

FINANCIAL INFORMATION

You should read the following discussion and analysis on our financial condition and results of operations together with our audited consolidated financial statements as of and for each of the years ended December 31, 2023, 2024 and 2025, including the notes thereto, included in the Accountants’ Report as set out in Appendix I. Our consolidated financial statements have been prepared in accordance with HKFRS.

[REDACTED] should read the whole of the Accountants’ Report as set out in Appendix I, and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see “Risk Factors.”

OVERVIEW

We are a global supplier of lithium-ion battery electrolytes, specializing in the R&D, production and sales of lithium-ion battery electrolytes and battery materials. According to Frost & Sullivan, in terms of electrolyte revenue, we ranked third among global electrolyte suppliers in 2025 with the market share of 3.6%. Anchored by our technological advantages and supported by our strategically positioned production capacity, we provide stable, safe and efficient products for the global new energy industry.

In 2023, 2024, 2025 and the six months ended June 30, 2026, our revenue was RMB1,576.6 million, RMB1,020.6 million, RMB1,746.1 million and RMB1,971.9 million, respectively. In 2023, 2024, 2025 and the six months ended June 30, 2026, we recorded a gross profit of RMB172.8 million, RMB44.8 million, RMB163.7 million and RMB279.7 million, respectively, with the gross profit margin of 11.0%, 4.4%, 9.4% and 14.2% in the respective periods. While we recorded net loss of RMB27.6 million in 2024, we recorded net profit of RMB86.2 million, RMB36.1 million and RMB147.7 million in 2023, 2025 and the six months ended June 30, 2026, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by a number of factors, including but not limited to the following:

Industry Development and Downstream Market Demand

According to Frost & Sullivan, driven by the continued penetration of NEVs worldwide, accelerated ESS development, efficiency and integration upgrades in consumer electronics and rapid expansion in emerging applications such as robots and low-altitude economy applications, global electrolyte revenue are expected to reach RMB125.8 billion by 2030, with a projected CAGR of 20.9% from 2025 to 2030. In addition, as the energy transition continues to advance steadily, the electrolyte market in China is expected to reach RMB95.7 billion by 2030, with a CAGR of 21.0% from 2025 to 2030. Benefiting from the industry development, the sales volume of our electrolyte products continuously increased from 52,670 tons in 2023 to 60,676 tons in 2024 and further to 107,094 tons in 2025, and the sales volume of our electrolyte products increased from 42,332 tons in the six months ended June 30, 2025 to 77,164 tons in the same period in 2026. We believe that we are positioned to further expand our footprint in tandem with expected industry development.

During the Track Record Period, our electrolytes were primarily supplied to companies in the power battery sectors, ESS battery sector and consumer electronics battery sector. Developments in industry practices within downstream markets, such as the introduction of new technologies or standards, may influence demands for our products. Advances in alternative technologies could present both challenges and complementary opportunities for our product portfolio. The acceptance of more cost-effective substitutes for our products in the relevant markets could also have an impact on our business, financial condition and results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — The growth of our business depends on the growth and performance of downstream industries.”

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Supply Chain Management and Cost Control

Our operations are affected by price and availability of key materials, the prices of which are inherently volatile and closely linked to global commodity market trends. Our key raw materials primarily comprise solutes, solvents and additives. In 2023, 2024, 2025 and the six months ended June 30, 2026, our raw material costs were RMB1,298.0 million, RMB873.6 million, RMB1,468.6 million and RMB1,616.8 million, respectively, accounting for 92.5%, 89.6%, 92.8% and 95.5% of our total cost of sales in the respective periods. We adjust prices of our electrolyte products in accordance with the market price of solutes, such as LiPF_6 , our core raw material. The price of LiPF_6 declined from approximately RMB130,200 per ton in 2023 to approximately RMB62,500 per ton in 2024. Largely as a result, our average selling price for electrolyte products decreased from RMB30,000 per ton in 2023 to RMB17,000 per ton in 2024. Despite the growth in sales volume of our electrolyte products, which rose from 52,670 tons in 2023 to 60,676 tons in 2024, such increase could not fully mitigate the negative effect brought by the decrease in selling prices and our revenue decreased from RMB1,576.6 million in 2023 to RMB1,020.6 million in 2024. Therefore, we attach great importance to the security and stability of our supply chain. We have established a comprehensive supply chain management system and continually enhanced our supply chain security by actively promoting the localization of key raw materials, maximizing the use of locally sourced resources to strengthen resilience and mitigate supply chain risks.

We place a strong emphasis on cost control and supply-chain efficiency. To this end, we have developed proprietary core technologies for key raw materials to enhance supply-chain security while helping to reduce procurement and production costs. For example, in November 2025, we acquired a 51.00% equity interest in Shandong Lizhong, providing us with a supply of LiPF_6 each year. See “History and Corporate Structure — Acquisitions and Disposals — Acquisition of Shandong Lizhong.” This high level of self-sufficiency helps to ensure stable supply and we believe it will enable us to achieve cost reductions.

R&D and Production Capacity Management

We believe that R&D is one of the fundamental drivers of our growth, market leadership and overall financial condition. Our success over the years has been built on robust R&D capabilities and sustained investment in technological innovation. We have established our own R&D bases in Xianghe, Hebei Province and Huzhou, Zhejiang Province. See “Business — Research and Development.”

Maintaining a leading position in our core markets is closely linked to our continuous R&D investment and our ability to translate research into commercially viable products. The performance of our business, and consequently our financial condition, depends significantly on our ability to maintain a technological edge, respond to industry-wide advancements and adapt swiftly to evolving customer demand and technological trends. In support of this, we remain committed to ongoing investment in R&D to keep our product portfolio relevant and competitive. In 2023, 2024, 2025 and the six months ended June 30, 2026, our research and development expenses were RMB19.7 million, RMB24.1 million, RMB30.2 million and RMB25.8 million respectively. We expect to continue strengthening our R&D capabilities to drive further product optimization and innovation.

In addition, our ability to manage and expand our production capacity has a significant impact on the growth in our revenue and market share expansion. As of the Latest Practicable Date, we operated three production bases in China, which were located in Huzhou, Zhejiang Province, Yibin, Sichuan Province and Jining, Shandong Province. See “Business — Production — Our Production Bases.” Our production bases are generally equipped with professional machinery and equipment. Accordingly, we are able to produce products with premium quality and reliability, while ensuring cost efficiency. In addition, we expect to expand our production capacity and support global expansion, including the establishment of production bases in Yichang, Hubei Province, Szolnok, Hungary and Jining, Shandong Province, thereby achieving localized production capacity and enhancing our product delivery capabilities in both domestic and overseas markets. We believe that our ability to complete such plans will be a key factor in ensuring continued growth. See “Future Plans and [REDACTED].”

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Change in Product Mix

Our business focuses on lithium-ion battery electrolytes. Leveraging our comprehensive R&D system and multi-dimensional technological advances, we have developed a diversified product portfolio covering multiple application scenarios including power, ESS, consumer electronics and emerging applications. See “— Our Products — Electrolytes.” In addition, continuous innovation in electrolytes toward high-voltage systems, wide-temperature applications and fast-charging capabilities is expected to serve as a key driver for performance upgrades and market expansion across the industry. Therefore, we are continuing to expand and enhance our product portfolio to capture future growth opportunities and address evolving industry trends. As the profit margins, cost structures and market dynamics can vary significantly across these product categories, changes in our product mix will have a direct impact on our overall gross margins. These changes in turn, are expected to affect our financial performance and results of operation more broadly. For example, during the Track Record Period, the relative increase in our sales of electrolytes for ESS batteries, which generally had lower gross profit margins over the period due to industry dynamics and product characteristics, from representing 11.9% of our revenue in 2023 to representing 26.6% of our revenue in 2025 had a negative effect on our overall gross profit margin.

Competition

We primarily compete with a number of suppliers of lithium-ion battery electrolytes. According to Frost & Sullivan, by revenue in 2025, the top five electrolyte suppliers accounted for a combined market share of 49.2%, indicating a relatively concentrated market. Among them, our market share was 3.6%. To respond to competition, we consistently drive innovation, deepen and expand our R&D efforts and elevate product quality. See “Business — Research and Development.” Nevertheless, both new entrants and established competitors are expected to pursue market share gains through continued R&D investment, improvements in production efficiency and aggressive marketing initiatives. Therefore, we have to continue to strengthen the relationships with our existing customers, expand our customer base and enhance our product competitiveness. Competition could have a material adverse impact on pricing and margins of our electrolyte products. For example, our gross profit margin decreased from 11.0% in 2023 to 4.4% in 2024, primarily due to the decreased average selling price of our electrolyte products as a result of intensified market competition, which led to lower gross profit margins for our electrolyte products. If we fail to compete effectively, we may not be able to maintain or enlarge our market share, which would have a material adverse effect on our businesses, financial condition and results of operations.

Looking ahead, as we broaden our presence into new business lines, geographic markets and product categories, we intend to leverage our established leadership in lithium-ion battery electrolytes to capture emerging opportunities. See “Risk Factors — Risks Relating to Our Business and Industry — We face intense competition in the industries in which we operate.”

BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). All HKFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the Historical Financial Information during the Track Record Period. The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value.

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MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most material to the preparation of our consolidated financial statements. Some of our material accounting policies involve subjective assumptions and estimates, as well as complex judgments by our management relating to accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We set forth below those accounting policies that we believe are of critical importance to us or involve significant estimates, assumptions and judgments in the preparation of our financial statements. Our material accounting policies and key sources estimation uncertainty are set forth in detail in Notes 2.3 and 3 of the Accountants’ Report included in Appendix I to this document.

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on customers’ acceptance of the products upon delivery.

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which we will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized if it is material.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognized when the shareholders’ right to receive the payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably.

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Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Freehold land is not depreciated. Depreciation on other assets is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Shorter of remaining lease terms and estimated useful lives
Vehicles	3 to 10 years
Furniture, fixtures and equipment	3 to 5 years
Plant and machinery	3 to 10 years
Buildings and related improvements	10 to 30 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for “Revenue recognition” above.

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In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Our business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that we commit to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

(b) Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the statement of profit or loss.

(c) Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, we can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when we benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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(d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations in absolute amounts for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)			(unaudited)	
Revenue	1,576,590	1,020,598	1,746,060	636,538	1,971,914
Cost of sales	(1,403,744)	(975,760)	(1,582,339)	(599,045)	(1,692,194)
Gross Profit	172,846	44,838	163,721	37,493	279,720
Other income and gains . .	12,602	12,289	6,217	2,476	5,171
Other expense	—	—	(780)	(807)	(15,980)
Selling and distribution expenses	(8,777)	(8,811)	(9,542)	(4,471)	(6,894)
Administrative expenses . .	(44,390)	(52,138)	(72,819)	(27,180)	(51,677)
Research and development expenses	(19,662)	(24,094)	(30,175)	(11,272)	(25,812)
Impairment losses on financial assets, net	(436)	(9,154)	(9,491)	(6,023)	(20,086)
Finance costs	(3,425)	(4,701)	(8,345)	(2,772)	(5,557)
Profit/(loss) before tax . . .	108,758	(41,771)	38,786	(12,556)	158,885
Income tax (charge)/credit .	(22,590)	14,162	(2,724)	3,181	(11,182)
Profit/(loss) for the year/period	86,168	(27,609)	36,062	(9,375)	147,703
Attributable to:					
Owners of the parent . . .	74,575	(22,114)	36,560	(7,866)	127,863
Non-controlling interests	11,593	(5,495)	(498)	(1,509)	19,840
	86,168	(27,609)	36,062	(9,375)	147,703

Revenue

During the Track Record Period, we generated revenue primarily from sales of electrolytes, which include electrolytes for power batteries, ESS batteries, batteries for consumer electronics and emerging applications. The following table sets forth a breakdown of our revenue by business line both in absolute amounts and as percentages of total revenue for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
Electrolytes	1,570,254	99.6	1,010,151	99.0	1,705,572	97.7	630,544	99.1	1,903,822	96.5
Electrolytes for power batteries	1,225,778	77.7	783,958	76.8	1,188,500	68.1	464,113	72.9	1,388,853	70.4
Electrolytes for ESS batteries	186,872	11.9	161,091	15.8	465,645	26.6	143,972	22.6	474,415	24.1
Electrolytes for consumer electronics batteries	152,191	9.7	63,570	6.2	48,706	2.8	21,116	3.3	38,170	1.9
Electrolytes for emerging applications	5,413	0.3	1,532	0.2	2,721	0.2	1,343	0.3	2,384	0.1
Others⁽¹⁾	6,336	0.4	10,447	1.0	40,488	2.3	5,994	0.9	68,092	3.5
Total	1,576,590	100.0	1,020,598	100.0	1,746,060	100.0	636,538	100.0	1,971,914	100.0

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Note:

- (1) Others primarily represented our sales of raw materials, such as solutes, solvents and additives.

During the Track Record Period, substantially all of our revenue generated from the sales to customers in Mainland China. Revenue from such sales was RMB1,576.3 million, RMB1,020.3 million, RMB1,745.8 million, RMB636.5 million and RMB1,971.6 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 99.98%, 99.97%, 99.98%, 99.99% and 99.98% of our total revenue in the respective periods. During the Track Record Period, we also generated a small portion of our revenue from the sales to overseas customers, such as in India, Spain, Vietnam, among others.

Cost of Sales

During the Track Record Period, our cost of sales consisted of (i) raw material costs, mainly relating to solutes, solvents and additives; (ii) manufacturing costs; (iii) transportation expenses, mainly representing the expenses incurred for delivering our products to customers; and (iv) employee benefit expenses, mainly relating to salaries, allowances, bonuses and share-based payment expenses for production staff. The following table sets forth a breakdown of our cost of sales by nature both in absolute amounts and as percentages of total cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentages)										
Raw material costs . . .	1,298,037	92.5	873,588	89.6	1,468,563	92.8	547,375	91.4	1,616,797	95.5
Manufacturing costs . .	68,968	4.9	71,713	7.3	74,846	4.7	33,390	5.6	41,579	2.5
Transportation expenses	25,237	1.8	20,787	2.1	27,719	1.8	12,745	2.1	24,049	1.4
Employee benefit expenses	11,502	0.8	9,672	1.0	11,211	0.7	5,535	0.9	9,769	0.6
Total	1,403,744	100.0	975,760	100.0	1,582,339	100.0	599,045	100.0	1,692,194	100.0

Gross Profit and Gross Profit Margin

We recorded gross profit margin of 11.0%, 4.4%, 9.4%, 5.9% and 14.2% in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. According to Frost & Sullivan, the gross profit margin of our electrolyte products by business line is generally in line with industry trends. The following table sets forth a breakdown of our gross profit and gross profit margin by business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross profit/(loss)	Gross profit/(loss) margin (%)	Gross profit/(loss)	Gross profit/(loss) margin (%)	Gross profit	Gross profit margin (%)	Gross profit/(loss)	Gross profit/(loss) margin (%)	Gross profit	Gross profit margin (%)
(RMB in thousands, except for percentages)										
Electrolytes	171,884	10.9	42,344	4.2	147,091	8.6	36,055	5.7	264,818	13.9
Electrolytes for power batteries	147,765	12.1	39,618	5.1	119,260	10.0	31,814	6.9	208,432	15.0
Electrolytes for ESS batteries ⁽¹⁾	(237)	(0.1)	(7,988)	(5.0)	14,973	3.2	(1,312)	(0.9)	44,250	9.3
Electrolytes for consumer electronics batteries	22,697	14.9	10,355	16.3 ⁽²⁾	11,713	24.0	5,029	23.8	11,175	29.3

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	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross profit/(loss)	Gross profit/(loss) margin (%)	Gross profit/(loss)	Gross profit/(loss) margin (%)	Gross profit	Gross profit margin (%)	Gross profit/(loss)	Gross profit/(loss) margin (%)	Gross profit	Gross profit margin (%)
	(RMB in thousands, except for percentages)									
Electrolytes for emerging applications	1,659	30.6	359	23.4	1,145	42.1	524	39.0	961	40.3
Others ⁽³⁾	<u>962</u>	<u>15.2</u>	<u>2,494</u>	<u>23.9</u>	<u>16,630</u>	<u>41.1</u>	<u>1,438</u>	<u>24</u>	<u>14,902</u>	<u>21.9</u>
Total	<u>172,846</u>	<u>11.0</u>	<u>44,838</u>	<u>4.4</u>	<u>163,721</u>	<u>9.4</u>	<u>37,493</u>	<u>5.9</u>	<u>279,720</u>	<u>14.2</u>

Notes:

- (1) While we recorded gross losses and gross loss margins for electrolytes for ESS batteries in 2023, 2024 and the six months ended June 30, 2025, we recorded gross profit of RMB15.0 million and RMB44.3 million with gross profit margin of 3.2% and 9.3% for electrolytes for ESS batteries in 2025 and the six months ended June 30, 2026, respectively. We have adopted and will continue to implement the following measures to sustain the profitability of electrolytes for ESS batteries: (i) deepening long-term partnerships with leading ESS battery customers, thereby expanding order volume and improving pricing stability, (ii) increasing R&D investment in the electrolytes for ESS batteries to meet the rising demand for electrolytes for ESS batteries featuring high performance, wide operating temperature range and long cycle life, (iii) further reducing unit costs leveraging our strengths in supply chain integration and in-house supply of raw materials, and (iv) optimizing our product mix to satisfy diverse customer demand.
- (2) The gross profit margin of electrolytes for consumer electronics batteries increased from 14.9% in 2023 to 16.3% in 2024, while the gross margin of other electrolytes generally declined over the same period, primarily due to differences in market dynamics and product characteristics. On the one hand, prices of key upstream raw materials, such as LiPF₆, decreased in 2024, which led to a decline in the average selling prices of electrolytes for power and ESS batteries and imposed pressure on their gross margins. On the other hand, electrolytes for consumer electronics batteries mainly consist of customized products, with relatively flexible pricing mechanisms, making them less susceptible to industry-wide price competition. In addition, we continued to optimize our product mix of electrolytes for consumer electronics batteries, which helped partially offset cost fluctuations and enabled the gross margin to remain overall stable.
- (3) Others primarily represented our sales of raw materials, such as solutes, solvents and additives.

According to Frost & Sullivan, the profit margins for electrolytes for ESS batteries were generally lower than those of electrolytes for power batteries, consumer electronics batteries and emerging applications, primarily due to the below factors:

Product differentiation and technical attributes. Electrolytes for power batteries, consumer electronics batteries and emerging applications are tailored to meet customized demands in cycle life, fast charging and wide temperature range resistance, featuring high formula differentiation and technical barriers, which underpin higher product added value and pricing premium. By comparison, electrolytes for ESS batteries are positioned for large-capacity application, long-cycle life performance and large-scale commercial deployment. They mainly adopt mature, standardized formulas that prioritize cost optimization and cycle performance, leaving relatively limited room for product differentiation and premium pricing, and thus a relatively lower gross margin.

Customer stickiness. The supply chains of electrolytes for power batteries entail lengthy qualification certification and complex formulation systems. Downstream battery manufacturers face high verification costs and operational risks when switching electrolyte suppliers, enabling suppliers to maintain a sound gross margin level. Conversely, electrolytes for ESS batteries are generally standardized, resulting in fierce industry competition, which suppresses the overall profitability of electrolytes for ESS batteries.

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Notwithstanding the forgoing, we adopted a competitive pricing strategy in 2023 for our electrolytes for ESS batteries to accelerate market penetration, expand customer base and enhance our market share in this sector. In 2023, the revenue from sales of electrolytes for ESS batteries represented 11.9% of our total revenue in the same year. Benefiting from the introduction of several major customers and strengthening of cooperation with our existing customers through our competitive pricing strategy, our electrolytes for ESS batteries business expanded. In 2024, 2025 and the six months ended June 30, 2026, the revenue from sales of electrolytes for ESS batteries represented 15.8%, 26.6% and 24.1% in the respective years/period. Such pricing strategy, together with above-mentioned two factors, directly led to gross losses and gross loss margins for our electrolytes for ESS batteries in 2023 and 2024. In February 2025, the promulgation of Notice on Deepening the Market-oriented Reform of New Energy On-grid Tariffs and Promoting the High-quality Development of New Energy (關於深化新能源上網電價市場化改革促進新能源高品質發展的通知) (the “**Notice**”) drove China’s energy storage sector to transition from policy-driven mandatory supporting storage allocation to market-oriented development. The Notice abolished mandatory supporting storage requirements for new energy projects, phased out inefficient capacity and eased the prolonged downward price pressure on upstream raw materials. The Notice has to a certain extent catalyzed the growth of ESS battery market demand in 2025 and the six months ended June 30, 2026. Benefiting from the market share and customer base expansion achieved through our earlier pricing strategy for our electrolytes for ESS batteries, our overall pricing power for this sector has been enhanced in 2025 and the six months ended June 30, 2026, which ultimately enabled our electrolytes for ESS batteries business to return to positive gross profit and gross profit margin in 2025 and the six months ended June 30, 2026.

Other Expense

We recorded other expense of RMB0.8 million and RMB0.8 million in 2025 and the six months ended June 30, 2025, respectively, which primarily represented the expense incurred in connection with non-recourse factoring arrangements entered into with banks for vouchers issued by a customer to us. We recorded other expense of RMB16.0 million in the six months ended June 30, 2026, primarily in relation to fair value losses arising from wealth management products held by us.

Other Income and Gains

During the Track Record Period, our other income and gains primarily consisted of: (i) government grants, mainly in relation to our assets investments and R&D initiatives, such as incentives for investment in major industrial projects, awards for enterprise performance improvement, subsidies for [REDACTED] application and diverse R&D awards; (ii) bank interest income; (iii) interest income from debt investments at fair value through other comprehensive income, mainly in relation to our transferable certificate of bank deposit; (iv) dividends income from equity investments at fair value through other comprehensive income, mainly representing our equity investment in an additives manufacturer; (v) gains from changes in fair value of financial assets measured at fair value through profit or loss, mainly in relation to our wealth management products; (vi) loss or gain on disposal of items of property, plant and equipment; (vii) gain on early termination of leases; and (viii) gains on foreign exchanges. The following table sets forth a breakdown of our other income and gains by nature both in amounts and as percentages of total other income and gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)			(unaudited)	
Government grants	10,560	9,324	2,231	783	1,182
Bank interest income	772	721	605	437	827
Interest income from debt investments at fair value through other comprehensive income	–	611	2,352	1,218	431

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	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)			(unaudited)	
Dividends income from equity investments designated at fair value through other comprehensive income	625	—	—	—	—
Gains from changes in fair value of financial assets measured at fair value through profit or loss	274	676	435	28	6
(Loss)/gain on disposal of items of property, plant and equipment	(41)	4	(18)	7	(333)
Gain on early termination of leases	—	54	27	—	—
Gains on foreign exchanges . .	—	—	337	—	2,675
Others, net ⁽¹⁾	412	899	248	3	383
Total	12,602	12,289	6,217	2,476	5,171

Note:

(1) Others, net primarily included the compensation received for damage to our products during transportation.

Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses primarily consisted of (i) employee benefit expenses, mainly representing the salaries, allowances and bonuses for our sales staff; (ii) business entertainment expenses; (iii) traveling expenses; and (iv) advertising and promotion expenses. The following table sets forth a breakdown of our selling and distribution expenses by nature both in absolute amounts and as percentages of total selling and distribution expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
Employee benefit expenses	6,404	73.0	6,175	70.1	6,715	70.3	3,043	68.1	4,929	71.4
Business entertainment expenses	1,261	14.4	1,257	14.3	1,106	11.6	564	12.6	736	10.7
Traveling expenses . .	712	8.1	766	8.7	914	9.6	437	9.8	605	8.8
Advertising and promotion expenses .	181	2.1	399	4.5	427	4.5	323	7.2	240	3.5
Others ⁽¹⁾	219	2.4	214	2.4	380	4.0	104	2.3	384	5.6
Total	8,777	100.0	8,811	100.0	9,542	100.0	4,471	100.0	6,894	100.0

Note:

(1) Others mainly included office expenses.

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Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) employee benefit expenses, mainly representing the salaries, allowances, bonuses and share-based payment expenses for our administrative staff; (ii) depreciation and amortization in relation to our land and buildings; (iii) taxes and levies, mainly including real property tax; (iv) traveling expenses; and (v) consulting and professional fees, mainly in relation to our proposed [REDACTED] on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. The following table sets forth a breakdown of our administrative expenses by nature both in absolute amounts and as percentages of total administrative expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>										
Employee benefit expenses	24,651	55.5	26,191	50.2	34,089	46.8	15,737	57.9	22,152	42.9
Depreciation and amortization	4,151	9.4	8,935	17.1	10,797	14.8	4,337	16.0	6,240	12.1
Taxes and levies	3,376	7.6	3,324	6.4	5,152	7.1	1,879	6.9	3,437	6.7
Traveling expenses	3,279	7.4	2,397	4.6	2,392	3.3	625	2.3	1,019	2.0
Consulting and professional fees	2,077	4.7	5,922	11.4	13,706	18.8	1,943	7.1	12,764	24.7
Business entertainment expenses	1,699	3.8	732	1.4	1,078	1.5	583	2.1	977	1.9
Office expenses	934	2.1	999	1.9	1,386	1.9	636	2.3	881	1.7
Others ⁽¹⁾	4,223	9.5	3,638	7.0	4,219	5.8	1,440	5.3	4,207	8.0
Total	44,390	100.0	52,138	100.0	72,819	100.0	27,180	100.0	51,677	100.0

Note:

(1) Others primarily included advertising and business promotion expenses and rental expenses.

Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of: (i) employee benefit expenses, mainly representing the salaries, allowances and bonuses for our R&D staff; (ii) material costs, mainly in relation to the raw materials used in our R&D activities; (iii) depreciation and amortization, mainly in relation to our R&D equipment; and (iv) technical consulting fees and outsourced research and development expenses, mainly in relation to our cooperative R&D and commissioned R&D activities. The following table sets forth a breakdown of our research and development expenses by nature both in absolute amounts and as percentages of total research and development expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>										
Employee benefit expenses	11,401	58.0	12,336	51.2	17,428	57.8	7,092	62.9	13,125	50.9
Material costs	4,581	23.3	6,157	25.6	4,264	14.1	1,747	15.5	10,128	39.2
Depreciation and amortization	1,744	8.9	2,033	8.4	2,261	7.5	1,057	9.4	1,430	5.6

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	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentages)									
Technical consulting and outsourced research and development expenses	891	4.5	2,597	10.8	3,798	12.6	796	7.1	214	0.8
Others ⁽¹⁾	1,045	5.3	971	4.0	2,424	8.0	580	5.1	915	3.5
Total	19,662	100.0	24,094	100.0	30,175	100.0	11,272	100.0	25,812	100.0

Note:

- (1) Others primarily included travel expenses, courier fees, patent fees and utilities.

Impairment Losses on Financial Assets, Net

During the Track Record Period, our impairment losses on financial assets, net primarily represented impairment losses recognized on trade and bills receivables. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our impairment loss on financial assets, net was RMB0.4 million, RMB9.2 million, RMB9.5 million, RMB6.0 million and RMB20.1 million, respectively.

Finance Costs

During the Track Record Period, our finance costs represented interest on bank borrowings, discount interest on notes receivable and interest on lease liabilities. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our finance costs were RMB3.4 million, RMB4.7 million, RMB8.3 million, RMB2.8 million and RMB5.6 million, respectively. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	Amount	Amount	Amount	Amount	Amount
	(RMB in thousands)				
	(unaudited)				
Interest on bank borrowings	6,483	6,403	7,913	2,750	5,551
Discount interest on bills receivable	543	–	391	–	167
Interest on lease liabilities .	20	24	41	22	4
Total borrowings cost . .	7,046	6,427	8,345	2,772	5,722
Less: Interest capitalized in properties under development and construction in progress .	(3,621)	(1,726)	–	–	(165)
Total	3,425	4,701	8,345	2,772	5,557

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Income Tax (Charge)/Credit

We are subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of us are domiciled and operate. In 2023, 2025 and the six months ended June 30, 2026, our income tax charge was RMB22.6 million, RMB2.7 million and RMB11.2 million, respectively. In 2024 and the six months ended June 30, 2025, our income tax credit was RMB14.2 million and RMB3.2 million, primarily because we recorded deferred tax assets resulting from tax losses brought from previous years.

Mainland China

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the taxable profits determined in accordance with the Enterprise Income Tax Law, which was approved and became effective on January 1, 2008, except for the Company and certain subsidiaries of the Group in Mainland China which are granted tax concession and is taxed at preferential tax rates.

Our Company was qualified a High and New Technology enterprise and the applicable income tax rate was 15% during the Track Record Period. In addition, Yibin Kunlun New Energy Co., Ltd. enjoyed a 15% corporate income tax preferential policy under the strategy for Large-scale Development of Western China during the Track Record Period.

Hong Kong

The subsidiary incorporated in Hong Kong was subject to income tax under the two-tiered profits tax rates regime on the estimated assessable profits arising in Hong Kong during the Track Record Period. The first HKD2.0 million of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Hungary

Pursuant to the relevant tax laws of the corporate income tax in Hungary, the subsidiary which operates in Hungary was subject to corporate income tax at the rate of 9% on the taxable income.

During the Track Record Period and up to the Latest Practicable Date, we had no disputes or unresolved tax issues with the relevant tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased significantly from RMB636.5 million in the six months ended June 30, 2025 to RMB1,971.9 million in the six months ended June 30, 2026, primarily as a result of the increase in our revenue from the sales of electrolytes.

Our revenue from the sales of electrolytes increased significantly from RMB630.5 million in the six months ended June 30, 2025 to RMB1,903.8 million in the six months ended June 30, 2026, primarily driven by the accelerating demand in downstream power battery and ESS battery, supported by factors such as rising NEV penetration and the rapid development of energy storage solutions. These trends enabled our electrolyte sales volume to maintain strong expansion, increasing from 42,332 tons in the six months ended June 30, 2025 to 77,164 tons in the six months ended June 30, 2026. In addition, the average selling price of our electrolyte products increased from approximately RMB15,000 per ton to approximately RMB25,000 per ton over the same period.

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Our revenue from the sales of electrolytes for power batteries increased significantly from RMB464.1 million in the six months ended June 30, 2025 to RMB1,388.9 million in the six months ended June 30, 2026, primarily because the sales volume of electrolytes for power batteries increased from 31,117 tons in the six months ended June 30, 2025 to 56,446 tons in the six months ended June 30, 2026 and expanded market demand for electric vehicles, while the average selling price also increased from RMB15,000 per ton to RMB25,000 per ton over the same period.

Our revenue from the sales of electrolytes for ESS batteries increased significantly from RMB144.0 million in the six months ended June 30, 2025 to RMB474.4 million in the six months ended June 30, 2026, primarily because the sales volume of electrolytes for ESS batteries increased from 10,410 tons in the six months ended June 30, 2025 to 19,700 tons in the six months ended June 30, 2026 and expanded market demand for energy storage, while the average selling price also increased from RMB14,000 per ton to RMB24,000 per ton over the same period.

Our revenue from the sales of electrolytes for consumer electronics batteries increased by 80.2% from RMB21.2 million in the six months ended June 30, 2025 to RMB38.2 million in the six months ended June 30, 2026, primarily because the sales volume of electrolytes for consumer electronics batteries increased from 758 tons in the six months ended June 30, 2025 to 964 tons in the six months ended June 30, 2026, while the average selling price also increased from RMB28,000 per ton to RMB40,000 per ton over the same period.

Our revenue from the sales of electrolytes for emerging applications increased by 84.6% from RMB1.3 million in the six months ended June 30, 2025 to RMB2.4 million in the six months ended June 30, 2026, primarily because the sales volume of electrolytes for emerging applications increased from 47 tons in the six months ended June 30, 2025 to 54 tons in the six months ended June 30, 2026 in line with the expanded market demand from robots and low-altitude economy applications, while the average selling price also increased from RMB29,000 per ton to RMB44,000 per ton over the same period.

Our revenue from others increased significantly from RMB6.0 million in the six months ended June 30, 2025 to RMB68.1 million in the six months ended June 30, 2026, primarily driven by our acquisition of 51.00% equity interest in Shandong Lizhong in November 2025, which mainly engages in the manufacture and sales of battery materials.

Cost of Sales

Our cost of sales increased significantly from RMB599.0 million in the six months ended June 30, 2025 to RMB1,692.2 million in the six months ended June 30, 2026, primarily driven by the increase in our raw materials costs, which was generally in line with the increase in our electrolyte sales volume in the six months ended June 30, 2026. The average raw material cost for the production of electrolytes increased from approximately RMB12,900 per ton in the six months ended June 30, 2025 to RMB20,700 per ton in the six months ended June 30, 2026, primarily in line with the increase in the market price of our key upstream raw materials, such as LiPF_6 .

Gross Profit and Gross Profit Margin

Our gross profit increased significantly from RMB37.5 million in the six months ended June 30, 2025 to RMB279.7 million in the six months ended June 30, 2026, with the gross profit margin increasing from 5.9% to 14.2% over the same period, primarily due to (i) the improved economies of scale achieved by increased customer orders and production volumes, especially in the electrolytes for power batteries and ESS batteries, leading to more efficient utilization of equipment, utilities and other production resources, (ii) our enhanced bargaining power with suppliers as the market price of LiPF_6 increased, enabling us to obtain more favorable procurement terms and optimize raw material costs, and (iii) our increased selling prices of our electrolyte products.

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Our gross profit from the sales of electrolytes for power batteries increased significantly from RMB31.8 million in the six months ended June 30, 2025 to RMB208.4 million in the six months ended June 30, 2026. Its gross profit margin increased from 6.9% to 15.0% over the same period, primarily driven by our enhanced bargaining power and improved economies of scale.

We recorded gross loss from the sales of electrolytes for ESS batteries of RMB1.3 million in the six months ended June 30, 2025 and gross profit from the sales of electrolytes for ESS batteries of RMB44.3 million in the six months ended June 30, 2026. Correspondingly, we recorded gross loss margin of 0.9% and gross profit margin of 9.3% in the six months ended June 30, 2025 and 2026, respectively. This transition stemmed from growing ESS battery market demand, which reflects our earlier competitive pricing strategy. Expanded market share, customer base and sales volume-driven economies of scale further enhanced our pricing power, ultimately turning our gross profit and gross profit margin positive for ESS battery electrolytes.

Our gross profit from the sales of electrolytes for consumer electronics batteries increased significantly from RMB5.0 million in the six months ended June 30, 2025 to RMB11.2 million in the six months ended June 30, 2026. Its gross profit margin increased from 23.8% to 29.3% over the same period, primarily driven by (i) higher average selling prices in tandem with movements in raw material prices; and (ii) improved economies of scale driven by higher production and sales volumes.

Our gross profit from the sales of electrolytes for emerging applications increased significantly from RMB0.5 million in the six months ended June 30, 2025 to RMB1.0 million in the six months ended June 30, 2026, primarily in line with its revenue growth. Its gross profit margin remained relatively stable at 39.0% and 40.3% in the six months ended June 30, 2025 and 2026, respectively.

Our gross profit from others increased significantly from RMB1.4 million in the six months ended June 30, 2025 to RMB14.9 million in the six months ended June 30, 2026. Our gross profit margin decreased from 24.0% to 21.9% over the same period, primarily due to our acquisition of 51.00% equity interest in Shandong Lizhong in November 2025, which mainly engages in the manufacture and sales of battery materials.

Other Income and Gains

Our other income and gains increased significantly from RMB2.5 million in the six months ended June 30, 2025 to RMB5.2 million in the six months ended June 30, 2026, primarily due to (i) the gain on foreign exchanges arising from exchange rate fluctuations on euro-denominated funds for the construction of our production base in Hungary, and (ii) the increase in bank interest income as a result of our increased bank deposits in line with our revenue growth, partially offset by the decrease in interest income from debt investments at fair value through other comprehensive income arising from the reduction in certificates of deposit.

Other Expense

Our other expense increased significantly from RMB0.8 million in the six months ended June 30, 2025 to RMB16.0 million in the six months ended June 30, 2026, primarily due to fair value losses arising from wealth management products held by us.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 54.2% from RMB4.5 million in the six months ended June 30, 2025 to RMB6.9 million in the six months ended June 30, 2026, primarily due to the increase in employee benefit expenses driven by the increase in number and salaries of our sales staff.

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Administrative Expenses

Our administrative expenses increased by 90.1% from RMB27.2 million in the six months ended June 30, 2025 to RMB51.7 million in the six months ended June 30, 2026, primarily (i) the increase in consulting and professional fees, mainly in relation to consulting fees for (a) our proposed [REDACTED] in the Hong Kong Stock Exchange, and (b) our business expansion and legal service fees for the litigation, see “Business — Legal Proceedings and Compliance — Litigation”, and (ii) the increase in employee benefit expenses driven by the increase in number of our administrative staff after the acquisition of Shandong Lizhong in November 2025.

Research and Development Expenses

Our research and development expenses increased significantly from RMB11.3 million in the six months ended June 30, 2025 to RMB25.8 million in the six months ended June 30, 2026, primarily due to (i) the increase in material costs as a result of our enhanced R&D efforts, and (ii) the increase in employee benefit expenses driven by the increase in number of our R&D staff after the acquisition of Shandong Lizhong in November 2025.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net increased significantly from RMB6.0 million in the six months ended June 30, 2025 to RMB20.1 million in the six months ended June 30, 2026, primarily driven by the increase in trade receivables in line with our revenue growth.

Finance Costs

Our finance costs increased significantly from RMB2.8 million in the six months ended June 30, 2025 to RMB5.6 million in the six months ended June 30, 2026, primarily due to the increase in interest on bank borrowings as we secured more bank borrowings to support our daily operations in line with our business growth.

Income Tax (Charge)/Credit

We recorded income tax credit of RMB3.2 million in the six months ended June 30, 2025 and income tax charge of RMB11.2 million in the six months ended June 30, 2026, primarily due to the change from a loss before income tax of RMB12.6 million in the six months ended June 30, 2025 to a profit before income tax of RMB158.9 million in the six months ended June 30, 2026.

(Loss)/Profit for the Period

As a result of the foregoing, we recorded loss for the period of RMB9.4 million in the six months ended June 30, 2025 and profit for the period of RMB147.7 million in the six months ended June 30, 2026.

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

Revenue

Our revenue increased by 71.1% from RMB1,020.6 million in 2024 to RMB1,746.1 million in 2025, primarily as a result of the increase in our revenue from the sales of electrolytes.

Our revenue from the sales of electrolytes increased by 68.8% from RMB1,010.2 million in 2024 to RMB1,705.6 million in 2025, primarily driven by the accelerating demand in downstream power battery and ESS battery, supported by factors such as rising NEV penetration and the rapid development of energy storage solutions. These trends enabled our electrolyte sales volume to maintain strong expansion, increasing from 60,676 tons in 2024 to 107,094 tons in 2025. In addition, the average selling price of our electrolyte products slightly decreased from approximately RMB17,000 per ton in 2024 to approximately RMB16,000 per ton in 2025. Consequently, revenue contribution from sales volume growth more than offset the minor decrease in selling prices.

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Our revenue from the sales of electrolytes for power batteries increased by 51.6% from RMB784.0 million in 2024 to RMB1,188.5 million in 2025, primarily because the sales volume of electrolytes for power batteries increased from 46,806 tons in 2024 to 75,209 tons in 2025 and expanded market demand for electric vehicles, while the average selling price remained relatively stable at RMB17,000 per ton in 2024 and RMB16,000 per ton in 2025.

Our revenue from the sales of electrolytes for ESS batteries increased significantly from RMB161.1 million in 2024 to RMB465.6 million in 2025, primarily because the sales volume of electrolytes for ESS batteries increased from 11,198 tons in 2024 to 30,164 tons in 2025 and expanded market demand for energy storage, while the average selling price remained relatively stable at RMB14,000 per ton in 2024 and RMB15,000 per ton in 2025.

Our revenue from the sales of electrolytes for consumer electronics batteries decreased by 23.4% from RMB63.6 million in 2024 to RMB48.7 million in 2025, primarily because the sales volume of electrolytes for consumer electronics batteries decreased from 2,617 tons in 2024 to 1,630 tons in 2025 mainly driven by our optimized business strategy to further focus on power battery electrolytes and ESS battery electrolytes to better align with market demand, even though the average selling prices increased from RMB24,000 per ton in 2024 to RMB30,000 per ton in 2025 as the consumer electronics batteries exhibited a swifter price response to the upward adjustments in upstream raw material prices in the fourth quarter of 2025 as compared with power batteries and ESS batteries.

Our revenue from the sales of electrolytes for emerging applications increased by 80.0% from RMB1.5 million in 2024 to RMB2.7 million in 2025, primarily because the sales volume of electrolytes for emerging applications increased from 55 tons in 2024 to 91 tons in 2025 in line with the expanded market demand from robots and low-altitude economy applications, and the average selling price also slightly increased from RMB28,000 per ton in 2024 to RMB30,000 per ton in 2025.

Our revenue from others increased significantly from RMB10.4 million in 2024 to RMB40.5 million in 2025, primarily driven by our acquisition of 51.00% equity interest in Shandong Lizhong in November 2025, which mainly engages in the manufacture and sales of battery materials.

Cost of Sales

Our cost of sales increased by 62.2% from RMB975.8 million in 2024 to RMB1,582.3 million in 2025, primarily due to the increase in our raw materials costs, which was generally in line with the increase in our electrolyte sales volume in 2025. In 2024 and 2025, the average raw material cost for the production of electrolytes were RMB14.2 thousand per ton and RMB13.5 thousand per ton, respectively.

Gross Profit and Gross Profit Margin

Our gross profit increased significantly from RMB44.8 million in 2024 to RMB163.7 million in 2025. Our gross profit margin increased from 4.4% in 2024 to 9.4% in 2025, primarily due to the improved economies of scale achieved by increased customer orders and production volumes, especially in the electrolytes for power batteries and ESS batteries, leading to more efficient utilization of equipment, utilities and other production resources.

Our gross profit from the sales of electrolytes for power batteries increased significantly from RMB39.6 million in 2024 to RMB119.3 million in 2025. Our gross profit margin of the sales of electrolytes for power batteries increased from 5.1% in 2024 to 10.0% in 2025, primarily driven by our enhanced bargaining power and improved economies of scale.

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We recorded gross loss from the sales of electrolytes for ESS batteries of RMB8.0 million in 2024 and gross profit of RMB15.0 million in 2025. Accordingly, we recorded gross loss margin of sales of electrolytes for ESS batteries of 5.0% in 2024 and gross profit margin of 3.2% in 2025. This transition stemmed from growing ESS battery market demand, which reflects our earlier competitive pricing strategy. Expanded market share, customer base and sales volume-driven economies of scale further enhanced our pricing power, ultimately turning our gross profit and gross profit margin positive for ESS battery electrolytes.

Our gross profit from the sales of electrolytes for consumer electronics batteries remained relatively stable at RMB10.4 million in 2024 and RMB11.7 million in 2025. Our gross profit margin of the sales of electrolytes for consumer electronics batteries increased from 16.3% in 2024 to 24.0% in 2025, primarily due to increased product prices driven by the upward adjustments in upstream raw material prices in the fourth quarter of 2025.

Our gross profit from the sales of electrolytes for emerging applications increased significantly from RMB0.4 million in 2024 to RMB1.1 million in 2025, and our gross profit margin of the sales of electrolytes for emerging applications increased from 23.4% in 2024 to 42.1% in 2025, primarily in line with the expanded market demand from robots and low-altitude economy applications and increased product prices.

Our gross profit from others increased significantly from RMB2.5 million in 2024 to RMB16.6 million in 2025, and our gross profit margin increased from 23.9% in 2024 to 41.1% in 2025, primarily driven by our acquisition of 51.00% equity interest in Shandong Lizhong in November 2025, which mainly engages in the manufacture and sales of battery materials.

Other Income and Gains

Our other income and gains decreased by 49.4% from RMB12.3 million in 2024 to RMB6.2 million in 2025, primarily due to the decrease in government grants in relation to talent introduction subsidies and enterprise development allowances, partially offset by the increase in gains from changes in fair value of financial assets measured at fair value through profit or loss in relation to wealth management products.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 8.3% from RMB8.8 million in 2024 to RMB9.5 million in 2025, primarily due to the increase in employee benefit expenses driven by the increase in number and salaries of our sales staff.

Administrative Expenses

Our administrative expenses increased by 39.7% from RMB52.1 million in 2024 to RMB72.8 million in 2025, primarily due to (i) the increase in employee benefit expenses driven by the increase in number and salaries of our administrative staff, (ii) the increase in consulting and professional fees, mainly in relation to consulting fees for our business expansion, and (iii) the increase in taxes and levies in line with our business development.

Research and Development Expenses

Our research and development expenses increased by 25.2% from RMB24.1 million in 2024 to RMB30.2 million in 2025, primarily due to the increase in employee benefit expenses driven by the increase in number and salaries of our R&D staff.

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Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net remained at relatively stable at RMB9.2 million in 2024 and RMB9.5 million in 2025.

Finance Costs

Our finance costs increased by 76.6% from RMB4.7 million in 2024 to RMB8.3 million in 2025, primarily due to (i) the increase in interest on bank borrowings to support our daily operations in line with our business growth, and (ii) the capitalization of certain interest related to buildings being constructed in 2024.

Income Tax Credit/(Charge)

We recorded income tax credit of RMB14.2 million in 2024 and income tax charge of RMB2.7 million in 2025, primarily due to the change from a loss before income tax of RMB41.8 million in 2024 to a profit before income tax of RMB38.8 million in 2025.

(Loss)/Profit for the Year

As a result of the foregoing, we recorded a net loss of RMB27.6 million in 2024 and a net profit of RMB36.1 million in 2025, respectively.

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

Revenue

Our revenue decreased by 35.3% from RMB1,576.6 million in 2023 to RMB1,020.6 million in 2024, primarily due to the decrease in our revenue from sales of electrolytes.

Our revenue from the sales of electrolytes decreased by 35.7% from RMB1,570.3 million in 2023 to RMB1,010.2 million in 2024, primarily due to the decrease in price of our electrolyte products in line with the decrease in the average price of our solutes, such as LiPF₆, our core raw material, as we largely price our electrolyte products based on the cost of the underlying raw materials. According to Frost & Sullivan, LiPF₆, the mainstream solute, typically accounts for approximately 40%–50% of total electrolyte raw material costs, with the remainder attributable to solvents and additives. From 2023 to 2024, the average price of LiPF₆ decreased by approximately 52.0%, falling from approximately RMB130,200 per ton to RMB62,500 per ton. Over the same period, the average price of various solvents as a whole declined by approximately 8.3% and the average price of additives fell by approximately 23.6%. See “Industry Overview — Overview of the Global Electrolyte Industry — Market Size Analysis of the Global Electrolyte Industry.” Taking into account the weighted average price decline across the raw materials and our pricing strategy to maintain our competitiveness, the average prices of our electrolyte products declined by 43.3% from approximately RMB30,000 per ton in 2023 to approximately RMB17,000 per ton in 2024. Despite the growth in sales volume of our electrolyte products, which rose from 52,670 tons in 2023 to 60,676 tons in 2024, such increase could not fully mitigate the negative effect brought by the decrease in selling prices.

Our revenue from the sales of electrolytes for power batteries decreased by 36.0% from RMB1,225.8 million in 2023 to RMB784.0 million in 2024, primarily because the average selling price of electrolytes for power batteries decreased from RMB30,000 per ton in 2023 to RMB17,000 per ton in 2024 in line with the decrease in the average price of our solutes, such as LiPF₆, despite the growth in its sales volume rising from 40,556 tons in 2023 to 46,806 tons in 2024 and expanded market demand for electric vehicles.

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Our revenue from the sales of electrolytes for ESS batteries decreased by 13.8% from RMB186.9 million in 2023 to RMB161.1 million in 2024, primarily because the average selling price of electrolytes for ESS batteries decreased from RMB25,000 per ton in 2023 to RMB14,000 per ton in 2024 in line with the decrease in the average price of our solutes, such as LiPF_6 , despite the growth in its sales volume rising from 7,624 tons in 2023 to 11,198 tons in 2024 and expanded market demand for energy storage.

Our revenue from the sales of electrolytes for consumer electronics batteries decreased by 58.2% from RMB152.2 million in 2023 to RMB63.6 million in 2024, primarily because the average selling price of electrolytes for consumer electronics batteries decreased from RMB35,000 per ton in 2023 to RMB24,000 per ton in 2024 in line with the decrease in the average price of our solutes, such as LiPF_6 , as well as the decline in its sales volume rising from 4,372 tons in 2023 to 2,617 tons in 2024 mainly driven by our optimized business strategy to further focus on power battery electrolytes and ESS battery electrolytes to better align with market demand,

Our revenue from the sales of electrolytes for emerging applications decreased by 72.2% from RMB5.4 million in 2023 to RMB1.5 million in 2024, primarily because the average selling price of electrolytes for emerging applications decreased from RMB46,000 per ton in 2023 to RMB28,000 per ton in 2024 in line with the decrease in the average price of our solutes, such as LiPF_6 , as well as the decline in its sales volume rising from 118 tons in 2023 to 55 tons in 2024 mainly in relation to volatile demand for electrolytes for emerging application.

Our revenue from others increased by 65.1% from RMB6.3 million in 2023 to RMB10.4 million in 2024, primarily in line with our business growth and increased customer demand for raw materials.

Cost of Sales

Our cost of sales decreased by 30.5% from RMB1,403.7 million in 2023 to RMB975.8 million in 2024, primarily due to the decrease in raw materials costs in line with reduction in the price of LiPF_6 , partially offset by the growth in sales volume of our electrolyte products in 2024. In 2023 and 2024, the average raw material cost for the production of electrolytes were RMB24,600 per ton and RMB14,200 per ton, respectively.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 74.1% from RMB172.8 million in 2023 to RMB44.8 million in 2024. Our gross profit margin decreased from 11.0% in 2023 to 4.4% in 2024, primarily because (i) the overall prices of raw materials, including LiPF_6 , solvents and additives, declined, thus our electrolyte prices decreased accordingly and bulk procurement concessions were narrowed, (ii) as industry competition intensified and additional industry production capacity came onstream, we adopted competitive pricing initiatives to sustain our market position, and (iii) despite weaker product profitability, the rising sales volume and ongoing production activities necessitated sustained fixed operating and manufacturing costs.

Our gross profit from the sales of electrolytes for power batteries decreased by 73.2% from RMB147.8 million in 2023 to RMB39.6 million in 2024, and our gross profit margin of the sales of electrolytes for power batteries decreased from 12.1% in 2023 to 5.1% in 2024, primarily due to a decline in our product prices in line with the decrease in the average price of our solutes, such as LiPF_6 .

Our gross loss from the sales of electrolytes for ESS batteries increased significantly from RMB0.2 million in 2023 to RMB8.0 million in 2024, and our gross loss margin of the sales of electrolytes for ESS batteries increased from 0.1% in 2023 to 5.0% in 2024, primarily due to our adoption of a competitive pricing strategy since 2023. At that time, the ESS battery electrolyte market was in a stage of rapid development with intense industry competition, and numerous market

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participants were actively expanding their market presence. In order to effectively accelerate market penetration, quickly expand our customer base in the ESS battery electrolyte segment, and further enhance our market share and brand influence in this promising sector, we strategically set our product prices at a competitive level relative to industry peers. While this pricing strategy helped us gain initial market recognition and lay a solid foundation for long-term business development in the ESS battery electrolyte field, it also led to gross loss margins and a subsequent significant increase in gross loss and gross loss margin in 2024.

Our gross profit from the sales of electrolytes for consumer electronics batteries decreased by 54.2% from RMB22.7 million in 2023 to RMB10.4 million in 2024, primarily due to the decreases in both sales volumes and product prices. Our gross profit margin of the sales of electrolytes for consumer electronics batteries remained relatively stable at 14.9% in 2023 and 16.3% in 2024.

Our gross profit from the sales of electrolytes for emerging applications decreased by 76.5% from RMB1.7 million in 2023 to RMB0.4 million in 2024, and our gross profit margin of the sales of electrolytes for emerging applications decreased from 30.6% in 2023 to 23.4% in 2024, primarily due to the volatile demand for and sales of electrolytes for emerging application.

Our gross profit from others increased from RMB0.1 million in 2023 to RMB2.5 million in 2024, primarily due to our increased sales volume of raw materials. Our gross profit margin of others increased from 15.2% in 2023 to 23.9% in 2024, primarily in relation to the volatile demand for our raw materials.

Other Income and Gains

Our other income and gains remained relatively stable at RMB12.6 million in 2023 and RMB12.3 million in 2024, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses remained stable at RMB8.8 million in 2023 and 2024.

Administrative Expenses

Our administrative expenses increased by 17.3% from RMB44.4 million in 2023 to RMB52.1 million in 2024, primarily due to (i) an increase in depreciation and amortization, mainly in relation to our Yibin Production Base, which began operation in July 2023; (ii) an increase in consulting and professional fees, mainly in relation to our proposed [REDACTED] on the Shenzhen Stock Exchange; and (iii) an increase in employee benefit expenses in line with the increased number of our administrative staff.

Research and Development Expenses

Our research and development expenses increased by 22.3% from RMB19.7 million in 2023 to RMB24.1 million in 2024, primarily due to (i) the increase in technical consulting and outsourced research and development expenses in relation to our R&D commission agreements in the second half of 2024, and (ii) an increase in material costs, reflecting our increased R&D activities.

Impairment Losses on Financial Assets, Net

Our impairment losses on financial assets, net increased significantly from RMB0.4 million in 2023 to RMB9.2 million in 2024, primarily in relation to the trade receivables from one of our customers. We have settled such trade receivables in November 2025.

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Finance Costs

Our finance costs increased by 38.2% from RMB3.4 million in 2023 to RMB4.7 million in 2024, primarily due to the decrease in interest capitalized in 2024.

Income Tax (Charge)/Credit

We recognized an income tax charge of RMB22.6 million in 2023 as compared to an income tax credit of RMB14.2 million in 2024, primarily due to the change from a profit before income tax of RMB108.8 million in 2023 to a loss before income tax of RMB41.8 million in 2024.

Profit/(Loss) for the Year

As a result of the foregoing, we recorded a net profit of RMB86.2 million in 2023 and a net loss of RMB27.6 million in 2024.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Non-Current Assets and Liabilities

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Non-current assets				
Property, plant and equipment .	487,159	466,408	835,616	894,982
Prepayments, other receivables and other assets	15,205	11,806	83,326	61,235
Right-of-use assets	68,489	66,197	103,982	140,982
Intangible assets	2,550	2,153	2,919	2,923
Equity investments designated at fair value through other comprehensive income	53,437	68,437	67,542	68,582
Debt investments at fair value through other comprehensive income	—	72,258	—	—
Financial assets at fair value through profit or loss	—	—	30,276	30,722
Deferred tax assets	—	14,947	29,437	35,004
Total non-current assets	626,840	702,206	1,153,098	1,234,430
Non-current liabilities				
Interest-bearing bank borrowings	(94,949)	(88,337)	(150,389)	(255,810)
Lease liabilities	(174)	(105)	(144)	(4)
Deferred government grants . .	(5,864)	(3,130)	(11,013)	(12,604)
Deferred tax liabilities	(2,693)	(4,227)	(10,971)	(7,026)
Total non-current liabilities .	(103,680)	(95,799)	(172,517)	(275,444)
Net non-current assets	523,160	606,407	980,581	958,986

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Current Assets and Liabilities

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

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	(RMB in thousands)				(unaudited)
Current Assets					
Inventories	30,298	53,671	177,014	281,096	371,010
Trade and bills receivables . . .	961,066	605,385	1,158,724	1,561,478	1,662,459
Debt investments at fair value through other comprehensive income	—	21,239	32,036	32,467	32,539
Prepayments, other receivables and other assets . . .	47,605	66,567	45,090	54,508	57,620
Financial assets at fair value through profit or loss	36,914	41,890	53,136	84,533	103,491
Pledged deposits .	57,854	46,786	68,255	81,493	98,381
Cash and cash equivalents . . .	23,539	41,484	46,935	197,193	186,009
Total current assets	1,157,276	877,022	1,581,190	2,292,768	2,511,509
Current Liabilities					
Trade and bills payables	(469,899)	(340,066)	(937,811)	(1,239,015)	(1,395,763)
Other payables and accruals . .	(100,623)	(46,059)	(116,518)	(69,603)	(123,784)
Interest-bearing bank borrowings . . .	(74,483)	(55,438)	(283,907)	(448,202)	(473,614)
Lease liabilities . .	(386)	(436)	(184)	(163)	(103)
Tax payable	(3,779)	(158)	(10,010)	(14,277)	(21,357)
Contract liabilities	(836)	(33,697)	(26,661)	(45,531)	(38,920)
Derivative financial instruments . . .	—	—	—	(661)	—
Total current liabilities	(650,006)	(475,854)	(1,375,091)	(1,817,452)	2,053,541
Net Current Assets	507,270	401,168	206,099	475,316	457,968

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Property, Plant and Equipment

Our property, plant and equipment primarily included (i) buildings and freehold land and related improvements, (ii) plant and machinery, (iii) construction in progress, (iv) furniture and fixtures, (v) vehicles, and (vi) leasehold improvements. The following table sets forth 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 in thousands)			
Buildings and freehold land and related improvements . .	242,945	248,494	371,686	363,998
Plant and machinery	217,571	193,478	419,793	408,249
Construction in progress	17,808	17,751	32,528	108,369
Furniture and fixtures	6,081	4,523	8,628	10,819
Vehicles	2,388	1,882	2,745	3,397
Leasehold improvements	366	280	236	150
Total	487,159	466,408	835,616	894,982

Our property, plant and equipment decreased by 4.3% from RMB487.2 million as of December 31, 2023 to RMB466.4 million as of December 31, 2024, primarily due to a decrease in plant and machinery as a result of depreciation. Our property, plant and equipment increased by 79.2% from RMB466.4 million as of December 31, 2024 to RMB835.6 million as of December 31, 2025, primarily due to the increases in (i) plant and machinery and (ii) building and freehold land, both were driven by our acquisition of 51.00% equity interest in Shandong Lizhong in November 2025. Our property, plant and equipment increased by 7.1% from RMB835.6 million as of December 31, 2025 to RMB895.0 million as of June 30, 2026, primarily due to the increase in construction in progress in relation to the construction of our production base in Yichang.

Right-of-Use Assets

Our right-of-use assets represented leasehold land and office premises. The following table sets forth the breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Leasehold land	66,926	65,524	102,798	140,479
Office premises	1,563	673	1,184	503
Total	68,489	66,197	103,982	140,982

Our right-of-use assets remained relatively stable at RMB68.5 million as of December 31, 2023 and RMB66.2 million as of December 31, 2024. Our right-of-use assets increased from RMB66.2 million as of December 31, 2024 to RMB104.0 million as of December 31, 2025, primarily due to the increase in leasehold land as we acquired a 51.00% equity interest in Shandong Lizhong in November 2025. Our right-of-use assets increased by 35.6% from RMB104.0 million as of December 31, 2025 to RMB141.0 million as of June 30, 2026, primarily due to the purchase of land for our production base in Yichang.

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Impairment testing of non-financial assets

Non-financial assets (including the property, plant and equipment, right-of-use assets, other intangible assets and prepayment for property, plant and equipment) of the Group are allocated to the several cash-generating units (“CGU”). Given the losses incurred in 2024 and 2025, the CGU of Huzhou Kunlun Yienke Battery Materials Co., Ltd., had the indicator of impairment. Given the delayed construction in 2025, the CGU of Changxing Kunlun New Materials Co., Ltd., had the indicator of impairment. The CGU recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets covering the remaining useful life of non-financial assets approved by the management. See Note 14 to the Accountants’ Report in Appendix I to this document.

Equity investments Designated at Fair Value Through Other Comprehensive Income

Our equity investments designated at fair value through other comprehensive income represented unlisted equity investments at fair value, which included investments in Yingkou Changcheng New Materials Technology Co., Ltd. (營口昌成新材料科技有限公司), Sichuan Mingfang New Energy Technology Co., Ltd. (四川明昉新能源科技有限公司) (“**Sichuan Mingfang**”) and Henan Do-Fluoride Kunlun New Materials Co., Ltd. (河南多氟多昆侖新材料有限公司) (“**Henan Do-Fluoride**”).

Our equity investments designated at fair value through other comprehensive income increased by 28.1% from RMB53.4 million as of December 31, 2023 to RMB68.4 million as of December 31, 2024, primarily in relation to (i) our investment in Henan Do-Fluoride in September 2024; (ii) changes in the fair value of our equity investments in Sichuan Mingfang. Our equity investments designated at fair value through other comprehensive income remained relatively stable at RMB68.4 million as of December 31, 2024 and RMB67.5 million as of December 31, 2025. Our equity investments designated at fair value through other comprehensive income remained relatively stable at RMB67.5 million as of December 31, 2025 and RMB68.6 million as of June 30, 2026.

Debt Investments at Fair Value Through Other Comprehensive Income

Our debt investments at fair value through other comprehensive income represented transferable certificate of bank deposit. Our debt investments at fair value through other comprehensive income increased from nil as of December 31, 2023 to RMB93.5 million as of December 31, 2024, primarily driven by our strategy to enhance capital utilization efficiency. Our debt investments at fair value through other comprehensive income decreased from RMB93.5 million as of December 31, 2024 to RMB32.0 million as of December 31, 2025, primarily due to the redemption of a portion of our transferable certificates of bank deposit. Our debt investments at fair value through other comprehensive income remained relatively stable at RMB32.0 million as of December 31, 2025 and RMB32.5 million as of June 30, 2026.

Financial Assets at Fair Value Through Profit or Loss

Our financial assets at fair value through profit or loss represented wealth management products at fair value and convertible bond. Our financial assets at fair value through profit or loss increased by 13.6% from RMB36.9 million as of December 31, 2023 to RMB41.9 million as of December 31, 2024, primarily due to the purchase of wealth management products. Our financial assets at fair value through profit or loss increased by 99.0% from RMB41.9 million as of December 31, 2024 to RMB83.4 million as of December 31, 2025, primarily due to the purchase of convertible bond. Our financial assets at fair value through profit or loss increased by 38.2% from RMB83.4 million as of December 31, 2025 to RMB115.3 million as of June 30, 2026, primarily due to the purchase of wealth management products.

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Our wealth management products are primarily structured deposits and investment products of private equity fund. We conduct capital management through our internal policies and guidelines to monitor and control investment risks. We have implemented a tiered approval mechanism. Our investments are subject to tiered approval thresholds based on asset value, revenue, net profit or transaction amount relative to our latest audited financial statements. Within the approved investment quota, we utilize idle funds to purchase wealth management products on a rolling basis while ensuring sufficient working capital to meet daily operational needs. Any purchase of wealth management products requires approval before investments can be made within the authorized limits. This process takes into consideration multiple factors, including our own working capital status, investment duration, expected returns and potential losses, among others. Our finance personnel play a crucial role in proposing, analyzing and evaluating potential investment. External advisors may be engaged when necessary for due diligence or financial advisory services. Upon [REDACTED], to the extent that an investment in financial products is a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, circular, reporting and/or approval requirements (if applicable).

Prepayments, Other Receivables and Other Assets

Our non-current prepayments, other receivables and other assets represented (i) deposits and other receivables mainly in relation to the project deposit we provided to the local government in connection with parcels of land in Huzhou and Yichang; (ii) prepayments for property, plant and equipment; (iii) prepayment for purchase of land use right in Yichang; (iv) prepayments we provided to our suppliers to secure our raw materials; (v) deductible input value-added tax; and (vi) prepaid rent. Our current prepayments, other receivables and other assets primarily included (i) deductible input value-added tax; (ii) prepayments we provided to our suppliers to secure our raw materials; (iii) deposits and other receivables, mainly in relation to the project deposit we provided to the local government in connection with a parcel of land in Huzhou; (iv) prepaid corporate income tax; (v) deferred [REDACTED]; and (vi) deposits for purchase of financial instruments. The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Non-current				
Deposits and other				
receivables	10,467	10,467	10,019	10,449
Prepayments for property, plant				
and equipment	4,738	539	13,824	24,174
Prepayment for purchase of				
land use right	—	—	37,880	—
Prepayments	—	—	20,000	25,000
Deductible input				
value-added tax	—	—	1,603	1,612
Prepaid rent	—	800	—	—
Total	15,205	11,806	83,326	61,235

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	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Current				
Deductible input value-added tax	23,770	23,506	17,217	13,333
Prepayments	20,018	41,917	20,408	25,526
Deposits and other receivables	3,653	529	1,643	656
Prepaid corporate income tax	—	706	—	5,087
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deposits for purchase of financial instruments	—	—	2,000	1,522
Others	306	19	191	1,020
Impairment allowance	(142)	(110)	(115)	(118)
Total	47,605	66,567	45,090	54,508

Our non-current prepayments, other receivables and other assets decreased by 22.4% from RMB15.2 million as of December 31, 2023 to RMB11.8 million as of December 31, 2024, due to the decrease in prepayments for property, plant and equipment as we received the equipment for our production bases for which we had made prepayment. Our non-current prepayments, other receivables and other assets increased significantly from RMB11.8 million as of December 31, 2024 and RMB83.3 million as of December 31, 2025, primarily due to (i) the increases in prepayment for purchase of land use right and prepayment for property, plant and equipment in relation to the production base in Yichang, and (ii) the increase in prepayments we provided to our suppliers to secure our raw materials to meet the expanded market demand for our products. Our non-current prepayments, other receivables and other assets decreased by 20.5% from RMB83.3 million as of December 31, 2025 to RMB61.2 million as of June 30, 2026, primarily due to the prepayment for purchase of land use right in relation to the production base in Yichang in 2025, partially offset by (i) the increase in prepayments for property, plant and equipment in relation to the construction of production base in Yichang in the six months ended June 30, 2026, and (ii) the increase in prepayments we provided to our suppliers to secure our raw materials to meet the expanded market demand for our products.

Our current prepayments, other receivables and other assets increased by 39.9% from RMB47.6 million as of December 31, 2023 to RMB66.6 million as of December 31, 2024, and then decreased by 32.3% to RMB45.1 million as of December 31, 2025, primarily due to an increase in prepayments in 2024 attributable to the advance payments made to one of our suppliers in 2024 to secure pricing for raw materials required for our production of electrolyte products. Our current prepayments, other receivables and other assets increased by 20.8% from RMB45.1 million as of December 31, 2025 to RMB54.5 million as of June 30, 2026, primarily due to (i) the increase in prepaid corporate income tax, and (ii) the increase in deferred [REDACTED], partially offset by deductible input value-added tax.

Inventories

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Raw materials	23,705	40,108	122,687	165,510
Work in progress	138	1,938	16,958	32,566
Finished goods	6,455	11,625	37,369	83,020
Total	30,298	53,671	177,014	281,096

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Our inventories increased by 77.2% from RMB30.3 million as of December 31, 2023 to RMB53.7 million as of December 31, 2024, primarily due to the increases in raw materials and finished goods in anticipation of increased market demand. In addition, we built up inventories in advance of the Chinese New Year holiday to fulfill orders scheduled for delivery in January 2025 that were received in late 2024.

Our inventories increased significantly from RMB53.7 million as of December 31, 2024 to RMB177.0 million as of December 31, 2025, primarily due to (i) an increase in raw material prices, and (ii) higher levels of raw material inventory maintained in anticipation of increased market demand.

Our inventories increased by 58.8% from RMB177.0 million as of December 31, 2025 to RMB281.1 million as of June 30, 2026, primarily due to (i) the increase in raw materials in response to rising market demand for our products; and (ii) the increase in finished goods to meet growing market demand.

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within one year	30,024	53,294	176,349	280,885
One year to two years	274	377	583	44
More than two years	—	—	82	167
Total	30,298	53,671	177,014	281,096

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(days)			
Inventory turnover days ⁽¹⁾	20	18	28	25

Note:

- (1) Inventory turnover days are calculated using the average of beginning balance and ending balance of inventories for such periods divided by cost of sales for the relevant periods and multiplied by the number of days in the relevant periods (i.e. 365 days for a fiscal year and 180 days for the six months ended June 30, 2026).

Our inventory turnover days remained relatively stable at 20 days and 18 days in 2023 and 2024. Our inventory turnover days increased from 18 days in 2024 to 28 days in 2025, primarily due to higher levels of inventory maintained to support anticipated growth in market demand. Our inventory turnover days decreased from 28 days in 2025 to 25 days in the six months ended June 30, 2026, primarily due to (i) the increased market demand for our products, and (ii) our improved inventories management.

As of July 31, 2026, RMB215.8 million, or 93.9%, of our inventories as of June 30, 2026 had been subsequently sold or utilized.

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Trade and Bills Receivables

During the Track Record Period, our trade and bills receivables primarily represented the receivables due from our customers during the ordinary course of business. The following table sets forth a breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade receivables	900,872	636,999	1,051,378	1,388,622
Bills receivables	141,464	56,849	202,887	288,421
Impairment	(81,270)	(88,463)	(95,541)	(115,565)
Trade and bills receivables . .	961,066	605,385	1,158,724	1,561,478

Our trade and bills receivables decreased by 37.0% from RMB961.1 million as of December 31, 2023 to RMB605.4 million as of December 31, 2024, primarily due to (i) a decrease in revenue in 2024, and (ii) the endorsement of certain bills receivables to suppliers at the end of 2024. Our trade and bills receivables increased by 91.4% from RMB605.4 million as of December 31, 2024 to RMB1,158.7 million as of December 31, 2025, and increased by 34.8% from RMB1,158.7 million as of December 31, 2025 to RMB1,561.5 million as of June 30, 2026, primarily in line with the revenue growth.

As of December 31, 2023, 2024 and 2025 and June 30, 2026, our impairment losses on trade and bill receivables amounted to RMB81.3 million, RMB88.5 million, RMB95.5 million and RMB115.6 million, respectively. These impairment losses primarily related to the outstanding amounts prior to the Track Record Period due from two customers and were determined based on an assessment of the collectability of such outstanding receivables. We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Overdue balances are reviewed regularly by our senior management. In view of the internal control measures and the fact that our trade and bills receivables relate to diversified customers, we do not hold any collateral or other credit enhancements over our trade receivable balances. We apply the expected credit loss model and adopt a combined approach of individual and collective assessment to prudently recognize impairment losses on receivables. Our provision ratios are prudent and not lower than those of our industry peers, with full evaluation performed on individually impaired balances, while bills receivable are subject to minimal credit risk in aggregate. Our provision policies have been applied consistently and dynamically reflect potential risks. Therefore, our Directors are of the view that the provisions have been approximately formulated and adequately recognized. See Note 22 to the Accountants’ Report in Appendix I to this document.

The following table sets forth the aging analysis of trade receivables, net of loss allowance, based on the invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within one year	819,574	541,964	935,536	1,250,456
One to two years	28	6,572	20,774	9,336
Over two years	—	—	—	13,886
	819,602	548,536	956,310	1,273,678

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We believe that our trade and bills receivables have sufficient recoverability due to the factors as follows:

- Our customers are mainly large manufacturers of lithium-ion batteries for NEVs and ESS. These companies maintain sound credit standing in the industry; certain of them are listed companies or top-tier industry entities, with large asset scales and strong profitability.
- We have long-term and stable cooperative relationships with core customers. To maintain a stable supply chain system, downstream customers will not maliciously default on payment.
- During the Track Record Period, we maintained stable collection of trade and bills receivables, with no major collection defaults. As of December 31, 2023, 2024 and 2025 and June 30, 2026, substantially all of our trade receivables had a term of less than one year.
- We have established a comprehensive management and collection system for our receivables, covering the entire process including credit granting, early warning reminders, overdue disposal and linkage with internal assessment, so as to ensure the timely collection of receivables and the controllability of credit risks. For receivables with a long overdue period, legal procedures will be initiated to ensure the recovery of the amounts owed.

In addition, while (i) as of December 31, 2025, trade receivables, net of loss allowance, aged one to two years amounted to RMB20.8 million, representing 2.2% of total trade receivables, net of loss allowance, as of the same date, and (ii) as of June 30, 2026, trade receivables, net of loss allowance, aged over two years amounted to RMB13.9 million, representing 1.1% of total trade receivables, net of loss allowance, as of the same date, both aged trade receivables, net of loss allowance, primarily arose from a customer owing us RMB20.0 million. In July 2026, we reached an agreement with this customer, whereby such customer agreed to settle such outstanding trade receivables. Except for the above, as of the Latest Practicable Date, we had recognized full loss allowance in respect of the remaining trade receivables, net of loss allowance, aged one to two years as of December 31, 2025 and the remaining trade receivables, net of loss allowance, aged over two years as of June 30, 2026.

During the Track Record Period, we generally granted our customers credit terms of 60 to 180 days. The following table sets forth our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(days)			
Trade receivables turnover days ⁽¹⁾	159	275	176	111

Note:

- (1) Trade receivables turnover days are calculated using the average of beginning balance and ending balance of trade and bills receivables for such periods divided by revenue for the relevant periods and multiplied by the number of days in the relevant periods (i.e. 365 days for a fiscal year and 180 days for the six months ended June 30, 2026).

Our trade receivables turnover days increased from 159 days in 2023 to 275 days in 2024, and then decreased to 176 days in 2025, primarily because (i) amid cyclical adjustments in the electrolyte industry in 2024, we relaxed our credit policies by providing more flexible credit periods and settlement terms to expand market share, develop new customers and optimize our customer structure; and (ii) in response to widespread pressure across the industry in 2024, we adopted a more flexible approach to the collection of short-term overdue balances from our customers. In this regard, for customers with overdue trade receivables, we did not adopt aggressive collection measures indiscriminately or suspend transactions immediately. Instead, we assessed each customer’s circumstances on a case-by-case basis, taking into account factors such as our business

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relationship, the customer’s financial condition, historical settlement records and the reasons for the overdue balances, and adopted appropriate collection and receivables management measures accordingly, including negotiating repayment arrangements, monitoring outstanding balances, and, where necessary, pursuing legal remedies. Instead of extending the credit period of the relevant customers, such approach enabled us to balance collection efficiency and risk control while safeguarding the recoverability of our trade receivables. We implemented flexible arrangements in respect of 56 customers that had overdue trade receivable as of December 31, 2024, with the total overdue balance amounting to RMB92.4 million. As of the Latest Practicable Date, RMB63.0 million, or 68.1%, of such overdue balance as of December 31, 2024 had been subsequently settled. As of the Latest Practicable Date, we had recognized full loss allowance in respect of the remaining overdue trade receivables, save for those trade receivables for which a customer has agreed to effect settlement as discussed above. Our trade receivables turnover days decreased from 176 days in 2025 to 111 days in the six months ended June 30, 2026, primarily due to our enhanced trade receivables management and intensified collection efforts.

Our trade receivable turnover days are calculated based on the date of revenue recognition, whereas the credit terms granted to customers generally commence on the invoice issuance date. As we generally conduct account reconciliation and issue invoices at the end of the month in which revenue is recognized or in the following month, the starting point for calculating trade receivable turnover days is earlier than the commencement date of the credit terms. This naturally creates a time difference of 10-30 days between the two bases, which correspondingly lengthens the actual trade receivables collection period. Furthermore, to preserve relationships with our core customers, we offer relatively flexible payment terms to certain of such customers. Their relatively slower payment schedule has consequently further elevated our actual trade receivables turnover days.

As of July 31, 2026, RMB437.1 million, or 31.5%, of our trade receivables as of June 30, 2026 had been subsequently settled.

Trade and Bills Payables

Our trade and bills payables primarily consisted of trade payables and bills payables, both representing payables due to our suppliers in respect of procurement of raw materials. The following table sets forth a breakdown of our trade and bills payables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Trade payables	237,754	229,304	741,381	1,023,138
Bills payable	232,145	110,762	196,430	215,877
	469,899	340,066	937,811	1,239,015

Our trade and bills payables decreased by 27.6% from RMB469.9 million as of December 31, 2023 to RMB340.1 million as of December 31, 2024, primarily due to the decrease in the raw materials prices in 2024. See “Industry Overview — Overview of the Global Electrolyte Industry — Market Size Analysis of the Global Electrolyte Industry.” Our trade and bills payables increased significantly from RMB340.1 million as of December 31, 2024 to RMB937.8 million as of December 31, 2025, primarily due to (i) the increase in our procurement of raw materials driven by the increased market demand for our products; and (ii) the increase in prices of raw materials. Our trade and bills payables increased by 32.1% from RMB937.8 million as of December 31, 2025 to RMB1,239.0 million as of June 30, 2026, primarily due to the increase in our procurement of raw materials driven by the increased market demand for our products.

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

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Within one year	469,899	340,056	937,546	1,238,794
One to two years	–	10	264	128
Over two years	–	–	1	93
	<u>469,899</u>	<u>340,066</u>	<u>937,811</u>	<u>1,239,015</u>

During the Track Record Period, our customers generally granted us credit terms of 30 to 90 days. The following table sets forth our trade payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(days)			
Trade payables turnover days ⁽¹⁾	48	87	112	94

Note:

- (1) Trade payables turnover days are calculated using the average of beginning balance and ending balance of trade payables for such periods divided by cost of sales used for the relevant periods and multiplied by the number of days in the relevant periods (i.e. 365 days for a fiscal year and 180 days for the six months ended June 30, 2026).

Our trade payables turnover days increased from 48 days in 2023 to 87 days in 2024, and further increase to 112 days in 2025, primarily reflecting our strengthened bargaining power and long-term collaborative relationships with our suppliers. Our trade payables turnover days decreased from 112 days in 2025 to 94 days in the six months ended June 30, 2026, primarily due to shorter procurement cycle in preparation for the mass production plan.

To address the mismatch between trade receivable days and trade payable days during the Track Record Period, we have adopted and plan to implement a series of targeted measures as follows:

- Strengthen customer credit management and control over trade receivables terms. We have improved our customer credit rating system and access criteria, classifying customers into three tiers — core high-quality customers, general cooperative customers and risk-warning customers — based on their operating conditions, historical performance, industry standing and other key dimensions, thereby achieving refined hierarchical management. For example, newly onboarded small and medium-sized customers are generally granted shorter credit periods than long-term core customers, strictly controlling the term structure and credit risk of new receivables at the source. Meanwhile, we have established an trade receivable aging tracking mechanism. For overdue receivables outstanding for more than 180 days, we will deploy a dedicated collection team as needed to pursue recovery through on-site communication, phased repayment negotiations and other structured measures.

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- Optimize the supplier structure and actively negotiate payment periods. We continuously sort out and optimize our supplier structure. We will actively negotiate payment terms with our suppliers on the basis of equality and mutual benefit to reasonably extend the turnover days of trade payables. For example, for some core raw material suppliers with large annual purchase volumes, we intend to negotiate an appropriate extension of payable turnover days over the original terms upon entering into new procurement agreements, based on mutual discussions. In addition, we plan to expand and develop suppliers capable of providing credit period support and introduce our cooperative banks to provide our suppliers with low-interest factoring or trade receivable financing services.
- Establish regular monitoring and dynamic optimization mechanisms. We plan to establish a monthly monitoring, analysis and early warning mechanism for turnover days of trade receivables and trade payables. Through regular tracking and comparative analysis of key working capital indicators, we will promptly identify deviations and underlying causes. For example, in the event of a substantial month-on-month surge in business volume that may intensify short-term capital occupation, we will proactively engage and negotiate with core suppliers to adjust payment rhythms and schedules in a timely manner. Such arrangements will help mitigate concentrated liquidity pressure, further enhance capital turnover and operational efficiency, and ultimately strengthen our financial stability and risk resistance capacity.

As of July 31, 2026, RMB519.0 million, or 50.7%, of our trade payables outstanding as of June 30, 2026 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consisted of (i) construction payables and accruals, (ii) payable for purchase of property, plant and equipment in relation to the acquisition of construction equipment; (iii) payroll payables; (iv) value-added tax and other tax payables; (v) accrued expenses, mainly including external expert service fees, utilities and professional service fees; (vi) deferred output value-added tax; (vii) advances from an investor; and (viii) [REDACTED] payable. The following table sets forth a breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			
Construction payables and accruals	56,372	9,831	5,585	5,286
Payable for purchase of property, plant and equipment	16,836	10,238	17,764	10,206
Payroll payable	14,734	12,452	21,960	19,327
Value-added tax and other tax payables	5,997	2,983	6,536	20,591
Accrued expenses	5,715	5,183	4,599	4,724
Deposits	510	444	369	99
Deferred output value-added tax	36	4,004	3,244	5,919
Advances from an investor	—	—	50,000	—
[REDACTED] payable	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	423	924	71	—
Total	100,623	46,059	116,518	69,603

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Our other payables and accruals decreased by 54.2% from RMB100.6 million as of December 31, 2023 to RMB46.1 million as of December 31, 2024, primarily due to a decrease in construction payables and accruals in relation to the gradual settlement of outstanding amounts following the construction completion of our Yibin Production Base in July 2023.

Our other payables and accruals increased significantly from RMB46.1 million as of December 31, 2024 to RMB116.5 million as of December 31, 2025, and then decreased by 40.3% to RMB69.6 million as of June 30, 2026, primarily because we recorded the advances from an investor in relation to the initial capital injection of RMB50.0 million from Yichang Innovation. See “History and Corporate Structure — [REDACTED] Investments — Overview of [REDACTED] Investments — Capital injection by a new investor.”

Contract Liabilities

Our contract liabilities primarily represented advance payments received from customers in accordance with contractual agreements. Our contract liabilities increased significantly from RMB0.8 million as of December 31, 2023 to RMB33.7 million as of December 31, 2024, primarily due to advance payments received from a customer to allow us to secure pricing for the core raw materials we required for production of the electrolytes for this customer. Our contract liabilities remained relatively stable at RMB33.7 million as of December 31, 2024 and RMB26.7 million as of December 31, 2025. Our contract liabilities increased by 70.4% from RMB26.7 million as of December 31, 2025 to RMB45.5 million as of June 30, 2026, primarily due to the advance payments received from our customers for the purchase of our electrolyte products.

Net Current Assets

Our net current assets remained relatively stable at RMB475.3 million as of June 30, 2026 and RMB458.0 million as of July 31, 2026.

Our net current assets increased significantly from RMB206.1 million as of December 31, 2025 to RMB475.3 million as of June 30, 2026, primarily due to increases in trade and bills receivables and cash and cash equivalents in line with our revenue growth, partially offset by (i) the increase in trade and bills payables mainly driven by the increase in raw materials costs, and (ii) the increase in interest-bearing bank borrowings to support our daily operations in line with our business growth.

Our net current assets decreased by 48.6% from RMB401.2 million as of December 31, 2024 to RMB206.1 million as of December 31, 2025, primarily due to (i) an increase in trade and bills payables in line with our business growth, and (ii) an increase in interest-bearing bank borrowings to support our daily operations in line with our business growth, partially offset by increases in trade and bills receivables and inventories in response to increased market demand.

Our net current assets decreased by 20.9% from RMB507.3 million as of December 31, 2023 to RMB401.2 million as of December 31, 2024, primarily due to a decrease in trade and bills receivables, mainly in line with the temporary revenue contraction in 2024 driven by the decline in the prices of our electrolyte products, partially offset by a decrease in trade and bills payables, mainly driven by the decrease in the raw materials prices in 2024.

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INDEBTEDNESS

During the Track Record Period, our indebtedness consisted of interest-bearing bank borrowings and lease liabilities. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	(RMB in thousands)				(unaudited)
Current					
Interest-bearing bank borrowings . . .	74,483	55,438	283,907	448,202	473,614
Lease liabilities . .	386	436	184	163	103
Non-current					
Interest-bearing bank borrowings . . .	94,949	88,337	150,389	255,810	254,741
Lease liabilities . .	174	105	144	4	–
Total	169,992	144,316	434,624	704,179	728,458

Interest-Bearing Bank Borrowings

Our interest-bearing bank borrowings are denominated in Renminbi. As of December 31, 2023, 2024 and 2025 and June 30, 2026, the interest rate on our interest-bearing bank borrowings ranged from 2.5% to 4.05%. As of July 31, 2026, we had banking facilities of RMB1,213.6 million, among which, RMB413.4 million was committed but unutilized.

Our interest-bearing bank borrowings decreased from RMB169.4 million as of December 31, 2023 to RMB143.8 million as of December 31, 2024, mainly because of the ongoing repayment of bank borrowings secured for the construction of our Yibin Production Base. Our interest-bearing bank borrowings increased from RMB143.8 million as of December 31, 2024 to RMB434.3 million as of December 31, 2025, and further increased to RMB704.0 million as of June 30, 2026, primarily as we increased bank borrowings to support our daily business operations. Our interest-bearing bank borrowings remained relatively stable at RMB704.0 million as of June 30, 2026 and RMB728.5 million as of July 31, 2026.

Our Directors confirm that there was no default in payments of our liabilities and/or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

Our lease liabilities mainly represented outstanding payments for our leased assets. As of December 31, 2023, 2024 and 2025, June 30, 2026 and July 31, 2026, we had lease liabilities of RMB0.6 million, RMB0.5 million, RMB0.3 million, RMB0.2 million and RMB0.1 million, respectively. The continuous decrease in lease liabilities was primarily due to our rental payments.

Statement of Indebtedness

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of July 31, 2026, being our indebtedness statement date. After due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there had been no material change in our indebtedness since July 31, 2026.

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CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, June 30, 2026 and July 31, 2026, we did not have any material contingent liabilities.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we financed our working capital needs primarily through cash flows from operating activities, financing activities and bank borrowings. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As of December 31, 2023, 2024 and 2025 and June 30, 2026, we had cash and cash equivalents of RMB23.5 million, RMB41.5 million, RMB46.9 million and RMB197.2 million, respectively. Upon the completion of the [REDACTED], we expect to meet our working capital needs primarily through cash flow from operating activities, bank borrowings and the [REDACTED] to our Company from the [REDACTED]. Taking into account the financial resources available to us, including the cash flow from operating activities, existing bank borrowings and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that, after due and careful inquiry, we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this document.

Cash Flows

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Net cash flows from/(used in)				
operating activities	84,766	190,839	56,611	(17,412)
Net cash flows used in investing				
activities	(268,390)	(140,373)	(209,115)	(144,471)
Net cash flows from/(used in)				
financing activities	81,563	(32,501)	157,618	309,466
Net (decrease)/increase in cash				
and cash equivalents	(102,061)	17,965	5,114	147,583
Cash and cash equivalents at the				
beginning of year/period	125,600	23,539	41,484	46,935
Effect of foreign exchange rate				
changes, net	—	(20)	337	2,675
Cash and cash equivalents at				
end of year/period	23,539	41,484	46,935	197,193

Net Cash Flows from/(Used in) Operating Activities

In the six months ended June 30, 2026, our net cash flows used in operating activities was RMB17.4 million. The difference between net cash flows from operating activities and the profit before tax of RMB158.9 million was the result of (i) adjustment by non-cash and non-operating items, which primarily consist of depreciation of property, plant and equipment, and (ii) changes in working capital, which primarily consist of (a) an increase in trade and bills receivables of RMB422.8 million, (b) an increase in trade and bills payables of RMB301.2 million, and (c) an increase in inventories of RMB102.8 million.

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In 2025, our net cash flows from operating activities was RMB56.6 million. The difference between net cash flows from operating activities and the profit before tax of RMB38.8 million was the result of (i) adjustment by non-cash and non-operating items, which primarily consist of the depreciation of property, plant and equipment, and (ii) changes in working capital, which primarily consist of (a) an increase in trade and bills payables of RMB571.7 million, (b) an increase in trade and bills receivables of RMB519.1 million, and (c) an increase in inventories of RMB107.7 million.

In 2024, our net cash flows from operating activities was RMB190.8 million. The difference between net cash flows generated from operating activities and the loss before tax of RMB41.8 million was the result of (i) adjustment by non-cash and non-operating items, which primarily consist of the depreciation of property, plant and equipment, and (ii) changes in working capital, which primarily consist of (a) a decrease in trade and bills receivables of RMB302.0 million, and (b) a decrease in trade and bills payables of RMB129.8 million.

In 2023, our net cash flows from operating activities was RMB84.8 million. The difference between net cash flows generated from operating activities and the profit before tax of RMB108.8 million was the result of (i) adjustment by non-cash and non-operating items, which primarily consist of the depreciation of property, plant and equipment, and (ii) changes in working capital, which primarily consist of (a) an increase in trade and bills receivables of RMB228.8 million, (b) an increase in trade and bills payables of RMB124.6 million, and (c) a decrease in inventories of RMB65.6 million.

While we recorded net cash flows from operating activities in each year/period during the Track Record Period, we implement a series of proactive measures to enhance our net operating cash flow. We plan to continue to exercise stringent control over trade receivables and aging management, including conducting regular customer credit assessments, establishing collection teams and strengthening follow-up on overdue receivables and accelerate trade receivables collection to improve cash recovery efficiency. We plan to optimize procurement payment procedures and reasonably align the terms of trade payables by negotiating favorable payment terms with suppliers and prioritizing high-quality and stable suppliers to reduce immediate cash outflow pressure. We also plan to continue to strengthen inventory management by adopting a production-based-on-sales model, dynamically adjusting inventory levels and enhancing real-time inventory monitoring to lower capital tie-up and enhance inventory turnover efficiency. We plan to tighten budget and cost control by formulating detailed annual and quarterly budgets, strictly reviewing discretionary expenses and improving operational efficiency to strictly limit non-essential expenditures and improve capital utilization efficiency. Through overall planning of working capital and continuous optimization of the turnover and matching of trade receivables, trade payables and inventory, we strive to steadily improve our net operating cash flow.

Net Cash Flows Used in Investing Activities

In the six months ended June 30, 2026, our net cash flows used in investing activities was RMB144.5 million, primarily due to (i) the purchases of property, plant and equipment of RMB100.0 million, and (ii) the purchases of financial assets at fair value through profit or loss of RMB97.6 million, partially offset by the proceeds from financial assets measured at fair value through profit or loss of RMB54.4 million.

In 2025, our net cash flows used in investing activities was RMB209.1 million, primarily due to (i) the acquisition of a subsidiary of RMB127.9 million, (ii) the purchase of financial assets at fair value through profit or loss of RMB120.5 million, and (iii) the purchase of property, plant and equipment of RMB84.3 million, partially offset by the proceeds from financial assets measured at fair value through profit or loss of RMB129.4 million.

In 2024, our net cash flows used in investing activities was RMB140.4 million, primarily due to (i) the purchases of financial assets at fair value through profit or loss of RMB346.6 million, and (ii) purchase of transferable certificate of bank deposit of RMB92.9 million, partially offset by the proceeds from financial assets measured at fair value through profit or loss of RMB342.3 million.

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In 2023, our net cash flows used in investing activities was RMB268.4 million, primarily due to (i) the purchases of property, plant and equipment of RMB221.7 million, and (ii) the purchases of financial assets at fair value through profit or loss of RMB137.0 million, partially offset by the proceeds from financial assets measured at fair value through profit or loss of RMB100.4 million.

Net Cash Flows from/(Used in) Financing Activities

In the six months ended June 30, 2026, our net cash flows from financing activities was RMB309.5 million, primarily due to the new bank borrowings of RMB372.6 million and capital injections from an investor of RMB50.0 million, partially offset by the repayment of bank borrowings of RMB102.9 million.

In 2025, our net cash flows from financing activities was RMB157.6 million, primarily due to the new bank borrowings of RMB175.3 million, advances from an investor of RMB50.0 million and proceeds from capital contributions from minority of RMB8.2 million, partially offset by the repayment of bank borrowings of RMB63.1 million.

In 2024, our net cash flows used in financing activities was RMB32.5 million, primarily due to the repayment of bank borrowings of RMB83.3 million, partially offset by the new bank loans of RMB57.5 million.

In 2023, our net cash flows from financing activities was RMB81.6 million, primarily due to the new bank loans of RMB140.9 million, partially offset by the repayment of bank borrowings of RMB50.8 million.

CAPITAL EXPENDITURES

Our capital expenditures consisted of our payment for the purchase of items of property, plant and equipment, the purchase of items of intangible assets and the purchase of land use rights. In 2023, 2024, 2025 and the six months ended June 30, 2026, the capital expenditures were RMB223.8 million, RMB36.6 million, RMB85.2 million and RMB101.3 million, respectively.

We funded our capital expenditure requirements during the Track Record Period mainly from cash flow generated from operating activities and equity and debt financing. We intend to fund our future capital expenditures with a combination of operating cash flow, equity and debt financing and [REDACTED] received from the [REDACTED].

CAPITAL COMMITMENTS

During the Track Record Period, our capital commitments mainly represented the purchase of items of property, plant and equipment. As of December 31, 2023, 2024 and 2025 and June 30, 2026, we had capital commitments of RMB81.6 million, RMB69.7 million, RMB222.2 million and RMB225.6 million, respectively. See Note 37 to the Accountant’s Report in Appendix I to this document.

OFF-BALANCE SHEET ARRANGEMENTS

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

MATERIAL RELATED PARTY TRANSACTIONS

We had the certain transactions and balances with the related parties during the Track Record Period, details of which are set out in Note 38 to the Accountants’ Report set out in Appendix I to this document.

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Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary course of business and on an arm’s length basis, and did not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	Year ended/As of December 31,			Six months ended/As of June 30,
	2023	2024	2025	2026
Current ratio ⁽¹⁾	1.8	1.8	1.1	1.3
Quick ratio ⁽²⁾	1.7	1.7	1.0	1.1
Gearing ratio ⁽³⁾	16.5%	14.3%	36.6%	49.1%
Net debt to equity ratio ⁽⁴⁾	14.2%	10.2%	32.7%	35.3%
Inventory turnover days ⁽⁵⁾	20 days	18 days	28 days	25 days

Notes:

- (1) Current ratio equals our current assets divided by current liabilities as of the end of the year/period.
- (2) Quick ratio equals our current assets less inventories divided by current liabilities as of the end of the year/period.
- (3) Gearing ratio equals total debt as of the end of the year/period divided by net assets as of the end of the same year/period. Total debt includes all interest-bearing borrowings and lease liabilities.
- (4) Net debt to equity ratio equals total interest-bearing borrowings and lease liabilities net of cash and cash equivalents at the end of the year/period divided by total equity at the end of the year/period.
- (5) Inventory turnover days are calculated using the average of beginning balance and ending balance of inventories for such years/periods divided by cost of sales for the relevant years/periods and multiplied by the number of days in the relevant years/periods (i.e. 365 days for a fiscal year and 180 days for the six months ended June 30, 2026).

FINANCIAL RISK DISCLOSURE

The main risks arising from our financial instruments primarily include credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 42 to the Accountants’ Report in Appendix I to this document.

DIVIDENDS

No dividend was declared or paid by our Company during the Track Record Period. Our Group currently does not have a formal dividend policy or fixed dividend distribution ratio. The Board may declare, and our Company may pay, dividends after taking into account our results of operations, financial condition, cash flow, operating and capital expenditure requirements, future business development strategies and estimates and other factors as it may deem relevant. We may distribute dividends in the form of cash, stocks or a combination of cash and stocks. Any proposed distribution of dividends shall be determined by our Board and must be approved by our shareholders at a general meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As of June 30, 2026, we did not have any reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly include [REDACTED] and professional fees paid to legal advisors and service providers for their services rendered in relation to the [REDACTED]. We expect to incur a total of RMB[REDACTED] million of [REDACTED] expenses (assuming an [REDACTED] of HK\$[REDACTED], being the mid-point of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED], and assuming that the [REDACTED] is not exercised) until the completion of the [REDACTED]. Such [REDACTED] expenses comprise [REDACTED] expenses of RMB[REDACTED] million and [REDACTED] expenses of RMB[REDACTED] million, respectively. The [REDACTED] expenses consist of (i) RMB[REDACTED] million of fees and expenses of legal advisors and Reporting Accountants, and (ii) RMB[REDACTED] million of other fees and expenses, which primarily represent fees and expenses for the Joint Sponsors and other professional services. During the Track Record Period, [REDACTED] expenses of RMB[REDACTED] million were charged to our consolidated statements of comprehensive income, and RMB[REDACTED] million were recognized as deferred [REDACTED] expenses as of June 30, 2026, which are expected to be deducted from equity upon [REDACTED]. The estimated [REDACTED] expenses of RMB[REDACTED] million are expected to be charged to our consolidated statements of profit or loss and other comprehensive income and RMB[REDACTED] million are expected to be deducted from equity upon [REDACTED]. The [REDACTED] expenses above were the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position or prospects since June 30, 2026, being the end date of our latest consolidated financial statements. There is no event since June 30, 2026 which would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF THE LISTING RULES

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

[REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “[REDACTED] Financial Information” in Appendix II to this document.