] from the [**REDACTED**]. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" for further details about our planned capital expenditure. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

CAPITAL COMMITMENTS

Our capital commitments are mainly related to property, plant and equipment which had been contracted but not yet provided for.

As of December 31, 2023, 2024 and 2025, our capital commitments amounted to RMB25.0 million, RMB6.9 million and RMB93.9 million, respectively.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the years indicated.

	As of/For the year ended December 31,		
	2023	2024	2025
Return on assets (%)[(1)]	1.5	(3.5)	3.6
Return on equity (%)[(2)]	2.7	(7.4)	11.5

Notes:

(1) Equals profit/(loss) for the year divided by the average of the opening and closing balance of total assets for that year and multiplied by 100%.

(2) Equals profit/(loss) for the year divided by the average of the opening and closing balance of total equity for that year and multiplied by 100%.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 32 to the Accountants' Report included in Appendix I. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISKS DISCLOSURE

We are exposed to a variety of market and other financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk. We manage and monitor these exposures to ensure that appropriate measures are implemented on a timely and effective manner. See Note 36 to the Accountants' Report set out in Appendix I to this document for a detailed description of our market and other financial risks.

DIVIDENDS

No dividend was paid or declared by us or any of our subsidiaries since our incorporation.

We do not maintain a formal dividend policy or have a fixed dividend distribution ratio, and we may distribute dividends by way of cash or by other means that our Board considers appropriate. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Pursuant to the Articles of Association, 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. We cannot assure you that we will be able to distribute dividends of any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future. Under applicable PRC laws, dividends may be paid only out of distributable profits, which refer to after-tax profits less any recovery of accumulated losses and required allocations to statutory capital reserve funds. As advised by our PRC Legal Adviser, we cannot pay dividends to our Shareholders as there is no distributable profits in view of the accumulated losses. Furthermore, in the future, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. For details, see "Risk Factors — Risks Relating to our Business and Industry — We cannot assure you that we will declare and distribute any amount of dividends in the future." In addition, our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we did not have any distributable reserves.

[REDACTED]

Our [**REDACTED**] mainly include (i) [**REDACTED**] expenses, such as [**REDACTED**] fees and [**REDACTED**], and (ii) [**REDACTED**] expenses, comprising professional fees paid to our legal advisers and Reporting Accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [**REDACTED**] (based on the mid-point of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**], accounting for approximately of [**REDACTED**]% of our gross [**REDACTED**]. Among such estimated total [**REDACTED**], we expect to pay [**REDACTED**] expenses of HK$[**REDACTED**], professional fees for our legal advisers and Reporting Accountants of HK$[**REDACTED**] and other fees and expenses of HK$[**REDACTED**] million. An estimated amount of HK$[**REDACTED**] for our [**REDACTED**], accounting for approximately [**REDACTED**]% of our gross [**REDACTED**], was or is expected to be expensed through the statement of profit or loss and the remaining amount of HK$[**REDACTED**] is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. We recognized [**REDACTED**] of RMB[**REDACTED**] and RMB[**REDACTED**] in 2025 in our consolidated statements of profit or loss and other comprehensive income and our consolidated statement of financial position, respectively.

UNAUDITED [REDACTED] ADJUSTED COMBINED NET TANGIBLE ASSETS

See "Appendix II — Unaudited [**REDACTED**] Financial Information".

PROPERTY INTERESTS AND PROPERTY VALUATION

JLL, an independent property valuer, valued our selected property interest as of April 30, 2026 and is of the opinion that the aggregate value of the selected property interest as of such date was RMB250.2 million. The letter and summary disclosure of property valuation with regard to such property interest are set out in Appendix III to this document.

A reconciliation of the net book value of the selected property as of December 31, 2025, as set out in the Accountants' Report in Appendix I to this document, to their fair value as of April 30, 2026 as stated in the property valuation report set out in Appendix III to this document is set out below:

	(RMB in thousands)
Net book value of the property as of December 31, 2025	**235,716**
Less: Depreciation	1,978
Net book value of the property as of April 30, 2026 *(unaudited)*	233,738
Net valuation surplus	16,462
Market value of the property as of April 30, 2026 as set out in the property valuation report in Appendix III to this document	**250,200**

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the date of our latest audited financial statements, and there has been no event since December 31, 2025 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER LISTING RULES

Except as otherwise disclosed in this document, our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.