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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 and other parts of this document contain forward-looking statements that reflect our current view with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical events, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

OVERVIEW

We are an electronic functional enhancement materials company with an established presence across acoustic enhancement materials, electronic ceramic materials, electronic adhesives and energy enhancement materials. Based on our profound insights of the industry development and technology evolution and leveraging our solid research and development capabilities and lean-management expertise, we have built three core technology platforms, namely the Inorganic Powder Technology Platform (無機粉體技術平台), the Polymer Materials Technology Platform (高分子材料技術平台) and the Composite Materials Technology Platform (複合材料技術平台). We have also integrated advanced technologies such as the intelligent material simulation system to comprehensively enhance research and development efficiency and commercialization speed of our products.

Our revenue increased by 10.8% from RMB320.5 million in 2023 to RMB355.1 million in 2024, and further increased by 76.1% to RMB625.1 million in 2025. For the six months ended June 30, 2026, our revenue further increased by 28.8% to RMB365.0 million from RMB283.4 million for the corresponding period in 2025.

SIGNIFICANT FACTORS AFFECTING RESULTS OF OPERATIONS

Our business, results of operations and financial condition are affected by a number of general factors influencing the overall global electronic functional enhancement materials industry. These factors include macroeconomic trends, industry development and competitive landscape in the market. Any adverse development can have a negative impact on our results of operations.

In addition to these general factors, our results of operations are affected by the following specific factors:

Overall Growth of Market Demand and Our Market Position

During the Track Record Period, we were primarily engaged in the development, manufacture and sale of electronic functional enhancement materials. Our electronic functional enhancement materials are primarily used to enhance acoustical, optical, thermal and electrical performance of components and devices in consumer electronics and new energy sectors. Leveraging our established core technology platforms, we built up four business units comprising the following product offerings: (i) acoustic enhancement materials, (ii) electronic ceramic materials, (iii) electronic adhesives, and (iv) energy enhancement materials. The market growth and downstream demand of our customers’ products are subject to a variety of factors beyond our control. These include macroeconomic conditions, rapid technological developments, evolving industry standards, shifting consumer preferences, regulatory requirements, and supply chain constraints. Any delay or

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slowdown in technological advancements, disruptions in supply chains, or failure to comply with regulatory policies may hinder the growth of downstream markets. For further detailed analysis, please refer to “Industry Overview” section in this document.

There are expected fluctuations in the downstream consumer electronics industry. For instance, consumer electronics shipments are projected to decline temporarily in 2026, primarily driven by substantial price increases in memory products. In particular, global shipments of certain Android smartphone brands declined for the six months ended June 30, 2026 and are forecast to continue declining throughout 2026. The slowdown of consumer electronics industry in 2026 may adversely affect our revenue and profitability in the short term. Overall, downstream market demand is expected to moderate and revert to its prudent growth expectation in 2027. Meanwhile, the development of the consumer electronics sector may be influenced by national industrial policies such as national subsidy incentives, which bring periodic fluctuations to market demand and partially affect our business growth and profitability. For details, please refer to “Industry Overview – Overview of Global Acoustic Enhancement Materials Industry – Market Size Analysis of Global Acoustic Enhancement Materials Industry” in this document.

In addition, with the rapid development of emerging sectors such as consumer electronics and new energy in recent years, the downstream application scenarios for electronic functional enhancement materials are expanding at an accelerated pace. Please also refer to “Risk Factors — Risks Relating to Our Industry and Business — We may fail to continuously expand our existing product lines or develop new products or our new products may not be successful, which could adversely affect our business, results of operations and financial conditions.” in this document.

Maintaining Our Relationship with Our Existing Customers

Our results of operations have been and are expected to be affected by our ability to maintain our relationship with our existing customers, which is in turn affected by numerous factors, including the global consumers’ demand for our electronic functional enhancement materials, particularly the market demands within consumer electronics and new energy sectors. In addition to the existing competitors, we may encounter challenges from new market entrants. As our customers face ongoing pressure to launch new products at competitive prices, they in turn require us to advance our technologies to develop, together with our customers, products with innovative features and specifications.

Historically, a relatively small number of customers accounted for a substantial portion of our revenue. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, sales to our five largest customers in each year/period amounted to RMB282.6 million, RMB292.1 million, RMB489.6 million and RMB276.2 million, respectively, accounting for 88.2%, 82.3%, 78.4% and 75.7% of our total revenue for the same periods, respectively. If our major customers cease to procure products from us, or fail to maintain and/or increase their current level of business with us, we may experience slow growth, no growth or negative growth.

Further Expansion and Penetration into New End Markets

Our ability to continue to grow our business will depend on our capability to enter or further penetrate new end markets. We have been continuously growing our portfolio of products to capture emerging opportunities from new end markets or application scenarios. In 2021, leveraging our shared customer base with N’BASS Materials, we extended our product lines to the electronic adhesives sector. In 2022, we launched a micro-speaker adhesives solution compatible with N’BASS Materials. Through years of dedicated efforts, we have progressively enhanced our competitiveness in the acoustic adhesives market. Based on our accumulated formulations and modification technologies, we further launched our optical adhesives products in 2024, which demonstrated improved reliability and curing shrinkage rate.

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As such, our revenue from these new end markets in the future will be affected by the development of these markets. Our ability to successfully capitalize on such development and acquire new customers in these markets, which depends on, among others, our market research capabilities in these markets, the relationship with existing client base, and the demand of companies in the relevant industry chains, will affect our business and financial condition.

Research and Development Efforts and Achievements

Research and development capabilities are crucial to our sustained business growth, as our competitiveness depends on our ability to develop and implement new technologies and production techniques to address evolving needs of our customers. Therefore, we have consistently allocated resources to research and development initiatives and will maintain this investment momentum going forward. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development expenses amounted to RMB37.6 million, RMB39.4 million, RMB45.2 million, RMB21.1 million and RMB20.5 million, representing 11.7%, 11.1%, 7.2%, 7.5% and 5.6% of our total revenue in the respective periods.

Our research and development achievements affect our business in multiple ways, such as (i) whether we will be successful in maintaining our relationships with our existing customers and acquiring new customers, (ii) whether we can expand our portfolio of products, and (iii) whether we can manage our production costs by employing more advanced and automated production equipment. We cannot assure you that our research and development efforts will achieve our intended results, or that we will be able to successfully implement new technologies or technologies resulting from our research and development to achieve our intended benefits. In this case, our business and financial condition will be adversely affected. For also refer to “Risk Factors — Risks Relating to Our Industry and Business — We may fail to keep pace with the continuous technological advancements in our industry, and our research and development initiatives may not deliver commercially viable or otherwise positive outcomes.” in this document.

BASIS OF PRESENTATION

Our consolidated financial statements have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”). Our condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the IASB.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. During the Track Record Period, there was no material deviation between our management’s estimates or assumptions and actual results, and we did not make any material changes to these estimates or assumptions. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Other significant accounting policies, estimates, assumptions, and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in the Note 4 and 5 to the Accountants’ Report as set out in Appendix I to this document.

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RESULTS OF OPERATIONS

The table below summarizes our results of operations in absolute amounts and as percentages of our total revenue for the periods indicated, which are derived from our consolidated statements of profit or loss and other comprehensive income included in the Accountants’ Report as set out in Appendix I to this document.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%
	(Unaudited)									
Revenue	320,463	100.0	355,062	100.0	625,096	100.0	283,398	100.0	364,959	100.0
Cost of sales	(147,296)	(46.0)	(155,779)	(43.9)	(333,963)	(53.4)	(146,933)	(51.8)	(233,101)	(63.9)
Gross profit	173,167	54.0	199,283	56.1	291,133	46.6	136,465	48.2	131,858	36.1
Other income	11,999	3.7	5,968	1.7	11,616	1.9	4,400	1.6	6,304	1.7
Other gains and losses	(94)	(0.0)	1,998	0.6	344	0.1	1,556	0.5	(2,053)	(0.6)
Selling and marketing expenses	(9,254)	(2.9)	(10,500)	(3.0)	(16,812)	(2.7)	(9,365)	(3.3)	(6,474)	(1.8)
Administrative expenses	(27,125)	(8.5)	(29,464)	(8.3)	(47,950)	(7.7)	(25,788)	(9.1)	(24,757)	(6.8)
Research and development expenses	(37,629)	(11.7)	(39,441)	(11.1)	(45,163)	(7.2)	(21,138)	(7.5)	(20,483)	(5.6)
[REDACTED] expenses	–	–	–	–	(10,245)	(1.6)	–	–	(5,816)	(1.6)
Net impairment (losses) reversal under expected credit loss (“ECL”) model	(1,791)	(0.6)	256	0.1	(1,153)	(0.2)	(562)	(0.2)	564	0.2
Finance cost	(207)	(0.1)	(261)	(0.1)	(1,952)	(0.3)	(404)	(0.1)	(565)	(0.2)
Profit before tax	109,066	34.0	127,839	36.0	179,818	28.8	85,164	30.1	78,578	21.5
Income tax expenses	(12,910)	(4.0)	(15,308)	(4.3)	(24,510)	(3.9)	(10,643)	(3.8)	(8,977)	(2.5)
Profit for the year/period	96,156	30.0	112,531	31.7	155,308	24.8	74,521	26.3	69,601	19.1
Profit (loss) attributable to:										
Owners of our Company	97,321	30.4	114,090	32.1	152,462	24.4	73,409	25.9	66,022	18.1
Non-controlling interests	(1,165)	(0.4)	(1,559)	(0.4)	2,846	0.5	1,112	0.4	3,579	1.0

Revenue

During the Track Record Period, we were primarily engaged in the development, manufacture and sale of electronic functional enhancement materials. Leveraging our established core technology platforms, we built up four business units comprising the following product offerings: (i) acoustic enhancement materials, (ii) electronic ceramic materials, (iii) electronic adhesives, and (iv) energy enhancement materials.

Revenue by business units

The table below sets forth the breakdown of our revenue by business unit in absolute amounts and as percentages of our total revenue for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000	%
	(Unaudited)									
Acoustic enhancement materials	211,726	66.1	219,128	61.7	303,514	48.6	145,658	51.4	132,359	36.3
Electronic ceramic materials	–	–	–	–	133,939	21.4	60,606	21.4	88,852	24.3
Electronic adhesives	2,272	0.7	9,223	2.6	22,359	3.6	8,673	3.1	11,376	3.1
Energy enhancement materials	106,465	33.2	126,711	35.7	165,284	26.4	68,461	24.1	132,372	36.3
Total	320,463	100.0	355,062	100.0	625,096	100.0	283,398	100.0	364,959	100.0

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The table below sets forth the sales volume and average selling prices by business unit for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾	Sales volume	Average selling price ⁽¹⁾
	(kg)	(RMB/kg)	(kg)	(RMB/kg)	(kg)	(RMB/kg)	(kg)	(RMB/kg)	(kg)	(RMB/kg)
Acoustic enhancement materials	28,446	7,443	28,973	7,563	40,927	7,416	19,936	7,306	18,500	7,155
Electronic ceramic materials	–	–	–	–	6,411,076	21	2,964,600	20	4,129,076	22
Electronic adhesives . . .	3,010	755	11,880	776	80,869	276	16,178	536	83,018	137
Energy enhancement materials ⁽²⁾	4,929,839	22	6,344,770	20	1,940,775	85	1,385,424	49	784,702	169

Notes:

- (1) Average selling price is calculated through dividing revenue by the relevant sales volume during the same years/periods, which represented the average price at which our products were sold to our customers.
- (2) Primarily PV back-glass coating materials, PV conductive paste and PV cell additives.

The minor variances between the calculated sales amount (sales volume multiplied by average selling price) and the actual sales revenue are mainly attributable to the fact that our PV cell additives are mainly liquid products, and its sales volume is originally recorded in liters rather than kilograms. For consistency in this table, we have converted the sales volume of PV cell additives from liters to kilograms based on an estimated average density.

For detailed analysis about our period-to-period comparison of revenue in relation to the fluctuations of sales volume and average selling prices, please refer to the “— Period-to-Period Comparison of Results of Operations” below.

Revenue by geographic region

Geographical location is based on the places of registration of our direct customers. During the Track Record Period, we sold our products to customers in regions within and outside Chinese Mainland. The table below sets forth the breakdown of our revenue by geographical location for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Chinese Mainland	289,628	90.4	289,040	81.4	518,483	82.9	235,723	83.2	308,449	84.5
Outside of Chinese Mainland .	30,835	9.6	66,022	18.6	106,613	17.1	47,675	16.8	56,510	15.5
– Vietnam	520	0.2	20,433	5.8	54,713	8.8	25,938	9.1	32,880	9.0
– South Korea	30,315	9.4	45,589	12.8	51,900	8.3	21,737	7.7	20,166	5.5
– Malaysia	–	–	–	–	–	–	–	–	3,464	1.0
Total	320,463	100.0	355,062	100.0	625,096	100.0	283,398	100.0	364,959	100.0

During the Track Record Period, a majority of our revenue was derived from customers located within the Chinese Mainland. Our revenue from the Chinese Mainland remained relatively stable at RMB289.6 million in 2023 and RMB289.0 million in 2024, increased to RMB518.5 million in 2025, and further increased from RMB235.7 million for the six months ended June 30, 2025 to RMB308.4 million for the corresponding period in 2026. This growth was primarily attributable to the expansion of our business operations and customer base in this market.

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Cost of Sales

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our cost of sales amounted to RMB147.3 million, RMB155.8 million, RMB334.0 million, RMB146.9 million and RMB233.1 million, respectively, accounted for 46.0%, 43.9%, 53.4%, 51.8% and 63.9% of our total revenue for the same periods, respectively.

The table below sets forth the breakdown of our cost of sales by nature in absolute amounts and as percentages of our cost of sales for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Raw materials cost	106,159	72.1	124,506	79.9	249,242	74.6	105,668	71.9	190,081	81.5
Manufacturing costs ⁽¹⁾	38,707	26.3	28,242	18.2	73,328	22.0	36,325	24.7	37,012	15.9
Labor cost	2,430	1.6	3,031	1.9	11,393	3.4	4,940	3.4	6,008	2.6
Total	147,296	100.0	155,779	100.0	333,963	100.0	146,933	100.0	233,101	100.0

Note:

- (1) Mainly represented depreciation and amortization, costs of auxiliary materials, utilities, and expenses for production management personnel.

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our cost of sales attributable to the procurement cost of silver powder amounted to RMB31.7 million, RMB45.2 million, RMB120.9 million, RMB44.4 million and RMB105.7 million, respectively, accounting for 29.9%, 36.3%, 48.5%, 42.0% and 55.6% of total raw material costs for the corresponding periods. Our procurement cost of silver powder kept increasing during the Track Record Period, primarily due to our increased procurement volumes for the production of PV conductive paste. Meanwhile, silver powder prices exhibited volatility but registered an overall upward trend during the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, silver was traded at lower levels compared with the average selling price of silver powder for the six months ended June 30, 2026.

The table below sets forth the breakdown of our cost of sales by product units in absolute amounts and as percentages of our cost of sales for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Acoustic enhancement materials	50,655	34.3	36,080	23.2	52,943	15.9	27,042	18.4	21,971	9.4
Electronic ceramic materials	–	–	–	–	105,025	31.4	48,493	33.0	70,980	30.5
Electronic adhesives	2,000	1.4	3,517	2.3	12,055	3.6	3,679	2.5	8,539	3.7
Energy enhancement materials	94,641	64.3	116,182	74.5	163,940	49.1	67,719	46.1	131,611	56.5
Total	147,296	100.0	155,779	100.0	333,963	100.0	146,933	100.0	233,101	100.0

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Gross Profit and Gross Profit Margin

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our gross profit amounted to RMB173.2 million, RMB199.3 million, RMB291.1 million, RMB136.5 million and RMB131.9 million, respectively. Our overall gross profit margin recorded 54.0%, 56.1%, 46.6%, 48.2% and 36.1% during the same periods, respectively. The table below sets forth the breakdown of our gross profit and gross profit margin by business unit for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>(Unaudited)</i>										
Acoustic enhancement materials	161,071	76.1	183,048	83.5	250,571	82.6	118,616	81.4	110,388	83.4
Electronic ceramic materials	–	–	–	–	28,914	21.6	12,113	20.0	17,872	20.1
Electronic adhesives	272	12.0	5,706	61.9	10,304	46.1	4,994	57.6	2,837	24.9
Energy enhancement materials	11,824	11.1	10,529	8.3	1,344	0.8	742	1.1	761	0.6
Total	173,167	54.0	199,283	56.1	291,133	46.6	136,465	48.2	131,858	36.1

The table below sets forth the breakdown of our gross profit and gross profit margin by geographical location for the periods indicated.

	For the year ended December 31,						For the six months ended June 30			
	2023		2024		2025		2025		2026	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<i>(unaudited)</i>										
Chinese Mainland	147,382	50.9	142,854	49.4	205,222	39.6	97,304	41.3	91,000	29.5
Outside of Chinese Mainland	25,785	83.6	56,429	85.5	85,911	80.6	39,161	82.1	40,858	72.3
– Vietnam	273	52.5	16,027	78.4	43,931	80.3	20,522	79.1	27,439	83.5
– South Korea	25,512	84.2	40,402	88.6	41,980	80.9	18,639	85.7	14,206	70.4
– Malaysia	–	0.0	–	0.0	–	0.0	–	0.0	(787)	(22.7)
Total	173,167	54.0	199,283	56.1	291,133	46.6	136,465	48.2	131,858	36.1

The gross profit margin of our products sold in Chinese Mainland remained relatively stable at 50.9% in 2023 and 49.4% in 2024. The gross profit margin of our products sold in Chinese Mainland declined from 49.4% in 2024 to 39.6% in 2025, primarily due to the addition of electronic ceramic powder products with a gross profit margin of 21.6% in 2025, as well as an increase in the revenue share of energy enhancement materials accompanied by a decline in its gross profit margin. The gross profit margin of our products sold in Chinese Mainland decreased from 41.3% for the six months ended June 30, 2025 to 29.5% for the corresponding period in 2026, primarily due to the increase in revenue share of energy enhancement materials with a gross profit margin of 0.6%.

The gross profit margin of our overseas sales remained relatively stable at 83.6% in 2023 and 85.5% in 2024. The gross profit margin of our overseas sales declined from 85.5% in 2024 to 80.6% in 2025, primarily due to a decline in the gross profit margin of our products sold in South Korea

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having from 88.6% in 2024 to 80.9% in 2025. This was mainly attributable to increased overseas sales by Zhejiang AITEK, as electronic ceramic materials command a relatively lower gross profit margin, thereby leading to a decrease in overall gross profit margin in the region. The gross profit margin of our overseas sales decreased from 82.1% for the six months ended June 30, 2025 to 72.3% for the corresponding period in 2026, primarily due to a decline in both the revenue share and gross profit margin of our sales in South Korea. In addition, our sales of PV back-glass coating materials in Malaysia recorded a negative gross profit margin in the first half of 2026. This was primarily due to the early operation stage of our business in the region with low shipment volume. The limited production scale led to insufficient absorption of fixed production costs and, accordingly, higher unit production costs.

For detailed analysis about our period-to-period comparison of gross profit and gross profit margin by business unit, please refer to the “— Period-to-Period Comparison of Results of Operations” below.

Other Income

Our other income consists of (i) government grants, (ii) interest income, (iii) additional deduction of input VAT, and (iv) other miscellaneous items. The table below sets forth the breakdown of our other income in absolute amounts and as percentages of our total other income for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Government grants										
– unconditional subsidy										
income ⁽¹⁾	4,657	38.8	1,776	29.8	4,401	37.9	643	14.6	3,301	52.4
– related to assets ⁽²⁾	421	3.5	362	6.1	362	3.1	180	4.1	180	2.9
Interest income	5,918	49.3	2,971	49.8	5,167	44.5	3,040	69.1	1,710	27.1
Additional deduction of input										
VAT	967	8.1	817	13.7	1,625	14.0	481	10.9	1,058	16.8
Others	36	0.3	42	0.6	61	0.5	56	1.3	55	0.8
Total	11,999	100.0	5,968	100.0	11,616	100.0	4,400	100.0	6,304	100.0

Notes:

- (1). Representing unconditional government grants we received from local governments in connection with our operating activities during the Track Record Period.
- (2). Representing government grants provided by the relevant PRC government authorities to us for the purposes of financing our purchase of plant. The amounts are recognized as income to match with the related expenses or on systematic basis over the useful lives of the relevant assets starting from the completion of inspection by the related government authorities. For the related deferred income, please refer to Note 30 to the Accountants’ Report as set out in Appendix I to this document.

Other Gains and Losses

Our other gains and losses consists of (i) net gain or loss on disposal of property, plant and equipment, (ii) net gain on termination of right-of-use assets and lease liabilities, (iii) net foreign exchange gain or loss, (iv) net gain in fair value changes of financial assets at FVTPL, (v) net loss in fair value changes of derivative financial instruments, or gains and (vi) others. The table below sets forth the breakdown of our other gains and losses for the periods indicated.

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	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Unaudited)</i>	<i>RMB'000</i>
Net gain (loss) on disposal of property, plant and equipment	228	(221)	107	–	(105)
Net gain on termination of right-of-use assets and lease liabilities	357	–	7	–	–
Net foreign exchange gain (loss)	199	1,210	(3,207)	(596)	(4,233)
Net gain in fair value changes of financial assets at FVTPL	54	3,966	4,862	2,356	1,676
Net (loss) gain in fair value changes of derivative financial instruments	(794)	(2,881)	(991)	(80)	900
Others	(138)	(76)	(434)	(124)	(291)
Total	(94)	1,998	344	1,556	(2,053)

Selling and Marketing Expenses

Our selling and marketing expenses consist of (i) employee compensation and staff costs, (ii) business development and travel expenses, (iii) promotion and service expenses, (iv) freight charges and samples expenses, and (v) others. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our selling and marketing expenses amounted to RMB9.3 million, RMB10.5 million, RMB16.8 million, RMB9.4 million and RMB6.5 million, respectively, representing 2.9%, 3.0%, 2.7%, 3.3% and 1.8% of our total revenue for the same periods, respectively.

The table below sets forth the breakdown of our selling and marketing expenses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Employee compensation and staff costs	5,670	61.4	6,313	60.1	10,364	61.6	5,986	63.9	3,323	51.3
Business development and travel expenses	2,548	27.5	2,993	28.5	2,963	17.6	1,277	13.6	1,446	22.3
Promotion and service expenses	531	5.7	747	7.1	624	3.7	460	4.9	193	3.0
Freight charges and samples expenses	196	2.1	289	2.8	2,557	15.2	1,531	16.3	1,387	21.4
Others	309	3.3	158	1.5	304	1.9	111	1.2	125	1.9
Total	9,254	100.0	10,500	100.0	16,812	100.0	9,365	100.0	6,474	100.0

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Our freight charges and sample expenses increased by approximately 784.8% from RMB0.3 million in 2024 to RMB2.6 million in 2025. The substantial increase was primarily attributable to the inclusion of Zhejiang AITEK into our consolidated income statement in 2025. Excluding the impact of Zhejiang AIKE, our freight charges and sample expenses in 2025 amounted to RMB0.1 million.

Administrative Expenses

Our administrative expenses primarily comprise of (i) employee benefits, (ii) service consulting fees, (iii) depreciation and amortization expenses, (iv) share-based payment expenses, (v) intermediary fees, (vi) business development and travel expense, and (vii) others, including, amongst others, office, utilities, meeting and cleaning expenses. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our administrative expenses amounted to RMB27.1 million, RMB29.5 million, RMB48.0 million, RMB25.8 million and RMB24.8 million, respectively, representing 8.5%, 8.3%, 7.7%, 9.1% and 6.8% of our total revenue for the same periods.

The table below sets forth the breakdown of our administrative expenses for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Employee benefits	11,798	43.5	13,121	44.5	23,046	48.1	11,488	44.5	11,640	47.0
Service consulting fees	3,080	11.4	4,468	15.2	7,157	14.9	2,436	9.4	3,314	13.4
Depreciation and amortization	1,935	7.1	2,043	6.9	4,340	9.1	2,382	9.2	2,256	9.1
Share-based payment expenses ⁽¹⁾	3,106	11.5	4,236	14.4	3,279	6.8	2,118	8.2	3,814	15.4
Intermediary fees	2,714	10.0	1,075	3.6	3,859	8.0	3,506	13.6	508	2.1
Business development and travel expenses	1,386	5.1	1,295	4.4	1,862	3.9	771	3.0	918	3.7
Others	3,106	11.4	3,226	11.0	4,407	9.2	3,087	12.1	2,307	9.3
Total	27,125	100.0	29,464	100.0	47,950	100.0	25,788	100.0	24,757	100.0

Note:

(1) For details, please refer to Note 32 to the Accountants' Report as set out in Appendix I to this document.

Research and Development Expenses

Our research and development expenses consisted of: (i) staff costs, (ii) depreciation and amortization, (iii) material, patent application fee and technical service fee, and (iv) others. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development expenses amounted to RMB37.6 million, RMB39.4 million, RMB45.2 million, RMB21.1 million and RMB20.5 million, representing 11.7%, 11.1%, 7.2%, 7.5% and 5.6% of our total revenue in the respective periods.

The table below sets forth the breakdown of our research and development expenses for the periods indicated.

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	For the year ended December 31,						For the six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)									
Staff costs	18,934	50.3	20,538	52.1	24,698	54.7	10,513	49.7	11,096	54.2
Depreciation and amortization	12,032	32.0	11,551	29.3	11,019	24.4	6,688	31.6	4,917	24.0
Material, patent application fee and technical service fee	4,230	11.2	4,743	12.0	4,778	10.6	1,452	6.9	1,732	8.5
Others	2,433	6.5	2,609	6.6	4,668	10.3	2,485	11.8	2,738	13.3
Total	37,629	100.0	39,441	100.0	45,163	100.0	21,138	100.0	20,483	100.0

[REDACTED] Expenses

We recorded RMB10.2 million and RMB5.8 million of [REDACTED] expenses for the year ended December 31, 2025 and six months ended June 30, 2026, respectively, mainly representing fees paid to professional parties for preparation of the [REDACTED].

Net Impairment Losses or Reversal Under Expected Credit Loss (“ECL”) Model

We recognize impairment losses or reversal under expected credit loss (“ECL”) model in relation to trade receivables and bill receivable and other receivables. We recorded a net loss of RMB1.8 million, a net reversal of RMB0.3 million, a net loss of RMB1.2 million, a net loss of RMB0.6 million and a net reversal of RMB0.6 million in respect of net impairment losses or reversal under the ECL model in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

The table below sets forth the breakdown of our net impairment losses (reversal) under ECL model for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Trade and bills receivables	1,851	(298)	1,212	558	(572)
Other receivables	(60)	42	(59)	4	8
Total	1,791	(256)	1,153	562	(564)

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Finance Costs

Our finance costs comprises interest on borrowings, lease liabilities and amount due to a non-controlling shareholder. The table below sets forth the breakdown of our finance costs for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interests on amount due to a non-controlling shareholder ⁽¹⁾	—	—	283	157	21
Interests on borrowings	—	30	1,329	56	422
Interests on lease liabilities	207	231	340	191	122
Total	207	261	1,952	404	565

Note:

- (1) Representing interests arising from a loan agreement entered into between Zhejiang AITEK and a non-controlling shareholder of us. For further details, please refer to Note 26 to the Accountants' Report as set out in Appendix I to this document. We have fully settled such loan in April 2026.

Income Tax Expenses

Our income tax expenses primarily consist of current income tax and deferred income tax. For the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our income tax expenses were RMB12.9 million, RMB15.3 million, RMB24.5 million, RMB10.6 million and RMB9.0 million, respectively. Our effective tax rate remained relatively stable at 11.8%, 12.0%, 13.6%, 12.5% and 11.4% for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

During the Track Record Period, certain entities within our Group were eligible for a preferential income tax rate of 15%.

No provision for Hong Kong profits tax has been made in our consolidated financial statements as we had no assessable profit subject to Hong Kong profits tax during the Track Record Period.

Pursuant to relevant laws and regulations in the PRC, some of our subsidiaries are eligible as Small Low-profit Enterprises (小型微利企業) and are subject to preferential tax treatments during the Track Record Period. For Small Low-profit Enterprises, the annual taxable income not exceeding RMB3.0 million was reduced to 25% and taxed at a rate of 20%.

Our Company and Zhejiang AITEK are entitled to an additional deduction of 100% on qualified research and development expenditures during the Track Record Period.

As of the Latest Practicable Date and during the Track Record Period, our Directors confirmed that we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

Transfer pricing arrangements

During the Track Record Period, we had certain intra-group transactions between our Company and our subsidiaries in Chinese Mainland and Hong Kong, which primarily included the following two types (the “Covered Transactions”):

- (i) Tangible goods buy-sell transactions: primarily including: (a) Shanghai Nexolar and Shanghai Yuyang sold raw materials and finished goods purchased from third party suppliers to our Company; and (b) our Company sold finished goods to Shanghai Nexolar, Shanghai Yuyang and SSI New Materials HK for further sales. In 2023, 2024,

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2025 and the six months ended June 30, 2026, the corresponding total revenue amounted to approximately RMB106.4 million, RMB116.8 million, RMB184.5 million and RMB143.9 million, respectively.

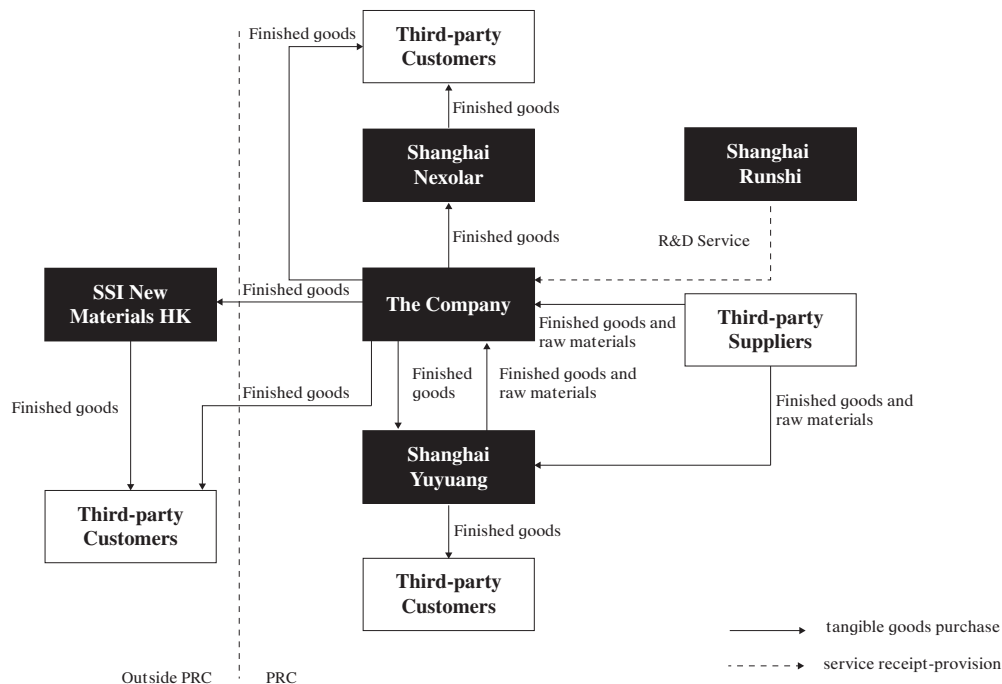
- (ii) Service transaction: Shanghai Runshi provided research and development services to our Company. In 2023, 2024, 2025 and the six months ended June 30, 2026, the related service revenue of Shanghai Runshi amounted to approximately RMB15.7 million, RMB18.9 million, RMB19.1 million and RMB9.9 million, respectively.

The roles, business activities and functions of each of the relevant companies involved in the Covered Transactions are as follows:

- In the related party sales of raw materials and finished goods which are purchased from third-party suppliers’ transactions, the sellers are deemed as routine distributors who undertake sales functions and the relevant sales risks.
- For the transaction in which our Company manufactured finished products and sold to related parties, such related parties are generally deemed as routine distributors who undertake sales functions and the relevant sales risks.
- For the transaction in which Shanghai Runshi provided research and development services to our Company, Shanghai Runshi is deemed as a routine service provider.

Our Covered Transactions principally arose from three key considerations: (i) certain of our subsidiaries are included on the qualified supplier lists of our major customers. To preserve existing business relationships and ensure continuity of supply, we conduct such transactions through these pre-qualified entities; (ii) to protect the confidentiality of our core materials and related technical know-how, we source critical raw materials centrally through designated group entities upstream, which are then supplied to our production bases for further processing; and (iii) as our production base is located in Zhenjiang, Jiangsu Province, centralizing material and production management within a single production base facilitates greater operational efficiency.

The below chart illustrates the transaction flows in respect of the Covered Transactions during the Track Record Period:



Note:

- (1) In 2023 and 2024, Shanghai Nexolar also sold raw materials purchased from third party suppliers to the Company.

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We engaged the Transfer Pricing Tax Consultant to assist us in conducting a review of the Covered Transactions and whether the transfer pricing of Covered Transactions was consistent with the arm’s length principle. The Transfer Pricing Tax Consultant performed procedures based on the information provided by us and certain assumptions to conduct the review, and considered that the transaction prices for the Covered Transactions during the Track Record Period were, in material respects, broadly consistent with the arm’s length principle under the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the “**OECD Transfer Pricing Guidelines**”) promulgated by Organization for Economic Co-operation and Development (OECD), and compliant with the applicable transfer pricing regulations in Chinese Mainland and Hong Kong.

Based on the advice of and upon consultation with the Transfer Pricing Tax Consultant, we are also of the view that our Group’s Covered Transactions during the Track Record Period were in compliance with OECD Transfer Pricing Guidelines and the applicable transfer pricing regulations in Chinese Mainland and Hong Kong during the Track Record Period in all material aspects.

Having considered the advice of the Transfer Pricing Tax Consultant and the views of the Directors above, nothing has come to the attention of the Sole Sponsor that would reasonably cast doubt on such advice and views, that the Covered Transactions during the Track Record Period were in compliance with OECD Transfer Pricing Guidelines and the applicable transfer pricing regulations in Chinese Mainland and Hong Kong during the Track Record Period in all material aspects.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025

Revenue

Our total revenue increased by 28.8% from RMB283.4 million for the six months ended June 30, 2025 to RMB365.0 million for the six months ended June 30, 2026.

Our revenue from acoustic enhancement materials decreased by 9.1% from RMB145.7 million for the six months ended June 30, 2025 to RMB132.4 million for the six months ended June 30, 2026, which was attributable to a decrease in sales volume of our acoustic enhancement materials (primarily our N’BASS Materials) from approximately 19.9 thousand kg to approximately 18.5 thousand kg. The decrease was primarily attributable to a decrease in order demand from certain Android smartphone brands, in line with the cyclical fluctuations of downstream consumer electronic industry. During the period, the average selling price of our acoustic enhancement materials remained relatively stable at RMB7,155 per kg compared to RMB7,306 per kg for the six months ended June 30, 2025.

Our revenue generated from electronic ceramic materials increased by 46.6% from RMB60.6 million for the six months ended June 30, 2025 to RMB88.9 million for the six months ended June 30, 2026, which was attributable to an increase in sales volume from approximately 3.0 million kg to approximately 4.1 million kg, driven by rising demand for lithium-ion batteries. The average selling price remained relatively stable at RMB20 per kg for the six months ended June 30, 2025 and RMB22 per kg for the six months ended June 30, 2026.

Our revenue generated from electronic adhesives increased by 31.2% from RMB8.7 million for the six months ended June 30, 2025 to RMB11.4 million for the six months ended June 30, 2026, which was attributable to an increase in sales volume from approximately 16.2 thousand kg to approximately 83.0 thousand kg resulting from the increasing revenue contribution of optical adhesives products. Specifically, sales volume of optical adhesives reached 75.0 thousand kg for the six months ended June 30, 2026 compared to 7.5 thousand kg for the corresponding period in 2025. The increase was partially offset by a decrease in average selling price, having declined from RMB536 per kg for the six months ended June 30, 2025 to RMB137 per kg for the six months ended June 30, 2026, mainly because optical adhesives have a relatively lower price.

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Our revenue generated from energy enhancement materials increased by 93.4% from RMB68.5 million for the six months ended June 30, 2025 to RMB132.4 million for the six months ended June 30, 2026, which was attributable to an increase in average selling price from RMB49 per kg for the six months ended June 30, 2025 to RMB169 per kg for the six months ended June 30, 2026, mainly due to an increase in prices of silver powder that we procured as raw materials for PV conductive pastes. The pricing of our PV conductive pastes is determined based on the silver powder price plus processing fees. The increase in prices of silver powder has therefore led to an increase in the selling prices of such products.

Cost of sales

Our cost of sales increased by 58.6% from RMB146.9 million for the six months ended June 30, 2025 to RMB233.1 million for the six months ended June 30, 2026, primarily due to an RMB84.4 million increase in raw material costs. The increase was primarily attributable to an increase in average selling price of silver powder, the major materials for our PV conductive pastes, and was consistent with our overall business expansion.

Gross profit and gross profit margin

Our gross profit decreased by 3.4% from RMB136.5 million for the six months ended June 30, 2025 to RMB131.9 million for the six months ended June 30, 2026, and our gross profit margin decreased from 48.2% to 36.1% over the same period:

- (1). our gross profit for acoustic enhancement materials decreased by 6.9% from RMB118.6 million for the six months ended June 30, 2025 to RMB110.4 million for the six months ended June 30, 2026 in line with the decrease in sales volume, and the gross profit margin remained relatively stable from 81.4% to 83.4%.
- (2). our gross profit for electronic ceramic materials increased by 47.5% from RMB12.1 million for the six months ended June 30, 2025 to RMB17.9 million for the six months ended June 30, 2026 in line with the increase in sales volume, and the gross profit margin remained relatively stable from 20.0% to 20.1%.
- (3). our gross profit for electronic adhesives decreased by 43.2% from RMB5.0 million for the six months ended June 30, 2025 to RMB2.8 million for the six months ended June 30, 2026, and the gross profit margin decreased from 57.6% to 24.9%. The decrease in gross profit margin was primarily because: (i) a decrease in gross profit margin of acoustic adhesives for the six months ended June 30, 2026 compared with the corresponding period in 2025, primarily due to capacity expansion for adhesives, along with additional equipment and site renovation, leading to an increase in manufacturing expenses; and (ii) we commenced mass production and supply of optical adhesives in the second half of 2025, resulting in an increased revenue contribution from such lower-margin products (compared with acoustic adhesives) during the six months ended 30 June 2026.
- (4). our gross profit for energy enhancement materials increased by 2.6% from RMB0.7 million for the six months ended June 30, 2025 to RMB0.8 million for the six months ended June 30, 2026, and the gross profit margin decreased from 1.1% to 0.6% during same periods. The decrease in gross profit margin was primarily due to the increased price of silver powder as we procured as raw materials for our PV conductive pastes. The pricing of our PV conductive pastes is determined based on the silver powder price plus processing fees. The increase in prices of silver powder has therefore led to an increase in the selling prices of such products, but not the processing fees correspondingly.

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Other income

Our other income increased by 43.3% from RMB4.4 million for the six months ended June 30, 2025 to RMB6.3 million for the six months ended June 30, 2026, primarily due to an increase in unconditional subsidy income received from local governments in connection with our operating activities.

Other gains and losses

We recorded a net loss of RMB2.1 million for the six months ended June 30, 2026 compared to net gains of RMB1.6 million for the six month ended June 30, 2025, primarily because we recorded a net loss of RMB4.2 million in foreign exchange, resulting from the changes in the U.S. dollar exchange rate.

Selling and marketing expenses

Our selling and marketing expenses decreased by 30.9% from RMB9.4 million for the six months ended June 30, 2025 to RMB6.5 million for the six months ended June 30, 2026, primarily due to a decrease of RMB2.7 million in employee compensation and staff costs. The decrease was mainly attributable to the higher base of staff expenses recorded in the corresponding period of 2025, whereby additional salary costs were incurred following the acquisition of Zhejiang AITEK.

Administrative expenses

Our administrative expenses decreased by 4.0% from RMB25.8 million for the six months ended June 30, 2025 to RMB24.8 million for the six months ended June 30, 2026, primarily due to a decrease of RMB3.0 million in intermediary fees, mainly due to a decrease in legal consulting fees incurred during the ordinary course of business during the period.

Research and development expenses

Our research and development expense decreased by 3.1% from RMB21.1 million for the six months ended June 30, 2025 to RMB20.5 million for the six months ended June 30, 2026, primarily due to an RMB1.8 million decrease in amortization and depreciation, mainly attributable to the decreased patent amortization allocated to research and development expenses.

Net impairment losses (reversal) under expected credit loss (“ECL”) model

Our net impairment loss under ECL model was RMB0.6 million for the six months ended June 30, 2025 and our net impairment reversal under ECL model was RMB0.6 million for the six months ended June 30, 2026, primarily due to a decrease in trade and bills receivables balances.

Finance costs

Our finance costs increased by 39.9% from RMB0.4 million for the six months ended June 30, 2025 to RMB0.6 million for the six months ended June 30, 2026, primarily due to increasing interest expenses on borrowings. The increase in interest expenses was driven by increased borrowings to support our business growth and expansion.

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Income tax expenses

Our income tax expenses decreased by 15.7% from RMB10.6 million for the six months ended June 30, 2025 to RMB9.0 million for the six months ended June 30, 2026, primarily due to a decrease in profit before tax.

Profit for the period

As a result of the foregoing, our profit for the period decreased from RMB74.5 million for the six months ended June 30, 2025 to RMB69.6 million for the six months ended June 30, 2026.

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

Revenue

Our total revenue increased by 76.1% from RMB355.1 million in 2024 to RMB625.1 million in 2025.

Our revenue from acoustic enhancement materials increased by 38.5% from RMB219.1 million in 2024 to RMB303.5 million in 2025, which was attributable to

- (1). an increase in sales volume of our acoustic enhancement materials (primarily our N'BASS Materials) from approximately 29.0 thousand kg to approximately 40.9 thousand kg. This growth was driven by (i) the steady growth of end markets in consumer electronics smart terminals during the same period. For details, please refer to “Industry Overview — Overview of Global Acoustic Enhancement Materials Industry — Market Size Analysis of Global Acoustic Enhancement Materials Industry” in this document; (ii) the increased penetration rate of N'BASS Materials in upper mid-end smartphones; and (iii) our successive development and launch of new product forms, such as powder sheets;
- (2). the average selling price of our acoustic enhancement materials remained relatively stable at RMB7,563 per kg in 2024 to RMB7,416 per kg in 2025.

Our revenue generated from electronic ceramic materials increased from nil in 2024 to RMB133.9 million in 2025, following our acquisition of Zhejiang AITEK at the end of 2024. See “History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Zhejiang AITEK” for further details.

Our revenue generated from electronic adhesives increased by 142.4% from RMB9.2 million in 2024 to RMB22.4 million in 2025, primarily driven by higher sales volume from approximately 11.9 thousand kg to approximately 80.9 thousand kg resulting from: (i) the increasing recognition of our products by customers and the expansion of our product type; and (ii) the launch of our optical adhesives products in 2024 and the subsequent revenue contribution in 2025. Sales volume of optical adhesives reached 61.0 thousand kg in 2025, compared to nil in 2024. Notwithstanding the revenue growth, the overall average selling price in this sector declined from RMB776 per kg in 2024 to RMB276 per kg in 2025, mainly as a result of the expansion of our product types to optical adhesives, whose pricing was relatively lower than that of acoustic adhesives. Average selling price for acoustic adhesives remained relatively stable during the periods.

Our revenue generated from energy enhancement materials increased by 30.4% from RMB126.7 million in 2024 to RMB165.3 million in 2025, which was attributable to an increase in average selling price from RMB20 per kg in 2024 to RMB85 per kg in 2025, mainly due to the increased price of silver powder we procured as raw materials for PV conductive paste. The pricing of our PV conductive pastes is determined based on the silver powder price plus processing fees. The increase in prices of silver powder has therefore led to an increase in the selling prices of such

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products. Please refer to “Industry Overview — Raw Material Price Analysis and Prediction” for further details. Meanwhile, we scaled down the sales of PV cell additives during 2025, which resulted in a higher proportion of PV conductive paste in the overall product mix of the energy enhancement sector and consequently led to an increase in the average selling price of the sector. Despite the increase in price of silver powder, sales volume of PV conductive pastes was not adversely affected and continued to increase in 2025. This was primarily because customer demands for our PV conductive paste kept growing as it was a key process material for downstream participants in the photovoltaic industry, who operated production on an ongoing basis. Such increase in average selling price is partially offset by the decrease in sales volume of energy enhancement materials from approximately 6.4 million kg in 2024 to approximately 1.9 million kg in 2025, primarily because we strategically scaled down sales of PV cell additives due to the intensified market competition.

Cost of sales

Our cost of sales increased by 114.4% from RMB155.8 million in 2024 to RMB334.0 million in 2025, primarily due to an RMB124.7 million increase in raw material costs, which is in line with our overall business expansion and new revenue contribution from electronic ceramic materials since 2025.

In addition, the proportion of raw material costs to our total cost of sales decreased from 79.9% in 2024 to 74.6% in 2025, mainly because electronic ceramic materials (which commenced revenue contribution since 2025) have a relatively low unit raw material cost and higher unit manufacturing cost due to their product nature.

Gross profit and gross profit margin

Our gross profit increased by 46.1% from RMB199.3 million in 2024 to RMB291.1 million in 2025, while our gross profit margin decreased from 56.1% to 46.6% over the same period:

- (1). our gross profit for acoustic enhancement materials increased by 26.9% from RMB183.0 million in 2024 to RMB250.6 million in 2025 in line with the increased sales volume. The gross profit margin of our acoustic enhancement materials remained relatively stable at 83.5% in 2024 and 82.6% in 2025, respectively;
- (2). following our acquisition of Zhejiang AITEK at the end of 2024, we recorded gross profit from electronic ceramic materials of RMB28.9 million in 2025 with a gross profit margin of 21.6%;
- (3). our gross profit for electronic adhesives increased by 80.6% from RMB5.7 million in 2024 to RMB10.3 million in 2025 in line with the increased sales volume, while the gross profit margin declined from 61.9% to 46.1%, primarily due to a decrease in average selling price from RMB776 per kg in 2024 to RMB276 per kg in 2025. The decrease was mainly attributable to the mass production and supply of optical adhesives during second half of 2025, which accounted for an increased proportion of sales volume in the electronic adhesives sector, and the fact that optical adhesives have a lower gross profit margin than that of acoustic adhesives. We commenced mass production of optical adhesives for the following reasons: (i) the optical adhesives are used across various applications, and our development in this sector remains at early stage. As advised by Frost & Sullivan, the global optical adhesives market size is expected to grow from RMB2.1 billion in 2025 to RMB3.4 billion in 2030, representing a CAGR of 10.1%. We plan to focus on developing high-value added products and target high-end applications of optical adhesives going forward; and (ii) optical adhesives share technical foundations with our acoustic adhesives but require higher reliability standards. The

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production of optical adhesives helps strengthen our formulation capabilities, which will facilitate our expansion into high-end optical applications including optical modules and components subject to equivalent reliability requirements; and

- (4). our gross profit for energy enhancement materials decreased from RMB10.5 million in 2024 to RMB1.3 million in 2025, and the gross profit margin declined from 8.3% to 0.8%. This was mainly due to (i) the increased price of silver powder as we procured as raw materials for our PV conductive pastes, resulting in lower profit margin of PV conductive paste. The pricing of our PV conductive paste is determined based on the silver powder price plus processing fees. Increases in silver powder prices will generally be passed on to customers through corresponding increase in the selling prices of PV conductive pastes. Nevertheless, as our processing fees remain relatively stable, an increase in silver powder prices will dilute the gross profit margin percentage of such products.; and (ii) a shift in our product matrix in this sector with significant reduction in the sales of PV cell additives, which had a relatively higher gross profit margin among products within this sector. Revenue from such products decreased from RMB56.7 million in 2024 to RMB11.4 million in 2025. This shift was primarily because we strategically scaled down this product line in 2025 due to the intensified market competition, allowing us to focus resources on our proprietary products in other sectors.

Other income

Our other income increased by 94.6% from RMB6.0 million in 2024 to RMB11.6 million in 2025, primarily due to (i) an increase of RMB2.6 million in unconditional subsidy income received from local governments in connection with our operating activities; and (ii) an increase of RMB2.2 million in interest income attributable to our interest-bearing bank deposits.

Other gains and losses

Our other gains and losses shifted from a net gain of RMB2.0 million in 2024 to a net gain of RMB0.3 million in 2025, primarily because we recorded a net gain of RMB1.2 million in foreign exchange in 2024 while we recorded a net loss of RMB3.2 million in 2025 resulting from the changes in the US dollar exchange rate and the increase in our US dollar-denominated amount.

Selling and marketing expenses

Our selling and marketing expenses increased by 60.1% from RMB10.5 million in 2024 to RMB16.8 million in 2025, primarily due to (i) an increase of RMB4.1 million in employee compensation and staff costs, resulting from the increased number and salaries of our selling and marketing personnel to support our business expansion; and (ii) an increase of RMB2.3 million in freight charges and samples expenses to support our expanded business development activities resulting from acquisition of Zhejiang AITEK.

Administrative expenses

Our administrative expenses increased by 62.7% from RMB29.5 million in 2024 to RMB48.0 million in 2025, primarily due to (i) an increase of RMB9.9 million in employee benefits, arising from our business growth and additional employees as a result of our acquisition of Zhejiang AITEK; and (ii) an increase of RMB2.7 million in service consulting fees, mainly due to our business growth and expansion.

Research and development expenses

Our research and development expenses increased by 14.5% from RMB39.4 million in 2024 to RMB45.2 million in 2025, primarily due to an RMB4.2 million increase in staff costs in line with our continued investment in product innovation.

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While our research and development expenses experienced growth, the proportion of such expenses to total revenue declined from 11.1% in 2024 to 7.2% in 2025. This is mainly because (i) we did not increase R&D investment in our energy enhancement materials for such period, as the intensified competition in the PV industry led us to adopt a more cautious approach to capital allocation; and (ii) following our acquisition of Zhejiang AITEK, we prioritized enhancing operational efficiency and integrating its business during the initial phase, rather than pursuing an immediate increase in R&D spending.

Net impairment losses (reversal) under expected credit loss (“ECL”) model

Our net impairment reversal under ECL model was RMB0.3 million in 2024 and our net impairment loss under ECL model was RMB1.2 million in 2025, primarily due to an increase in trade and bills receivables.

Finance costs

Our finance costs increased by 647.9% from RMB0.3 million in 2024 to RMB2.0 million in 2025, primarily due to (i) an increase in interests on borrowings of RMB1.3 million, mainly arising from the acquisition of Zhejiang AITEK, which was completed at the end of 2024.

Income tax expenses

Our income tax expenses increased by 60.1% from RMB15.3 million in 2024 to RMB24.5 million in 2025, primarily driven by the growth of revenue leading to an increase in our total profit before tax.

Profit for the period

As a result of the foregoing, our profit for the period increased from RMB112.5 million in 2024 to RMB155.3 million in 2025.

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

Revenue

Our total revenue increased by 10.8% from RMB320.5 million in 2023 to RMB355.1 million in 2024.

Our revenue from acoustic enhancement materials remained relatively stable at RMB211.7 million in 2023 and RMB219.1 million in 2024.

Our revenue from electronic adhesives increased by 305.9% from RMB2.3 million in 2023 to RMB9.2 million in 2024. This was mainly due to an increase in sales volume from approximately 3.0 thousand kg to approximately 11.9 thousand kg, mainly attributable to growing customer recognition of our electronic adhesives after the products exited the ramp-up stage in 2023. The average selling price remained relatively stable at RMB755 per kg in 2023 and RMB776 per kg in 2024.

Our revenue from energy enhancement materials increased by 19.0% from RMB106.5 million in 2023 to RMB126.7 million in 2024, primarily driven by an increase in sales volume from approximately 4.9 million kg to approximately 6.3 million kg, supported by our established market presence, while the average selling price remained relatively stable at RMB22 per kg in 2023 to RMB20 per kg in 2024.

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Cost of sales

Our cost of sales increased by 5.8% from RMB147.3 million in 2023 to RMB155.8 million in 2024, which was primarily driven by an RMB18.3 million increase in raw material costs in line with our business growth. This increase in our total cost of sales was partially offset by an RMB10.5 million decrease in manufacturing costs as a result of the continuous improvement in our production technologies and enhanced production efficiency.

In addition, the proportion of raw material costs to our total cost of sales increased from 72.1% in 2023 to 79.9% in 2024, mainly due to the increased price of silver powder we procured as raw materials. Please refer to “Industry Overview — Raw Material Price Analysis and Prediction” for further details.

Gross profit and gross profit margin

Our gross profit increased by 15.1% from RMB173.2 million in 2023 to RMB199.3 million in 2024, and our gross profit margin increased from 54.0% in 2023 to 56.1% in 2024:

- (1). our gross profit for acoustic enhancement materials increased by 13.6% from RMB161.2 million in 2023 to RMB183.1 million in 2024, with the gross profit margin increasing from 76.1% in 2023 to 83.5% in 2024. This improvement was primarily the result of the continuous improvement in our production technologies and enhanced production efficiency as well as the economies of scale achieved through increased production volumes. Production volume increased from 20.9 thousand kg in 2023 to 38.8 thousand kg in 2024.
- (2). our gross profit from electronic adhesives increased significantly from RMB0.3 million in 2023 to RMB5.7 million in 2024, with the gross profit margin increasing significantly from 12.0% in 2023 to 61.9% in 2024. This was primarily attributable to economies of scale achieved through a substantial increase in sales volume after the products exited the ramp-up stage in 2023, which reduced unit costs including labor and allocated fixed costs such as depreciation. Specifically, we upgraded certain production equipment, centralized scattered production schedules and increased batch volumes at dedicated lines. This reduced material wastage per production batch and lowered our fixed costs.
- (3). our gross profit for energy enhancement materials decreased by 11.0% from RMB11.8 million in 2023 to RMB10.5 million in 2024, with our gross profit margin decreasing from 11.1% in 2023 to 8.3% in 2024. This was mainly due to intensified market competition within the PV industry, which is the primary end market for these materials.

Other income

Our other income decreased by 50.3% from RMB12.0 million in 2023 to RMB6.0 million in 2024. This decrease was primarily attributable to: (i) a decrease of RMB2.9 million in unconditional subsidy income received from local governments in connection with our operating activities; and (ii) a decrease of RMB2.9 million in interest income attributable to our interest-bearing bank deposits, as a result of our reduced holdings of relevant bank deposits according to our cash management policy.

Other gains and losses

Our other gains and losses shifted from a net loss of RMB0.1 million in 2023 to a net gain of RMB2.0 million in 2024, primarily due to (i) an RMB3.9 million increase in net gains from fair value changes of financial assets at FVTPL. This was mainly as a result of our investment in wealth management products in 2024, and (ii) an RMB1.0 million increase in net foreign exchange gains mainly driven by USD exchange rate movements and a higher USD balance in our bank account.

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These increases were partially offset by increased net losses of RMB2.1 million on derivative financial instruments resulting from the commodities futures contracts we entered into as derivative instruments. For details, please refer to “Business — Internal Control and Risk Management — Economic Hedging Activities” in this document.

Selling and marketing expenses

Our selling and marketing expenses increased by 13.5% from RMB9.3 million in 2023 to RMB10.5 million in 2024, primarily due to (i) an increase of RMB0.6 million in employee compensation and staff costs, resulting from the increased number and salaries of our selling and marketing personnel to support our business expansion; and (ii) an increase of RMB0.4 million of business development and travel expenses to support our expanded business development activities.

Administrative expenses

Our administrative expenses increased by 8.6% from RMB27.1 million in 2023 to RMB29.5 million in 2024, primarily due to (i) an increase of RMB1.4 million of service consulting fees mainly related to product testing activities; and (ii) an increase of RMB1.3 million in employee benefits, in line with our business growth and increased personnel.

Research and development expenses

Our research and development expenses increased by 4.8% from RMB37.6 million in 2023 to RMB39.4 million in 2024, primarily due to an increase of RMB1.6 million in staff costs, which was mainly as a result of our business expansion and continued efforts in product innovation.

The proportion of our research and development expenses to total revenue remained relatively stable at 11.7% in 2023 and 11.1% in 2024.

Net impairment losses (reversal) under expected credit loss (“ECL”) model

Our net impairment losses under ECL model was RMB1.8 million in 2023 and our net impairment reversal under ECL model was RMB0.3 million, mainly as a result of our enhanced collection efforts.

Finance costs

Our finance costs increased slightly from RMB0.2 million in 2023 to RMB0.3 million in 2024 in line with our business expansion.

Income tax expenses

Our income tax expenses increased by 18.6% from RMB12.9 million in 2023 to RMB15.3 million in 2024, primarily due to the growth of revenue led to an increase in our total profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased from RMB96.2 million in 2023 to RMB112.5 million in 2024.

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NET CURRENT ASSETS

The table below sets forth a summary of our net current assets position as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Inventories	27,198	40,552	58,099	61,335
Trade, bills and other receivables	171,028	206,553	270,260	239,769
Receivables at FVTOCI	39,362	73,737	79,870	115,031
Financial assets at fair value through profit and loss (“FVTPL”)	–	238,514	86,290	86,636
Derivative financial instruments	–	11	32	762
Value-added tax (“VAT”) recoverable	1,845	2,160	2,377	3,165
Restricted bank deposits	–	30	–	–
Time deposits with original maturity over three months	–	23,154	–	–
Cash and cash equivalents	266,262	104,906	182,673	131,079
Total current assets	505,695	689,617	679,601	637,777
Current liabilities				
Trade, bills and other payables	94,340	148,806	208,060	131,153
Contract liabilities	3,133	3,817	5,197	2,396
Derivative financial instruments	327	–	–	–
Borrowings	1,000	43,925	69,036	60,220
Lease liabilities	1,642	4,867	4,055	4,003
Deferred income	362	362	362	362
Tax payable	8,114	6,569	5,992	1,842
Total current liabilities	108,918	208,346	292,702	199,976
Net current assets	396,777	481,271	386,899	437,801

Our net current asset increased from RMB386.9 million as of December 31, 2025 to RMB437.8 million as of June 30, 2026, primarily attributable to: (i) a decrease in trade, bills and other payables of RMB76.9 million, primarily due to the payment of a dividend of RMB77.0 million in March 2026; and (ii) an increase in receivables at FVTOCI of RMB35.2 million. The increase was partially offset by a (i) the decrease of RMB51.6 million in cash and cash equivalents; and (ii) the decrease of RMB30.5 million in trade, bills and other receivables, mainly attributable to a more proactive collection strategy and shorter credit terms granted to certain customers.

Our net current assets decreased from RMB481.3 million as of December 31, 2024 to RMB386.9 million as of December 31, 2025. This was primarily attributable to (i) a decrease in financial assets at FVTPL of RMB152.2 million, primarily due to increased cash outflows during the year; and (ii) an increase in trade, bills and other payables of RMB59.3 million, primarily due to an addition of RMB77.0 million in dividend payable resulting from our shareholders’ resolution to distribute retained profit as of November 30, 2025 and an addition of RMB6.3 million in accrued [REDACTED] expenses. This overall decrease was partially offset by an increase in cash and cash equivalents of RMB77.8 million, primarily due to an increase in bank balances.

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Our net current assets increased from RMB396.8 million as of December 31, 2023 to RMB481.3 million as of December 31, 2024. This was primarily attributable to (i) an increase of RMB238.5 million in financial assets at FVTPL, primarily as a result of our investment in certain wealth management products; and (ii) an increase of RMB35.5 million in our trade, bills, other receivables, mainly due to the recognition of trade, bills and other receivables of Zhejiang AITEK upon the completion of our acquisition of such company on December 31, 2024. This overall increase was partially offset by (i) a decrease in cash and cash equivalents of RMB161.4 million mainly as a result of our investment in wealth management products; and (ii) an increase in trade, bills and other payables of RMB54.5 million, mainly due to the recognition of trade, bills and other payables of Zhejiang AITEK upon the completion of our acquisition of such company on December 31, 2024.

DISCUSSION OF CERTAIN SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONS

Property, Plant and Equipment

Our property, plant and equipment consist of buildings and plants, machinery and equipment, motor vehicles, electronic equipment and furniture, leasehold improvements and construction in progress. The table below sets for the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Buildings and plants	38,104	35,511	32,918	32,017
Machinery and equipment	26,713	55,358	57,709	56,365
Motor vehicles	553	1,197	641	612
Electronic equipment and furniture	2,168	2,834	2,976	2,538
Leasehold improvements	2,002	4,795	6,880	6,346
Construction in progress	906	709	1,168	7,969
Total	70,446	100,404	102,292	105,847

Our property, plant and equipment increased from RMB70.4 million as of December 31, 2023 to RMB100.4 million as of December 31, 2024. This was mainly because an increase in machinery and equipment of RMB28.6 million mainly as a result of our acquisition of Zhejiang AITEK at the end of 2024. Our property, plant and equipment remained relatively stable at RMB102.3 million and RMB105.8 million as of December 31, 2025 and June 30, 2026, respectively.

Intangible Assets

Our intangible assets consist of patent and computer software. The table below sets forth the breakdown of our intangible assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Patent	150,883	131,113	100,729	86,797
Computer software	—	—	28	21
Total	150,883	131,113	100,757	86,818

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Our intangible assets have been decreasing during the Track Record Period at RMB150.9 million, RMB131.1 million, RMB100.8 million and RMB86.8 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively, mainly because of the continuous amortization of our patents for acoustic enhancement materials. For our amortization policy regarding intangible assets, please refer to Note 17 to the Accountants’ Report as set out in Appendix I to this document.

Inventories

Our inventories consisted of raw materials, work-in-progress, finished goods and goods in transit. We closely monitor our inventory levels to optimize our inventory level in response to changes in customer demand and fluctuations in raw material prices. See “Business — Warehousing, Logistics and Inventory Management” for details of our inventory management system.

The table below sets forth a breakdown of our inventories as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	7,239	9,366	7,841	13,668
Work-in-progress	4,235	5,018	7,381	5,804
Finished goods	13,441	23,658	24,037	22,762
Goods in transit	2,283	2,510	18,840	19,101
Total	27,198	40,552	58,099	61,335

Our inventories increased from RMB27.2 million as of December 31, 2023 to RMB40.6 million as of December 31, 2024 primarily due to the recognition of inventories of Zhejiang AITEK upon the completion of our acquisition of such company on December 31, 2024. Our inventories further increased to RMB58.1 million as of December 31, 2025, which is mainly due to an increase of RMB16.3 million in goods in transit primarily reflecting a higher volume of goods delivered but not yet accepted. Our inventories increased from RMB58.1 million as of December 31, 2025 to RMB61.3 million as of June 30, 2026, primarily attributable to an increase in raw materials. Such increase was mainly driven by increasing demand for our products, which led us to procure additional raw materials in advance to fulfill orders.

The table below sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Less than one year	23,176	38,308	56,230	57,747
Over one year	4,022	2,244	1,869	3,588
Total	27,198	40,552	58,099	61,335

The table below sets forth the turnover days of our inventories for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
Inventory turnover days ⁽¹⁾	66	78	53	46

Note:

1. Average inventory turnover days equal the average of opening balance and closing balance for the relevant period divided by cost of sales for the same period and multiplied by 360 days (for a full year)/180 days (for the six months ended June 30, 2026).

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Our inventory turnover days increased from 66 days for the year ended December 31, 2023 to 78 days for the years ended December 31, 2024, mainly due to the recognition of inventories of Zhejiang AITEK upon the completion of our acquisition of such company on December 31, 2024, whereas no revenue attributable to Zhejiang AITEK was included in our consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2024. Our inventory turnover days decreased to 53 days for the year ended December 31, 2025 and further decreased to 46 days for the six months ended June 30, 2026, primarily driven by both increased market demand for our products and our continuous efforts in inventory management.

Trade, Bills and Other Receivables

Our trade and bills receivables primarily arose from credit sales of our products, while our other receivables and prepayments mainly consisted of advances to suppliers, deposits for derivative financial instruments, deferred [REDACTED] costs and others. The table below sets forth a breakdown of our trade, bills and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	158,592	195,241	235,211	204,837
Bills receivables	7,976	9,278	25,540	21,971
	166,568	204,519	260,751	226,808
Less: Impairment loss allowance for trade receivables	(3,259)	(2,961)	(3,996)	(3,467)
	163,309	201,558	256,755	223,341
Other receivables and prepayments				
Advance to suppliers	2,143	2,752	6,953	3,122
Deposits paid for derivative financial instruments	4,336	716	1,604	7,274
Deferred [REDACTED] cost	—	—	2,543	3,939
Export VAT refund receivable	—	—	1,051	—
Other receivables	1,289	2,261	2,488	3,449
	7,768	5,729	14,639	17,784
Less: Impairment loss allowance for other receivables	(32)	(74)	(15)	(23)
	7,736	5,655	14,624	17,761
Total	171,045	207,213	271,379	241,102
Analyzed as:				
Current	171,028	206,553	270,260	239,769
Non-current	17	660	1,119	1,333

Our trade, bills and other receivables increased from RMB171.0 million as of December 31, 2023 to RMB207.2 million as of December 31, 2024, primarily due to the recognition of trade, bills and other receivables of Zhejiang AITEK upon the completion of our acquisition of such company on December 31, 2024. Our trade, bills and other receivables further increased to RMB271.4 million as of December 31, 2025, primarily due to the increase in trade receivables from the sales growth of all of our business units, driven by our continuous market expansion, including the

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acquisition of Zhejiang AITEK. Our trade, bills and other receivables decreased to RMB241.1 million as of June 30, 2026, primarily due to the decrease in trade receivables. We adopted more proactive collection efforts against customer payments, which reduced overdue balances and enabled shorter credit terms for certain customers purchasing PV conductive pastes.

The credit period that we normally granted to customers during the Track Record Period was 30 days to 120 days. The table below sets forth an aging analysis of trade receivables, net of impairment loss allowances, presented based on revenue recognition date as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
0-30 days	84,822	72,444	60,695	98,039
31-90 days	70,247	90,360	119,760	74,735
91-180 days	264	26,867	50,477	28,083
181-365 days	–	1,503	283	513
Over one year	–	1,106	–	–
Total	155,333	192,280	231,215	201,370

We have a comprehensive credit management policy for our customers. We seek to maintain strict control over our receivables. Our credit management team is responsible for minimizing credit risks. Before accepting any new customer, we will internally assess the credit quality of the potential customer and define appropriate credit limits. Our senior management regularly reviews the recoverability of our outstanding balances and, when appropriate, provides for impairment of these trade receivables. We apply the IFRS 9 simplified approach to measure expected credit losses (“ECL”) which uses a lifetime expected loss allowance for all trade receivables. To measure the ECL, trade receivables are assessed collectively using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions.

We recorded impairment loss allowance for trade receivables of RMB3.3 million, RMB3.0 million, RMB4.0 million and RMB3.5 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively, in accordance with our accounting policy.

The table below sets forth the turnover days of our trade and bills receivables for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
Trade and bills receivable turnover days ⁽¹⁾	134	188	134	120

Note:

1. Average trade and bills receivables turnover days equal the average of beginning balance and ending balance of trade and bills receivables for relevant period divided by total revenue for the same period and multiplied by 360 days (for a full year)/180 days (for the six months ended June 30, 2026).

Our trade and bills receivables turnover days increased from 134 days in 2023 to 188 days in 2024, primarily due to the recognition of trade and bill receivables of Zhejiang AITEK upon the completion of our acquisition of such company on December 31, 2024, whereas no revenue

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attributable to Zhejiang AITEK was included in our consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2024. Our trade and bills receivables turnover days decreased to 134 days for the year ended December 31, 2025, primarily due to the fact that we have consolidated the revenue of Zhejiang AITEK in 2025, thus our trade and bills receivable turnover days returned to normal level for this period. Our trade and bills receivables turnover days decreased from 134 days for the year ended December 31, 2025 to 120 days for the six months ended June 30, 2026, as we adopted more proactive collection efforts against customer payments, which enabled shorter credit terms for certain customers purchasing PV conductive pastes.

Financial Assets at FVTPL

As of December 31, 2023, 2024, 2025 and June 30, 2026, we recorded financial assets at fair value through profit or loss (FVTPL) of nil, RMB238.5 million, RMB86.3 million and RMB87.3 million, respectively. These fluctuations reflected changes in the fair value of wealth management products we held as of the end of each period during the Track Record Period. The wealth management products are managed by licensed financial institutions in the PRC to invest principally in certain financial assets, including bonds, trusts or cash funds, in accordance with the entrusted agreements entered into between the parties involved. These investments are classified as current as we expect to realize these financial assets within twelve months after each reporting period.

To monitor and control the investment risks associated with the wealth management products, we have established a set of internal risk management policies. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including macro-economic environment, general market conditions, risk control and credit of issuing financial institutions, our own working capital conditions, and the expected profit or potential loss of the investment. The finance department is responsible for managing and coordinating the analysis and decisions on our investment of wealth management products, as well as the ongoing monitoring of such investments. We have established a set of investment policies and internal control measures governing investments in financial assets, including:

- ***Permitted investment scope and restrictions:*** Investments are mainly limited to low-risk wealth management products featuring high safety and liquidity. Investments in equities and derivatives are prohibited.
- ***Investment proposal and approval mechanism:*** We have implemented a tiered investment approval structure based on the nature and size of the investment. Investment proposals are initiated by the responsible personnel in the Finance Department and submitted for approval in accordance with the authorization level set out in our investment policy. Specially, small-scaled investments with the investment amounts below 10% of our total assets can be solely approved by the Chairman of the Board, medium-scaled investments with the investment amounts exceeding 10% of our total assets must be submitted to the Board for approval, and large-scale investments with investment amounts exceeding 50% of our total assets require the approval by the Shareholders’ meeting.
- ***Internal control and monitoring:*** Our wealth management investment policies shall be approved by the Chairman of the Board. Specific wealth management products shall be applied for and initiated by the Finance Department, and may only be implemented upon approval by Chairman of the Board, the Board and Shareholders’ meeting in terms of the amount of investment. For the subscription of wealth management products, vouchers shall be prepared by the cashier and reviewed by the Chief Financial Officer. In respect of our wealth management arrangements, we place primary emphasis on capital safety and liquidity under internal control frameworks. Subscriptions to wealth management products shall not impair our operating liquidity.

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Our investments in wealth management products will be subject to the compliance with the requirements under Chapter 14 of the Listing Rules.

Trade, Bills and Other Payables

Our trade and bills payables primarily represented payables to our suppliers during the ordinary course of our business, while our other payables mainly included payables for share buyback obligations pursuant to the employee share incentive plan, conditional government grants, payroll and welfare payables and amounts due to non-controlling shareholders. The table below sets forth our trade, bills and other payables as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	22,731	49,580	32,183	55,750
Bills payables	24,186	30,231	17,740	18,448
	<u>46,917</u>	<u>79,811</u>	<u>49,923</u>	<u>74,198</u>
Other payables				
Payables for acquisition of property, plant and equipment	1,838	2,860	2,227	2,704
Other taxes payables	5,469	3,128	5,253	1,746
Payroll and welfare payables	10,259	16,071	24,357	16,351
Payables for share buyback obligations pursuant to the employee share incentive plan ⁽³⁾	25,000	25,000	4,500	4,500
Conditional government grants ⁽¹⁾	18,000	18,900	18,000	22,420
Amounts due to non-controlling shareholders ⁽²⁾	2,830	16,926	9,875	3,774
Payables for incentives to vendors	—	—	3,000	—
Dividend payable	—	—	77,000	—
Accrued [REDACTED] expenses	—	—	6,287	3,676
Accrued [REDACTED] cost	—	—	1,541	758
Other accrued expenses	690	705	879	801
Others	1,337	3,405	5,218	4,645
	<u>65,423</u>	<u>86,995</u>	<u>158,137</u>	<u>61,375</u>
Total	<u>112,340</u>	<u>166,806</u>	<u>208,060</u>	<u>135,573</u>
Analyzed as:				
Current	94,340	148,806	208,060	131,153
Non-current	18,000	18,000	—	4,420
Total	<u>112,340</u>	<u>166,806</u>	<u>208,060</u>	<u>135,573</u>

Notes:

- (1) The amount represents (a) RMB18.0 million of government grants received by us for a production project in 2022 (the “Project”), which will be subject to inspection by the relevant government body by June 2026; and part of the government grants may be required to be repaid if the specified conditions have not been fulfilled;

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Under the terms of the relevant agreement, (i) if we fail to perform the contract without just cause, or if the contract cannot be implemented due to causes other than force majeure; and (ii) if the Project fails to achieve the overall objectives, the relevant government body shall propose handling recommendations, which shall be submitted to the Provincial Development and Reform Commission and the Provincial Department of Finance for review. Following such review, the Project may be adjusted, terminated or revoked, and the corresponding special grants may be recovered as appropriate. As of the Latest Practicable Date, part of the Project, which we have completed the mid-project acceptance, have not yet been completed due to changes in the downstream market and technological routes. Specifically, the relevant part of the Project relates to the production of high-performance composite films for PV POE (polyolefin elastomer) encapsulant films used in PV modules. At the time of project initiation, the PV industry was transitioning from P-type to N-type cells, which was expected to drive a shift in encapsulant films from EVA (ethylene-vinyl acetate copolymer) to POE. We believed that the production technology and formulation design of POE film share fundamental commonalities with our existing expertise in adhesives and films, and therefore we were preparing to conduct product pre-research and enter the market. As the project progressed, however, EVA film suppliers improved product performance through material modification and structural optimization, and hybrid solutions such as co-extruded EPE (EVA-POE-EVA) emerged as cost-effective alternatives, offering a 10% to 15% cost advantage while meeting the PID (Potential Induced Degradation) resistance requirements of N-type cells — performance previously achievable only with pure POE. According to Frost & Sullivan, these developments have significantly reduced the incremental value of pure POE films in the mainstream market, materially diminishing the economic rationale for a full transition to POE. As a result, this part of the Project has been suspended. As advised by PRC Legal Advisers, these government grants may be subject to legal recovery. As the Project has not yet completed final inspection, these grants have not been recognized as revenue and are classified under “other payables.” Should repayment become required, we still have sufficient cash and cash equivalents to settle the full amount. Such repayment will not result in any material adverse effect on our financial results or operations. Based on the independent due diligence work conducted, the Sole Sponsor is of the view that, in the event of the repayment of the government grants, our Group’s business operations or financial performance will not be materially affected; and (b) RMB0.9 million of government grants received by Zhejiang AITEK, which was subject to refund under the circumstance that Zhejiang AITEK failed to maintain its business registration and tax domicile at the location stipulated in the contract with the relevant government department within five years. Zhejiang AITEK has returned the government grants in full on September 30, 2025 having not fulfilled the aforesaid conditions.

- (2) The amount represents (a) the payables for technical service provided by a non-controlling shareholder, amounting to RMB2.8 million, RMB3.8 million, RMB3.8 million and RMB3.8 million as of December 31, 2023, 2024, 2025 and as of June 30, 2026, respectively. Such amount is trade in nature. We have explored the cooperation in respect of technical services with various customers and primarily procured adhesive testing services from this non-controlling shareholder for the research and development of our acoustic adhesives. The development of electronic adhesives products is complicated and intrinsically linked to the customers’ specific application scenarios, which require customization to meet their respective requirements. For instance, the performance of many adhesives can only be accurately assessed through device-level testing once such products are incorporated into finished components. Against this backdrop, we partnered with this non-controlling shareholder to expand our presence in the electronic adhesives market. Our non-controlling shareholder is a leading enterprise in the acoustic and optical device segment of the consumer electronics industry, capable of providing us with access to testing scenarios, detailed test results and optimization recommendations in relation to our electronic adhesives products; and (b) the payables amounting to RMB13.2 million and RMB6.1 million as of December 31, 2024 and 2025, respectively. Such payables are arising from business transactions between Zhejiang AITEK and a non-controlling shareholder of our Company (also a former controlling shareholder and a current non-controlling shareholder of Zhejiang AITEK). As of December 31, 2024, when our recognition of trade, bills and other payables of Zhejiang AITEK upon the completion of acquisition of such company, RMB13.2 million of other payables was consolidated arising from the aforesaid transaction, of which RMB12.4 million was non-trade in nature, as Zhejiang AITEK and the above-mentioned non-controlling shareholder entered into a loan agreement for settlement of such payables on January 1, 2022 and renewed the loan agreement on January 1, 2025. The above-mentioned loan is unsecured and unguaranteed. This loan has been fully settled in April 2026. For further details, please refer to Note 26 to the Accountants’ Report as set out in Appendix I to this document.
- (3) The payables arise from the restricted share incentive scheme in 2020 (“**2020 Scheme**”). Pursuant to the 2020 Scheme, Dr. Guo Mingbo was granted 1,315,789 restricted shares at a consideration of RMB25.0 million with vesting subject to a five-year service condition. Our Company has the right to repurchase, or appoint a third party to repurchase, the underlying unvested restricted shares from Dr. Guo Mingbo at the original subscription price of RMB25.0 million if he resigns from our Group prior to the vesting of such restricted shares. As a result, a corresponding amount of RMB25.0 million has been recognized as other payables, with Dr. Guo Mingbo as the beneficial payee.

Our trade, bills and other payables increased from RMB112.3 million as of December 31, 2023 to RMB166.8 million as of December 31, 2024, primarily due to the recognition of trade, bills and other payables of Zhejiang AITEK upon the completion of our acquisition of such company on December 31, 2024. Our trade, bills and other payables increased from RMB166.8 million as of December 31, 2024 to RMB208.1 million as of December 31, 2025, primarily due to an addition of RMB77.0 million in dividend payable resulting from our shareholders’ resolution to distribute retained profit as of November 30, 2025 and an addition of RMB6.3 million in accrued [REDACTED] expenses. Our trade, bills and other payables decreased from RMB208.1 million as of December 31, 2025 to RMB135.6 million as of June 30, 2026, primarily due to the payment of the RMB77.0 million dividend payables in March 2026.

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The table below sets forth an aging analysis of our trade payables presented based on the invoice dates as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
0-30 days	9,820	16,680	16,328	31,112
31-60 days	7,168	13,517	8,459	13,517
61-180 days	1,368	14,665	3,021	6,745
Over 180 days	4,375	4,718	4,375	4,376
Total	22,731	49,580	32,183	55,750

The table below sets forth the average turnover days of our trade and bills payables for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,
	2023	2024	2025	2026
Trade and bills payables turnover days ⁽¹⁾	99	147	70	48

Note:

1. Average trade and bills payables turnover days are derived by dividing the average of the beginning and ending trade and bills payables balance by cost of sales for the relevant period and multiplied by 360 days (for a year)/180 days (for the six months ended June 30, 2026).

Our trade and bills payables turnover days increased from 99 days in 2023 to 147 days in 2024, primarily due to the recognition of trade payables of Zhejiang AITEK upon the completion of our acquisition of such company on December 31, 2024, whereas no cost of sales attributable to Zhejiang AITEK was included in our consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2024. Our trade and bills payables turnover days decreased from 147 days in 2024 to 70 days for the year ended December 31, 2025, primarily attributable to a change in the revenue composition of our energy enhancement materials for the year ended December 31, 2025 as compared with the corresponding period in 2024, given that credit terms granted by suppliers of different raw materials vary based on product nature and industry trend. Our trade and bills payables turnover days decreased from 70 days for the year ended December 31, 2025 to 48 days for the six months ended June 30, 2026, primarily attributable to our increasing procurement of silver powder as a key raw material in 2026, for which we are generally requested to make prepayments.

ACQUISITION OF ZHEJIANG AITEK

On December 31, 2024, our Company and Zhejiang AITEK entered into a shareholders' agreement pursuant to which our Company agreed to subscribe for RMB28,000,000 of the newly-increased registered capital of Zhejiang AITEK with a cash consideration of RMB30,000,000, representing 50% equity interests of Zhejiang AITEK. Upon the completion of the transaction on December 31, 2024, according to the Articles of Association of Zhejiang AITEK, our Group has the majority voting power in the board of directors of Zhejiang AITEK, by which the relevant activities that significantly affect the return of Zhejiang AITEK are determined on a simple majority basis at the board of director's meetings. Accordingly, Zhejiang AITEK is accounted for as a non-wholly owned subsidiary of our Group at the acquisition date of December 31, 2024. The acquisition has been accounted for as acquisition of business using the acquisition method. For details, please refer to Note 33 to the Accountants' Report as set out in Appendix I to this document.

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LIQUIDITY AND CAPITAL RESOURCES

Working Capital Sufficiency

Historically, we funded our operations primarily with cash generated from operating activities and bank borrowings. Taking into account the financial resources available to us, including our existing cash and cash equivalents, availability of banking facilities, estimated net [REDACTED] from the [REDACTED] and cash flows from our operations, our Directors are of the view that, after due and careful inquiry, we have sufficient working capital for at least the next 12 months commencing from the date of this document.

Our future cash requirements will depend on many factors, including our operating income, capital expenditures on property, plant and equipment and intangible assets, market acceptance of our products or other changing business conditions and future developments, including any investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to issue equity and/or debt securities or borrow from lending institutions.

Cash Flows

The table below sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash from operating activities	28,738	143,681	108,184	71,129	91,124
Net cash from (used in) investing activities	70,299	(260,411)	168,925	44,505	(51,975)
Net cash used in financing activities	(33,134)	(44,626)	(199,342)	(46,674)	(90,743)
Net decrease in cash and cash equivalents	65,903	(161,356)	77,767	68,960	(51,594)
Cash and cash equivalents at beginning of the year .	200,359	266,262	104,906	104,906	182,673
Cash and cash equivalents at end of the year	266,262	104,906	182,673	173,866	131,079

Net Cash Generated from Operating Activities

For the six months ended June 30, 2026, our net cash generated from operating activities amounted to RMB91.1 million. This was derived from a profit before tax of RMB78.6 million, adjusted for: (i) amortization of intangible assets of RMB15.2 million, (ii) depreciation of property, plant and equipment of RMB7.0 million and (iii) share-based payment expenses of RMB4.0 million. The amount was further adjusted by (i) decrease in trade, bills and other receivables of RMB32.4 million, and (ii) increase in trade, bills and other payables of RMB7.8 million, which was partially offset by the increase in receivables at FVTOCI of RMB35.2 million.

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In 2025, our net cash generated from operating activities amounted to RMB108.2 million. This was derived from a profit before tax of RMB179.8 million, adjusted for: (i) amortization of intangible assets of RMB30.4 million, (ii) depreciation of property, plant and equipment of RMB14.7 million and (iii) share-based payment expenses of RMB3.3 million, which were partially offset by net gain on fair value changes of financial assets at FVTPL of RMB4.9 million and interest income of RMB5.2 million. The amount was further adjusted by (i) movements in working capital such as an increase in trade, bills and other receivables of RMB64.2 million and an increase in inventories of RMB18.5 million and (ii) income tax paid of RMB24.6 million.

In 2024, our net cash generated from operating activities amounted to RMB143.7 million. This was derived from a profit before tax of RMB127.8 million, adjusted for (i) amortization of intangible assets of RMB28.6 million, (ii) depreciation of property, plant and equipment of RMB8.7 million and (iii) share-based payment expenses of RMB4.3 million, which were partially offset by net gain on fair value changes of financial assets at FVTPL of RMB4.0 million. The amount was further adjusted by (i) in working capital such as an increase in receivables at FVTOCI of RMB33.2 million and a decrease in trade, bills and other receivables of RMB19.2 million and (ii) income tax paid of RMB16.6 million.

In 2023, our net cash generated from operating activities amounted to RMB28.7 million. This was derived from a profit before tax of RMB109.1 million, adjusted for (i) amortization of intangible assets of RMB28.3 million and (ii) depreciation of property, plant and equipment of RMB7.6 million, which were partially offset by interest income of RMB5.9 million. The amount was further adjusted by (i) movements in working capital such as an increase in trade, bills and other receivables of RMB93.8 million, an increase in receivables at FVTOCI of RMB27.7 million and an increase in trade, bills and other payables of RMB18.4 million and (ii) income taxes paid of RMB8.9 million.

Net Cash Generated from/(Used in) Investing Activities

For the six months ended June 30, 2026, we had net cash used in investing activities of RMB52.0 million, primarily consisting of (i) purchase of financial assets at FVTPL of RMB245.5 million and (ii) purchase of investment in an associate measured at FVTPL of RMB30.0 million. These outflows were partially offset by proceeds from disposal of financial assets at FVTPL of RMB246.8 million.

In 2025, we had net cash generated from investing activities of RMB168.9 million, primarily consisting of (i) proceeds from disposal of financial assets at FVTPL of RMB859.0 million and (ii) withdrawal of time deposits with banks with original maturity over three months of RMB23.1 million. These inflows were partially offset by (i) purchases of financial assets at FVTPL of RMB701.9 million and (ii) purchase of property, plant and equipment of RMB14.7 million.

In 2024, we had net cash used in investing activities of RMB260.4 million, primarily consisting of (i) purchases of financial assets at FVTPL of RMB637.9 million and (ii) placement of time deposits with banks with original maturity over three months of RMB22.9 million. These outflows were partially offset by proceeds from disposal of financial assets at FVTPL of RMB403.3 million.

In 2023, we had net cash generated from investing activities of RMB70.3 million, primarily consisting of (i) withdrawal of time deposits with banks with original maturity over three months of RMB210.0 million and (ii) proceeds from disposal of financial assets at FVTPL of RMB85.4 million. These were partially offset by (i) placement of time deposits with banks with original maturity over three months of RMB210.0 million and (ii) purchase of property, plant and equipment of RMB10.2 million.

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Net Cash Used in Financing Activities

For the six months ended June 30, 2026, we had net cash used in financing activities of RMB90.7 million, primarily consisting of (i) dividend paid of RMB77.0 million and (ii) repayments of borrowings of RMB43.7 million. These outflows were partially offset by new borrowings raised of RMB34.9 million.

In 2025, we had net cash used in financing activities of RMB199.3 million, primarily consisting of (i) repayments of borrowings of RMB50.9 million and (ii) dividends paid of RMB240.8 million. These outflows were partially offset by new borrowings raised of RMB75.3 million.

In 2024, we had net cash used in financing activities of RMB44.6 million, primarily consisting of (i) dividend paid of RMB40.8 million and (ii) payments of lease payments of RMB2.6 million.

In 2023, we had net cash used in financing activities of RMB33.1 million, primarily due to dividend paid of RMB34.6 million, which was partially offset by capital contribution from non-controlling shareholders of RMB2.4 million.

INDEBTEDNESS

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Borrowings	1,000	43,925	69,036	60,220
Lease liabilities	1,642	4,867	4,055	4,003
Other payables	–	12,350	6,101	–
	2,642	61,142	79,192	64,223
Non-current				
Borrowings	–	701	–	–
Lease liabilities	3,954	5,320	2,179	2,404
Total	6,596	67,163	81,371	66,627

Borrowings

As of December 31, 2023, 2024, 2025 and June 30, 2026, we had borrowings of RMB1.0 million, RMB44.6 million, RMB69.0 million and RMB60.2 million, respectively, mainly representing bank borrowings primarily to supplement our working capital. For details, please refer to Note 28 to the Accountants’ Report as set out in Appendix I to this document.

As of December 31, 2023, the effective interest rate (which are rate (which are also equal to contracted interest rate) on our borrowing is from 3.10% to 5.00% per annum. As of December 31, 2025, we obtained borrowings amounting to RMB75.3 million. The loans carry fixed interest rates ranging from 2.15% to 3.30% per annum and are repayable over a period within 3 to 12 months.

In respect of borrowings as of December 31, 2023, 2024, 2025 and June 30, 2026, we are not required to comply with significant financial covenants throughout the continuance of the relevant borrowings. Our Directors confirm that we did not experience any difficulty in obtaining bank and other borrowings, default in payments of bank and other borrowings, or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

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Lease Liabilities

The table below sets forth the lease liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Lease liabilities	1,642	4,867	4,055	4,003
Non-current				
Lease liabilities	3,954	5,320	2,179	2,404
Total	5,596	10,187	6,234	6,407

Our lease liabilities are in relation to properties that we lease for our offices and manufacturing facilities. As of December 31, 2023, 2024, 2025 and June 30, 2026, we recognized total lease liabilities of RMB5.6 million, RMB10.2 million, RMB6.2 million and RMB6.4 million, respectively. The fluctuation in our lease liabilities was primarily due to the addition of new leased plant and machinery as a result of our business expansion as well as the expiration of certain leases, and the acquisition of Zhejiang AITEK at the end of 2024.

Indebtedness statement

Save as disclosed above, as of June 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. Since June 30, 2026 and up to the date of this document, other than as disclosed above, our Directors have confirmed that there had been no material change in our indebtedness.

CAPITAL EXPENDITURES

We incurred capital expenditures of approximately RMB16.7 million, RMB6.1 million, RMB14.7 million and RMB15.0 million for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. Our capital expenditure primarily related to purchase of property, plant and equipment and intangible assets.

CAPITAL COMMITMENTS

Our capital commitments were RMB0.2 million, RMB3.1 million, RMB5.4 million and RMB10.7 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively, primarily related to capital expenditure in respect of acquisition of property, plant and equipment and intangible assets contracted for but not provided in the condensed consolidated financial statements.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as of the dates or for the periods indicated.

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	As of/For the year ended December 31,			As of/For the six months ended June 30,
	2023	2024	2025	2026
Current ratio ⁽¹⁾	4.64	3.31	2.32	3.19
Quick ratio ⁽²⁾	4.39	3.12	2.12	2.88
Gearing ratio ⁽³⁾	1.11%	7.57%	12.26%	9.53%
Return on equity ⁽⁴⁾	16.3%	17.1%	23.2%	10.7%
Return on total assets ⁽⁵⁾	13.5%	13.1%	16.6%	7.7%
Net debt to equity ratio ⁽⁶⁾	(42.4)%	(8.3)%	(18.5)%	(10.3)%

Notes:

1. Current ratio is calculated by dividing current assets by current liabilities as of the same date.
2. Quick ratio is calculated by subtracting inventories from total current assets, and then dividing the result by current liabilities as of the same date.
3. Gearing ratio is calculated based on derivative financial instruments, borrowings and lease liabilities divided by the ending balance of total equity and multiplied by 100%.
4. Return on equity equals profit for the year/period divided by total average of the opening and closing balances of total equity of the respective year/period, multiplied by 100%.
5. Return on assets equals profit for the year/period divided by total average of the opening and closing balances of total assets of the respective year/period, multiplied by 100%.
6. Net debt to equity ratio was calculated based on net debts (being total loans and borrowings net of cash and cash equivalents) as at the respective date divided by total equity as at the respective date.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as 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.

FINANCIAL RISK MANAGEMENT

We are exposed to various market risks, including interest rate risk, credit risk, and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. For more details, please refer to Note 37 (b) to the Accountants’ Report as set out in Appendix I of this document.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to restricted bank deposits and time deposits with original maturity over three months, fixed-rate borrowings and lease liabilities. Our Group is also exposed to cash flow interest rate in relation to variable-rate bank balances. Our Group’s cash flow interest rate risk is mainly concentrated on the fluctuations of the market rates from bank balances. Our Group currently does not hedge our exposure to cash flow and fair value interest rate risk, nevertheless, our Directors monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

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We manage our interest rate exposures by assessing the potential impact of interest rate movements, taking into account current rates and economic outlook. Our management regularly reviews the proportion of fixed and variable rate borrowings to ensure these remain within reasonable limits.

Credit Risk

Credit risk refers to the risk that our Group’s counterparties will default on their contractual obligations resulting in financial loss to our Group. Our Group’s credit risk exposures are primarily attributable to trade, bills and other receivables, receivables at FVTOCI, restricted bank deposits, time deposits with original maturity over three months and bank balances.

Liquidity Risk

Our Directors have adopted an appropriate liquidity risk management framework for the management of our Group’s short-term and long-term funding and liquidity management requirements. Our Group manages liquidity risk by closely and continuously monitoring our Group’s consolidated financial position. Our Directors also review the forecasted cash flows on an on-going basis to ensure that our Group will be able to meet our financial obligations falling due and have sufficient capital for operation.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into certain related party transactions from time to time, primarily related to the remuneration of our directors and other members of key management. For more details, please refer to Note 39 to the Accountants’ Report as set out in Appendix I to this document. Our Directors believe that our transactions with related parties during the Track Record Period 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.

DIVIDENDS

In 2023, a dividend of RMB34.6 million was declared by our Company to our equity shareholders, of which RMB34.6 million was paid in the same year. In 2024, a dividend of RMB40.8 million was declared by our Company to our equity shareholders, of which RMB40.8 million was paid in the same year. In April 2025, we declared and paid a dividend of RMB40.8 million. During the same year, we declared a special dividend of RMB 277.0 million to our equity shareholders, of which RMB 200.0 million was paid in the same year. In March 2026, we paid a dividend of RMB77.0 million, and no further dividend was declared during the six months ended June 30, 2026. For details, please refer to Note 13 to the Accountants’ Report as set out in Appendix I to this document.

Currently, we do not have a formal dividend policy nor a fixed payout ratio. Any future declarations and payments of dividends will be at the discretion of our Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. Any future net profit that we make may be used to pay or declare dividends after our Board has formulated a profit distribution plan and approved by our Shareholders in a general meeting. However, according to applicable PRC laws and regulations, such net profit must 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 statutory common reserve fund has reached more than 50% of our registered capital.

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DISTRIBUTABLE RESERVES

As of June 30, 2026, we had retained profits of RMB93.0 million available for distribution to our shareholders.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

Please refer to “Appendix II — Unaudited [REDACTED] Financial Information” for details.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and fees incurred in connection with the [REDACTED] and the [REDACTED]. As of June 30, 2026, we incurred [REDACTED] expenses of RMB[REDACTED] million (or approximately HK\$[REDACTED] million), of which (i) RMB[REDACTED] million (or approximately HK\$[REDACTED] million) was charged to the consolidated statements of profit or loss and other comprehensive income for the year ended December 31, 2025 and the six months ended June 30, 2026, and (ii) RMB[REDACTED] million (or approximately HK\$[REDACTED] million) was directly attributable to the [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. Our total [REDACTED] expenses are estimated to be approximately HK\$[REDACTED] million (including [REDACTED]), accounting for [REDACTED]% of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED] range stated in this document, and no exercise of the [REDACTED]). Among our total [REDACTED] expenses, approximately HK\$[REDACTED] million is directly attributable to the [REDACTED] of H Shares and will be charged to equity upon completion of the [REDACTED], and approximately HK\$[REDACTED] million was and will be charged to our consolidated statements of profit or loss and other comprehensive income. Our total [REDACTED] expenses would consist of (i) approximately HK\$[REDACTED] million [REDACTED] related expenses and fees (including [REDACTED] and fees), (ii) approximately HK\$[REDACTED] million [REDACTED]-related expenses and fees of the Sole Sponsor, legal advisers and reporting accountant, and (iii) approximately HK\$[REDACTED] million for other [REDACTED]-related fees and expenses.

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

We anticipate that our net profit may decline for the year ending December 31, 2026, primarily attributable to an expected decrease in revenue contribution from our acoustic enhancement materials as well as an expected increase in share-based payments and [REDACTED] expenses, partially offset by growth in other product categories. According to Frost & Sullivan, the potential decline in revenue contribution from acoustic enhancement materials is primarily attributable to expected lower shipments of certain Android smartphone brands, reflecting cyclical changes in downstream industries. As the downstream consumer electronics market is expected to maintain a growth trend in the medium and long term, as disclosed in the “Industry Overview”, shipments of Android smartphones are expected to resume growth, which will drive a corresponding increase in sales of our acoustic enhancement materials.

Our Directors confirmed that, save as disclosed above, as of the date of this document, there has been no material adverse change in our financial position since June 30, 2026, and there has been no event since June 30, 2026 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Hong Kong Listing Rules.