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Post Hearing Information Pack of

Kunlun New Energy Materials Technology (Yichang) Co., Ltd.

昆侖新能源材料技術(宜昌)股份有限公司

(the "**Company**")

(A joint stock company incorporated in the People's Republic of China with limited liability)

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Kunlun New Energy Materials Technology (Yichang) Co., Ltd.
昆侖新能源材料技術（宜昌）股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Total number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**RMB0.1 per H Share**
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[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to [**REDACTED**] *in the* [**REDACTED**]. *There are risks associated with any* [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in the section headed "Risk Factors" in this document. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

Who We Are

We are a supplier of lithium-ion battery electrolytes, specializing in the R&D, production and sales of lithium-ion battery electrolytes and emerging battery materials. According to Frost & Sullivan, in terms of electrolyte revenue, we ranked fourth among electrolyte suppliers globally and in China (including both independent and affiliated electrolyte manufacturers) in 2025 with the market share of 3.6% and 4.7%, respectively.

We have strategically positioned ourselves in emerging battery material fields, including solid-state electrolytes ("**SSE**"), gel electrolytes, hybrid solid-liquid electrolytes and sodium-ion electrolytes, for all of which we possess mass production capabilities and provide small-batch production services to satisfy niche and tailored customer demand.

We are committed to building long-term strategic partnerships with leading global new energy innovation and technology companies. We maintain close collaboration with downstream customers by participating in the early-stage R&D of their battery products, aligning our capacity expansion with their demand and securing advance orders on an ongoing basis. Through minority equity investments and in-house production capacity, we have secured the supply of critical raw materials at the source while realizing cost efficiencies. We have developed a comprehensive product portfolio that covers electrolytes for power batteries, energy storage system ("**ESS**") batteries, consumer electronics batteries and emerging applications.

Our R&D, Technologies and Production

Established in 2004, we have been committed to developing and producing electrolytes for lithium-ion power batteries. Our customer base encompasses leading enterprises across power batteries, ESS batteries, consumer electronics batteries and emerging applications.

We have consistently positioned technological innovation as a key strategic focus. We primarily conduct R&D independently, complemented by collaborative and commissioned R&D initiatives. Through long-term technology iteration and production practice, we have accumulated experience and technological expertise. As of June 30, 2026, we had established two R&D bases in Xianghe, Hebei Province and Huzhou, Zhejiang Province, housing four specialized R&D centers focusing on synthesis, electrolyte formulation, process development and research on technologies, respectively. As of June 30, 2026, we had 171 registered patents in China, covering new processes, new formulations, synthesis of new substances and applications of new materials. Substantially all such patents were developed independently by us.

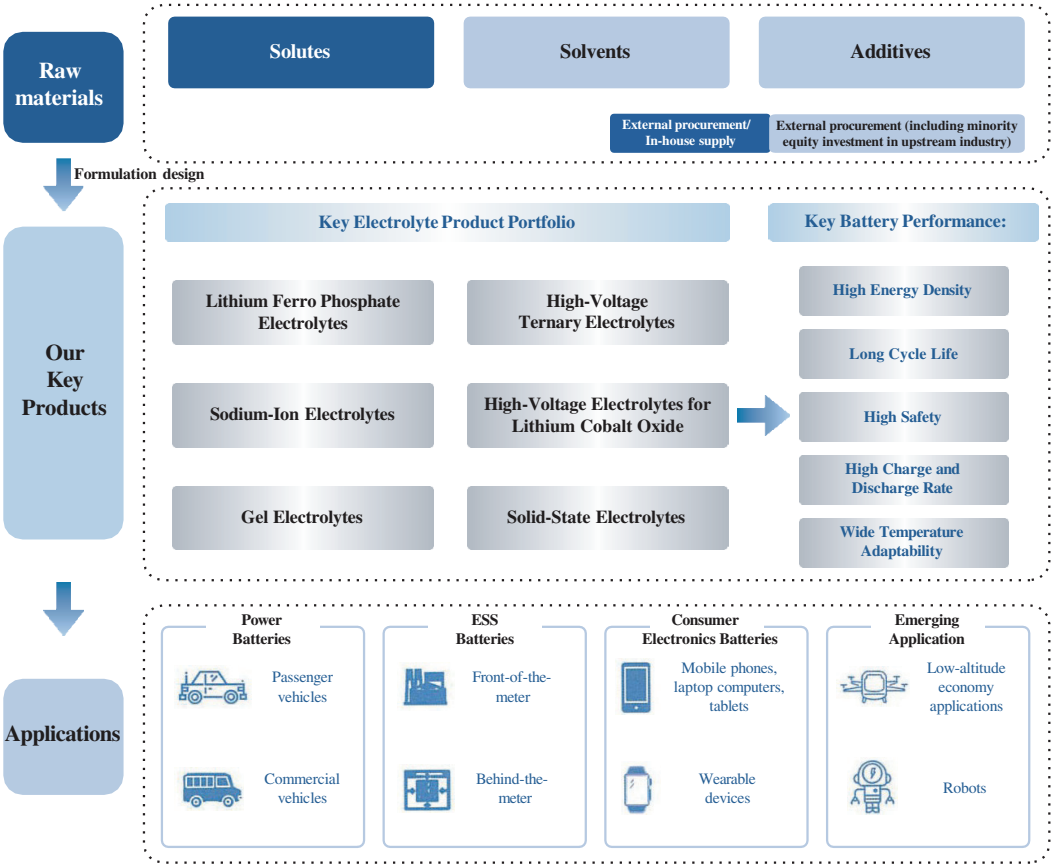
In emerging battery material fields such as SSE and sodium-ion electrolytes, we actively pursue technological innovation and have independently developed multiple technologies. For example, we have the ability to produce certain emerging hybrid solid-liquid electrolyte products such as oxide electrolytes. The ionic conductivity of our independently-developed sulfide SSE has reached 12 mS/cm, approaching the ionic conductivity of liquid electrolytes. Furthermore, our flame-retardant gel electrolytes have addressed battery safety and electrolyte leakage prevention, improving battery heat resistance to temperatures of 145°C. In 2023, 2024, 2025 and the six months ended June 30, 2026, the revenue from these emerging battery material fields amounted to RMB10.6 million, RMB7.8 million, RMB13.1 million and RMB2.1 million, representing 0.7%, 0.8%, 0.8% and 0.1% of the total revenue in the respective periods.

We have built large-scale production bases in Huzhou, Zhejiang Province, Yibin, Sichuan Province, Jining, Shandong Province and Yichang, Hubei Province, strategically positioning us in proximity to major clusters of the new energy battery industry. As of the Latest Practicable Date, our total electrolytes production capacity was 180,000 tons per year. To build on this competitive strength to meet evolving market demand, we plan to construct new electrolyte production bases or expand production capacity in Yichang, Jining, Huzhou, Yibin in China, as well as in Szolnok, Hungary. Upon completion, our total electrolytes production capacity will exceed 500,000 tons per year.

Through long-term production experience, we have developed enhanced production processes with quality control capabilities, differentiated customization capabilities and diversified formulations. We have obtained ISO 9001, ISO 14001, ISO 27001, ISO 45001 and IATF 16949 system certifications. We possess advantages in lithium-ion battery electrolyte quality and production process precision control, with a first pass yield rate, representing the percentage of product volumes that meet quality specifications on the first attempt without requiring rework or reprocessing, reaching 99.95% in 2025 and 99.94% in the six months ended June 30, 2026, significantly higher than the industry average of 92% to 95%, according to Frost & Sullivan. In 2024, we achieved a zero defective parts per million performance in our product supply to a global new energy technology enterprise. We have built an automated production platform through multiple digital platforms such as manufacturing execution system, distributed control system, and portable data assistant, while developing and introducing enhanced electrolyte process flows.

Our Business Model

Our core products are lithium-ion battery electrolytes. Electrolytes are one of the four major components of lithium-ion batteries. Known as the blood of batteries, electrolytes directly affect key battery indicators including capacity, power rate, lifespan, safety and temperature adaptability. Our core raw materials consist of solutes, solvents and additives, for which we have adopted a supply model that integrates external procurement (including minority equity investment in upstream industry) with in-house production capacity, thereby laying a solid foundation for the R&D and production of our electrolytes. We use such raw materials to produce a diverse product portfolio that caters to a wide range of application scenarios, including power batteries, ESS batteries, consumer electronics batteries and emerging applications. The following diagram demonstrates our business model:



Our Customer Base and Global Footprint

We have established long-term and stable cooperative relationships with mainstream global lithium-ion battery manufacturers and have entered the supply chains of major global battery manufacturers. Notably, we entered supply chain of a global new energy technology company in 2018 and have become one of its established electrolyte suppliers. Nevertheless, we rely on our major customers for a substantial portion of our revenue. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to customer concentration risk." We plan to construct an electrolyte production facility in Hungary, partnering with battery companies to develop the Hungarian market and establish a European supply chain, improving local response speed and delivery capabilities.

Our Industry Opportunities

Strong market demand for electrolytes with high sales volume growth rate

With the continued growth in power battery shipments, increasing ESS demand and expansion of emerging applications, the global electrolyte market is expected to maintain high growth momentum, with shipment volumes steadily rising. During the Track Record Period, the total sales volume of our electrolyte products increased by 15.2% from 2023 to 2024, by 76.5% from 2024 to 2025 and by 82.3% from the six months ended June 30, 2025 to the six months ended June 30, 2026. According to Frost & Sullivan, the rise in power battery demand and rapid construction of ESS have positioned China in a dominant position in the electrolyte industry chain, making it the primary engine of global electrolyte industry growth.

Rising performance demands and diverse applications driving electrolyte innovation

Lithium-ion batteries are expanding from traditional power battery applications to comprehensive application scenarios across sea, land and air, becoming the main power source supporting energy transition and intelligent equipment development. Diverse downstream applications are expected to further drive electrolyte innovation.

Global market development driving localized production

Driven by the acceleration of the global low-carbon energy transition, the new energy vehicles ("**NEV**") market is experiencing rapid growth. Global battery companies are favoring electrolyte suppliers with strong localized supporting capabilities. Electrolyte companies are beginning to establish production bases in Europe to achieve localized supply. The overseas expansion of the industry chain is creating new market opportunities, supported by improving supply systems abroad.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and distinguish us from our competitors: (i) as a core supplier of lithium-ion battery electrolytes, we have established strategic partnerships with leading battery manufacturers; (ii) established R&D and technological capabilities; (iii) comprehensive product portfolio covering diverse applications; (iv) vertical supply chain management capabilities; (v) comprehensive production capacity layout covering core customers; and (vi) an experienced management team forming a solid foundation for stable operations. See "Business — Our Competitive Strengths."

OUR STRATEGIES

We have formulated the following strategies in line with our mission and vision: (i) production expansion and global layout; (ii) vertical industry chain extension; and (iii) continuous technological innovation and R&D investment. See "Business — Our Strategies."

OUR PRODUCTS

Electrolytes

Our electrolyte products are generally specially developed formulations that can be customized to meet the unique needs of each customer. We design formulations according to specific application requirements, ensuring a good match with the intended end-use products. For customers without particular specifications, we also offer our proprietary formulations, providing reliable products that balance performance, safety and versatility. Our product portfolio can be broadly classified into the following categories:

Electrolytes for Power Batteries

Power batteries are primarily used in NEVs, including commercial vehicles and passenger vehicles, and other applications, such as electric vessels, heavy-duty electric trucks and other electric industrial machinery, requiring high energy density and power output. Power batteries using our electrolytes meet the core technical requirements of the electrical vehicle industry, including fast charging capability, wide temperature adaptability, high energy density and compliance with national safety standards.

Electrolytes for ESS Batteries

ESS batteries are used in both front-of-the-meter (grid-side, owned by power companies for large-scale grid support) and behind-the-meter (user-side, owned by users for self-consumption and cost reduction) applications, including grid-scale ESS, base station backup power, household photovoltaic-storage systems, electric vehicle photovoltaic-storage charging stations, AI data centers, ESS and other applications. Our electrolytes for ESS batteries have completed a 24-hour storage test at a high temperature of 45°C and a 60-day storage test at a normal temperature of 15°C. Key indicators remained nearly unchanged throughout the testing period, demonstrating thermal stability and long-term chemical stability. This can ensure the reliable operation of ESS batteries under high and low temperature conditions and long-term storage scenarios, and meets the core requirements of large-scale energy storage applications for long cycle life, high safety and wide temperature adaptability of batteries. ESS batteries using our electrolytes are designed to deliver long cycle life, high safety and cost-effectiveness to meet the requirements of large-scale energy storage applications.

Electrolytes for Consumer Electronics Batteries

Batteries for consumer electronics are used in mobile phones, laptop computers, tablets, wearable devices, power tools and other consumer electronic products. Our electrolytes for consumer electronics batteries are engineered for consumer electronics batteries with high-voltage and high energy density capability, fast-charging performance, wide temperature adaptability, and safety to meet the diverse requirements of modern consumer applications.

Electrolytes for Emerging Applications

Batteries for emerging applications are primarily used in robots and low-altitude economy applications, such as drones used for logistics and agricultural operations, aircraft for urban air mobility, as well as aerial mapping and emergency response systems. Our electrolytes for emerging applications are engineered for batteries with extreme temperature resilience, ultra-fast charging capability, enhanced safety, and operational reliability to meet the requirements of specialized and next-generation energy applications.

Others

During the Track Record Period, in addition to supplying our customers with electrolyte products, we occasionally provided a small quantity of the raw materials required for the production of such electrolytes to these customers at their request to support their relevant R&D or production needs.

See "Business — Our Products."

OUR MAJOR CUSTOMERS

Our customers primarily consist of manufacturers of lithium-ion batteries for NEVs and ESS. In 2023, 2024, 2025 and the six months ended June 30, 2026, revenue generated from our five largest customers in each period amounted to RMB1,297.1 million, RMB745.0 million, RMB1,261.4 million and RMB1,475.3 million, respectively, accounting for 82.3%, 73.0%, 72.2% and 74.8% of our total revenue in the respective periods. In 2023, 2024, 2025 and the six months ended June 30, 2026, revenue generated from our largest customer, namely the Group A as discussed in "Business — Marketing and Sales" in each period amounted to RMB947.5 million, RMB605.0 million, RMB844.7 million and RMB1,105.3 million, respectively, accounting for 60.1%, 59.3%, 48.4% and 56.1% of our total revenue in the respective periods. Since 2018, we have maintained a stable business relationship with our largest customer by delivering tailored electrolyte products. The revenue from Group A decreased from 2023 to 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 $LiPF_6$, our core raw material, as we largely price our electrolyte products based on the cost of the underlying raw materials. The revenue from Group A increased continuously from 2024 to 2025 and further to the six months ended June 30, 2026, reflecting the growth in product sales to Group A and the general increase in the selling prices of our products in response to the rise in raw material prices since the fourth quarter of 2025. Given our technical capability and the switching costs involved, our Directors believe that our relationship with our largest customer is mutually beneficial and the likelihood of any material adverse change to, or termination of, the relationship with our largest customer is remote. Moving forward, we intend to leverage our post-[**REDACTED**] financial strength, expanded production network and customer diversification efforts to continuously optimize our revenue structure and mitigate concentration risks. See "Business — Marketing and Sales — Our Major Customers" and "Business — Marketing and Sales — Customer Concentration — Relationship with Group A."

OUR MAJOR SUPPLIERS

Our suppliers primarily consist of producers or manufacturers of solutes, solvents and additives. In 2023, 2024, 2025 and the six months ended June 30, 2026, purchases from our five largest suppliers in each period amounted to RMB690.3 million, RMB524.4 million, RMB885.1 million and RMB1,068.2 million, respectively, accounting for 55.6%, 57.7%, 56.2% and 57.1% of our total purchases in the respective periods. In 2023, 2024, 2025 and the six months ended June 30, 2026, purchases from our largest supplier in each period amounted to RMB228.4 million, RMB189.5 million, RMB266.2 million and RMB517.9 million, respectively, accounting for 18.4%, 20.9%, 16.9% and 27.7% of our total purchases in the respective periods. Notably, our largest customer during the Track Record Period was also one of our five largest suppliers in 2025 and the six months ended June 30, 2026. As a global new energy technology company, our largest customer may require us to use certain raw materials that meet its prescribed quality specifications in electrolyte formulations. In order to comply with its formulation requirements and product quality standards, we procured these raw materials directly from our largest customer. In 2023, 2024, 2025 and the six months ended June 30, 2026, the amount of purchases we made with Group A amounted to RMB1.7 million, RMB28.0 million, RMB110.5 million and RMB517.9 million, respectively, accounting for 0.1%, 3.1%, 7.0% and 27.7% of our total purchases in the respective period. The increase in our purchases from Group A reflects the expansion of our business relationship and the growth in product sales to Group A during the Track Record Period. See "Business — Suppliers and Procurement — Our Major Suppliers."

RISK FACTORS

Our operations involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to [**REDACTED**] in us and/or the value of your [**REDACTED**]. See "Risk Factors" in this document for details of our risk factors, which we strongly urge you to read in full before making an [**REDACTED**] in our H Shares. Some of the major risks we face include: (i) the growth of our business depends on the growth and performance of downstream industries; (ii) we face intense competition in the industries in which we operate; (iii) we are subject to downward pressure on the selling prices of our electrolyte products, which may adversely affect our

revenue, gross profit margin and profitability; (iv) changes in supply and prices of key raw materials, including significant declines in raw material prices, and changes in the costs of utilities, transportation, warehousing and other requisite services to our business may impact our business, financial condition and results of operations, (v) we are subject to product concentration risk, (vi) our success depends not only on our own ability but also on our customers' ability to develop and produce, market and sell their products in a timely and cost-efficient manner; (vii) we are subject to customer concentration risk; (viii) we may not be able to derive the desired benefits from our R&D efforts, which may negatively affect our competitiveness and profitability; (ix) possible future overcapacity in the battery and electrolyte industries in Mainland China may adversely affect our business, financial condition and results of operations; and (x) failure to retain our existing customers or attract new ones could materially and adversely affect our business, financial condition and results of operations.

COMPETITION

In 2025, the global and China's electrolyte industry market size reached RMB48,707 million and RMB36,898 million in terms of revenue, respectively. Taking into account both independent and affiliated electrolyte manufacturers, the top five companies collectively accounted for 57.1% and 72.2% of the global and China's market share, respectively, indicating a relatively concentrated market. We primarily compete with a number of suppliers of lithium-ion battery electrolytes. See "Risk Factors — Risks Relating to Our Business and Industry — We face intense competition in the industries in which we operate." The current global electrolyte industry is highly competitive and concentrated. In 2025, in terms of electrolyte revenue, we ranked fourth among electrolyte suppliers globally and in China (including both independent and affiliated electrolyte manufacturers), with a market share of 3.6% and 4.7%, respectively. With established positions in the industry, accumulated industry experience, R&D and production capabilities, broad product portfolios and stable customer base, we believe that we are able to maintain our competitive position in our industry. See "Business — Our Competitive Strengths" and "Industry Overview."

KEY CHARACTERISTICS OF THE ELECTROLYTE INDUSTRY

The electrolyte industry is characterized by a concentrated downstream customer base dominated by major battery manufacturers, raw material price volatility and cyclical supply-demand dynamics, according to Frost & Sullivan. Electrolyte suppliers generally serve a limited number of large-scale battery manufacturers, which possess substantial purchasing power due to their scale, procurement volumes and stringent supplier qualification requirements. As a result, electrolyte suppliers, including us, are subject to customer concentration and pricing pressure. During the Track Record Period, a significant portion of our revenue was generated from our major customers, reflecting the concentrated nature of the industry. See "Business — Marketing and Sales — Our Major Customers." Once qualified and incorporated into customers' supply chains, however, electrolyte suppliers may benefit from relatively stable and recurring demand due to the lengthy supplier qualification and certification process and high costs associated with switching qualified suppliers, according to Frost & Sullivan.

The electrolyte industry is also materially affected by fluctuations in raw material prices, particularly $LiPF_6$, which is one of the key raw materials used in electrolyte production. As electrolyte products are generally priced with reference to underlying raw material costs, changes in raw material prices directly affect electrolyte selling prices and industry profitability. Therefore, the bargaining power within the industry is influenced by the concentration of major battery manufacturers downstream and the pricing dynamics of key raw material suppliers upstream, which may affect the ability of electrolyte suppliers to pass through raw material cost fluctuations and negotiate product pricing.

Both the battery and electrolyte industries experienced significant capacity expansion in recent years. The resulting industry overcapacity intensified market competition and exerted downward pressure on electrolyte prices and profitability. Against this backdrop, we adopted competitive pricing strategies for certain products, particularly electrolytes for ESS batteries, to maintain sales growth and expand market share. At the same time, we closely monitor raw material

price movements and market demand, and adjust our procurement and inventory policies accordingly. For example, our inventories increased as of June 30, 2026 primarily as a result of increased raw material purchases and finished goods to support rising customer demand and production requirements.

These industry characteristics had a direct impact on our pricing policies, inventory management and financial performance during the Track Record Period. In particular, intensified market competition, industry overcapacity and declining product prices in 2024 and the first three quarters of 2025 contributed to lower revenue, profitability and gross profit margins of our Group. In response, we adopted competitive pricing strategies for certain products and adjusted our procurement and inventory levels based on expected customer demand and raw material price trends. As market conditions improved, raw material prices increased and customer demand recovered since the fourth quarter of 2025, our revenue, gross profit and gross profit margin improved accordingly.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The summary of financial information should be read together with the historical financial information set forth in the Accountants' Report in Appendix I to this document, including the accompanying notes and the information set out in the section headed "Financial Information" in this document.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss 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**

While we recorded a profit for the year of RMB86.2 million in 2023, we incurred a loss of RMB27.6 million in 2024, primarily driven by a decline in revenue and gross profit amid falling prices for our electrolyte products in line with the decrease in the average price of our core raw material, partially offset by the income tax credit recognized in 2024. We continued to record a loss for the period of RMB9.4 million in the six months ended June 30, 2025, primarily because market conditions and the pricing environment for our electrolyte products remained largely consistent with those experienced in 2024, which continued to exert pressure on our revenue and gross profit. Nevertheless, we returned to profitability with a profit for the year of RMB36.1 million in 2025 and a profit for the period of RMB147.7 million in the six months ended June 30, 2026, primarily driven by a recovery in revenue and gross profit, supported by a significant increase in sales volume alongside relatively stabilized prices for our electrolyte products.

Revenue

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)						*(unaudited)*			
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**

Note:

(1) Others primarily represented our sales of raw materials, such as solutes, solvents and additives. The 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 $LiPF_6$.

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 due to the increase in our revenue from the sales of electrolytes, mainly 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, primarily due to (i) the continued growth in demand from downstream lithium-ion battery manufacturers, which supported a more favorable pricing environment for our electrolyte products, and (ii) increases in the prices of certain key raw materials used in electrolyte production, including $LiPF_6$, which led to corresponding upward adjustments in the selling prices of our products.

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, mainly 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.

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 price of our electrolyte products in line with the decrease in the average price of our solutes, such as $LiPF_6$, our core raw material, as we largely price our electrolyte products based on the cost of the underlying raw materials. See "Industry Overview — Overview of the Global Electrolyte Industry — Market Size Analysis of the Global Electrolyte Industry." The average prices of our electrolyte products declined 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.

The following table sets forth the sales volume and average selling price by business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	tons	*RMB in thousand/ ton*	*tons*	*RMB in thousand/ ton*	*tons*	*RMB in thousand/ ton*	*tons*	*RMB in thousand/ ton*	*tons*	*RMB in thousand/ ton*
Electrolytes	**52,670**	**30**	**60,676**	**17**	**107,094**	**16**	**42,332**	**15**	**77,164**	**25**
Electrolytes for power batteries	40,556	30	46,806	17	75,209	16	31,117	15	56,446	25
Electrolytes for ESS batteries	7,624	25	11,198	14	30,164	15	10,410	14	19,700	24
Electrolytes for consumer electronics batteries	4,372	35	2,617	24	1,630	30	758	28	964	40
Electrolytes for emerging applications	118	46	55	28	91	30	47	29	54	44
Others[(1)]	**709**	**9**	**843**	**12**	**3,507**	**12**	**692**	**9**	**15,124**	**5**

Note:

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

The sales volume of our electrolytes for power batteries and ESS batteries increased steadily from 2023 to 2025 and further increased in the six months ended June 30, 2026 compared with the corresponding period in 2025, primarily driven by the accelerating demand in downstream battery, supported by factors such as rising NEV penetration and the rapid development of energy storage solutions. The sales volume of our electrolytes for consumer electronics batteries decreased from 2023 to 2025, primarily driven by our optimized business strategy to further focus on power battery electrolytes and ESS battery electrolytes to better align with market demand, although it recorded a slight increase in the six months ended June 30, 2026 as compared with the corresponding period

in 2025 in line with the continued growth in demand from downstream lithium-ion battery manufacturers. The sales volume of our electrolytes for emerging applications fluctuated during the Track Record Period, primarily reflecting volatile market demand from robots and low-altitude economy applications.

The average selling price of our electrolytes decreased from 2023 to 2024. We adjust prices of our electrolyte products in accordance with the market price of solutes, such as $LiPF_6$, our core raw material. According to Frost & Sullivan, the average price of $LiPF_6$ experienced a surge from approximately RMB132,500 per ton in early 2021 to over RMB560,000 per ton in March 2022, primarily driven by explosive growth in global demand for NEVs and limited effective upstream capacity. As new upstream production capacity was gradually commissioned and the supply chain gradually stabilized, the average price of $LiPF_6$ decreased from RMB130,200 per ton in 2023 to RMB62,500 per ton in 2024. In addition, we strengthened our competitive pricing strategy for electrolytes for ESS batteries to accelerate market penetration, broaden our customer base and increase our market share in this sector, see "Financial Information — Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin." The pricing of our electrolytes for ESS batteries under the competitive pricing strategy was determined with reference to various factors, including electrolyte formulations, raw material supply conditions, product specifications and customers' specific requirements. Largely as a result, the prices of our electrolyte products declined from approximately RMB30,000 per ton in 2023 to approximately RMB17,000 per ton in 2024. The competitive pricing strategy was primarily implemented in 2023 and 2024 for our electrolytes for ESS batteries. Following the improvement in market conditions and demand since the fourth quarter of 2025 and the enhancement of our pricing power in this sector, our reliance on such strategy has gradually decreased. Nevertheless, we expect to continue to apply this strategy selectively on a case-by-case basis for certain customers or projects where commercially appropriate, taking into account customer relationships, competitive dynamics, market conditions and our overall business objectives. As of the Latest Practicable Date, the major customers acquired through our competitive pricing strategy, as well as those with whom we expanded our business relationships through such strategy, have continued to transact with us, reflecting the effectiveness of our prior competitive pricing strategy in both expanding and retaining our customer base.

The average selling price of our electrolytes remained relatively stable at approximately RMB17,000 per ton in 2024 and approximately RMB16,000 per ton in 2025, largely in line with the relatively stable average market price of $LiPF_6$, which was RMB62,500 per ton in 2024 and RMB75,800 per ton in 2025, even though the average market price of $LiPF_6$ increased in the fourth quarter in 2025 to over RMB170,400 per ton in December 2025, according to Frost & Sullivan.

The average selling price of our electrolytes increased from approximately RMB15,000 per ton in the six months ended June 30, 2025 to approximately RMB25,000 per ton in the six months ended June 30, 2026, primarily due to (i) the continued growth in demand from downstream lithium-ion battery manufacturers, which supported a more favorable pricing environment for our electrolyte products, and (ii) increases in the prices of certain key raw materials used in electrolyte production, including $LiPF_6$, which led to corresponding upward adjustments in the selling prices of our products. See "Industry Overview — Overview of the Global Electrolyte Industry — Market Size Analysis of the Global Electrolyte Industry" and "Industry Overview — Price Analysis of Raw Materials and Electrolyte Products." According to Frost & Sullivan, the average selling prices of our electrolyte products by business line are generally in line with industry trends.

Notably, the average selling price of electrolytes for consumer electronics batteries increased from RMB24,000 per ton in 2024 to RMB30,000 per ton in 2025, while the average selling prices for other electrolytes remained relatively stable during the same period, primarily due to differences in product mix and pricing dynamics. Electrolytes for consumer electronics batteries are largely customized products and are typically priced on an order-by-order basis, which enables faster and more effective pass-through of cost changes and supports timely price adjustments. Meanwhile, the continued ramp-up of higher-end customized products further improved the product mix, contributing to the overall increase in average selling price. By contrast, electrolytes for power and ESS batteries are more standardized with relatively consistent pricing mechanisms, resulting in more stable average selling prices.

The average selling price of our raw materials was approximately RMB9,000 per ton, RMB12,000 per ton, RMB12,000 per ton, RMB9,000 per ton and RMB5,000 per ton in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. The average selling price of our raw materials fluctuated in line with variations in customer's specific demand for raw materials of electrolytes.

Gross Profit and Gross Profit Margin

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)									
							(unaudited)			
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
Electrolytes for emerging applications	1,659	30.6	359	23.4	1,145	42.1	524	39.0	961	40.3
Others	**962**	**15.2**	**2,494**	**23.9**	**16,630**	**41.1**	**1,438**	**24.0**	**14,902**	**21.9**
Total	**172,846**	**11.0**	**44,838**	**4.4**	**163,721**	**9.4**	**37,493**	**5.9**	**279,720**	**14.2**

Notes:

(1) The gross losses of our electrolytes for ESS batteries in 2023 and 2024 were primarily attributable to the product characteristics of electrolytes for ESS batteries, our competitive pricing strategy and the narrow spreads between their average selling prices and average raw material costs. See "Financial Information — Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin."

(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 because (i) prices of key upstream raw materials, such as $LiPF_6$, decreased in 2024, which led to a decline in the average selling prices of electrolytes for power and ESS batteries, (ii) electrolytes for consumer electronics batteries mainly consist of customized products, making them less susceptible to industry-wide price competition, and (iii) we continued to optimize our product mix of electrolytes for consumer electronics batteries, which helped partially offset cost fluctuations.

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. Our gross profit margin increased from 5.9% in the six months ended June 30, 2025 to 14.2% in the six months ended June 30, 2026, 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.

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 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. According to Frost & Sullivan, the gross profit margin of our electrolyte products by business line is generally in line with industry trends. See "Financial Information — Description of Major Components of Our Results of Operations."

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	(RMB in thousands)			
Non-current assets	626,840	702,206	1,153,098	1,234,430
Current assets	1,157,276	877,022	1,581,190	2,292,768
Total assets	**1,784,116**	**1,579,228**	**2,734,288**	**3,527,198**
Non-current liabilities	(103,680)	(95,799)	(172,517)	(275,444)
Current liabilities	(650,006)	(475,854)	(1,375,091)	(1,817,452)
Total liabilities	**(753,686)**	**(571,653)**	**(1,547,608)**	**(2,092,896)**
Net current assets	507,270	401,168	206,099	475,316
Total equity/net assets	**1,030,430**	**1,007,575**	**1,186,680**	**1,434,302**

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. Notably, 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. 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.

Our net assets decreased from RMB1,030.4 million as of December 31, 2023 to RMB1,007.6 million as of December 31, 2024, primarily due to the loss for the year of RMB27.6 million, partially offset by the changes in fair value of equity investments at fair value through other comprehensive income, net of tax of RMB4.2 million and equity-settled share award expense of RMB0.5 million. Our net assets increased from RMB1,007.6 million as of December 31, 2024 to RMB1,186.7 million as of December 31, 2025, primarily due to acquisition of a subsidiary of RMB140.7 million, profit for the year of RMB36.1 million, equity-settled share award expense of RMB0.3 million, partially offset by changes in fair value of equity investments at fair value through other comprehensive income, net of tax of RMB0.8 million. Our net assets increased from RMB1,186.7 million as of December 31, 2025 to RMB1,434.3 million as of June 30, 2026, primarily due to the profit for the period of RMB147.8 million, the issue of shares of RMB100.0 million and the equity-settled share award expense of RMB1.7 million, partially offset by the exchange differences on translation of foreign operations of RMB2.7 million.

See "Financial Information — Discussion of Certain Key Balance Sheet Items."

Summary of Consolidated Statements of Cash Flows

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

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	(RMB in thousands)				
				(unaudited)	
Net cash flows from/(used in) operating activities	84,766	190,839	56,611	(47,975)	(17,412)
Net cash flows used in investing activities	(268,390)	(140,373)	(209,115)	(9,149)	(144,471)
Net cash flows from/(used in) financing activities	81,563	(32,501)	157,618	69,372	309,466
Net (decrease)/increase in cash and cash equivalents	(102,061)	17,965	5,114	12,248	147,583
Cash and cash equivalents at the beginning of year/period	125,600	23,539	41,484	41,484	46,935
Effect of foreign exchange rate changes, net	–	(20)	337	(450)	2,675
Cash and cash equivalents at end of year/period	**23,539**	**41,484**	**46,935**	**53,282**	**197,193**

While we recorded net cash flows from operating activities in 2023, 2024 and 2025, we recorded net cash flows used in operating activities in the six months ended June 30, 2025 and 2026. In the six months ended June 30, 2026, our net cash flows used in operating activities was RMB17.4 million, primarily due to (i) the increase in trade and bills receivables in line with the revenue growth, and (ii) the increase in inventories mainly driven by an increase in raw material prices and higher levels of raw material inventory maintained in anticipation of increased market demand. We implement a series of proactive measures to enhance our net operating cash flow. See "Financial Information — Liquidity and Capital Resources — Cash Flows."

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	1.8	1.8	1.1	1.3
Quick ratio	1.7	1.7	1.0	1.1
Gearing ratio	16.5%	14.3%	36.6%	49.1%
Net debt to equity ratio	14.2%	10.2%	32.7%	35.3%
Inventory turnover days	20 days	18 days	28 days	25 days

See "Financial Information — Key Financial Ratios."

OUR SINGLE LARGEST SHAREHOLDER GROUP

As of the Latest Practicable Date, by virtue of Mr. Guo's role as the general partner of Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu, Mr. Guo, Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu constitute the Single Largest Shareholder Group, which, in aggregate, was interested in approximately 38.48% of the total issued share capital of our Company. Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and that the Share Split and the [**REDACTED**] application of our Company are completed), the Single Largest Shareholder Group will, in aggregate, be interested in approximately [**REDACTED**]% of the issued share capital of our Company. Accordingly, Mr. Guo, Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu will become our Single Largest Shareholder Group immediately following the [**REDACTED**] and the Company will not have any controlling shareholder as defined under the Listing Rules. See "Relationship with Our Single Largest Shareholder Group."

OUR [REDACTED] INVESTORS

Since becoming ultimately controlled by Mr. Guo in April 2015, we have undergone a series of [**REDACTED**] Investments. See "History and Corporate Structure — [**REDACTED**] Investments."

PREVIOUS [REDACTED] APPLICATION

We submitted our [**REDACTED**] application (the "[**REDACTED**] **Attempt**") for a proposed [**REDACTED**] on the Shenzhen Stock Exchange in June 2023. Due to a change in market conditions at the time, which adversely affected our Group's financial performance and resulted in our inability to meet the [**REDACTED**] requirements of the Shenzhen Stock Exchange, our Group decided to withdraw the [**REDACTED**] Attempt on March 21, 2024. See "History and Corporate Structure — Previous [**REDACTED**] Application."

[REDACTED] SHARE INCENTIVE SCHEME

On October 9, 2021, the [**REDACTED**] Share Incentive Scheme was approved and adopted by our Company to incentivize our core employees. As of the Latest Practicable Date, the Shares underlying the awards under the [**REDACTED**] Share Incentive Scheme have already been issued to Tianjin Kunyu and no further awards will be granted under the [**REDACTED**] Share Incentive Scheme after the [**REDACTED**]. For details, please refer to the section headed "Statutory and General Information — D. [**REDACTED**] Share Incentive Scheme" in this document.

[REDACTED] STATISTICS

	Based on an [REDACTED] of [REDACTED] per [REDACTED]	Based on an [REDACTED] of [REDACTED] per [REDACTED]
[**REDACTED**][(1)]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
[**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the Company per Share[(2)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The calculation of the [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(2) The [**REDACTED**] adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II — Unaudited [**REDACTED**] Financial Information" to this document.

[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.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for the [**REDACTED**] under Rule 8.05(2) of the Listing Rules and we satisfy the [**REDACTED**] test, among other things, with reference to (i) our revenue in 2025; (ii) our expected [**REDACTED**] of HK$[**REDACTED**] billion at the time of [**REDACTED**] (based on the low end of [**REDACTED**] range of HK$[**REDACTED**] per Share), which will exceed HK$[**REDACTED**] billion required by Rule 8.05(2); and (iii) our positive cash flows from operating activities in aggregate in 2023, 2024 and 2025.

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.

FUTURE PLANS AND [REDACTED]

We estimate that the [**REDACTED**] of the [**REDACTED**], after deducting the estimated [**REDACTED**] and other fees and expenses paid and payable by us in connection with the [**REDACTED**], will be approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the mid-point of the indicative range of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share), and that the [**REDACTED**] is not exercised. We plan to use the [**REDACTED**] from the [**REDACTED**] for the following purposes:

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to expand our production capacity and support global expansion, including the lithium-ion battery materials 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.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for the R&D activities. Our focus will be on advancing research in next-generation battery materials, such as solid-state electrolytes, as well as other core raw materials including solutes and additives, to further strengthen our technological capabilities.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for working capital and general corporate purposes.

See "Future Plans and [**REDACTED**]."

LEGAL PROCEEDINGS

We may from time to time be subject to various legal or administrative proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention. During the Track Record Period and up to the Latest Practicable Date, other than one settled litigation as described in "Business — Legal Proceedings and Compliance — Litigation," we had not been and were not a party to any material legal, arbitral or administrative proceedings and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, we have continued to witness growth in our business operations. Since July 1, 2026 and up to the Latest Practicable Date, we secured electrolyte orders worth around RMB2,383.1 million, representing an increase of 235.6% compared with the value of electrolyte orders obtained in the corresponding period of 2025. Nevertheless, while our largest customer during the Track Record Period continued to record growth in revenue and sales volume, its profit margin fluctuated in the third quarter of 2026. As of the Latest Practicable Date, we had not observed any material reduction in customer demand, procurement volume or business cooperation arising from such developments, nor had we experienced any material adverse impact on our business, results of operations or financial condition.

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since June 30, 2026, being the end date of our latest consolidated financial statements, and there has been no event since June 30, 2026 that would materially affect the information shown in the Accountants' Report in Appendix I to this document.

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"Accountants' Report"	the accountants' report of our Group for the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026 as set out in Appendix I to this document
"Advanced Technology"	Huzhou Kunlun Advanced Technology Co., Ltd. (湖州昆侖先端科技有限公司), a company established in the PRC with limited liability on May 29, 2024 and a wholly-owned subsidiary of our Company
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the articles of association of our Company, which shall become effective upon [**REDACTED**], as amended from time to time, a summary of which is contained in Appendix III to this document
	[**REDACTED**]
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Authorized Representatives"	the authorized representatives of the Company for the purpose of Rule 3.05 of the Listing Rules
"Beijing Kunyu"	Beijing Kunyu Energy Technology Co., Ltd. (北京昆宇製能技術有限公司), a company established in the PRC with limited liability on March 12, 2021 and a wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business

[**REDACTED**]

"Chairman"	the chairman of our Board
"Changxing Kunlun"	Changxing Kunlun New Materials Co., Ltd. (長興昆侖新材料有限公司), a company established in the PRC with limited liability on June 30, 2022 and a wholly-owned subsidiary of our Company
"Changzhou Ruiliang"	Changzhou Ruiliang Venture Investment Partnership (Limited Partnership) (常州瑞良創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on January 27, 2022 and an Independent Third Party. Changzhou Ruiliang is managed by Jiangsu Ruihua Venture Investment Management Co., Ltd. (江蘇瑞華創業投資管理有限公司) as the general partner, which is 49.00% controlled by Ruihua Capital, a wholly-owned subsidiary of Jiangsu Ruihua Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司) which is subsequently 98.82% owned by Mr. Zhang Jianbin (張建斌), an Independent Third Party. Changzhou Ruiliang has five limited partners, including Ruihua Capital, which holds 44.00% of the partnership interests, and four other independent entities collectively holding 56.00% of the partnership interests (each holding less than one-third of the voting rights or partnership interest)
"China" or "PRC" or "Mainland China"	the People's Republic of China excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan for the purpose of this document
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	Kunlun New Energy Materials Technology (Yichang) Co., Ltd. (昆侖新能源材料技術(宜昌)股份有限公司) (formerly known as Xianghe Kunlun Chemical Products Co., Ltd. (香河昆侖化學製品有限公司) and Xianghe Kunlun New Energy Materials Co., Ltd. (香河昆侖新能源材料股份有限公司)), a limited liability company established in the PRC on November 15, 2004 and converted into a joint stock limited company on December 23, 2021
"Company Law" or "PRC Company Law"	the Company Law of the People's Republic of China (《中華人民共和國公司法》) as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
	[**REDACTED**]
"Director(s)"	the director(s) of our Company
"Domestic [**REDACTED**] Share(s)"	ordinary Shares in the share capital of the Company with a nominal value of RMB1.00 each before the Share Split and RMB0.10 each after the Share Split on a one-for-ten basis, respectively, which are subscribed for and paid up in Renminbi and are not currently [**REDACTED**] or [**REDACTED**] on any stock exchange
"Donghu Guolong"	Wuhan Donghu Guolong Shibei No. 1 Equity Investment Fund Partnership (Limited Partnership) (武漢東湖國隆拾貝壹號股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on December 10, 2021. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document

"Dunxing Jucai"	Suzhou Dunxing Jucai Venture Investment Partnership (Limited Partnership) (蘇州敦行聚才創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 15, 2020. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Extreme Conditions"	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
	[**REDACTED**]
"Frost & Sullivan Report"	an independent market research report commissioned by our Company on the global lithium-ion battery industry and global electrolyte industry and prepared by Frost & Sullivan, as referred to in the section headed "Industry Overview" in this document
	[**REDACTED**]
"GFA"	gross floor area
	[**REDACTED**]
"Group", "our Group", "the Group", "we", "us", or "our"	our Company and its subsidiaries from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities or the predecessors of the present subsidiaries (as the case may be) which carried on the business of the present Group at the relevant time
"Guide" or "Guide for New Listing Applicants"	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"H Share(s)"	overseas-[**REDACTED**], foreign-[**REDACTED**], ordinary shares issued by us with a nominal value of RMB0.1 each in the share capital of our Company, which are to be [**REDACTED**] and [**REDACTED**] in Hong Kong dollars and for which an application has been made for [**REDACTED**] and permission to [**REDACTED**] on the Stock Exchange

"H Shareholder(s)"	the Shareholders of our Company holding H Share(s)
"Hangzhou Nanhai"	Hangzhou Nanhai Growth Investment Partnership (Limited Partnership) (杭州南海成長投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 3, 2014 and a substantial shareholder of our Company. Hangzhou Tongchuang is the general partner, holding a 7.03% partnership interest. The remaining 92.97% partnership interest is held by eight limited partners, none of whom holds more than one-third of the voting rights or partnership interest, and all of whom are Independent Third Parties (save for the 24.92% limited partnership interests held by entities controlled by Tongchuang Assets Management)
"Hangzhou Tongchuang"	Hangzhou Tongchuang Weiye Assets Management Co., Ltd. (杭州同創偉業資產管理有限公司), a company established in the PRC with limited liability on October 30, 2013, and a wholly-owned subsidiary of Tongchuang Assets Management. It is a substantial shareholder of our Company
"HK$", "Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
	[**REDACTED**]
"HKFRS"	Hong Kong Financial Reporting Standard
	[**REDACTED**]
"Huasheng Nanyuan"	Suzhou Huasheng Nanyuan Dunxing Venture Investment Partnership (Limited Partnership) (蘇州華盛南園敦行創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 5, 2023. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Hubei Kunlun"	Hubei Kunlun New Materials Co., Ltd. (湖北昆侖新材料有限公司), a company established in the PRC with limited liability on April 17, 2023 and a wholly-owned subsidiary of our Company

"Huzhou Kunlun"	Huzhou Kunlun New Energy Materials Co., Ltd. (湖州昆侖新能源材料有限公司) (formerly known as Huzhou Kunlun Power Battery Materials Co., Ltd. (湖州昆侖動力電池材料有限公司) and Huzhou Kunlun Yienke Battery Materials Co., Ltd. (湖州昆侖億恩科電池材料有限公司)), a company established in the PRC with limited liability on May 9, 2017 and a 85.00%-owned subsidiary of our Company. The remaining 15.00% equity interest is held by Enchem Co., Ltd., a company listed on the Korea Exchange (stock code: 348370)
"Huzhou Qixing"	Huzhou Qixing Investment Management Partnership (Limited Partnership) (湖州企興投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on January 26, 2018. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected (within the meaning of the Listing Rules) with our Company

[**REDACTED**]

"Jiang'An New Energy"	Jiang'An New Energy Construction Development Co., Ltd. (江安新能建設發展有限公司), a company established in the PRC with limited liability on January 9, 2020. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Jiaxing Waniu"	Jiaxing Waniu Zhixiang Equity Investment Partnership (Limited Partnership) (嘉興哇牛制享股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 2, 2020. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Jinxiu Assets"	Shenzhen Tongchuang Jinxiu Assets Management Co., Ltd. (深圳同創錦繡資產管理有限公司), a company established in the PRC with limited liability on December 24, 2014, and a wholly-owned subsidiary of Tongchuang Assets Management. It is a substantial shareholder of our Company [**REDACTED**]
"Joint Company Secretary(ies)"	the joint company secretary(ies) of our Company [**REDACTED**]
"Joint Sponsors"	China Securities (International) Corporate Finance Company Limited and Ping An Securities (Hong Kong) Capital Company Limited
"Kunlun Advanced"	Huzhou Kunlun Advanced Solid-State Battery Technology Co., Ltd. (湖州昆侖先端固態電池科技有限公司), a company established in the PRC with limited liability on December 28, 2020 and a wholly-owned subsidiary of our Company
"Kunlun HK"	Hong Kong Kunlun Battery Materials Co., Limited (香港昆侖電池材料有限公司), a company incorporated in Hong Kong with limited liability on March 14, 2024 and a wholly-owned subsidiary of our Company

"Kunlun Hungary"	KunlunChem Hungary Limited (昆侖新材(匈牙利)有限公司), a company incorporated in Hungary with limited liability on October 12, 2023 and a wholly-owned subsidiary of our Company
"Latest Practicable Date"	November 13, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Lishui Zhepu"	Lishui Zhepu Venture Investment Partnership (Limited Partnership) (麗水浙普創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 16, 2021. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
	[**REDACTED**]
"Lizhong Group"	Lizhong Sitong Light Alloys Group Co., Ltd. (立中四通輕合金集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300428), and our substantial shareholder at subsidiary level with 45.15% equity interest in Shandong Lizhong, a subsidiary of our Company
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Guo"	Mr. Guo Yingjun (郭營軍), the Chairman, executive Director and the general manager of our Company and a member of our Single Largest Shareholder Group
"NEEQ"	the National Equities Exchange and Quotations Co., Ltd. (全國中小企業股份轉讓系統有限責任公司), a PRC over-the-counter system for trading shares of public companies
"Nomination Committee"	the nomination committee of the Board

[**REDACTED**]

"Pinghu Huarui"	Pinghu Huarui Jiayin Venture Investment Partnership (Limited Partnership) (平湖華睿嘉銀創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on February 3, 2021. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC government"	the Central People's Government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
"PRC Legal Advisor"	King & Wood, the legal advisor of our Company as to PRC laws in connection with the [**REDACTED**]

"[**REDACTED**] Investments"	the investments made by the [**REDACTED**] Investors in our Company, details of which are set out in "History and Corporate Structure — [**REDACTED**] Investments" in this document
"[**REDACTED**] Investors"	The [**REDACTED**] investors of our Company, details of which are set out in "History and Corporate Structure — [**REDACTED**] Investments" in this document
"[**REDACTED**] Share Incentive Scheme"	the [**REDACTED**] share incentive scheme adopted by our Company on October 9, 2021, the principal terms of which are summarized under the section headed "Statutory and General Information — D. [**REDACTED**] Share Incentive Scheme" in Appendix IV to this document

[**REDACTED**]

"Province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC

[**REDACTED**]

"Qianhai Fund"	Qianhai Equity Investment Fund (Limited Partnership) (前海股權投資基金(有限合夥)), a limited partnership established in the PRC on December 11, 2015. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document

"Qingdao SAIC"	Qingdao SAIC Innovation Upgrading Industrial Equity Investment Fund Partnership (Limited Partnership) (青島上汽創新升級產業股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on January 12, 2021. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Quanzhou Kunlun"	Quanzhou Kunlun Battery Materials Co., Ltd. (泉州昆侖電池材料有限公司), a company established in the PRC with limited liability on September 3, 2026 and a wholly-owned subsidiary of our Company
"R&D"	research and development
	[**REDACTED**]
"Remuneration and Review Committee"	the remuneration and review committee of the Board
"Reporting Accountants"	Ernst & Young, the reporting accountants of our Company
"Rizhao Chenrui"	Rizhao Chenrui Lianhe Phase I Equity Investment Management Center (Limited Partnership) (日照宸睿聯合一期股權投資管理中心(有限合夥)), a limited partnership established in the PRC on August 23, 2017. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"RMB"	Renminbi, the lawful currency of the PRC
"Ruihua Capital"	Tibet Ruihua Commercial Management Co., Ltd. (西藏瑞華商業管理有限公司), a company established in the PRC with limited liability on December 14, 2011 and an Independent Third Party. It is a wholly-owned subsidiary of Jiangsu Ruihua Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司), which is 98.82% owned by Mr. Zhang Jianbin (張建斌), an Independent Third Party
"SAIC Yangtze Delta"	Shanghai SAIC Yangtze Delta Industrial Upgrading Equity Investment Partnership (Limited Partnership) (上海長三角產業升級股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 3, 2019. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document

"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shandong Lizhong"	Shandong Lizhong New Energy Materials Co., Ltd. (山東立中新能源材料有限公司), a company established in the PRC with limited liability on August 26, 2021 and a 51.00%-owned subsidiary of our Company. The remaining 49.00% is owned by Lizhong Group (45.15%), Ms. Gong Zhiwen (龔之雯) (2.07%) (being a former director of Shandong Lizhong), Mr. Liu Yubin (劉毓斌) (1.28%) (being an Independent Third Party), and Mr. Zhang Yujun (張玉俊) (0.50%) (being an Independent Third Party)
"Shanghai Zhepu"	Small-Medium Zhepu (Shanghai) Innovation Investment Partnership (Limited Partnership) (中小浙普(上海)創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 12, 2021. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each before the Share Split and RMB0.1 each after the Share Split, comprising our Domestic [**REDACTED**] Shares and our H Shares
"Shareholder(s)"	holder(s) of Shares
"Share Split"	the split of the Company's registered Shares with nominal value of RMB1.0 each into 10 Shares with nominal value of RMB0.10 each, which is approved on January 12, 2026 and effective upon completion of the [**REDACTED**]
"Shenzhen Tongchuang"	Shenzhen City Tongchuang Weiye Innovation Energy Saving Environmental Venture Investment Partnership (Limited Partnership) (深圳市同創偉業創新節能環保創業投資企業(有限合夥)), a limited partnership established in the PRC on July 1, 2013 and a substantial shareholder of our Company. Jinxiu Assets is the general partner, holding a 0.80% partnership interest. The remaining 99.20% partnership interest is held by seven limited partners, and with the exception of Shenzhen City Tongchuang Weiye Growth Investment Fund Enterprise (Limited Partnership) (深圳市同創偉業成長投資基金企業(有限合夥)) which is controlled by Tongchuang Assets Management, holding a 33.20% limited partnership interest, none of the other limited partners hold more than one-third of the voting rights or partnership interest, and all are Independent Third Parties

"Single Largest Shareholder Group"	Mr. Guo, Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu, being our single largest shareholder group following the completion of the [**REDACTED**]
	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suzhou Tongchuang"	Suzhou Tongchuang Tongyun Venture Investment Partnership (Limited Partnership) (蘇州同創同運創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 16, 2021 and a substantial shareholder of our Company. Jinxiu Assets is the general partner, holding a 1.13% partnership interest. The remaining 98.87% partnership interest is held by 18 limited partners, of which 48.44% is held by four entities controlled by Tongchuang Assets Management, and the remaining 50.43% is held by 14 other limited partners, all of whom are Independent Third Parties. None of these 14 limited partners holds more than one-third of the voting rights or partnership interest
"Suzhou Zhongjin"	Suzhou Zhongjin SAIC Emerging Industry Equity Investment Fund Partnership (Limited Partnership) (蘇州中金上汽新興產業股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on March 11, 2021. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
	[**REDACTED**]

"Tianjin Kunyu"	Tianjin Kunyu Corporate Management Consulting Partnership (Limited Partnership) (天津昆宇企業管理諮詢合夥企業(有限合夥)) (formerly known as Qingdao Kunyu Corporate Management Consulting Partnership (Limited Partnership)) (青島昆宇企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on June 4, 2021. Mr. Guo is the general partner, holding a 9.76% partnership interest, while Mr. Guo Yingliang (郭迎亮), our executive Director, holds a 2.73% limited partnership interest, and Mr. Wang Chuanshui (王傳水), our executive Director, holds a 6.74% limited partnership interest. The remaining 80.77% partnership interest is held by 23 limited partners (being our employees and external consultant), none of whom hold more than one-third of the voting rights or partnership interest, with all being Independent Third Parties. Tianjin Kunyu is a member of our Single Largest Shareholder Group
"Tianjin Kunyuan"	Tianjin Kunyuan Corporate Management Consulting Partnership (Limited Partnership) (天津昆遠企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on April 26, 2016. Mr. Guo is the general partner, holding a 10.70% partnership interest, while Mr. Guo Yingliang (郭迎亮), our executive Director, holds a 1.00% limited partnership interest. The remaining 88.30% partnership interest is held by eight limited partners who are all Independent Third Parties. Except for Mr. Ding Jie (丁杰), who holds a 36.30% limited partnership interest, none of the remaining seven limited partners holds more than one-third of the voting rights or partnership interest. Tianjin Kunyuan is a member of our Single Largest Shareholder Group and a [**REDACTED**] Investor
"Tianjin Tongde"	Tianjin Tongde Xinyuan Corporate Management Consulting Partnership (Limited Partnership) (天津同德新遠企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on April 25, 2016. Mr. Guo is the general partner, holding a 45.27% partnership interest, while Mr. Xiong Shengjiang (熊勝江), our non-executive Director, holds a 6.67% limited partnership interest. The remaining 48.06% partnership interest is held by six limited partners, none of whom holds more than one-third of the voting rights or partnership interest, with all being Independent Third Parties. Tianjin Tongde is a member of our Single Largest Shareholder Group and a [**REDACTED**] Investor
"Tongchuang Assets Management"	Shenzhen Tongchuang Weiye Assets Management Co., Ltd. (深圳同創偉業資產管理股份有限公司), a company listed on NEEQ (with stock code: 832793). It is a substantial shareholder of our Company
"Track Record Period"	the years ended December 31, 2023, 2024, 2025 and the six months ended June 30, 2026

[**REDACTED**]

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act 1933, as amended, supplemented or otherwise modified from time to time
"US$" or "U.S. dollar"	United States dollars, the lawful currency of the United States

[**REDACTED**]

"Xianghe Kunlun"	Xianghe Kunlun New Energy Technology Co., Ltd. (香河昆仑新能源科技有限公司), a company established in the PRC with limited liability on August 8, 2017 and a wholly-owned subsidiary of our Company

"Xuzhou Boda"	Xuzhou Boda Shengshi Equity Investment Partnership (Limited Partnership) (徐州博達盛世股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 12, 2020. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Yibin Green Investment"	Yibin Green Development Industrial Investment Fund Partnership (Limited Partnership) (宜賓綠色發展產業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on December 12, 2022. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Yibin Kunlun"	Yibin Kunlun New Energy Co., Ltd. (宜賓昆侖新能源有限公司), a company established in the PRC with limited liability on April 11, 2022 and a wholly-owned subsidiary of our Company
"Yichang High-tech"	Yichang High-tech Intelligent Industry Fund Partnership (Limited Partnership) (宜昌高新智慧產業基金合夥企業(有限合夥)), a limited partnership established in the PRC on September 18, 2020. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"Yichang Innovation"	Yichang City Innovation Venture Equity Investment Partnership (Limited Partnership) (宜昌市創新創業股權投資合夥企業(有限合夥)), formerly known as Yichang City Innovation Venture Investment Partnership (Limited Partnership) (宜昌市創新創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on January 3, 2025. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document

"Zhengzhou Tongchuang"	Zhengzhou Tongchuang Finance Equity Investment Fund Partnership (Limited Partnership) (鄭州同創財金股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on July 7, 2021 and a substantial shareholder of our Company. Jinxiu Assets is the general partner, holding a 0.99% partnership interest. The remaining 99.01% partnership interest is held by 11 limited partners which are all Independent Third Parties. Except for Shandong Finance Science and Technology Innovation Equity Investment Fund Partnership (Limited Partnership), a state-owned fund, which holds a 48.51% limited partnership interest, none of the other limited partners holds more than one-third of the voting rights or partnership interest
"Zhongjin Zhixing"	Zhongjin Zhixing (Wuhan) Industrial Fund Partnership (Limited Partnership) (中金知行(武漢)產業基金合夥企業(有限合夥)), a limited partnership established in the PRC on September 11, 2018. It is a [**REDACTED**] Investor and an Independent Third Party. For details of its ownership structure, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments — 3. Information on the [**REDACTED**] Investors" in this document
"%"	per cent

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this document, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.85064 = HK$1.00 or RMB6.71520 = US$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between this document and the Chinese translation of this document, this document shall prevail. If there is any inconsistency between the names of any of the entities, laws and regulations mentioned in this document which are not in the English language and their English translations, the names in their respective original languages shall prevail.

Unless otherwise specified, all relevant information in this document assumes no exercise of the [**REDACTED**].

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document as they relate to our Company and as they are used in this document in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

"3C"	computer, communication and consumer electronics
"AEM"	anion exchange membrane, a hydrogen production technology that combines the low cost of alkaline water electrolysis and the high efficiency of proton exchange membrane electrolysis
"Ah"	Ampere-hour, a unit of electric charge that measures battery capacity. It represents the amount of electrical charge transferred by a steady current of one ampere flowing for one hour
"AI"	artificial intelligence
"behind-the-meter"	a type of energy storage system installed on the load side of the grid
"C"	the rate at which a battery is charged or discharged relative to its capacity, where 1C represents a full charge or discharge in one hour and 4C represents a full charge or discharge in 15 minutes
"CAGR"	compound annual growth rate
"capacity retention rate"	the percentage of a battery's remaining capacity relative to its initial or rated capacity after a certain number of cycles or period of use
"DPPM"	defective parts per million, a quality control measurement in manufacturing
"electric vehicle" or "EV"	vehicles powered fully or partially by battery, comprising battery electric vehicles and plug-in hybrid electric vehicles
"electrolyte customer retention rate"	equals to the proportion of the Group's electrolyte customers in the preceding year that remained as customers of the Group in the current year/period
"electrolyte supplier(s)"	electrolyte supplier(s) whose primary business objective is external sales of electrolyte products
"ESG"	environment, social and governance
"ESS"	energy storage system

GLOSSARY OF TECHNICAL TERMS

"ESS battery"	a battery used for energy storage system
"front-of-the-meter"	a type of energy storage system installed on the utility or grid side
"GARNET"	a class of solid-state ionic conductors characterized by a specific crystal structure similar to natural garnet stones
"gel electrolytes"	electrolytes with a semi-solid, gel-like consistency formed through in-situ polymerization or gelation processes
"GWh"	gigawatt-hour, a unit of energy that represents one billion Wh
"hybrid solid-liquid battery"	a type of battery that uses a combination of solid and liquid electrolyte materials
"hybrid solid-liquid electrolyte"	an electrolyte system that combines both solid-state electrolyte materials and liquid electrolyte components in a battery
"IATF 16949"	international technical specification of automotive industry quality management system, which was prepared by International Automotive Task Force (IATF) and ISO
"ISO"	the International Organization for Standardization, an independent, non-governmental organization that develops and publishes international standards
"ISO 14001"	an internationally recognized standard for environmental management system published by the ISO
"ISO 27001"	an internationally recognized standard for information security management system published by the ISO
"ISO 45001"	an internationally recognized standard for Occupational Health and Safety Management Systems published by the ISO
"ISO 9001"	an internationally recognized standard for Quality Management Systems published by the ISO
"kg"	kilogram
"kWh"	kilowatt-hour, a unit equal to one thousand watt-hour
"L"	liter
"LCO"	lithium cobalt oxide, referring to a type of lithium-ion battery cathode material composed of lithium and cobalt oxides

GLOSSARY OF TECHNICAL TERMS

"cycle life"	the number of times (or cycles) a battery can charge and discharge until its retirement
"lithium-ion battery"	a battery that utilizes lithium-ions as conductive ions that move between the anode and cathode, and charge and discharge through the mutual conversion of chemical energy and electrical energy
"$LiPF_6$"	lithium hexafluorophosphate
"LFP"	lithium ferro phosphate
"low-altitude economy applications"	comprehensive economic applications centered on low-altitude airspace (typically below 1,000 meters above ground level, potentially extending to 3,000 meters) that utilizes drones, electric vertical take-off and landing aircraft and other low-altitude vehicles for commercial activities
"m^3"	cubic meter
"MES"	manufacturing execution system
"mS/cm"	millisiemens per centimeter, a unit of measurement for ionic conductivity. It indicates the ability of a material (such as an electrolyte) to conduct electric current. Higher mS/cm values indicate better ionic conductivity
"$NaPF_6$"	sodium hexafluorophosphate
"NASICON"	sodium superionic conductors, an important class of solid electrolytes due to their high ionic conductivity
"NEV"	new energy vehicles, including EV, hydrogen and other new type of fuel cell vehicles
"power battery"	a rechargeable battery that provides energy for electric drive systems in transportation such as EVs and vessels
"sodium-ion battery"	a battery that utilizes sodium ions as conductive ions that move between the anode and cathode, and charge and discharge through the mutual conversion of chemical energy and electrical energy
"sodium-ion electrolyte"	an electrolyte system that utilize sodium ions as conductive ions that move between the anode and cathode
"solid-state battery"	a type of rechargeable lithium-ion battery that uses solid-state electrolytes
"solid-state electrolyte" or "SSE"	a solid material that conducts ions between the anode and cathode in a battery

GLOSSARY OF TECHNICAL TERMS

"solvation"	the process by which solvent molecules surround and interact with dissolved ions or molecules
"sq.m."	square meter/meters
"tCO_2e"	tons of carbon dioxide equivalent, standardized unit measuring greenhouse gas emissions impact as CO_2
"ternary battery"	a type of battery that integrates a cathode composed of three metallic elements, such as nickel, cobalt and manganese
"V"	volt
"W"	watt
"Wh"	watt-hour, a unit of energy equal to one watt of power sustained for one hour
"°C"	degree Celsius, the unit of temperature on the Celsius temperature scale

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "anticipate", "believe", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would", "wish" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These forward-looking statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You should read thoroughly this document with the understanding that our actual future results may be materially different from and worse than what we expect. The risks and uncertainties facing our Company that could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our future business development, financial conditions and results of operations;
- the expected growth of the markets in which we operate;
- our expectations regarding the demand for our products;
- the actions and developments of our competitors;
- other statements in this document that are not historical fact; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this document.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [**REDACTED**] against placing undue reliance on any such statements. Any forward-looking statements speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no responsibility to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of any subsequent unanticipated event. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments. All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

An [**REDACTED**] *in our H Shares involves a high degree of risk. You should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the* [**REDACTED**] *in our H Shares. You should pay particular attention to the fact that we conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that in Hong Kong and other jurisdictions. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the* [**REDACTED**] *of our H Shares, and could cause you to lose all or part of your* [**REDACTED**]. *The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations, prospects or on the* [**REDACTED**] *of our H Shares.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The growth of our business depends on the growth and performance of downstream industries.

Our products are key materials for the production of lithium-ion battery. Demand for our electrolytes is closely tied to the market demand for their end applications, including power batteries, energy storage system ("**ESS**") batteries, consumer electronics batteries and batteries for emerging applications.

Power batteries are primarily used in electric vehicle ("**EV**"), including passenger vehicles and commercial vehicle, and the electrification of other emerging areas. According to Frost & Sullivan, EV battery market is entering an accelerated expansion phase, shipment volume in China increased from 226.0 GWh in 2021 to 1,103.0 GWh in 2025, representing a CAGR of 48.6% from 2021 to 2025. Accordingly, the sales volume of our electrolytes for power batteries increased continuously from 40,556 tons in 2023 to 46,806 tons in 2024, and further increased to 75,209 tons in 2025. In addition, the sales volume of our 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. Nevertheless, the demand for electrification in these applications may fluctuate due to various factors, including but not limited to the macroeconomic environment, end-user preferences, cost efficiency, electrification technology and completeness of the infrastructure.

ESS batteries are widely adopted in both front-of-the-meter (grid-side, owned by power companies for large-scale grid support) and behind-the-meter (user-side, owned by users for self-consumption and cost reduction) applications. According to Frost & Sullivan, in China, driven by the expansion of new energy installations and supportive policies such as the 14th Five-Year Plan for New Energy Storage Development and the Guidance on Accelerating the Development of New Energy Storage, shipment volume increased from 48.0 GWh in 2021 to 352.0 GWh in 2025, representing a CAGR of 64.6% from 2021 to 2025. Therefore, the sales of our electrolytes for ESS batteries increased continuously from 7,624 tons in 2023 to 11,198 tons in 2024, and further increased to 30,164 tons in 2025. In addition, the sales volume of our 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. Nevertheless, the demand for ESS batteries in these applications is affected by various factors, including but not limited to global power demand, global penetration rate of renewable energy sources such as wind and solar, demand for grid stability and technological improvement in relevant areas (such as safety and cycle life), as well as cost efficiency.

Consumer electronics batteries are primarily used in portable devices such as smartphones, laptops, tablets, wearable devices, and other personal electronic products. According to Frost & Sullivan, influenced by economic fluctuations and consumer demand, the global shipment volume of consumer electronics batteries remained relatively stable at 98.0 GWh in 2021 and 110.0 GWh in 2025. Therefore, due to the intense competition, the sales volume of our electrolytes for consumer electronics batteries decreased from 4,372 tons in 2023 to 2,617 tons in 2024, and further decreased to 1,630 tons in 2025. In addition, the sales volume of our 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. Correspondingly, the revenue from the sales of our electrolytes

for consumer electronics batteries also decreased from RMB152.2 million in 2023 to RMB63.6 million in 2024, and further decreased to RMB48.7 million in 2025. In addition, the revenue from the sales of our electrolytes for consumer electronics batteries increased from RMB21.1 million in the six months ended June 30, 2025 to RMB38.2 million in the six months ended June 30, 2026. The demand for consumer electronics batteries is influenced by factors such as consumer spending patterns, technology advancements in electronic devices, replacement cycles, overall economic conditions, and shifts in consumer preferences.

As a result, changes in these factors may affect the demand for the end applications of our products. If we are unable to adapt promptly to these changes, our business, financial condition and results of operations may also be adversely affected.

We face intense competition in the industries in which we operate.

We compete with a number of domestic and international companies. The global electrolyte industry comprises both independent electrolyte manufacturers and affiliated electrolyte manufacturers. Independent manufacturers, including us, primarily supply electrolyte products to multiple lithium-ion battery manufacturers and compete based on factors such as product performance, formulation capabilities, quality consistency, customer base, supply reliability and technological innovation. In contrast, affiliated electrolyte manufacturers primarily produce electrolyte products for internal consumption within their own lithium-ion battery manufacturing operations, and their competitiveness is supported by vertical integration and coordination with downstream battery production. According to Frost & Sullivan, in terms of electrolyte revenue, on a standalone basis excluding affiliated manufacturers and considering only independent electrolyte manufacturers, the top five electrolyte suppliers accounted for a combined market share of 49.2% in 2025, indicating a relatively concentrated market. See "Industry Overview — Overview of the Global Electrolyte Industry — Competitive Landscape of Global Electrolyte Industry." New and existing independent electrolyte manufacturers and affiliated electrolyte manufacturers strive to increase their market share with continued R&D efforts, optimized production processes and active marketing campaigns. We expect to face competition from both existing and new competitors as we expand into new business lines, geographic markets and product categories. Competition could also have a material and adverse impact on customer demand for, and product pricing of, our electrolytes, which in turn affects our growth and market share. 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.

We are subject to downward pressure on the selling prices of our electrolyte products, which may adversely affect our revenue, gross profit margin and profitability.

The selling prices of our electrolyte products have experienced downward pressure in recent years, primarily due to fluctuations in raw material prices, particularly key raw materials such as $LiPF_6$, intensified market competition, changes in customer procurement strategies, technological advancements and industry-wide capacity expansion. For example, in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, the average selling price of our electrolyte products was RMB30 thousand per ton, RMB17 thousand per ton, RMB16 thousand per ton, RMB15 thousand per ton and RMB25 thousand per ton, respectively. There can be no assurance that we will be able to maintain our current pricing levels or effectively pass on increases in costs to our customers in a timely manner. Any continued decline in the selling prices of our products may adversely affect our revenue and profitability. In addition, if reductions in raw material costs lag behind declines in selling prices, or if raw material costs increase while we are unable to adjust our selling prices accordingly, our gross profit margin may be adversely affected. Competitive pricing pressure, volatility in raw material costs and changes in market supply and demand may further compress our margins. If we are unable to effectively manage pricing pressures, optimize our cost structure, improve operational efficiency or maintain the competitiveness of our products, our revenue, gross profit margin, profitability, financial condition and results of operations could be materially and adversely affected.

Changes in supply and prices of key raw materials, including significant declines in raw material prices, and changes in the costs of utilities, transportation, warehousing and other requisite services to our business may impact our business, financial condition and results of operations.

We rely on third-party suppliers for our procurement of certain key raw materials used in the production of our electrolyte, such as solutes, solvents and additives. See "Business — Suppliers and Procurement." We also rely on third parties for utilities, transportation, warehousing and other requisite services. In 2023, 2024, 2025 and the six months ended June 30, 2026, our raw material costs accounted for 92.5%, 89.6%, 92.8% and 95.5% of our total costs of sales, respectively. As we procure certain key raw materials based on market pricing, our cost structure is subject to volatility in the prices of these raw materials, as well as fluctuations in the prices of utilities, transportation, warehousing, and other requisite services. As the primary raw material for lithium-ion battery electrolytes, the price of $LiPF_6$ directly affects our cost of sales and financial performance. Increases in the prices of key raw materials may increase our production costs, and we may not be able to offset such increases by raising the prices of our products in a timely manner, which could result in reduced profit margins. Conversely, significant decreases in the prices of key raw materials may also adversely affect our business. As the selling prices of our electrolyte products generally adjust in accordance with the market prices of key raw materials, particularly LiPF6, declines in raw material prices typically result in lower selling prices for our products, which may adversely affect our revenue and profitability. For example, the average price of $LiPF_6$ decreased from approximately RMB130,200 per ton in 2023 to RMB62,500 per ton in 2024. See "Industry Overview — Price Analysis of Raw Materials and Electrolyte Products." Largely as a result, the prices of our electrolyte products, which typically adjust in accordance with the market price of solutes, such as $LiPF_6$, declined 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, our revenue decreased by 35.3% from RMB1,576.6 million in 2023 to RMB1,020.6 million in 2024. We may not be able to offset increases in input prices by raising the prices of our products, which could result in a reduction in profit margins and, consequently, a material adverse impact on our financial condition and results of operations. Furthermore, significant increases in the prices of our products may erode our competitive advantage, potentially leading to a loss of sales and customer attrition. Accordingly, our business, financial condition, and results of operations may be materially and adversely affected.

In addition, any unexpected shortages, delivery delays or substandard quality in key raw materials, transportation, warehousing and other requisite services may disrupt our supply chain and, consequently, interrupt our production schedule. Failure to secure sufficient and consistent supply of key raw materials, transportation, warehousing and other requisite services for our operations at reasonable cost, or at all, may have a material and adverse impact on our business, financial condition, and results of operations.

We are subject to product concentration risk.

While we primarily supply lithium-ion battery electrolytes, we are subject to the risk of product concentration given that substantially all of our revenue was derived from our electrolyte products. During the Track Record Period, we generated the majority of our revenue from the sales of electrolytes for power batteries, which accounted for 77.7%, 76.8%, 68.1% and 70.4% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. Market demand for our electrolyte products may fluctuate due to changes in technology, customer preferences, regulatory developments, product substitution or shifts in industry trends. Any slowdown in demand for our electrolyte products, failure to expand or diversify our product portfolio, or the emergence of new technologies that render our existing products less competitive could adversely affect our sales, market position and growth prospects. There is no assurance that we will be able to broaden our product offerings or reduce our dependence on specific products, and any inability to do so may materially and adversely affect our business, financial condition and results of operations.

Our success depends not only on our own ability but also on our customers' ability to develop and produce, market and sell their products in a timely and cost-efficient manner.

Our business performance largely relies on our customers' ability to develop and produce, market and sell their end products in a timely and cost-efficient manner to address the evolving preferences of their customers, regulatory standards and technological advancement. Inability to do so could reduce the demand for our products, which in turn could cause the decline in our revenue and profitability. Further, any such adjustments to their sales and marketing strategies may affect their sales, and may in turn, result in a material and adverse impact on our business, financial condition and results of operations.

We are subject to customer concentration risk.

We rely on our major customers for a substantial portion of our revenue. In 2023, 2024, 2025 and the six months ended June 30, 2026, sales to our five largest customers in each period accounted for 82.3%, 73.0%, 72.2% and 74.8% of our total revenue, respectively, and our sales to our largest customer, namely the Group A as discussed in "Business — Marketing and Sales", accounted for 60.1%, 59.3%, 48.4% and 56.1% of our total revenue, respectively. We anticipate that we will continue to face the risk of customer concentration. Notably, our largest customer during the Track Record Period was also one of our five largest suppliers in 2025 and the six months ended June 30, 2026. As a global new energy technology company, our largest customer may require us to use certain raw materials that meet its prescribed quality specifications in electrolyte formulations. In order to comply with its formulation requirements and product quality standards, we procured these raw materials directly from our largest customer. We cannot guarantee that our major customers will continue to do business with us, that they will not reduce their business volume with us, or that they will not purchase electrolyte products from our competitors or establish their own production capacity. Any pressure on the operating performance of our major customers may adversely affect their production plans, procurement demand and purchases of our products, which could in turn materially and adversely affect our business, results of operations, financial condition and prospects. Moreover, we cannot guarantee that our major customers will not have a change of their business scope or business model, will continue to maintain their market position and reputation, will not cease to operate or will not experience operational or financial difficulties. Any material adverse change in the operation, financial performance or financial condition of our major customers may have a significant adverse impact on us.

We may not be able to derive the desired benefits from our R&D efforts, which may negatively affect our competitiveness and profitability.

We rely on technological innovation for our continued growth. However, R&D activities are inherently uncertain. We may not always be able to achieve the desired benefits from R&D investments, reach the industry's technological frontier, or respond promptly to changes in industry standards. If our R&D and technology cannot deliver timely product updates, we may fall behind market trends and be unable to launch new or improved products promptly. This could result in a loss of market share as customers choose competing products that better meet evolving industry requirements or consumer preferences.

Furthermore, the commercial maturity of other emerging new energy technologies, such as hydrogen fuel cells, supercapacitors, or alternative energy storage solutions, may dilute the use of batteries in certain application scenarios. This trend may lead to reduced demand for our products in those segments. In addition, alternatives to our products may become more economically attractive as global commodity prices shift in the future. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Possible future overcapacity in the battery and electrolyte industries in Mainland China may adversely affect our business, financial condition and results of operations.

The battery and electrolyte industries in Mainland China have experienced rapid capacity expansion in recent years, driven by strong growth in downstream sectors such as new energy vehicles and ESS. However, such expansion may outpace demand, leading to potential overcapacity and intensified market competition. According to Frost & Sullivan, since 2022, rapid capacity expansion combined with a moderation in downstream demand led to industrywide overcapacity. Total capacity increased from approximately 2.1 million tons in 2022 to approximately 5.0 million tons in 2024, while utilization declined to approximately 30% in 2024, resulting in downward pressure on electrolyte prices in China. As a result, industry participants, including us, have experienced margin pressure. Our gross profit margin decreased from 11.0% in 2023 to 4.4% in 2024, and we recorded a net loss in 2024 despite an increase in sales volume. We are also actively expanding our production capacity, which is expected to exceed 500,000 tons per year upon completion. If market demand does not grow in line with such capacity expansion, we may face underutilization of our facilities and further pricing pressure. If industry overcapacity emerges in the future, it may lead to continued price competition, reduced profitability and inefficient utilization of production capacity, which could materially and adversely affect our business, financial condition and results of operations.

Failure to retain our existing customers or attract new ones could materially and adversely affect our business, financial condition and results of operations.

To increase our revenue and sustain our growth, we are committed to maintaining existing customers and attracting new customers. Our ability to maintain existing customers or attract new customers depends on the various factors, some of which are beyond our control. It may be challenging to offer products tailored to the specific needs of our customers, as well as to maintain consistent customer support, as our customer base grows and becomes more diverse. If we are unable to maintain our existing customers or attract new customers, our business, financial condition and results of operations will be materially and adversely affected.

Our products may not meet customers' expectations and could potentially contain defects. We may be subject to financial and reputational risks due to product recalls and product liability claims arising from such defects.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. We cannot guarantee that there are no and will not be any quality issues with our products. Any quality issues with our products could compromise our product performance, lose customers and/or orders, and reduce our profitability. In addition, third parties who have suffered losses may bring product liability claims or legal proceedings against us, which could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate considerable negative publicity about our products and business, which would materially and adversely affect our brand, business, prospects and results of operations.

Our success depends in part on our ability to maintain and/or enhance our production capabilities and to produce high quality products in response to the market trend.

Our success depends in part on our ability to maintain and/or enhance our production capabilities, which are subject to significant risks and uncertainties, including: unexpected delays and cost overruns resulting from a number of factors, including increases in the prices of raw materials, transportation constraints, disputes with suppliers and service providers as well as equipment malfunctions and breakdowns; our ability to obtain or renew the required permits, licences and approvals from the relevant government authorities; and production interruption caused by natural disasters or other unforeseen events. We plan to expand our production capability in China and overseas to meet the increasing demand. Any material delay or any substantial increase in costs or quality issues in connection with these projects could materially and adversely affect our business, financial condition and results of operations.

Any failure to offer consistent service to our customers may harm our relationships with them and, consequently, our business, financial condition and results of operations.

We may be unable to quickly respond to accommodate short-term increases in customer demand for technical support. We may also be unable to modify the future scope of our technical support to compete with changes in the technical services provided by our competitors. If we experience increased customer demand for support, we may face increased costs that might harm our results of operations. If we are unable to provide efficient customer support, our business may be harmed. Any failure to maintain consistent support services, or a market perception that we do not maintain consistent support services for our customers, would harm our business.

Our production processes are potentially vulnerable to disruptions that can increase our production costs. We may experience potential disruptions in operations due to manufacturing difficulties or potential accidents.

There is no guarantee that we will not encounter production issues in achieving acceptable output due to factors such as construction delays, challenges in upgrading or modifying existing production lines, building new plants, adapting to new manufacturing technologies or processes or delays in equipment deliveries. Any of these issues could constrain our production capacity and adversely affect our results of operations. In addition, we may experience disruptions in our production lines due to additional factors such as labor shortages or natural disasters, which may delay our production and delivery, leading to sales loss, increased costs and damaged customer relationships. Any such event may adversely affect our business, financial condition and results of operations.

Failure to maintain optimal inventory levels could increase our inventory holding costs or negatively impact our sales.

Our inventories primarily included raw materials, work-in-progress and finished goods. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our inventories amounted to RMB30.3 million, RMB53.7 million, RMB177.0 million and RMB281.1 million, respectively. Our average inventory turnover days were 20 days, 18 days, 28 days and 25 days in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. However, we may not be able to effectively manage our inventory levels or to identify any excessive build-up or insufficient stock of inventory in our global operations. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, and the sale of excess inventory at discounted prices could impair the image of our brands and harm our gross margin. However, if we underestimate the demand for our products, insufficient stock could result in delays in the shipment of our products, thereby impacting our ability to generate sales and cause damages to our reputation and relationships with our customers. Therefore, failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, either of which could adversely impact our business, financial condition and results of operations.

We are subject to credit risk related to defaults of customers.

We are exposed to credit risk related to delays in payment and defaults of our customers. If any of our customers becomes insolvent or delays its payment of our fees, our cash flow, financial position and results of operations could be materially and adversely affected. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our trade and bills receivables amounted to RMB961.1 million, RMB605.4 million, RMB1,158.7 million and RMB1,561.5 million, respectively. In 2023, 2024, 2025 and the six months ended June 30, 2026, our trade receivable turnover days were 159 days, 275 days, 176 days and 111 days, respectively. We may not be able to collect all such trade and bills receivables due to a variety of factors that are outside of our control, including the adverse operating conditions or financial situation of customers and customers' inability to pay. See "Financial Information — Discussion of Certain Key Balance Sheet Items — Trade and Bills Receivables."

We are subject to environmental, health and safety laws and regulations and production standards and it may become more stringent and costly to comply with such regulations and standards.

We are subject to a number of environmental, health and safety laws and regulations. See "Regulatory Overview." In addition, our production lines can only be put into operation after the relevant administrative authorities in charge of environmental protection, health and safety have examined and approved the relevant facilities. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our ability to develop, manufacture and commercialize our products as planned. For example, during the Track Record Period, the construction of two production facilities were commenced before obtaining the safety review opinions. As relevant laws and regulations may evolve, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with relevant laws and regulations, we may be subject to rectification orders, fines, potential monetary damages, or production suspensions in our business operations.

There is uncertainty as to the bidding success rate of our Group in the future.

In 2023, 2024, 2025 and the six months ended June 30, 2026, 7.6%, 2.2%, 8.9% and 0.01% of our revenue was generated from the orders that were awarded by either invitation by tender or public tender, respectively. We cannot guarantee that we will be invited to participate in future tender processes. Even if we are invited, our bidding success rate is influenced by the following factors, some of which may be out of our control, including (i) our production capacity; (ii) the number of tenders submitted; and (iii) the pricing and other terms and conditions offered by us and our competitors. Therefore, we cannot assure you that we will succeed in the tender process and we may not be able to maintain or increase our bidding success rate. If we are not able to maintain the current bidding success rate, our revenue and operation may be adversely affected.

We recorded net losses in 2024.

We had net losses of RMB27.6 million in 2024, primarily driven by a decline in revenue and gross profit amid falling prices for our electrolyte products in line with the decrease in the average price of our core raw material, despite the sales volume increase. See "Financial Information" and "Business — Business Sustainability." There can be no assurance we can achieve or sustain profitability in the future. We plan to continue to invest significant resources to further expand our production capacity. As a result, we anticipate incurring considerable operating costs and expenses in the foreseeable future, which may adversely affect our overall financial position. We may also face increased compliance costs associated with growth. Our efforts to grow our business may be costlier than we expect, or the rate of our revenue growth may be lower than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses.

We recorded net cash outflows from operating activities in the six months ended June 30, 2026.

We recorded net cash outflows from operating activities of RMB17.4 million in the six months ended June 30, 2026, primarily due to working capital movements, including increases in trade and bills receivables and inventories. See "Financial Information — Liquidity and Capital Resources — Cash Flows — Net Cash Flows from/(Used in) Operating Activities." As our business continues to grow, our working capital requirements may increase. There can be no assurance that we will be able to timely collect trade receivables, maintain favorable payment terms with suppliers or effectively manage inventory levels. Any significant increase in receivables or inventories, deterioration in customer payment patterns or adverse changes in supplier payment terms may result in further net cash outflows from operating activities. If we are unable to effectively manage our working capital and operating cash flows, our liquidity, financial condition and ability to fund our operations and growth may be adversely affected.

Our historical results may not be indicative of our future performance and our results of operations, and we may not be able to manage future growth effectively.

Our historical financial information is not expected to be indicative of our future financial results. Our expansion plans may be affected by a number of factors beyond our control. Managing our growth will require significant expenditures and allocation of resources. We need to effectively manage our growth and maintain profits as we expect our costs and expenses to continue to increase in the future. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, financial condition and results of operations may be materially and adversely affected.

We may need additional capital, but we may not be able to obtain financing on favorable terms or at all.

We may require additional cash resources due to changed business conditions or other future developments. If such financing is not available to us on satisfactory terms or in a timely manner, our ability to operate and expand our business or to respond to competition could be adversely affected. Moreover, if we raise additional capital by issuing shares or securities convertible into equity securities, the ownership of our existing Shareholders may be diluted. In addition, our indebtedness may subject us to relevant covenants that restrict our operations and our ability to effectuate certain corporate decisions for our business and will require interest and principal payments for relevant indebtedness that could create additional cash demands and financial risk for us.

Fluctuations in the interest rates of our borrowings may affect our financial condition.

We have borrowings to support our business expansion and provide financing for our operation. As of December 31, 2023, 2024 and 2025 and June 30, 2026, we had interest-bearing bank borrowings of RMB169.4 million, RMB143.8 million, RMB434.3 million and RMB704.0 million, respectively. 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%. Our interest expense may increase in the future if interest rates increase, which may have a material and adverse effect on our financial condition and results of operations.

We are subject to risks relating to our equity investments and the fluctuation of fair value changes of our equity investment may affect our financial performance, our business, and results of operations.

Our financial performance is affected by the value of our equity investments. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our equity investments designated at fair value through other comprehensive income were RMB53.4 million, RMB68.4 million, RMB67.5 million and RMB68.6 million, respectively. If the companies in which we hold equity stakes make unsound decisions or manage their operations ineffectively and inefficiently, resulting in poor performance or financial difficulties, this could have a negative impact on the value of our equity investments, which in turn would have a negative impact on our financial performance. In addition, weakened market conditions or unfavorable regulatory policies that adversely and materially affect the industries in which these companies operate may also have an adverse effect on the valuation of our equity investments, which could, in turn, have an adverse effect on our financial performance.

We are subject to fair value changes associated with our financial assets at fair value through profit or loss.

During the Track Record Period, we had certain 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 were RMB36.9 million, RMB41.9 million, RMB83.4 million and RMB115.3 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively. We are exposed to risks in

relation to the financial assets, which may adversely affect our net changes in their fair value. The financial assets at fair value through profit or loss are stated at fair value and therefore directly affect our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We may experience discontinuation, reduction or delay of any preferential tax treatment or government grants.

During the Track Record Period, our Company and a subsidiary of our Group in the PRC were subject to a preferential income tax rate of 15%. Such preferential tax treatment is subject to change and termination. In 2023, 2024, 2025 and the six months ended June 30, 2026, we decreased our tax expenses of RMB5.4 million, RMB6.1 million, RMB12.5 million and RMB13.1 million, respectively as a result of the preferential tax treatment, representing 0.3%, 0.6%, 0.7% and 0.7% of our total revenue in the respective periods. If our preferential tax treatment is revoked, becomes unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our prospects. See "Financial Information — Description of Major Components of our Results of Operations — Income Tax (Charge)/Credit."

We also receive grants from local governments, which are conditional, discretionary and vary from year to year. In 2023, 2024, 2025 and the six months ended June 30, 2026, we recorded government grant as other income and gains of RMB10.6 million, RMB9.3 million, RMB2.2 million and RMB1.2 million, respectively, representing 0.7%, 0.9%, 0.1% and 0.1% of our total revenue in the respective periods. Local governments may decide to reduce or eliminate such grants at any time. We cannot guarantee the continued availability of the government grants currently enjoyed by us. Any reduction, cancelation, or repayment of government grants could adversely affect our business, financial condition and prospects.

The grant of equity-settled share-based awards may result in an increase in equity-settled share-based payment expenses.

We recognize share-based payment expenses in profit or loss in respect of equity-settled awards over their respective vesting periods, which typically extend over several years. An increase in the number of equity-settled awards granted, higher fair values of such awards at the date of grant or the granting of additional awards in the future may lead to a rise in the share-based payment expenses recognized by us. Such increased expenses will adversely affect our results of operations and financial performance for the periods during which the expenses are recognized. If we continue to grant equity-settled share-based awards as part of our remuneration and incentive arrangements, the recurring recognition of substantial share-based payment expenses may affect our profitability, financial condition and future prospects.

Changes in the market or our products may affect our pricing models and adversely affect our operating results.

Our pricing models face challenges from evolving market changes. As the market for our products grows, as our competitors introduce new products that compete with ours or reduce their prices, or as we enter into new verticals or international markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models. In addition, regardless of the pricing model used, certain customers may demand higher price discounts. See "Business — Marketing and Sales — Pricing." As a result, we may be required to reduce our prices, offer shorter contract durations or offer alternative pricing models, which could adversely affect our business, financial condition and prospects.

Work stoppages, increase in labor costs and other labor-related matters may have a material and adverse effect on our business.

We believe that we have a good working relationship with our employees. We have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher ongoing labor costs, which may have an adverse effect on our business, financial condition and results of operations.

Pursuant to the Interpretation II of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) ("**Interpretation II**"), which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the people's court. Our Directors are of the view that the Interpretation II is not expected to have a material adverse impact on our operation. See "Regulatory Overview — Regulations on Employment and Social Welfare — Social Insurance."

In addition, labor costs in regions in which we operate have been increasing in recent years and could potentially continue to increase, which may further increase our manufacturing costs. The competition for skilled labor in our industry is intense and we may be required to offer more attractive compensation packages to retain and attract qualified personnel. In such circumstances, our profit margin may decrease and our financial condition and results of operations may be materially and adversely affected.

We may be unable to protect our intellectual property rights, and may be subject to infringement claims from third parties, either of which could reduce the value of our brands and harm our business and competitive market position.

Intellectual property rights are important to our business. We cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable, or that meaningful protection or adequate remedies will be available to us. If we are unable to adequately protect our intellectual properties, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer. Additionally, third parties may assert intellectual property rights against us. We may not be able to defend the intellectual property rights in these disputes. Any litigation arising from these claims could result in substantial costs to us and divert our resources. If any intellectual property claims against us are successful, we may not have a legal right to continue to use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to replace the existing products we offer so that they do not infringe on third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. As a result, our reputation, business, financial condition and results of operations could be materially and adversely affected.

We may face various risks associated with our international operations and overseas manufacturing, and our inability to effectively manage and contain them could adversely affect our business and performance.

While we generated substantially all of our total revenue during the Track Record Period from sales to customers located in the PRC, we also made sales to overseas customers. As of June 30, 2026, we had established a subsidiary in Hungary to further develop our overseas business. The demand for and market acceptance of our products marketed and sold abroad are subject to uncertainties.

In addition, driven by the robust market demand for electrification in Europe and the need to deliver products efficiently to our customers operating in Europe, we are planning to begin the construction of a production base in Hungary in 2027 and may further expand production capacity with the aim of gradually meeting the demand from our overseas customers, subject to prevailing market conditions. In line with our strategies, we intend to continue to expand our international operations in the coming years. Our overseas manufacturing and international operations thus expose us to a number of risks, including, but not limited to: (i) increased costs associated with maintaining the ability to understand the local markets and develop and maintain effective marketing presence in various countries or regions; (ii) difficulty with staffing and managing overseas operations; (iii) unanticipated changes in prevailing economic conditions and regulatory requirements; and (iv) trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

Compared with operations in China, our home market, conducting overseas investment and expansion, particularly in markets and countries in which we have limited prior experience, subjects us to various risks and challenges. Specifically, we may be also exposed to compliance risks arising from various aspects of our operations in Hungary, including product liability, chemical safety, construction permitting, occupational health and safety and foreign direct investment regulations. See "Regulatory Overview — Hungary Laws and Regulations." The success of our overseas investment and expansion plans depends on whether we could adequately, timely and effectively address the risks associated with overseas operations, such as the failure to adopt a different legal framework and government policies. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business, which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions.

We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions, which could adversely affect our business, financial condition and results of operations. During the Track Record Period, we generated a small portion of our revenue from the sales to overseas customers, representing 0.02%, 0.03%, 0.02% and 0.02% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. These cross-border transactions could be materially and adversely affected by international trade regulations, which could disrupt our supply chain, impact the competitive position of our products, or affect our capability to sell products in certain countries or regions. Moreover, as our business is closely interrelated with the performance of our customers' end-use products in the marketplace, if our customers are subject to restrictive measures of trade protection, our performance and income will be adversely affected. There may be an increase in the severity and frequency of international trade friction and disputes related to our customers. While we have not been subject to any restrictions in respect of our overseas sales, nor affected by geopolitical tensions, trade protection measures, export controls or economic and trade sanctions during the Track Record Period and up to the Latest Practicable Date, we cannot guarantee that foreign governments will not further tighten import policies or impose more stringent product certification requirements for these categories in the future. In addition, some governments have implemented, or may implement, stricter import restrictions within the supply chain, including prohibitions on sourcing raw materials and components from specified regions. Compliance with these restrictions may increase our operational costs and complexity, and inability to demonstrate compliance could lead to restrictions on our ability to export products into certain countries or otherwise adversely affect our business or reputation.

We are subject to risks related to strategic acquisitions.

In November 2025, we acquired a 51.00% equity interest in Shandong Lizhong, which primarily engages in the manufacture of battery materials. See "History and Corporate Structure — Acquisitions and Disposals — Acquisition of Shandong Lizhong." The acquisition exposes us to various risks and uncertainties. The valuation of the acquired equity interest is subject to

assumptions and financial projections that may prove inaccurate, and there is no assurance that the valuation reflects its actual fair value, which may result in impairment or other adverse financial impacts. We also face integration risks relating to Shandong Lizhong's operations, systems, internal controls, personnel and business relationships, and we may not be able to maintain the stability of its operations or preserve the quality and reputation of the acquired business. Moreover, we may not realize the anticipated benefits of the acquisition, including expected revenue growth, cost savings, operational synergies or efficiency improvements, and any failure or delay in achieving such benefits could materially and adversely affect our business, financial condition and results of operations.

We are required to obtain, maintain and renew various approvals, permits, licenses, registration and certificates for our business operations, which may be subject to potential delays or changes in standards.

We are required to maintain certain permits, licenses, registrations and certificates issued by the relevant government agencies in China and the overseas jurisdictions in which we operate to conduct our business operations. There is no assurance that we will be able to renew our existing approvals, permits, licenses, registrations and certificates without any condition or that we will be able to successfully obtain, retain or renew future permits, licenses, registrations and certificates in a timely manner, or at all, or that such permits, licenses, registrations and certificates will not be revoked by the relevant authorities. Failure to obtain or renew such permits, licenses, registrations and certificates as planned may adversely affect our business, financial condition and results of operations.

We depend on information technology and other infrastructure that are exposed to certain risks, including cyber security risks.

We rely on a variety of information technology and automated operating systems to manage or support our operations. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations and could impose substantial demands on management time. Our systems and those of third-party providers may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access, cyber-attacks and thefts. Any significant disruption to our systems could result in unauthorized disclosure of confidential information and adversely affect our business and results of operations.

The success of our business depends on our ability to attract, train and retain highly skilled employees and key personnel.

Our success depends, to a significant extent, on the capability, expertise and continued services of our key personnel, including among others, key executives and R&D personnel. If we lose the services of any of our key personnel, we may not be able to find a suitable replacement with comparable knowledge and experience, and our business, financial condition, results of operations and prospects may be materially and adversely affected. We may also need to offer better remuneration and other benefits to attract and retain key personnel. Our failure to attract and retain competent personnel and any increase in staffing costs to retain such personnel may have a negative impact on our ability to maintain our competitive position and to grow our business. If this occurs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers settled their payments with us through third-party payors. In 2023, 2024, 2025 and the six months ended June 30, 2026, the amount of third-party payments amounted to RMB6.5 million, RMB1.1 million, RMB2.8 million and RMB7.7 million, respectively, accounting for 0.4%, 0.1%, 0.2% and 0.4% of our total revenue in the respective periods. See "Business — Marketing and Sales — Third-Party Payment Arrangements." We are subject to various risks relating to such third-party payment arrangements. In the event of any claims from third-party payers or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we may have to expend financial and managerial resources to defend against such claims and legal proceedings, and our business, financial condition and results of operations may as a result be adversely affected.

We may be involved in legal proceedings, administrative proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition.

We may be involved in legal proceedings, administrative proceedings and commercial or contractual disputes in the ordinary course of our business. Litigation and other disputes may lead to enquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. During the Track Record Period, we were involved in one litigation as a defendant regarding the alleged quality defects in the electrolytes we sold. As of the Latest Practicable Date, the litigation had been settled and both parties confirmed that the electrolyte products supplied by us to the Plaintiff did not have any quality issue. See "Business — Legal Proceedings and Compliance — Litigation." The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may have a material adverse effect on our reputation and our financial condition, results of operations and prospects.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners, or the electrolyte market as a whole may materially and adversely harm our brand image and reputation and cause deterioration in the level of market recognition of and trust in the products provided by us, thereby resulting in reduced sales volumes and revenues. In addition, such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control. Such negative publicity may also result in the diversion of management's attention, and governmental investigations or other forms of scrutiny, which may have a material and adverse effect on our business, financial condition and results of operations.

We may be subject to liabilities associated with work-related accidents and the handling and storage of hazardous materials.

Our production processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury. The storage of these hazardous, toxic or flammable materials near our production facilities and the handling of these materials in the production process pose inherent risks. Any such incident relating to our production processes or the handling and storage of hazardous materials, regardless of its location, could result in substantial production interruptions and delays, or claims for significant damage due to personal injuries or property damage, thereby adversely impacting our business, financial condition and results of operations. In addition, accidents incurred by employees during their commute to and

from work or in the course of employment may also result in our bearing relevant expenses arising from work-related injuries. During the Track Record Period, we had four such incidents involving four employees. See "Business — Employees." We cannot assure you that similar work-related accidents will not occur in the future.

We may not be successful in implementing our business plans and strategies effectively or at all, which could materially and adversely affect our business, financial condition and results of operations.

We cannot guarantee that our business plans and strategies will be implemented successfully as scheduled or at all. If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities as expected or remain competitive in the industry. Moreover, our business plans and strategies may increase our operating costs and increase our cash outflows for operating and investing activities. Accordingly, if our business plans and strategies cannot be successfully implemented, or if they do not yield ideal results, our business, financial condition and results of operations may be adversely and materially affected.

We may not have sufficient insurance to cover our business risks.

We maintain insurance policies that are required under the PRC laws and regulations and are based on the assessment of our operational needs. During the Track Record Period, we maintained property insurance, work safety liability insurance and group accident insurance. However, our insurance coverage may not be adequate. In the event that we incur substantial losses or liabilities and our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Failure to renew our leases could adversely affect our business.

We may not be able to successfully extend or renew our leases upon their expiration at commercially reasonable terms, or at all. Consequently, we may have to relocate our operations, which could disrupt our business activities and lead to relocation costs, negatively impacting our business, financial condition and results of operations. Furthermore, if a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and prospects may be adversely affected. In addition, as our business continues to expand, we may encounter difficulties in finding suitable alternative locations for our facilities. Any failure in relocating our operations could have a detrimental effect on our business, financial condition and prospects.

Our business operations are subject to risks relating to Environmental, Social and Governance ("ESG") Matters.

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations. There is no assurance that our practice will always be in line with the good international industry practice. Compliance with these ESG requirements and relevant environmental protection laws and regulations requires additional investments of resources. If we are unable to satisfy such new criteria or are unable to respond or perceived to be inadequately responding to sustainability concerns, [**REDACTED**] may conclude that our policies with respect to corporate responsibility are inadequate and choose to [**REDACTED**] in our competitors. We risk damage to our brand and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties.

Any misconduct by business partners and/or their employees, could potentially expose us to significant legal liabilities, reputational harm and other damages that may adversely affect our business.

We rely on our business partners, including, among others, suppliers for raw materials and equipment, and third-party logistics service providers. We may not be able to successfully monitor, maintain and improve the quality of their products and services. In the event of any unsatisfactory performance by our business partners and/or their employees, our business, prospects, results of operations, financial condition, and cash flows may be materially and adversely affected.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions in which we conduct our business. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could materially and adversely affect our operations. Acts of war or terrorism, riots or disturbances may also injure or cause deaths to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE REGIONS IN WHICH WE OPERATE

Development in relevant social and economic policies, laws, rules and regulations could affect our business, financial condition and results of operations.

Our results of operations may be affected by the global economic, social and regulatory landscape. Our industry in general is affected by macroeconomic factors, including international, national, regional and local economic conditions, trade relationships, consumer demand and discretionary spending. Any of these factors may affect our business, financial condition and results of operations.

We may be subject to foreign currency exchange losses resulting from fluctuations in the value of the RMB and other currencies, and the requirements under applicable laws and regulations in connection with conversion of RMB.

Fluctuations in the exchange rate of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies are affected by, among other things, the changes in domestic and international political, economic conditions and monetary policies. Any appreciation or depreciation in the value of RMB or other foreign currencies that our operations are exposed to will affect our business in different ways. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the H Shares in Hong Kong dollars. In addition, the conversion of RMB is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements.

Furthermore, the [**REDACTED**] from the [**REDACTED**] are expected to be deposited in currencies other than RMB until we obtain necessary approvals from relevant PRC regulatory authorities to convert these [**REDACTED**] into onshore RMB. If the [**REDACTED**] cannot be converted into onshore RMB in a timely manner, our ability to deploy these [**REDACTED**] efficiently may be affected.

We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this [**REDACTED**] or our future financing activities.

You may experience difficulties in effecting service of process upon us or our Directors who reside in Mainland China, or enforcing foreign court judgments against us or them in Mainland China.

We are a company incorporated under the laws of the PRC and substantially all of our business, assets and operations are located in China. In addition, the majority of our Directors and executive officers reside in China, and substantially all of the assets of such Directors and executive officers are located in China. As a result, it may not be possible for you to directly effect service of process upon us or such Directors or executive officers who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland China and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) effective on January 29, 2024, promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court with respect to any civil and commercial cases excluding certain types of which, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court.

China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in China or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of courts between China and the country where the judgment was made.

We are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligations under the PRC tax laws and regulations by PRC tax authorities. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation.

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法) and its implementation rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) (Guo Shui Han [2008] No. 897) (國税函[2008]897

號), dated November 6, 2008, issued by the State Administration of Taxation (國家税務總局) ("**SAT**"), subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) and its implementation rules, income and gains from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20%, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知》) (Guo Shui Han[2011] No. 348) (國税函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong, China. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the Ministry of Finance of the PRC (中華人民共和國財政部) and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises [**REDACTED**] on overseas stock exchanges.

If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident [**REDACTED**], the value of your [**REDACTED**] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] market for our H shares, and their [REDACTED] and [REDACTED] may be volatile.

Prior to the [**REDACTED**], there was no [**REDACTED**] market for our H Shares. We cannot assure you that a [**REDACTED**] market for our H Shares with adequate [**REDACTED**] and [**REDACTED**] volume will develop and be sustained following the completion of [**REDACTED**]. If an active [**REDACTED**] market for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and [**REDACTED**] of our H Shares could be materially and adversely affected. The [**REDACTED**] and [**REDACTED**] of our H Shares may be highly volatile.

Substantial future sales or the expectation of substantial sale of our H Shares in the [REDACTED] market could cause the [REDACTED] of our H Shares to decline.

Future sales of a significant number of our H Shares by our Shareholders in the [**REDACTED**] market after the [**REDACTED**], or the perception that these sales could occur, could cause the [**REDACTED**] of our H Shares to decline and could materially impair our future ability to raise capital through [**REDACTED**] of our H Shares. We cannot assure you that our Shareholders will not dispose of H Shares held by them or that we will not issue H Shares, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by Shareholders, or the Shares available for sale by our Shareholders, or the issuance of Shares by our Company may have on the [**REDACTED**] of the H Shares.

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the [**REDACTED**] from the [**REDACTED**], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

As the [REDACTED] of our H Shares is higher than our consolidated net tangible book value per Share, [REDACTED] of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], [**REDACTED**] of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible asset value per Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interest if the [**REDACTED**] exercise the [**REDACTED**] or if we issue additional H Shares in the future to raise additional capital.

The interest of our Single Largest Shareholder Group may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.

Immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and that the Share Split and the [**REDACTED**] application of our Company are completed), our Single Largest Shareholder Group will own [**REDACTED**]% of the total issued share capital of our Company. As such, our Single Largest Shareholder Group will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased H Shares in the [**REDACTED**]. In addition, the interests of our Single Largest Shareholder Group may differ from the interests of our other Shareholders.

We cannot assure you whether and when we will declare and pay dividends in the future.

We may not be able to pay any cash dividends in the foreseeable future. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or HKFRS, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory provisions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividends."

Certain facts, forecasts and statistics contained in this document are derived from publicly available official sources and they may not be reliable.

Certain facts, forecasts and statistics contained in this document relating to, among other things, the industry in which we operate have been derived from various official government publications. However, we have not independently verified information and statistics from official government sources, and we cannot assure you of the quality or reliability of such source materials. Information from official government sources has not been prepared or independently verified by us, the [**REDACTED**] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. In all cases, [**REDACTED**] should give consideration as to how much weight or importance they should attach to or place on such facts.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward- looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

[**REDACTED**] **should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.**

Prior to the publication of this document, there has been coverage in the media regarding us and the [**REDACTED**], which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this document only and should not rely on any other information.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rules 8.12 and 19A.15 of the Listing Rules requires that a new applicant applying for a primary [**REDACTED**] on the Stock Exchange must have a sufficient management presence in Hong Kong unless a waiver from such requirement is obtained from the Stock Exchange. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our management, principal business operations and assets are primarily based outside Hong Kong. The headquarters and senior management of our Group are primarily based in the PRC, where our Group's management is best able to attend its functions. Our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company and Shareholders as a whole. Accordingly, our Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements pursuant to Rules 8.12 and 19A.15 of the Listing Rules. In order to maintain regular and effective communication with the Stock Exchange, we will put in place the following measures:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Guo Yingliang, an executive Director, Board secretary, deputy general manager and Joint Company Secretary, and Ms. Chan Ching Nga, a Joint Company Secretary (together, the "**Authorized Representative(s)**"). The Authorized Representatives will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the Authorized Representative is not based at the registered office), and any other contact details prescribed by the Stock Exchange from time to time. The Authorized Representatives have been duly authorized to communicate on our behalf with the Stock Exchange. Ms. Chan, the Joint Company Secretary, is an ordinary resident in Hong Kong. Mr. Guo Yingliang has confirmed that he possesses valid travel documents to Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required;

(b) our Authorized Representatives have all necessary means to contact our Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the Authorized Representatives and our Directors, our Company has implemented a policy whereby (i) each Director will provide his/her office phone number, mobile phone number, residential phone number and email address to the Authorized Representatives; and (ii) each Director will provide valid phone numbers or means of communication to the Authorized Representatives when he or she travels;

(c) each Director who is not ordinarily resident in Hong Kong has confirmed that he or she has valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period;

(d) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Altus Capital Limited as its compliance advisor, who will act as an additional channel of communication with the Stock Exchange. The compliance advisor will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the [**REDACTED**] until at least the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the [**REDACTED**];

(e) meetings between the Stock Exchange and our Directors could be arranged through our Authorized Representatives or our Company's compliance advisor, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's Authorized Representatives and compliance advisor; and

(f) pursuant to Rule 3.20 of the Listing Rules, each Director has provided his or her telephone number, mobile phone number, email address, residential address and correspondence address, where available, to the Stock Exchange.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of their academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he or she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (WUMP) Ordinance and the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Guo Yingliang, the executive Director, Board secretary and deputy general manager of our Group, and Ms. Chan Ching Nga, as the Joint Company Secretaries. Please see the section headed "Directors and Senior Management — Joint Company Secretaries" in this document for their biographies.

Ms. Chan Ching Nga is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Our Company's principal business activities are outside Hong Kong. Our Company believes that it would be in the best interests of our Company and the corporate governance of our Group to have our Joint Company Secretary a person such as Mr. Guo Yingliang, who is the executive Director, Board secretary and deputy general manager of our Group and has day-to-day knowledge of our Company's affairs. Mr. Guo Yingliang has the necessary nexus to our Board and close working relationship with the management of our Company in order to perform the function of a Joint Company Secretary and to take the necessary actions in the most effective and efficient

manner. As such, although Mr. Guo Yingliang does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules, our Directors believe that Mr. Guo Yingliang is capable of discharging the functions of a Joint Company Secretary with the assistance of Ms. Chan Ching Nga, who meets the requirements under Rule 3.28 of the Listing Rules and has been appointed to act as the other Joint Company Secretary and to assist Mr. Guo Yingliang in the compliance matters for the [**REDACTED**] as well as other Hong Kong regulatory requirements for an initial period of three years from the [**REDACTED**]. Over such period, we will implement the following measures to assist Mr. Guo Yingliang to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

(a) Ms. Chan Ching Nga will assist Mr. Guo Yingliang so as to enable him to discharge his duties and responsibilities as a Joint Company Secretary. Given Ms. Chan Ching Nga's relevant experiences, she will be able to advise both Mr. Guo Yingliang and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(b) Mr. Guo Yingliang will be assisted by Ms. Chan Ching Nga for an initial period of three years commencing from the [**REDACTED**], which should be sufficient for him to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(c) we will ensure that Mr. Guo Yingliang has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of an issuer, and Mr. Guo Yingliang has undertaken to attend such trainings;

(d) Ms. Chan Ching Nga will communicate with Mr. Guo Yingliang on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. Chan Ching Nga will work closely with, and provide assistance to Mr. Guo Yingliang with a view to discharging his duties and responsibilities as a company secretary of our Company, including but not limited to organizing our Board meetings and the Shareholders' meetings; and

(e) pursuant to Rule 3.29 of the Listing Rules, Mr. Guo Yingliang and Ms. Chan Ching Nga will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Mr. Guo Yingliang and Ms. Chan Ching Nga will be advised by our legal advisors as to Hong Kong law and our compliance advisor as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the [**REDACTED**]. Pursuant to paragraph 11 to 16 under Chapter 3.10 of the Guide, the waiver [is granted] on the conditions: (i) our Company appoints Ms. Chan Ching Nga, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a Joint Company Secretary, to assist Mr. Guo Yingliang in discharging his functions as a Joint Company Secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules; and (ii) the waiver will be revoked immediately if Ms. Chan Ching Nga, during the three-year period, ceases to provide assistance to Mr. Guo Yingliang as a Joint Company Secretary; and (iii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Guo Yingliang to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will demonstrate to the Stock Exchange and seek its confirmation that Mr. Guo Yingliang, having had the benefit of Ms. Chan Ching Nga's assistance for three-year period, has acquired the relevant experience under Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of a company secretary so that a further waiver wouldn't be necessary.

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Guo Yingjun (郭營軍)	No. 342, Building 77 Yunhe East Street Tongzhou District Beijing PRC	Chinese
Mr. Guo Yingliang (郭迎亮)	Room 301, Unit 1, Building 3 Chunhui Garden Longshan Yayuan Zhicheng Town Changxing County Huzhou Zhejiang Province PRC	Chinese
Mr. Wang Chuanshui (王傳水)	Room 502, Unit 1, Building 54 Jingfang Phase 5 Shangcheng District Hangzhou Zhejiang Province PRC	Chinese
Non-executive Directors		
Mr. Guan Bo (關博)	Room 2104, Building 4 Zaoyuan, Huashi Chongwenmen Dongcheng District Beijing PRC	Chinese
Mr. Xiong Shengjiang (熊勝江)	Room 201, Unit 1, Building 1 Rongjian Wealth Garden Phase 2 Lixia District Jinan Shandong Province PRC	Chinese
Mr. Ming Jun (明軍)	Room 202, Unit 1, Building 304 Huguang Community No. 3656 Gongnong Avenue Chaoyang District Changchun Jilin Province PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Ms. Wong Wai Kei (黃慧琪)	Room C, 28/F, Ko Nga Court 9 High Street Sai Ying Pun Hong Kong	Chinese
Mr. Zhang Longfei (張龍飛)	Room 7, Unit 1, Building 25 Weigongcun Haidian District Beijing PRC	Chinese
Mr. Nie Xin (聶昕)	Room 602, Unit 3, Building 1 Yixinyuan, Wenhui Road Xiazhuzhuang Subdistrict Wuqing District Tianjin PRC	Chinese

For further information regarding our Directors, please see the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Ping An Securities (Hong Kong) Capital Company Limited
Unit 3501-08, 35/F
The Center
99 Queen's Road Central
Hong Kong

[**REDACTED**]

Legal advisors to our Company

As to Hong Kong law:
Morgan, Lewis & Bockius
19/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

	As to PRC law: **King & Wood** 28th Floor, China Resources Tower 2666 Keyuan South Road Nanshan District Shenzhen Guangdong Province PRC
Legal advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong law:* **Tian Yuan Law Firm LLP** Suites 3304-3309, 33/F Jardine House One Connaught Place Central Hong Kong
	As to PRC law: **Zhong Lun Law Firm** 22-24/F & 27-31/F South Tower of CP Center 20 Jin He East Avenue Chaoyang District Beijing PRC
Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Independent industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square No. 1717 West Nanjing Road Jing'an District Shanghai PRC

[REDACTED]

Compliance advisor	**Altus Capital Limited** No. 21 Wing Wo Street Central Hong Kong

CORPORATE INFORMATION

Registered office and head office in the PRC	Room 407, Building 10 No. 519 Juxiang Road Gaoxin District Yichang Hubei Province PRC
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	46/F, Hopewell Center 183 Queen's Road East Wan Chai Hong Kong
Company's website	**www.kunlunchem.com.cn** *(information contained in this website does not form part of this document)*
Joint Company Secretaries	**Mr. Guo Yingliang (郭迎亮)** Room 301, Unit 1, Building 3 Chunhui Garden Longshan Yayuan Zhicheng Town Changxing County Huzhou Zhejiang Province PRC **Ms. Chan Ching Nga (陳靜雅)** *(An associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 46/F, Hopewell Center 183 Queen's Road East Wan Chai Hong Kong
Authorized representatives	**Mr. Guo Yingliang (郭迎亮)** Room 301, Unit 1, Building 3 Chunhui Garden Longshan Yayuan Zhicheng Town Changxing County Huzhou Zhejiang Province PRC **Ms. Chan Ching Nga (陳靜雅)** 46/F, Hopewell Center 183 Queen's Road East Wan Chai Hong Kong

Audit Committee	Ms. Wong Wai Kei (黃慧琪) *(Chair)* Mr. Nie Xin (聶昕) Mr. Guan Bo (關博)
Remuneration and Review Committee	Mr. Nie Xin (聶昕) *(Chair)* Ms. Wong Wai Kei (黃慧琪) Mr. Guo Yingliang (郭迎亮)
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OVERVIEW OF GLOBAL LITHIUM-ION BATTERY INDUSTRY

Overview of the Lithium-ion Battery Industry

Lithium-ion batteries are rechargeable electrochemical systems that achieve energy storage and release through the reversible migration of lithium ions between the cathode and the anode. Benefiting from their comprehensive advantages, including high energy density, long cycle life, stable power output and light weight, lithium-ion batteries have become one of the most widely adopted and technologically mature core solutions within modern energy systems. Based on application scenarios, lithium-ion batteries are primarily classified into EV batteries, energy storage system ("**ESS**") batteries, consumer electronics batteries, and batteries for emerging application fields (such as robots and the low-altitude economy applications). They are extensively applied across a wide range of scenarios, including new energy vehicles ("**NEVs**"), ESS, mobile smart terminal devices, the low-altitude economy and robots, and have become a fundamental pillar underpinning the global energy and manufacturing industries.

Against the backdrop of the accelerating carbon-neutrality transition, demand for lithium-ion batteries continues to rise, driven by factors such as the increasing penetration of NEVs and the accelerated development of ESS. At the same time, the emergence of new technology applications is further expanding the application boundaries of lithium-ion batteries. Fields such as robots and the low-altitude economy applications are exhibiting growing demand for batteries with high energy density, enhanced safety performance and wide operating temperature ranges, thereby becoming new growth drivers for technological iteration and premium development within the lithium-ion battery industry. As a critical medium for lithium-ion transport within lithium-ion batteries, electrolytes directly affect energy output efficiency, cycle life and safety performance. 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. Lithium-ion batteries have become a core driving force in the green, low-carbon and clean-energy transition, with applications extending from transportation to power generation, energy storage, power distribution and end-use consumption, playing a central role across all stages of energy flow, utilization and management. As application boundaries continue to expand and performance steadily improves, the lithium-ion battery value chain is simultaneously accelerating technological innovation and value restructuring in key materials such as electrolytes, forming a critical industrial foundation supporting intelligentization and decarbonization.

Analysis of the Market Size of the Global Lithium-ion Battery Industry

The global lithium-ion battery industry has maintained rapid growth and has become a key pillar supporting the global energy transition and the development of new industrial systems. Global lithium-ion battery shipment volume increased from 576.0 GWh in 2021 to 2,278.9 GWh in 2025, representing a CAGR of 41.0%. It is expected that global shipment volume will exceed 5,900 GWh by 2030, representing a CAGR of 21.0% from 2025 onwards. China remains the largest market globally, with shipment volume increasing from 327.0 GWh in 2021 to 1,522.7 GWh in 2025, representing a CAGR of 46.9%. Shipment volume in China is expected to exceed 3,300 GWh by 2030, maintaining a CAGR of 16.9% from 2025 onwards.

Amid structural shifts in the global market, driven by the continuous increase in NEVs penetration rates and the rapid development of ESS, the share of global lithium-ion battery shipment volume of Europe is expected to increase from 11.9% in 2025 to 14.0% by 2030 with a CAGR of 25.1% during this period. In response to rising localized demand, leading battery manufacturers are accelerating the construction of production capacity across global markets, driving upstream raw materials, electrolytes and other core segments to expand overseas and promote supply-chain localization. As a result, the global lithium-ion battery supply system is evolving from a highly centralized structure toward a regionally coordinated model.

Meanwhile, lithium-ion batteries are rapidly expanding into emerging application fields, including robots and the low-altitude economy applications. It is estimated that by 2030, global lithium-ion battery shipment volume for such emerging application fields will exceed 260 GWh, representing a CAGR of over 40% from 2025 onwards, and becoming a new incremental growth engine for the lithium-ion battery industry.

Analysis of the Market Size and Growth Drivers for the Global Lithium-ion Battery Industry in Application Scenarios

The global battery industry across EV, energy storage, consumer electronics, and emerging applications is expanding rapidly under strong policy support and technological upgrades. In EV batteries, policies such as "the Opinions of the CPC Central Committee and the State Council on Accelerating the Comprehensive Green Transformation of Economic and Social Development" 《中共中央、國務院關於加快經濟社會發展全面綠色轉型的意見》, "Regulation EU 2019 631", and the "REPowerEU Plan" are driving electrification and higher requirements for energy density, safety, and efficiency, with global shipments rising from 375.0 GWh in 2021 to 1,495.0 GWh in 2025 at a CAGR of 41.3% and projected to reach 3,766.5 GWh by 2030 at 20.3%, while China increased from 226.0 GWh to 1,103.0 GWh at 48.6% CAGR and is expected to reach 2,405.5 GWh by 2030 with a CAGR of 16.9% from 2025, and Europe growing from 179.4 GWh in 2025 to 470.8 GWh by 2030 with a CAGR of 21.3% from 2025. In energy storage, driven by grid demand and policies such as "the 14th Five Year Plan for New Energy Storage Development" 《"十四五"新型儲能發展規劃》 and "the Guidance on Accelerating the Development of New Energy Storage" 《關於加快推動新型儲能發展的指導意見》, global shipments rose from 70.0 GWh in 2021 to 632.3 GWh in 2025 at a CAGR of 73.4% and are expected to reach 1,704.3 GWh by 2030 at a CAGR of 21.9% from 2025, with China increasing from 48.0 GWh to 352.0 GWh at a CAGR of 64.6% from 2021 to 2025 and reaching 673.3 GWh by 2030 at a CAGR of 13.9% from 2025, while Europe expands from 69.6 GWh in 2025 to 289.7 GWh by 2030 at a CAGR of 33.0% from 2025. In consumer electronics, shipments grew from 98.0 GWh in 2021 to 110.0 GWh in 2025 at a CAGR of 2.9% and are expected to reach 179.4 GWh by 2030 at a CAGR of 10.3% from 2025, with China rising from 33.0 GWh to 37.7 GWh at a CAGR of 3.4% from 2021 to 2025 and reaching 56.9 GWh by 2030, driven by smart devices and AI trends requiring higher voltage and fast charging. Emerging applications including robotics and low-altitude economy are becoming new growth drivers, with global shipments expected to exceed 260 GWh by 2030 at over 40% CAGR from 2025. Driven by AI-enabled embodied robots and low-altitude economy applications, technical requirements for lithium-ion batteries in terms of high power density, fast-charging capability, stability under extreme conditions, and safety reliability are rising significantly. This trend is promoting continuous innovation in electrolyte systems and solid-state electrolytes.

OVERVIEW OF THE GLOBAL ELECTROLYTE INDUSTRY

Overview of the Electrolyte Industry

Electrolytes are key functional materials in lithium-ion batteries responsible for ion conduction. Composed of solutes, solvents, and various functional additives, it serves as the core medium enabling energy conversion and stable cycling in batteries. In lithium-ion batteries, electrolytes typically account for approximately 10-15% of the raw material cost, and its performance directly impacts key performance indicators such as energy density, safety, rate capability, cycle life and so on.

- **Solutes:** Solutes support ion transport between the cathode and anode during charge and discharge processes and directly affect the ionic conductivity and electrochemical stability of lithium-ion batteries. Representative solutes such as $LiPF_6$ form the core foundation for establishing stable and efficient ion conduction systems.

- **Solvents:** Acting as the medium for lithium-ion migration, solvents determine the solubility of solutes and ion transport efficiency, thereby influencing rate capability, temperature adaptability, and interfacial reaction behavior of lithium-ion batteries.

- **Functional additives:** Added in small proportions, functional additives enable targeted performance regulation and contribute to improvements in battery safety and cycle life, among other performance characteristics.

Electrolytes can be classified based on application scenarios into EV battery electrolytes, ESS battery electrolytes, and consumer electronics battery electrolytes. EV battery electrolytes require a balance of high energy density, fast-charging capability, and safety, and are widely used in NEVs and electric equipment. ESS battery electrolytes emphasize long cycle life and wide temperature stability, suitable for industrial, commercial, and grid-level storage applications. Consumer electronics battery electrolytes focus on high voltage tolerance, high energy density and wide temperature stability, meeting the lightweight and high-energy demands of smart terminals and wearable devices. The application boundaries of electrolytes are also expanding into emerging sectors. With the rise of robots and low-altitude economy applications, there is a growing demand for high-power-density, high-rate charge/discharge, and extreme-environment stability. This has driven the development of electrolyte systems with higher ionic conductivity and stronger interfacial stability, forming a new growth engine for the industry.

The conductivity, chemical stability, and interfacial film-forming performance of electrolytes directly determine the energy density, safety, and cycle life of lithium-ion batteries. Driven by the increasing penetration of NEVs, expansion of ESS installations, and upgrades in consumer electronics, global electrolyte demand continues to grow. High-voltage, high-safety, and wide-temperature-range electrolyte systems are becoming mainstream. Applications of phosphorus-containing flame retardants, and novel functional additives are being continuously promoted. Meanwhile, the industry is accelerating its transition to new-generation systems. Products such as sodium-ion electrolytes, hybrid solid-liquid electrolytes, gel electrolytes and solid-state electrolytes are gradually entering mass production and application stages, providing new solutions for lithium-ion batteries and driving the electrolyte industry toward diversification and high-performance development. Compared with lithium-ion electrolytes, sodium-ion electrolytes are characterized by relatively low cost, as well as good thermal stability and low-temperature performance. Hybrid solid-liquid electrolytes combine the ionic conductivity of liquid systems with the safety and stability characteristics of solid-state systems, while gel electrolytes feature improved interfacial stability and reduced leakage risk. Solid-state electrolytes are characterized by high thermal stability and non-flammability, and are being developed for next-generation battery systems. Below are the key lithium-ion battery performance aspects influenced by the electrolyte:

- **Energy density:** Electrolytes with high ionic conductivity and stable chemical properties facilitate smooth lithium-ion transport between the cathode and anode, reducing internal resistance and polarization, thereby enabling batteries to deliver a higher proportion of their designed capacity during charge and discharge processes.

- **Safety:** High-quality electrolytes exhibit strong thermal stability and interfacial compatibility while reducing flammability, helping to suppress thermal runaway and rapid temperature rise, thereby enhancing the inherent safety of batteries during operation.

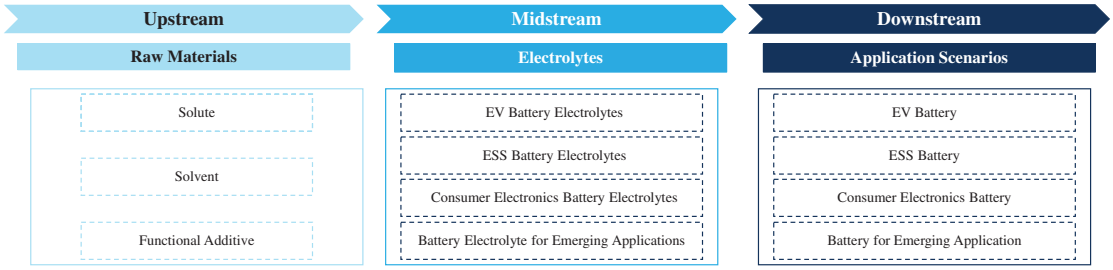
- **Cycle life:** Electrolytes with good chemical stability and interfacial film-forming capability can form stable protective layers on electrode surfaces, slowing the loss of active lithium-ion and electrolyte decomposition, extending capacity retention, and ensuring long-term reliability.

Value Chain Analysis of the Global Electrolyte Industry

The global electrolyte industry value chain spans upstream raw materials, midstream processing, and downstream applications, with increasing integration across all stages. Upstream consists of solutes accounting for about 40% to 50% of costs, solvents 30% to 40%, and functional additives 10% to 20%, which together determine cost structure, pricing, and performance stability,

prompting leading companies to strengthen supply security and cost control through scaled procurement and upstream research and development. Midstream involves formulation, refining, blending, and filling, which are critical to safety and performance such as conductivity and cycle life, and where companies create value by adopting intelligent and digitalized manufacturing to enhance efficiency, consistency, and product differentiation. Downstream demand comes from electric vehicle, energy storage, and consumer batteries and is expanding into emerging fields such as robotics, with a clear shift toward high voltage, high safety, and wide temperature solutions that require closer collaboration with battery manufacturers. Leading companies are building fully integrated capabilities from raw material development to mass production and delivery, supported by global capacity layout and partnerships, while advancing next generation electrolyte systems to strengthen competitiveness across a wide range of applications.

Value Chain of Global Electrolyte Industry



Sources: Frost & Sullivan

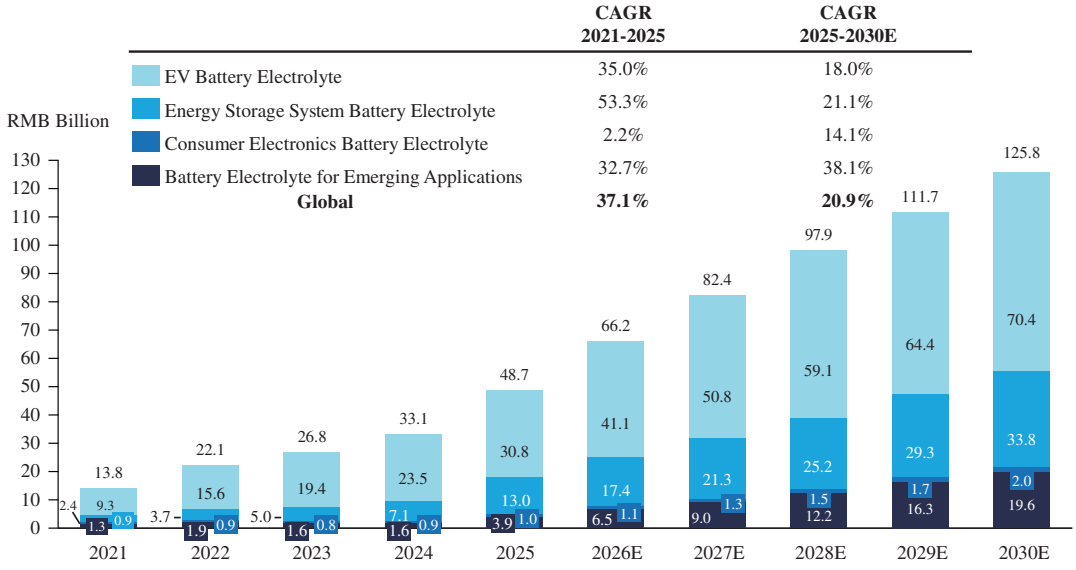
Market Size Analysis of the Global Electrolyte Industry

The market size of electrolytes is closely linked to the development of the lithium-ion battery industry and exhibits cyclicality, influenced by fluctuations in demand, capacity expansion and inventory adjustment cycles. From 2021 to 2022, average prices of $LiPF_6$ increased significantly, primarily driven by a sharp rise in global NEV demand and constraints on effective upstream capacity. As newly added upstream capacity was gradually commissioned and supply chain conditions stabilized, the average price of $LiPF_6$ declined from RMB130,200 per ton in 2023 to RMB62,500 per ton in 2024, meanwhile, market size for electrolytes in terms of revenue continued to grow with a year-on-year growth of 23.7% from 2023 to 2024. Since 2025, as demand from downstream applications such as NEVs and ESS rebounds and emerging application areas continue to expand, together with ongoing optimization and development of industry capacity, electrolyte revenue has increased by 47.0%. In 2021, the global electrolyte industry market size in terms of revenue reached approximately RMB13.8 billion, growing to about RMB48.7 billion in 2025, with a CAGR of 37.1% between 2021 and 2025. Driven by the continued penetration of NEVs worldwide, accelerated development of ESS, efficiency and integration upgrades in consumer electronics, and rapid expansion in emerging applications such as robots and low-altitude economy applications, the market size of global electrolyte industry in terms of revenue is expected to reach RMB125.8 billion by 2030, with a projected CAGR of 20.9% from 2025 to 2030.

From an application perspective, electrolytes for EV batteries and ESS batteries constitute the main downstream products. Among these, EV battery electrolytes represent the largest segment, accounting for over 60% of the market in 2025, followed by ESS battery electrolytes at approximately 26.6%. Electrolytes for consumer electronics and emerging applications accounted for about 2.1% and 8.0%, respectively, in 2025. Looking forward, as EV adoption accelerates globally, the market size of EV battery electrolytes in terms of revenue is expected to increase from RMB30.8 billion in 2025 to RMB70.4 billion in 2030, representing a CAGR of 18.0%. The ESS battery electrolytes market size measured by revenue is projected to rise from RMB13.0 billion in 2025 to RMB33.8 billion in 2030, with a CAGR of 21.1%, supported by rapid expansion of storage systems and growing industrial and commercial demand. With the continued development of AR/VR devices, foldable electronics, and end-use devices, market size of global consumer

electronics battery electrolytes in terms of revenue is projected to grow from RMB1.0 billion in 2025 to RMB2.0 billion by 2030, with a CAGR of 14.1%. Electrolytes for emerging applications are anticipated to benefit from the demand for high-energy-density, high-safety, and lightweight battery systems in robots, low-altitude economy applications, and other sectors, with global market size in terms of revenue increasing from RMB3.9 billion in 2025 to RMB19.6 billion in 2030, with a CAGR of 38.1%.

Market Size of Global Electrolyte Industry, by Revenue, Breakdown by Application Scenarios, 2021-2030E



Sources: GGII, EVTank, Frost & Sullivan

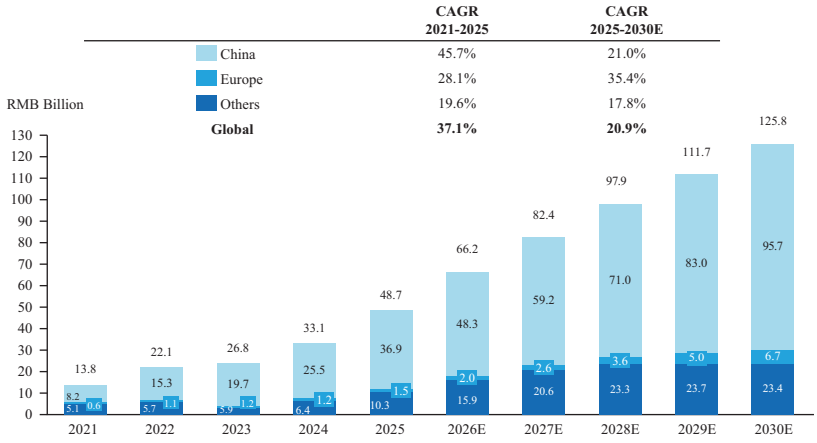
From a regional market perspective, China occupies a pivotal position in the global electrolyte industry. Supported by the world-leading penetration of NEVs and the early-stage large-scale deployment of ESS, China's electrolyte market in terms of revenue expanded from RMB8.2 billion in 2021 to RMB36.9 billion in 2025, representing a CAGR of 45.7%. 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.

In order to better serve the rapidly expanding European battery manufacturing base, shorten supply chains, mitigate cross-border logistics risks and align with local content requirements under the EU's green transition policies, major Chinese electrolyte manufacturers are accelerating the construction of overseas production facilities in Europe to enhance regional supply capabilities. For example, leading Chinese electrolyte producers have announced or commenced investments in localized production plants in countries such as Hungary and other Central and Eastern European markets, often in proximity to newly established battery gigafactories, in order to provide timely technical support and ensure stable supply to European customers.

Against this backdrop, the European electrolyte market has expanded significantly in recent years, driven by accelerating electric vehicle production and energy storage deployment. The market size of the electrolyte industry in terms of revenue in Europe increased from approximately RMB0.6 billion in 2021 to around RMB1.5 billion in 2025, representing a CAGR of approximately 28.1%. With multiple battery gigafactories under construction or ramping up production across Europe, market size of the electrolyte in terms of revenue is expected to grow rapidly and is projected to exceed RMB6.7 billion by 2030, implying a CAGR of over 35% from 2025 to 2030,

which is higher than the projected growth rates of both the China and global markets during the same period. This accelerated growth trajectory reflects Europe's strategic push toward battery localization and supply chain security, and provides meaningful expansion opportunities for electrolyte suppliers establishing local manufacturing capacity.

Market Size of Global Electrolyte Industry, by Revenue, Breakdown by Regions, 2021-2030E



Sources: GGII, EVTank, Frost & Sullivan

Analysis of Production Capacity, Supply and Demand in the Global and Chinese Mainland Electrolyte Markets

In 2021, the capacity utilization rate of China's electrolyte industry exceeded 60%, indicating a relatively balanced supply-demand relationship. Since 2022, however, rapid capacity expansion, coupled with slower downstream demand growth, has resulted in industry-wide overcapacity. Total electrolyte production capacity in China increased from approximately 2.1 million tons in 2022 to approximately 5.0 million tons in 2024, while the capacity utilization rate declined to approximately 30% in 2024, corresponding to approximately 3.5 million tons of idle capacity, reflecting significant overcapacity in the industry. As China accounts for approximately 90% of global electrolyte shipments, the supply-demand dynamics of the global electrolyte market largely mirror those of the Chinese Mainland market, and therefore the global market has also experienced a similar level of overcapacity.

Since 2025, the industry's supply-demand dynamics have gradually improved as obsolete and inefficient production capacity has been phased out, new capacity additions have become more disciplined, and downstream demand from NEVs, ESS and other emerging applications has continued to increase. In 2025, China's effective electrolyte production capacity declined to approximately 4.0 million tons, with the capacity utilization rate recovering to approximately 55%, indicating a notable easing of overcapacity. From 2026 to 2030E, new capacity additions are expected to become more aligned with market demand, with the industry's focus shifting from aggressive capacity expansion to improving capacity utilization and production efficiency. As a result, the supply-demand balance is expected to continue improving, capacity utilization is projected to increase further, and the risk of industry overcapacity is expected to remain relatively limited. Given China's dominant position in global electrolyte supply, the global electrolyte market is expected to follow a similar development trend.

Analysis of Development Trends of the Global Electrolyte Industry

Although China's battery industry experienced a phase of rapid capacity expansion that led to periodic oversupply during 2023 to 2024, the excess is expected to gradually ease under coordinated effects from policy guidance, supply-side adjustment and sustained downstream demand growth. From a policy perspective, the Chinese government has shifted its focus toward high-quality development under frameworks such as the "New Energy Vehicle Industry Development Plan (2021–2035)", the "14th Five-Year Plan for Industrial Green Development", and the "Action Plan for Carbon Peaking Before 2030", strengthening industry standards, environmental and energy-efficiency requirements, and encouraging technological upgrading while accelerating the elimination of outdated and inefficient capacity. In particular, the Ministry of Industry and Information Technology of the PRC issued the "Lithium-ion Battery Industry Standard Conditions (2024 Edition)" and the "Administrative Measures for the Announcement of Lithium-ion Battery Industry Standards (2024 Edition)", which impose higher technical, quality, energy-efficiency and production requirements across the lithium-ion battery value chain, including electrolytes, while discouraging manufacturing projects that merely expand capacity. In addition, in February 2025, the "Action Plan for High-quality Development of the New Energy Storage Manufacturing Industry" was issued, which further called for strengthened monitoring and early warning of lithium-ion battery production capacity, guided local governments to scientifically and orderly plan new energy storage manufacturing projects, and sought to prevent blind investment and low-level redundant construction. Meanwhile, in August 2025, the "Special Action Plan for Large-scale Construction of New Energy Storage (2025–2027)" further promoted the large-scale development and high-quality growth of new energy storage, expanding effective downstream demand and promoting coordinated development, quality enhancement and efficiency improvement across the upstream and downstream industry chain. These policies are conducive to the expansion of high-quality production capacity and support the long-term development of electrolyte suppliers that satisfy the enhanced technical, quality and energy-efficiency requirements. As a result, leading market participants are expected to be better positioned to pursue capacity expansion initiatives in line with industry development trends and regulatory requirements. From a supply-side perspective, intensified competition and margin pressure have driven the gradual exit or consolidation of weaker and low-end producers, resulting in structural capacity rationalization and improved industry concentration, particularly benefiting leading manufacturers such as Contemporary Amperex Technology Co., Limited ("**CATL**"). From a demand perspective, continued growth in NEVs, rapid expansion of energy storage installations, steady demand from consumer electronics, and emerging applications such as robots and low-altitude economy collectively provide diversified and resilient end-market support. As a result, overcapacity of the battery industry eased since the second half of 2025, supporting stable production growth of major battery manufacturers and, in turn, sustaining demand for upstream electrolyte products. Consequently, the structural optimization of the battery industry is expected to mitigate the impact of prior overcapacity and provide a more stable and supportive operating environment for the electrolyte industry and the Group's long-term development.

- ***Global Market Demand Growth Driving Industry Expansion***

Global lithium-ion battery shipments continue to rise, fueling rapid growth in electrolyte demand. Driven by both EV adoption and ESS development, global lithium-ion battery shipments are projected to exceed 5,900 GWh by 2030. In the EV sector, trends toward higher energy density, fast charging, and enhanced safety are accelerating, while in the energy storage market, the integration of renewable energy, grid peak shaving, and industrial & commercial storage needs are significantly expanding the demand for long-life, wide-temperature electrolytes. As demand grows and products upgrade toward higher performance, electrolyte value-added content continues to increase, supporting a steady upward trend in pricing.

The localization of manufacturing in overseas regions is becoming increasingly prominent. For example, the share of lithium-ion battery shipments in Europe is expected to rise from 11.9% in 2025 to approximately 14.0% by 2030. With the global lithium-ion battery supply chain accelerating its international layout, leading industry players, particularly Chinese companies, are simultaneously expanding electrolyte and key material production capacity in Europe, and other regions to meet local supply requirements for overseas battery factories. This expansion is driving the transformation of the electrolyte manufacturing system from China-centric supply to multi-region coordinated supply, fostering a diversified global supply structure that combines industry expansion with regional integration. Nevertheless, given that leading battery manufacturers represent a significant proportion of end-market demand for lithium-ion battery materials, any material deterioration in their business performance, financial condition, market position, production volume or procurement demand, or any significant reduction in their purchases from electrolyte suppliers, may materially and adversely affect the business, results of operations, financial condition and prospects of electrolyte suppliers.

- ***Expansion into Emerging Applications Unlocking New Growth***

Electrolyte applications are extending beyond traditional EV and ESS markets into broader emerging scenarios. High-energy-demand applications such as robots and low-altitude economy applications are increasing requirements for energy density, conductivity, and safety, driving rapid growth in demand for specialty electrolytes. By 2030, the global robotics market is expected to exceed USD15 billion, while the low-altitude economy is projected to surpass USD1 trillion. These trends strongly stimulate the demand for lightweight, high-rate, and high-stability electrolytes. Global revenue of electrolytes for emerging applications are expected to exceed RMB19 billion by 2030, becoming a key driver for technological innovation and industry growth.

- ***Accelerated Evolution of Technological Pathways Driving Industrial Upgrading***

Facing the dual trend of high energy density and safety, the electrolyte industry is entering a period of accelerated technological advancement. High-voltage, high-safety, and wide-temperature systems have become mainstream, with the industrial adoption of phosphorus-based flame-retardant systems, and new functional additives steadily progressing. These advances are improving lithium-ion battery performance in terms of cycle life and operational stability.

The industrialization of solid-state batteries is accelerating, with projected shipments accounting for over 10% of total lithium-ion battery volume by 2030. The industry is transitioning from traditional liquid electrolytes to diversified structures, with sodium-ion electrolytes, gel electrolytes, hybrid solid-liquid electrolytes, and solid-state electrolytes entering pilot and mass production stages, enabling new applications for lithium-ion batteries.

Competitive Landscape of Global Electrolyte Industry

The global electrolyte industry comprises both independent electrolyte manufacturers and affiliated electrolyte manufacturers. Independent manufacturers, including the Group, primarily supply electrolyte products to multiple lithium-ion battery manufacturers and compete based on factors such as product performance, formulation capabilities, quality consistency, customer base, supply reliability and technological innovation. In contrast, affiliated electrolyte manufacturers, such as Company C, primarily produce electrolyte products for internal consumption within their own lithium-ion battery manufacturing operations, and their competitiveness is supported by vertical integration and coordination with downstream battery production.

In 2025, the global electrolyte industry market size reached RMB48,707 million in terms of revenue. Taking into account both independent and affiliated electrolyte manufacturers, the top five companies collectively accounted for 57.1% of the global market share, indicating a relatively concentrated market. Among all market participants, our Group ranked fourth globally with revenue of RMB1,746 million, capturing approximately 3.6% of the global market share.

Top Five Global Electrolyte Manufacturers by Electrolyte Revenue, 2025

Ranking	Company	Revenue (Million RMB)	Market Share (%)
1	Company A	13,046	26.8%
2	Company B	5,742	11.8%
3	Company C	5,550	11.4%
4	**Our Group**	**1,746**	**3.6%**
5	Company D	1,721	3.5%
	Top Five	27,805	57.1%
	Total	**48,707**	

Sources: Frost & Sullivan

On a standalone basis excluding affiliated manufacturers and considering only independent electrolyte manufacturers, the top five independent suppliers collectively accounted for 49.2% of the global market share in 2025. Among independent electrolyte manufacturers, our Group ranked third globally by revenue in 2025.

Top Five Global Independent Electrolyte Suppliers by Electrolyte Revenue, 2025

Ranking	Company	Revenue (Million RMB)	Market Share (%)
1	Company A	13,046	26.8%
2	Company B	5,742	11.8%
3	**Our Group**	**1,746**	**3.6%**
4	Company D	1,721	3.5%
5	Company E	1,705	3.5%
	Top Five	23,960	49.2%
	Total	**48,707**	

Sources: Frost & Sullivan

In 2025, the China's electrolyte industry market size reached RMB36,898 million in terms of revenue. Taking into account both independent and affiliated electrolyte manufacturers, the top five companies collectively accounted for 72.2% of the market share, indicating a relatively concentrated market. Among all market participants, our Group ranked fourth with revenue of RMB1,746 million, capturing approximately 4.7% of the China's market share.

Top Five China's Electrolyte Manufacturers by Electrolyte Revenue, 2025

Ranking	Company	Revenue (Million RMB)	Market Share (%)
1	Company A	12,600	34.1%
2	Company C	5,550	15.0%
3	Company B	5,095	13.8%
4	**Our Group**	**1,746**	**4.7%**
5	Company D	1,700	4.6%
	Top Five	23,960	**72.2%**
	Total	**36,898**	

Sources: Frost & Sullivan

On a standalone basis excluding affiliated manufacturers and considering only independent electrolyte manufacturers, the top five independent suppliers collectively accounted for 61.0% of the China's market share in 2025. Among independent electrolyte manufacturers, our Group ranked third among the China's market share in terms of revenue in 2025.

Top Five China's Independent Electrolyte Suppliers by Electrolyte Revenue, 2025

Ranking	Company	Revenue (Million RMB)	Market Share (%)
1	Company A	12,600	34.1%
2	Company B	5,095	13.8%
3	**Our Group**	**1,745**	**4.7%**
4	Company D	1,700	4.6%
5	Company E	1,400	3.8%
	Top Five	22,540	**61.0%**
	Total	**36,898**	

Sources: Frost & Sullivan

Notes:

1. Company A was founded in 2000, headquartered in Guangdong Province, China, and is listed on the Shenzhen Stock Exchange. It primarily engages in the R&D, production and sales of fine chemical new materials, with products mainly including electrolytes, additives, daily chemical materials and other specialty chemicals, and overseas operations covering North America, Europe and Southeast Asia.

2. Company B was founded in 2002, headquartered in Guangdong Province, China, and is listed on the Shenzhen Stock Exchange. It professionally engaged in the R&D, production, sales and related services of advanced electronic chemicals, with products including battery chemicals, capacitor chemicals, organofluorine chemicals and semiconductor chemicals, and business presence in both domestic and overseas markets including North America, Europe and Southeast Asia.

3. Company C was founded in 1995, headquartered in Guangdong Province, China, and is listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. It is a global NEV and battery manufacturer, with business operations covering major markets around the world. Its principal businesses include NEVs, batteries, ESS and electronic products. As part of its vertically integrated battery value chain, the company manufactures electrolyte products primarily for internal consumption in its battery production operations.

4. Company D was founded in 2007, headquartered in Guangdong Province, China. It specializes in the research, development, production and sales of electrolytes, solvents, additives and infiltration inducers, as well as aluminum-plastic composite films, with products widely applied in EV batteries, ESS and consumer electronics, and operates an overseas production facility in Indonesia. The company plans to establish technical centers and manufacturing bases in Europe and North America.

5. Company E was founded in 2002, headquartered in Shandong Province, China, and is listed on the Shanghai Stock Exchange. It is an integrated lithium-ion battery-related materials provider who have developed a full value-chain footprint encompassing electrolyte solvents, $LiPF_6$, electrolyte additives, electrolytes and other advanced new materials. As of December 31, 2025, it located five production bases across China in Dongying, Shandong; Zoucheng, Shandong; Wuhan, Hubei; Quanzhou, Fujian; and Meishan, Sichuan.

ENTRY BARRIER ANALYSIS OF THE GLOBAL ELECTROLYTE INDUSTRY

- **Customer Barriers**

Entering the supply chain of mainstream battery manufacturers requires electrolytes to undergo multiple rigorous validation cycles, typically lasting one to two years. Leading companies leverage their established top-tier customer base and have set up joint R&D mechanisms and customized development processes with power battery, ESS battery, and consumer electronics battery manufacturers, forming stable collaborative relationships. They have obtained certifications and long-term stickiness with clients. New entrants face long certification cycles and high costs, finding it difficult to access large-scale validation resources from leading customers.

- **Technology Barriers**

Electrolyte performance directly affects battery energy density, safety, and cycle life, making the industry highly demanding in terms of formulation systems, material compatibility, and process control precision. Leading companies have accumulated multi-system technical reserves over long-term R&D, including high-voltage, high-safety, and wide-temperature-range electrolytes. They have established comprehensive raw material screening, formulation databases, and electrochemical performance verification systems, enabling rapid responses to various product requirements and market trends. New entrants without systematic R&D capabilities or validation experience face difficulties overcoming the high-threshold technical verification cycle; product consistency and batch stability are also challenging to meet mainstream battery manufacturers' standards. In particular, according to Frost & Sullivan, only a limited number of global market participants, including our Group, possess the integrated technological strengths necessary to meet the rigorous requirements of major battery manufacturers such as CATL.

- **Process and Production Barriers**

Electrolyte production involves multiple high-complexity processes, including high-purity refining, precise mixing, automated filling, and hazardous chemical storage and transportation. These processes require not only stringent equipment configuration and process control, but also stable mass-production capability, high yield rates, and long-term production consistency. Industry leaders leverage multi-regional production bases and coordinated scheduling systems to achieve highly stable and integrated operations across raw material supply, production line switching, quality control, and delivery response. This not only optimizes cost structures but also significantly enhances supply chain reliability and continuity. Large-scale operations provide flexible order allocation, cross regional capacity allocation, and risk diversification. In contrast, new entrants are generally limited by initial production capacity, low equipment utilization, lack of process experience, and lengthy safety approval cycles, finding it difficult to achieve comparable stability and efficiency in the short term, and challenging to meet leading customers' requirements for continuous supply and consistent quality.

- **Product Barriers**

Leading companies typically maintain a multi-system product portfolio covering power batteries, ESS, consumer electronics, and emerging applications. They can provide customized formulations and rapid adaptation solutions for differentiated requirements such as high voltage, fast charging, wide temperature range, low gas swelling, and flame retardancy. Leveraging extensive product accumulation and large-scale validation data, leading companies continuously iterate on film-forming mechanisms, additive system design, and interface engineering. New entrants find it difficult to develop an equally comprehensive and production-verified product portfolio in a short period.

- **Globalization Barriers**

With the global lithium-ion battery supply chain accelerating localization, electrolyte companies must possess cross-regional operational and international compliance capabilities. Leading companies build multi-market supply and quality networks through overseas plants, raw material procurement, and international certification systems, ensuring stable delivery under different regulatory regimes. Global layout also provides advantages in logistics optimization, and localized customer service. New entrants without international management experience or compliance frameworks struggle to enter overseas mainstream supply chains, limiting market expansion.

- **Talent Barriers**

The electrolyte industry depends heavily on multi-disciplinary talent, encompassing chemical synthesis, electrochemistry, process control, and safety management. Leading companies have specialized teams across R&D, quality, and engineering functions, forming a complete talent system from laboratory to industrialization. They continuously enhance professional capabilities through internal training and external collaboration. New entrants, constrained by scarce technical personnel and limited experience, struggle to quickly form efficient teams and achieve stable processes, which restricts product quality and R&D efficiency.

MARKET CHALLENGE ANALYSIS OF GLOBAL ELECTROLYTE INDUSTRY

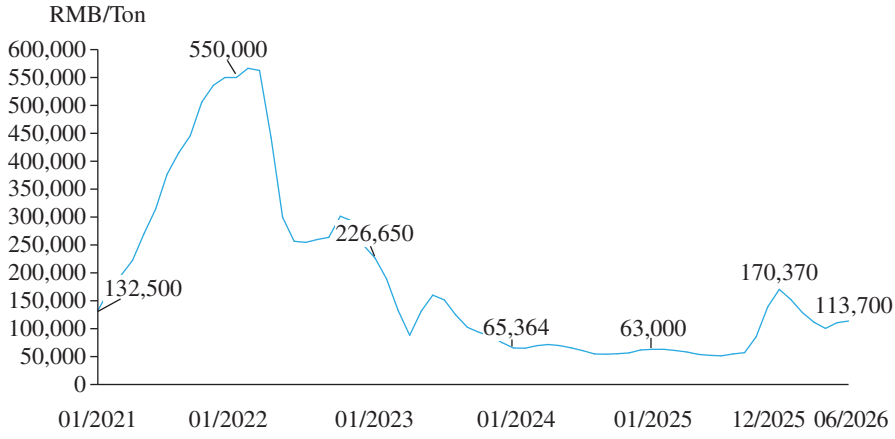
The electrolyte industry faces several market challenges. First, fluctuations in the prices of raw materials, such as solutes and solvents, have impact on production costs. Second, the industry has high technical barriers: new entrants must overcome complex processes such as precise formulation, automated filling, and safe storage and transportation, while also establishing comprehensive quality management and safety systems, requiring significant initial investment. In addition, market competition is intensifying. Leading companies leverage large-scale operations, cross-regional coordination, and reliable supply capabilities to create strong competitive barriers, making it difficult for new entrants to achieve comprehensive competitiveness in pricing, delivery, and service in the short term. Furthermore, with the rapid growth in the demand for end markets, customers increasingly require product consistency, reliability, and sustainable supply. Industry players must continuously optimize supply chains and manufacturing processes to meet the dual pressures of cost control and delivery responsiveness.

PRICE ANALYSIS OF RAW MATERIALS AND ELECTROLYTE PRODUCTS

Raw material costs typically account for 75%-90% of the total cost of electrolytes. The solute is one of the most critical raw materials in electrolytes, with $LiPF_6$, as the mainstream solute, typically accounting for approximately 40%–50% of the electrolyte's raw material cost. The price for the primary raw material for electrolytes, $LiPF_6$, is influenced by a combination of factors, including macro-level demand for new energy, changes in supply chain capacity, policy guidance, and global battery market price trends. During the period from 2020 to 2025, the average price of $LiPF_6$ ranged from a high of over RMB560,000 per ton in March 2022 to a low of approximately RMB49,000 per ton in August 2025. The price increase from 2021 to 2022 was primarily driven by: (1) the explosive growth in the global demand for NEVs, which sharply increased the demand for

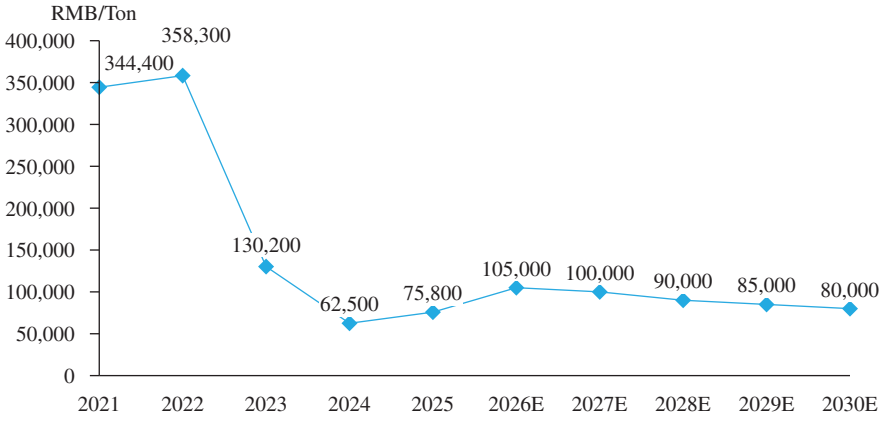
power batteries; and (2) the limited effective upstream capacity release, further pushing $LiPF_6$ prices upward. During 2023 and 2025, as upstream capacity construction came online and the supply chain gradually stabilized, $LiPF_6$ prices began to level off. In 2025, global EV battery shipments reached approximately 1,495.0 GWh, representing a 44.1% year-on-year increase, while energy storage demand accelerated significantly, with global energy storage battery shipments reaching approximately 632.3 GWh in 2025, representing a 64.1% year-on-year increase. In particular, energy storage demand remained strong toward the end of 2025. Energy storage battery shipments surpassed 200 GWh in the fourth quarter of 2025, representing more than 30% of full-year shipments, which supported sustained battery production. This increase in downstream demand was reflected in the upstream market, with $LiPF_6$ prices increased from RMB85,485 per ton in October 2025 to RMB170,370 per ton in December 2025. Looking forward, the annual average prices of $LiPF_6$ are expected to rebound in 2026, primarily driven by continued growth in demand from the NEVs and energy storage markets. As downstream battery shipments increase, demand for $LiPF_6$ is expected to temporarily outpace the release of new supply, resulting in a short-term price increase. From 2027 onwards, $LiPF_6$ prices are expected to gradually decline and stabilize as new production capacities are commissioned and supply-demand dynamics return to a more balanced level. The expected downward price trend of $LiPF_6$ is not anticipated to materially affect the profitability of lithium-ion battery electrolyte manufacturers, as lower $LiPF_6$ prices are generally accompanied by lower raw material costs.

Monthly Average Price of $LiPF_6$, 2021-2026H1



Sources: SMM, Frost & Sullivan

Annual Average Price of $LiPF_6$, 2021-2030E

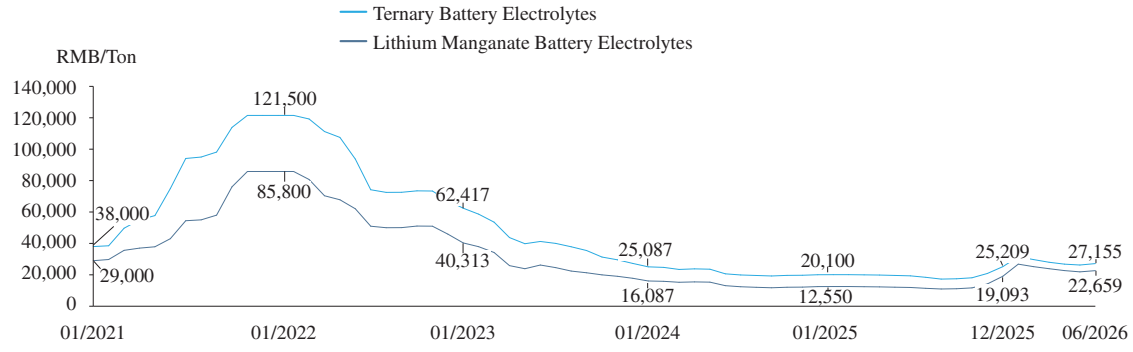


Source: Frost & Sullivan

Note: The forecast is built on key assumptions including continued growth in downstream demand, orderly capacity expansion in the industry, and a stable policy and geopolitical environment.

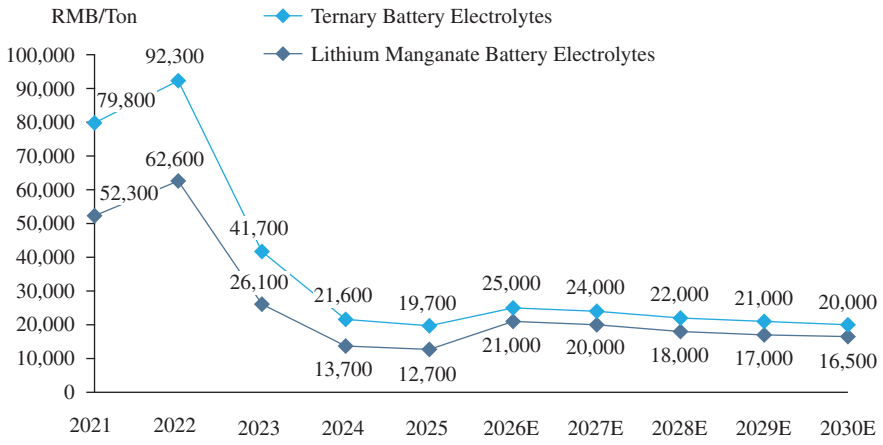
Electrolyte price fluctuations are mainly influenced by lithium-ion battery prices, raw material costs, and other related factors. Electrolytes for different application scenarios exhibit differentiated pricing, as downstream requirements for performance, safety, and cycle life vary, leading to differences in core formulation design, key material selection, and production process control. From 2021 to 2022, electrolyte prices increased. The average price of ternary battery electrolytes rose from RMB38,000 per ton in January 2021 to RMB121,500 per ton in January 2022, while lithium manganate battery electrolyte prices increased from RMB29,000 per ton in January 2021 to RMB85,800 per ton in January 2022. The main reasons were: (1) a surge in global demand for NEVs, which significantly boosted demand for EV batteries; and (2) limited upstream raw material supply and insufficient capacity, further driving electrolyte price growth. Starting in 2023, as upstream raw material supply chains gradually stabilized and new production capacity came on stream, prices of ternary battery electrolytes and lithium manganate battery electrolytes declined and gradually stabilized. In the fourth quarter of 2025, with growth in downstream NEVs and the implementation of ESS projects, demand for both EV batteries and ESS batteries recovered, leading to a corresponding improvement in electrolyte demand. Monthly average prices for ternary battery electrolyte increased from RMB18,000 per ton in September 2025 to RMB25,209 per ton in December 2025, while lithium manganate battery electrolyte average prices rose from RMB11,000 per ton in September 2025 to RMB19,093 per ton by the end of 2025. The annual average electrolyte prices are expected to continue increasing in 2026, supported by sustained growth in demand from power battery and energy storage battery markets, as well as the rebound in upstream $LiPF_6$ prices. From 2027 onward, prices of $LiPF_6$ and electrolyte products are expected to gradually decline and stabilize as newly-added production capacity is progressively commissioned, supply chains become increasingly stable and supply-demand dynamics become more balanced. Such price normalization is expected to be primarily driven by the orderly expansion of industry supply rather than weakening downstream demand, which is expected to maintain steady growth alongside the continued development of the NEV and energy storage markets. As raw materials constitute the predominant portion of electrolyte production costs and electrolyte prices generally move in line with the prices of key raw materials, particularly $LiPF_6$, lower selling prices are expected to be largely offset by corresponding decrease in raw material costs. Furthermore, continued industry consolidation, improved capacity utilization, economies of scale and an increasing contribution from customized and higher-value-added electrolyte products are expected to further enhance the operating efficiency and product mix of leading manufacturers, thereby supporting relatively stable profit margins going forward.

Monthly Average Price of Electrolytic Products, 2021-2026H1



Source: Wind, Frost & Sullivan

Annually Average Price of Electrolytic Products, 2021-2030E



Source: Frost & Sullivan

Note: The forecast is built on key assumptions including continued growth in downstream demand, orderly capacity expansion in the industry, and a stable policy and geopolitical environment.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on global lithium-ion battery industry and global electrolyte industry and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB800,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

We have extracted certain information from the Frost & Sullivan Report in this section and other sections of this document to provide our [**REDACTED**] with a more comprehensive presentation of the industry in which we operate. Our Directors confirm to the best of their knowledge and that after taking reasonable enquiries, that there have been no material adverse changes in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

PRC LAWS AND REGULATIONS

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets out a summary of relevant laws and regulations that may have material impact on our business activities.

Regulations on Product Quality

In accordance with the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People's Congress ("**SCNPC**") on February 22, 1993, and most recently amended on December 29, 2018, the seller assumes responsibility for the repair, replacement, or return of the sold product under the following circumstances: (i) the product lacks the essential properties for its intended use without prior clear indication; (ii) the product does not meet the stated standards displayed on the product or its packaging; or (iii) the product does not match the quality as described in the product information or physical sample. In cases where a consumer incurs losses due to the purchased product, the seller is obligated to compensate for these losses. Under the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), promulgated by the National People's Congress of the PRC on May 28, 2020, and became effective on January 1, 2021, manufacturers and commercial sellers bear liability for physical injury or property loss resulting from product defects. The affected party has the right to seek compensation from either the manufacturer or the commercial seller.

Regulations on Production Safety, Chemicals, Environmental Protection and Energy Conservation Review

Production Safety

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) or the Production Safety Law, which was last amended by SCNPC on November 6, 2026 and effective as of the same date, entities engaged in production and business activities within the PRC shall comply with the Production Safety Law and other laws and regulations related to production safety, strengthen production safety management. Entities shall establish and improve a production safety responsibility system and production safety rules, improve production safety conditions, and strengthen the standardization of production safety, raise production safety levels, and ensure production safety. The person in charge of a production and operation entity shall be fully responsible for the production safety of the entity. Violation of the Production Safety Law may result in imposition of fines and penalties, suspension of operation, an order to cease operation, depending on the circumstances of the violation, and criminal liability will be pursued if the violation constitutes a crime.

According to the Regulations on Work Safety Licenses (《安全生產許可證條例》), for an enterprise that has obtained a work safety license, it must meet comprehensive requirements regarding employee occupational safety, including establishing a robust responsibility system and operating rules, ensuring safety investments, appointing qualified safety personnel, providing necessary training and certifications for employees, securing work-related injury insurance, maintaining safe facilities and equipment, implementing occupational hazard prevention measures and supplying proper protective gear, conducting safety evaluations, monitoring major hazards, and having emergency rescue plans and resources in place.

Hazardous Chemicals

According to the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) revised on December 7, 2013, and effective as of the same date. Hazardous chemicals entities shall possess safety conditions as required by laws, administrative regulations, and national or industry standards, establish and improve safety management rules, regulations, and post-specific safety responsibility systems, and provide safety education, legal education, and

post-technical training to their employees. Employees shall undergo such education and training and may only commence work after passing the assessment; for positions with qualification requirements, personnel who have lawfully obtained the corresponding qualifications shall be assigned. On December 27, 2025, the SCNPC passed the Law of the PRC on the Safety of Hazardous Chemicals (《中華人民共和國危險化學品安全法》), which came into effect on May 1, 2026. The Law is enacted to strengthen the safety management of hazardous chemicals, prevent and reduce accidents, and safeguard people's lives and property as well as ecological environment.

According to the Measures for the Safety Supervision and Administration of Construction Projects of Hazardous Chemicals (《危險化學品建設項目安全監督管理辦法》), last amended on May 27, 2015 and effective on July 1, 2015 by the Ministry of Emergency Management (the former State Administration of Work Safety), the new construction, reconstruction and expansion projects of production and storage of hazardous chemicals and the chemical construction projects with the generation of hazardous chemicals within the territory of the PRC are subject to safety review. Without the safety review and the acceptance of safety facilities upon completion, the construction project shall not start construction or be put into production.

Enterprises producing hazardous chemicals must obtain a hazardous chemical work safety license in accordance with the Regulations on Work Safety Licenses (《安全生產許可證條例》) before commencing production. The state implements a licensing system for the operation (including storage operations) of hazardous chemicals; no entity or individual may engage in the trade of hazardous chemicals without a license. According to the Measures for the Administration of Hazardous Chemicals Business Licenses (《危險化學品經營許可證管理辦法》) promulgated by the State Administration of Work Safety on July 17, 2012, effective on September 1, 2012, and amended on May 27, 2015, which establish a licensing system for the operation (including storage operations) of hazardous chemicals based on the Production Safety Law of the PRC (《中華人民共和國安全生產法》) and the Administrative Regulations on the Safety of Hazardous Chemicals (《危險化學品安全管理條例》), no entity or individual may engage in the trade of hazardous chemicals without obtaining an operation license. However, production enterprises that have legally obtained a hazardous chemical work safety license do not need a separate operation license for selling their own products within the plant area, nor do port operators who have legally obtained a port operation license for engaging in hazardous chemical storage operations within the port area. According to the Administrative Regulations on the Safety of Hazardous Chemicals (《危險化學品安全管理條例》), hazardous chemical shall be stored in dedicated warehouses, dedicated sites or dedicated rooms, and shall be managed by specially assigned persons who shall establish a system for the checking and registering of dangerous chemicals as they are moved into and out of the storehouse. Entities engaged in the business of hazardous chemicals, if it stores dangerous chemicals, it shall have storage facilities that conform to the national standards and industrial standards. To transport hazardous chemicals by road, the consigner shall consign them to a carrier which has lawfully obtained a permit for road transport of hazardous goods. When consigning hazardous chemicals, the consignor shall describe to the carrier the variety, quantity and dangerous properties of the hazardous chemicals consigned for shipment as well as the emergency response measures in the case of any danger, properly pack up the hazardous chemicals consigned for shipment and put labels on the external packages thereof according to the relevant state provisions. To engage in the road transport of hazardous chemicals, one shall obtain a permit for the road transport of hazardous chemicals, and handle the registration formalities at the industry and commerce department. According to the Measures for the Administration of Registration of Hazardous Chemicals (《危險化學品登記管理辦法》), promulgated on July 1, 2012 and effective on August 1, 2012 by the Ministry of Emergency Management (the former State Administration of Work Safety), the State adopts a registration system for hazardous chemicals. A newly established producer shall go through the hazardous chemical registration prior to the completion and acceptance thereof. An importer shall go through the hazardous chemical registration prior to its first import. The original and duplicate of the hazardous chemical registration certificate shall indicate the serial number of the certificate, the name, registered address and nature of the enterprise, the registered type of hazardous chemical, the term of validity, issuing authority and date of issuance, etc. The nature of the enterprise shall be indicated if it is a producer, importer or producer (and importer) of hazardous chemicals.

Environmental Protection

According to the Ecological Environment Code of the PRC (《中華人民共和國生態環境法典》), promulgated by the National People's Congress on March 12, 2026 and came into effect on August 15, 2026, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection measures to control and properly handle hazardous substances such as waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of such activities. The State implements a pollutant discharge permit management system in accordance with the law.

According to the Regulation on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was amended by the State Council on July 16, 2017 and came into effect on October 1, 2017, and the Interim Measures for Environmental Protection Acceptance Inspection Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the former Ministry of Environmental Protection on November 20, 2017 and came into effect on the same day, the PRC implements a system to assess the environmental impact of construction projects. The construction entity shall submit an environmental impact report or an environmental impact statement for approval prior to the commencement of the construction project, or an environmental impact registration form as required by the environmental protection competent administrative department of the State Council for record. In addition, after the completion of a construction project for which an environmental impact report or an environmental impact statement has been prepared, the construction entity shall, in accordance with the standards and procedures prescribed by the competent administrative department of environmental protection under the State Council, conduct acceptance inspection on the supporting environmental protection facilities and prepare an acceptance report.

Energy Conservation Review

According to the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), which was last amended by the SCNPC on October 26, 2018 and came into effect on the same day, the State shall implement an energy conservation assessment and audit system for fixed asset investment projects. For projects which do not meet the compulsory energy conservation standards, the developer shall not commence construction; where the construction is completed, the project shall not be put into production or use.

According to the Measures for the Energy Conservation Review and Carbon Emission Assessment of Fixed Asset Investment Projects (《固定資產投資項目節能審查和碳排放評價辦法》) promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) ("**NDRC**") on July 17, 2025 and took effect on September 1, 2025, the review opinions on energy conservation of a fixed asset investment project are an important basis for the commencement of construction, acceptance upon completion as well as operation and management of such project. For a project which has not undergone the energy conservation review or fails to pass the energy conservation review, the project owner shall not commence construction, or the project shall not be put into production or use if it is already completed.

Regulations on Fire Safety

According to the Fire Protection Law of the PRC (《中華人民共和國消防法》), which was last amended by the SCNPC on April 29, 2021 and took effect on the same day, the emergency management department under the State Council and the emergency management department under the local people's governments at or above the county level shall supervise and manage fire protection work. Fire prevention design and construction must comply with national technical standards for fire protection in construction projects.

According to the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) which was last amended by the Ministry of Housing and Urban-Rural Development of PRC on August 21, 2023 and officially came into effect on October 30, 2023, fire prevention design review and acceptance should be carried out for special construction projects. With respect to the construction projects other than special construction projects, the fire protection acceptance of construction projects shall be filed with the competent authorities.

Regulations on Leasing

According to the PRC Civil Code, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

On July 16, 2025, the State Council promulgated the Regulation on Residential Property Leasing (《住房租賃條例》), which took effect on September 15, 2025. According to this regulation, the lessor shall submit the residential property lease contract to the real estate administration department of the place where the leased property is located for recordation, through the residential property leasing management service platform or by other means as required by applicable provisions. If the lessor fails to submit the contract for recordation, the lessee may proceed with the recordation.

Regulations on Intellectual Property

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by SCNPC on August 23, 1982, most recently amended on April 23, 2019 and effective from November 1, 2019, and the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, later amended on April 29, 2014 and effective from May 1, 2014, registered trademarks are granted a term of ten years which may be renewed for consecutive ten-year periods upon request by the trademark owner. On June 26, 2026, the SCNPC revised and adopted the Trademark Law of the PRC (《中華人民共和國商標法》), which will come into effect on January 1, 2027.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC, which was latest amended in November 2020, and its related Implementing Regulations, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. Copyright owners of protected works enjoy personal rights and property rights with respect to publication, authorship, alteration, integrity, reproduction, distribution, lease, exhibition, performance, projection, broadcasting, dissemination via information network, production, adaptation, translation, compilation and other rights shall be enjoyed by the copyright owners.

Patent

In accordance with the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC, which was latest amended in October 2020 and became effective on June 1, 2021, and its Implementation Rule, patent is divided in to three categories, i.e., invention patent, design patent and utility model patent. The duration of invention patent right, design patent right and utility model patent right shall be 20 years, 15 years and ten years, respectively, which all calculated from the date of application. Implementation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

Regulations on Employment and Social Welfare

Employment

The major PRC laws and regulations that govern employment relationship are the PRC Labor Law (《中華人民共和國勞動法》), the PRC Labor Contract Law (《中華人民共和國勞動合同法》) (the **"Labor Contract Law**") and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

Social Insurance

The PRC Social Insurance Law (《中華人民共和國社會保險法》) (the "**Social Insurance Law**") issued by the SCNPC in 2010 and latest amended on December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Pursuant to the Interpretation II of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) ("**Interpretation II**"), which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the people's court. If an employer fails to pay social insurance premiums in accordance with the law, and the employee requests to terminate the labor contract and claims economic compensation pursuant to Article 38 of the Labor Contract Law, the people's court shall support such claims in accordance with the law. In the circumstances described in the preceding paragraph, if the employer subsequently pays the social insurance premiums in accordance with the law and requests the employee to return the compensation already paid for the social insurance premiums, the people's court shall support such requests in accordance with the law. As advised by our PRC Legal Advisor and our Directors are of the view that, the Interpretation II is not expected to have a material adverse

impact on our operation which is mainly because (i) as of the Latest Practicable Date, we had not signed any agreement with our employee or our employee had not committed to give up paying their social insurance, and (ii) during the Track Record Period and up to the Latest Practicable Date, we had not encountered any major complaints, reports or labor disputes related to social insurance.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002, March 24, 2019 and August 10, 2026 , with the latest amendment effective on September 20, 2026, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied. In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB50,000 nor more than RMB300,000 shall be imposed.

Regulations on Tax

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council and was latest amended in December 2024, collectively referred to as the Enterprise Income Tax Law, a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a reduced tax rate of 15% for Enterprise Income Tax.

Value-added Tax

Pursuant to the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》), which were promulgated by the SCNPC on December 25, 2024, and took effect on January 1, 2026, and Regulations of the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法實施條例》), which were promulgated by the State Council on December 25, 2025, and took effect on January 1, 2026, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax. According to the Notice of the Ministry of Finance and the State Taxation Administration on the Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) effective in May 2018, the value-added tax rates of 17% and 11% on sales, imported goods shall be adjusted to 16% and 10%, respectively. According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the value-added tax rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Dividends Distribution

The principal laws, rules and regulations governing dividend distributions by foreign invested enterprises in the PRC are the Company Law of the PRC, promulgated in 1993 and latest amended in 2023, and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of their respective accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds have reached 50% of the registered capital of the enterprises. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), which was most recently amended on August 31, 2018, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》), which was most recently amended on December 18, 2018, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Regulations on Overseas Direct Investment

The Administrative Measures for Outbound Investment Management (《境外投資管理辦法》) was promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) ("**MOFCOM**") on September 6, 2014 and came into effect on October 6, 2014. As defined by the Administrative Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall file with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

In accordance with the Regulation on Outbound Investment (《國務院關於對外投資的規定》，國務院令第837號) promulgated by the State Council on May 5, 2026, which took effect on July 1, 2026, and the Administrative Measures for Outbound Investment (《對外投資管理辦法》，國家發展改革委令第49號) promulgated by the NDRC on October 16, 2026 (NDRC Order No. 49), which will take effect on December 1, 2026. Outbound investment means any activity in which an investor directly or indirectly acquires ownership, control, operation and management rights or other relevant rights and interests in overseas enterprises, assets or other property by contributing assets or rights and interests, or by providing financing or guarantees. The term "investor" includes domestic enterprises, other domestic organizations and resident individuals. Outbound investment also includes reinvestment conducted through controlled overseas enterprises or other controlled overseas entities. Depending on the nature and sensitivity of the investment, the source of the contributed assets or rights and interests, and the amount of Chinese investment, investors are required, as applicable, to obtain NDRC approval for sensitive outbound investment, complete filing for non-sensitive direct outbound investment, submit prior overseas reinvestment reports and other information reports, and cooperate with supervision and inspection.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) ("**SAFE**") on February 13, 2015 and came into effect on June 1, 2015, it has canceled the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under overseas direct investment in accordance with this notice and the attached Operational Guidelines for Foreign Exchange Business of Direct Investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

Regulations on Foreign Investment

The Company Law of the PRC (《中華人民共和國公司法》), promulgated by the SCNPC of the PRC (the "**SCNPC**") on December 29, 1993, last amended on December 29, 2023 and came into effect on July 1, 2024, governs the establishment, operation and management of companies in the PRC, including foreign-invested companies. Unless foreign investment laws provide otherwise, foreign invested companies shall abide by the Company Law of the PRC.

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) and Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which became effective on January 1, 2020, the State Council establishes a foreign investment information report system. Foreign investors or foreign-funded enterprises shall submit investment information to the competent department for commerce concerned through the enterprise registration system and the enterprise credit information publicity system. For foreign investment enterprises investing in China and establishing an enterprise (including multi-level investment), upon completion of registration filing and submission of annual report information to the market regulatory authorities, the relevant information shall be forwarded by the market regulatory authorities to the commerce administrative authorities, and these enterprises are not required to submit separately.

Foreign investment in the PRC is subject to the Catalog of Industries for Encouraging Foreign Investment (2025 edition) (《鼓勵外商投資產業目錄(2025年版)》), amended on December 15, 2025 and effective since February 1, 2026 and the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**")), amended on September 6, 2024 and effective since November 1, 2024, both of which issued by the NDRC and the MOFCOM. According to the Negative List, foreign investors shall not make investments in prohibited industries as specified in the Negative List, while foreign investments must satisfy certain conditions stipulated in the Negative List for investment in restricted industries. Industries not listed in the Negative List are generally deemed "permitted" for foreign investments.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof.

Regulations on Foreign Exchange

Regulations relating to Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), most recently amended in August 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the

State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital account items, such as direct investments, repayment of foreign currency-denominated loans, repatriation of investments and investments in securities outside of China.

The SAFE issued the Circular on Reforming of the Management Method of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**") on March 30, 2015, and it became effective on June 1, 2015, which was partially repealed on December 30, 2019, and latest amended on March 23, 2023. The SAFE Circular 19 expands a pilot reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises nationwide. In June 2016, SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), which was amended on December 4, 2023, among other things, amends certain provisions of SAFE Circular 19. Pursuant to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope.

In October 2019, SAFE issued the Circular of Further Facilitating Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was amended on December 4, 2023, or SAFE Circular 28, which cancels the restrictions on domestic equity investments by capital fund of non-investment foreign invested enterprises and allows non-investment foreign invested enterprises to use their capital funds to lawfully make equity investments in China, provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws. According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, issued by SAFE in April 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without prior provision of the evidentiary materials concerning authenticity to the bank for each transaction. The handling banks shall conduct spot checks afterwards in accordance with the relevant requirements.

In September 2025, SAFE further issued the Circular on Further Deepening Cross-border Investment and Financing Foreign Exchange Management Reform (《國家外匯管理局關於深化跨境投融資外匯管理改革有關事宜的通知》), or SAFE Circular 43, which took effect on publication. Among other things, SAFE Circular 43 cancels the domestic reinvestment registration requirement for foreign-invested enterprises using foreign exchange capital and RMB funds derived from its settlement for domestic reinvestment, provided that the investment does not violate the Negative List and the domestic project is genuine and compliant, and permits banks to determine the proportion and frequency of post-event random inspections for capital account income payment facilitation based on the customer's compliance and risk profile.

Regulations relating to Stock Incentive Plans

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**SAFE Circular 7**"), promulgated by SAFE in February 2012, employees, directors, supervisors, and other senior management participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous

period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic agency. Moreover, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

The income of foreign exchange PRC residents by selling out the shares according to the equity incentive plan and the dividend distributed by the overseas-listed company shall be distributed to the PRC residents after being remitted to the bank account in China opened by the domestic institutions.

Regulations on Securities and Overseas Listings

Securities Laws and Regulations

The Securities Law of the PRC (《中華人民共和國證券法》), which was promulgated by the SCNPC on December 29, 1998, and was latest amended on December 28, 2019 and took effect on March 1, 2020, comprehensively regulating activities in the PRC securities market including issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities, etc. The Securities Law further regulates that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council and for subscription and trading of shares of domestic companies using foreign currencies, detailed measures shall be stipulated by the State Council separately. The CSRC is the securities regulatory body set up by the State Council to supervise and administer the securities market according to law, maintain order in the market, and ensure the market operates in a lawful manner. Currently, the issue and trading of H shares are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Overseas Listings

On February 17, 2023, the CSRC released several regulations regarding the management of filings for overseas offerings and listings by domestic companies, including the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") together with five supporting guidelines (together with the Overseas Listing Trial Measures, collectively referred to as the "**Overseas Listing Regulations**"). Under Overseas Listing Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to file the required documents with the CSRC within three working days after its application for overseas listing is submitted.

The Overseas Listing Regulations provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Additionally, the Overseas Listing Regulations stipulates that after an issuer has offering and listing securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations

of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of listing status or transfers of listing segment, and (iv) a voluntary or mandatory delisting. Overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security.

On February 24, 2023, the CSRC and three other relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**"). Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

HUNGARY LAWS AND REGULATIONS

Product liability

Under the applicable product liability regime, a manufacturer may objectively be held liable for damages caused by a defective product irrespective of fault. A product is considered defective if it fails to provide a level of safety generally expected, with special regard to the purpose of the product and the way in which it can be reasonably expected to be used, the information provided in connection with the product, the date of the sale of the product, and the current state of scientific and technological achievements.

Chemical safety

Businesses placing chemical products or products containing regulated substances on the Hungarian market must ensure compliance with all applicable classification, labelling and packaging requirements, fulfil any applicable notification and registration obligations, and provide safety documentation where required. Products intended for professional or industrial users may also need to be accompanied by a compliant safety data sheet prepared in accordance with the applicable regulations.

Construction permitting

Local building and zoning regulations generally determine the permitted use of the real properties, the maximum buildable area, building height restrictions, environmental limitations, heritage protection status and other construction limitations which may affect a given real property. Construction works to be carried out to real properties – depending on the characteristics of the real property and the scale and type of works: (a) require a building permit; (b) require prior notification to the authority; or (c) can be performed without a permit or prior notification to the authority. Where a construction permit is required, an application therefor shall be submitted to the building authority. Such application shall contain, among others, architectural drawings, site plans, technical specifications, structural engineering documentation, specialist engineering documentation (as applicable) and other statutory supporting documents. Certain construction works might require additional permits and approvals besides the building permit such as an environmental permit,

nature conservation or cultural heritage approvals. During the construction, the developer may be required to appoint qualified technical professionals, maintain statutory construction documentation (including, where applicable, the electronic construction log), and comply with occupational safety and other regulatory obligations.

Occupational health and safety

The employer bears the primary responsibility for ensuring that employees are provided with safe and healthy working conditions throughout the course of employment. Employers are required to identify and assess workplace risks on a continuous basis and to implement appropriate preventive measures aimed at eliminating or minimizing such risks. This obligation includes maintaining safe workplaces and work equipment, providing occupational safety training, supplying personal protective equipment where necessary, and investigating workplace accidents and occupational illnesses.

Foreign Direct Investment ("FDI") Authorization

Under the General and the Specific FDI Regimes, numerous types of transactions are covered, for example the acquisition of ownership interest or dominant interest in a Hungarian company, the registration of a new branch office in Hungary carrying out a listed activity, capital increase, mergers, demergers or transformations to another company form, issuance of bonds, the establishment of a "usufruct" right over equity or the transfer of use or operational rights of infrastructure and assets which are indispensable for the operation of strategic companies. The covered transactions might either be subject to FDI-notification depending on their size and volume or irrespective thereof, as prescribed by law. The affected transaction shall be notified by the investor to the competent minister acting as FDI-authority within 10 days after the execution of the respective transaction documents. The FDI-authority decides on the permissibility of the transaction. If the FDI-authority does not acknowledge the transaction subject to the FDI-notification, it cannot be validly consummated. The consummation of a transaction not acknowledged by the FDI-authority can not only lead to the invalidity of such transaction but also to the imposition of substantial fines to the investor.

OUR HISTORY

Overview

We are a supplier of electrolytes, specializing in the R&D, production and sales of electrolytes and emerging battery materials.

Our Company's history can be traced back to November 2004, when we were established as Xianghe Kunlun Chemical Products Co., Ltd. (香河昆侖化學製品有限公司), a sino-foreign joint venture founded by three Independent Third Parties. In September 2010, Mr. Guo joined our Group as general manager and chief engineer, responsible for overseeing the Group's day-to-day operations, overall strategic planning, and technical development. In April 2015, Mr. Guo acquired all equity interests in our Company from the then shareholders, following which our Company became a limited liability company ultimately controlled by Mr. Guo. In December 2021, our Company was converted into a joint stock limited company and renamed Xianghe Kunlun New Energy Materials Co., Ltd. (香河昆侖新能源材料股份有限公司). In November 2025, taking into account battery material resources and diverse customer base in Yichang, which enables us to integrate our full industry value chain capabilities, our Company relocated its registered office from Langfang, Hebei Province to Yichang, Hubei Province, and was subsequently renamed Kunlun New Energy Materials Technology (Yichang) Co., Ltd. (昆侖新能源材料技術(宜昌)股份有限公司). Mr. Guo has over 20 years of experience in the battery and power technology industry. For further details, please refer to the section headed "Directors and Senior Management" in the document.

Since becoming ultimately controlled by Mr. Guo in April 2015, we have focused on the sales of electrolytes. We continue to invest in the R&D of electrolyte formulations to meet customers' evolving needs, while advancing technologies in emerging areas such as hybrid solid-liquid, sodium-ion and solid-state battery electrolytes. Leveraging our technological capabilities and strategically positioned production capacity, we provide stable, safe and efficient products for the global new energy industry.

OUR KEY MILESTONES

The following table sets out a summary of our key development milestones:

Year	Milestones
2004	In November 2004, our Company was established under the name Xianghe Kunlun Chemical Products Co., Ltd. (香河昆侖化學製品有限公司)
2015	In April 2015, our Company became wholly owned by Mr. Guo
2018	In 2018, our Company commenced cooperation with a global new energy technology group and became one of its suppliers of electrolytes
2020	In April 2020, our Company obtained the Certificate of Scientific and Technological Achievements (Domestic Leading Level) (河北省科學技術成果證書(國內領先)) issued by the Hebei Provincial Department of Science and Technology (河北省科學技術廳)
2021	In December 2021, our Company was converted from a limited liability company into a joint stock limited company and renamed Xianghe Kunlun New Energy Materials Co., Ltd. (香河昆侖新能源材料股份有限公司) In December 2021, our Company obtained the 2021 Zhejiang Province "Specialized, Refined, Differentiated, and Innovative" Small and Medium-sized Enterprise Certificate (2021年度浙江省"專精特新"中小企業證書) issued by the Zhejiang Provincial Department of Economy and Information Technology (浙江省經濟和信息化廳)

Year	Milestones
2022	In March 2022, our Company obtained the 2022 First Batch Hebei Province "Specialized, Refined, Differentiated, and Innovative" Small and Medium-sized Enterprise Certificate (2022年河北省第一批"專精特新"中小企業證書) issued by the Hebei Provincial Department of Industry and Information Technology (河北省工業和信息化廳)
	In September 2022, our Company was awarded the title of 2022 First Batch Zhejiang Province Intelligent Factory (Digital Workshop) (2022年浙江省第一批智能工廠(數字化車間))
	In 2022, phase II of our electrolyte production base in Huzhou commenced production, with a total designed production capacity of approximately 60,000 tons per year together with Phase I
2023	In January 2023, Power and Energy Saving Lithium Battery Consortium (動力及儲能鋰電池企業共同體) that our Company has joined was recognized as a Third Batch Zhejiang Province Industry Chain Upstream and Downstream Enterprise Consortium (第三批浙江省產業鏈上下游企業共同體) by the Zhejiang Provincial Department of Economy and Information Technology (浙江省經濟和信息化廳)
	In July 2023, our electrolyte production base in Yibin commenced production, with an annual designed production capacity of 120,000 tons per year
	In October 2023, we established Kunlun Hungary in Hungary to support and facilitate our overseas strategic layout
2024	In 2024, our Company entered into strategic cooperation agreements on solid-state batteries with Qingtao (Kunshan) Energy Development Group Co., Ltd. (清陶(昆山)能源發展集團股份有限公司), and Anhui Levinergy Power Battery Co., Ltd. (安徽利維能動力電池有限公司) in connection with solid-state battery cooperation and research, each of which is an Independent Third Party
	In October 2024, Yibin Kunlun was recognized as one of the Eighth Batch of Innovative Small and Medium-sized Enterprises in Sichuan Province
2025	In June 2025, we began preparation for the construction of an electrolyte production base in Hungary

OUR CORPORATE HISTORY

1. Establishment and early development

Our Company was established on November 15, 2004 under the name Xianghe Kunlun Chemical Products Co., Ltd. (香河昆侖化學製品有限公司), with an initial paid-up registered capital of US$180,700. At establishment, our Company was owned as to 33.33% by Qinghai Huaxing (青海華興), 33.33% by Golmud Jiatai (格爾木家泰) and 33.34% by Ms. Chen Hui (晨暉), all being Independent Third Parties. Golmud Jiatai was a wholly-owned subsidiary of Qinghai Huaxing, which was ultimately owned by Mr. Ran Zhaomin (冉照民) and Mr. Liu Zengming (劉增明), both being Independent Third Parties. In June 2011, Golmud Jiatai transferred its equity interest in our Company to Qinghai Huaxing. Upon completion of the transfer on December 21, 2011, our Company was owned as to 66.66% by Qinghai Huaxing and 33.34% by Ms. Chen Hui.

From September 2010 to April 2015, Mr. Guo served as general manager and chief engineer of our Company, overseeing overall operations and providing technical guidance. In early 2015, the then shareholders, Qinghai Huaxing and Ms. Chen Hui, decided to divest their interests in our Company primarily due to their intention to focus on other personal business and other financial or asset allocation plans. In view of Mr. Guo's familiarity with the operations of our Company and his interest in its future development, it was agreed that Mr. Guo would acquire all of their equity interests. On March 2, 2015, Qinghai Huaxing and Ms. Chen Hui entered into an equity transfer agreement with Mr. Guo, pursuant to which they transferred all of their equity interests in our Company to Mr. Guo for a total consideration of RMB11 million, which was determined through negotiation among the parties based on the then net asset value of our Company. On the same date, Mr. Guo, as the then sole shareholder, resolved to change the registered capital of our Company to RMB1.5 million. Upon completion of the transfer on April 14, 2015, our Company became wholly owned by Mr. Guo and was converted from a foreign-invested enterprise to a domestic enterprise. The consideration was fully settled in 2016.

2. [REDACTED] Investments

Since our Company became wholly owned by Mr. Guo in April 2015, we have received a series of [**REDACTED**] Investments through subscriptions for increases in our registered capital or acquisitions of equity interests from certain then Shareholders, for the purpose of raising funds for business development and introducing new shareholders to our Company. For further details, please refer to "— [**REDACTED**] Investments" below in this section.

3. Major Shareholding Changes of Our Company

Set out below is a summary of the major shareholding changes of our Company (excluding the [**REDACTED**] Investments) since our Company became wholly owned by Mr. Guo in April 2015 and up to the Latest Practicable Date.

(a) Equity transfer in July 2021

On July 15, 2021, Shenzhen Anpeng (a [**REDACTED**] Investor which [**REDACTED**] in our Company in December 2016), our Company and Tianjin Kunyu entered into an equity transfer agreement, pursuant to which Shenzhen Anpeng transferred its entire 6.19% equity interest in our Company, representing RMB200,000 of registered capital, to Tianjin Kunyu for a consideration of RMB13,601,096. The consideration was determined after arm's length negotiations among the parties and with reference to the calculation formula for exit as provided for in the capital injection agreement entered into among Shenzhen Anpeng, our Company and Mr. Guo in December 2016. The consideration was fully settled on June 28, 2021.

Shenzhen Anpeng is a 100% state-owned investment fund management company established in the PRC and is an Independent Third Party. The transfer was primarily driven by Shenzhen Anpeng's own investment and asset allocation needs. Upon completion of the transfer on July 16, 2021, Shenzhen Anpeng ceased to be a shareholder of our Company and Tianjin Kunyu held approximately 6.19% equity interest in our Company.

Tianjin Kunyu was established as a limited partnership on June 4, 2021, and certain partnership interest were used to incentivize our employees. Mr. Guo has been the sole general partner since its inception. Under the partnership agreement, Mr. Guo, as the sole general partner and sole executive partner, is responsible for executing partnership affairs, managing and operating Tianjin Kunyu and representing Tianjin Kunyu externally, and is entitled to exercise all voting rights attached to the Shares held by Tianjin Kunyu. Except for one external consultant, the limited partners of Tianjin Kunyu are employees who obtained equity incentives. Pursuant to the grant agreements, prior to the [**REDACTED**], the transfer and withdrawal of the partnership interests by the incentive employees are subject to restrictions, and Mr. Guo is entitled to approve transfers, arrange repurchases and designate transferees in accordance with the grant agreements. After the

[**REDACTED**] and upon the later of (i) the expiry of the 12-month lock-up period following the [**REDACTED**]; and (ii) the expiry of the three-year service period from the date of grant, incentive employees may apply to Tianjin Kunyu to dispose of all or part of the Shares corresponding to the partnership interest held by them and authorize Mr. Guo, as the executive partner, to implement such disposal through Tianjin Kunyu. The relevant execution authority remains vested in Mr. Guo. The limited partners of Tianjin Kunyu are employees of our Group except that in December 2025, Ms. Guo Xifeng (our external consultant) acquired a 10.78% partnership interest from a departing employee. Ms. Guo Xifeng is an external consultant of our Group, primarily responsible for providing production technology consulting services, including providing technical advice and recommendations in relation to our production processes and related technical matters. Given her contribution to our Group through the provision of production technology consulting services, her confidence in the prospects and development of our Group, and taking into account her financial ability to fund the relevant consideration, Ms. Guo Xifeng acquired such partnership interest. For details of the [**REDACTED**] Share Incentive Scheme and partnership interests in Tianjin Kunyu, please refer to the section headed "Statutory and General Information – D. [**REDACTED**] Share Incentive Scheme" in this document.

(b) Conversion into a Joint-Stock Company

On December 23, 2021, our Company was converted into a joint stock limited company and was renamed Xianghe Kunlun New Energy Materials Co., Ltd. (香河昆侖新能源材料股份有限公司), with a registered capital of RMB30,000,000. According to an audit report prepared by an independent third-party auditor, the appraised net asset value (after deducting special reserve funds as required by relevant laws) of our Company as of October 31, 2021 was approximately RMB189,011,380.94, of which (1) RMB30,000,000 was credited to registered capital and divided into 30,000,000 shares with a nominal value of RMB1.00 each, and (2) the remaining balance of approximately RMB159,011,380.94 was credited to the capital reserve of our Company.

The shareholding structure of our Company immediately upon completion of the conversion was as follows:

Name of Shareholder	Number of Shares subscribed for	Percentage of shareholding
Mr. Guo[(1)]	11,182,200	37.27%
Shenzhen Tongchuang[(3)]	2,830,950	9.44%
Qianhai Fund[(3)]	2,478,270	8.26%
Tianjin Tongde[(1)]	2,359,110	7.86%
Rizhao Chenrui[(3)]	1,852,500	6.18%
Tianjin Kunyuan[(1)]	1,572,750	5.24%
Ruihua Capital[(3)]	1,524,120	5.08%
Huzhou Qixing[(3)]	1,524,120	5.08%
Hangzhou Nanhai[(3)]	1,239,120	4.13%
Zhengzhou Tongchuang[(3)]	1,016,100	3.39%
Shanghai Zhepu[(3)]	1,016,100	3.39%
Tianjin Kunyu[(1)]	556,650	1.86%
Pinghu Huarui[(3)]	508,050	1.69%
Mr. Guan Bo[(2)]	314,550	1.05%
Lishui Zhepu[(3)]	25,410	0.08%
Total	**30,000,000**	**100.00%**

Notes:

(1). Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu are PRC limited partnerships established with Mr. Guo as general partner. Tianjin Tongde and Tianjin Kunyuan are our [**REDACTED**] Investors. For further details, please refer to the subsection headed "— [**REDACTED**] Investments" in this section of the document. For details of Tianjin Kunyu, please refer to the section headed "Statutory and General Information — D. [**REDACTED**] Share Incentive Scheme" in this document.

(2). Mr. Guan Bo, our non-executive Director and a [**REDACTED**] Investor, served as a director of Shanghai Yichen Investment Management Co., Ltd. (上海億宸投資管理有限公司), which is the general partner of Rizhao Chenrui, our [**REDACTED**] Investor, from August 2017 to July 2022. For further details, please refer to the subsection headed "— [**REDACTED**] Investments" in this section of the document.

(3). Each of Shenzhen Tongchuang, Qianhai Fund, Ruihua Capital, Huzhou Qixing, Hangzhou Nanhai, Zhengzhou Tongchuang, Shanghai Zhepu, Pinghu Huarui and Lishui Zhepu is a [**REDACTED**] Investor of our Company. For further details, please refer to the subsection headed "— [**REDACTED**] Investments" in this section of the document.

OUR PRINCIPAL SUBSIDIARIES

The following table sets forth certain information of each of our principal subsidiaries as of the Latest Practicable Date.

No.	Name of subsidiaries	Place of establishment	Date of establishment	Registered Capital	Shareholding Controlled by Our Company	Principal Business Activities
1.	Huzhou Kunlun	Huzhou, Zhejiang, PRC	May 9, 2017	RMB58.82 million	85.00%[(1)]	Manufacture, R&D and sale of electrolytes
2.	Yibin Kunlun	Yibin, Sichuan, PRC	April 11, 2022	RMB300 million	100.00%	Manufacture, R&D and sale of electrolytes
3.	Hubei Kunlun	Yichang Hubei, PRC	April 17, 2023	RMB100 million	100.00%	No operations since establishment We plan to develop and construct a new battery electrolyte production base on the land already owned by Hubei Kunlun
4.	Kunlun Hungary	Hungary	October 12, 2023	HUF20 million	100.00%	No operations since establishment We plan to conduct manufacture and sale of electrolytes in Hungary
5.	Shandong Lizhong	Jining, Shandong, PRC	August 26, 2021	RMB402.29 million	51.00%	Manufacture, R&D and sale of electrolytes raw materials

Note:

1. On July 31, 2026, our Company and Enchem Co., Ltd. entered into an equity transfer agreement, pursuant to which our Company agreed to acquire the remaining 15.00% equity interest in Huzhou Kunlun held by Enchem Co., Ltd. Upon completion of the transfer, Huzhou Kunlun will become a wholly-owned subsidiary of our Company. For details of the transfer, please refer to the paragraph headed "— Acquisitions and Disposals — Acquisition of Minority Interests in Huzhou Kunlun" in this section below.

ACQUISITIONS AND DISPOSALS

Acquisition of Shandong Lizhong

On November 6, 2025, our Company, Shandong Lizhong and the then shareholders of Shandong Lizhong entered into an equity transfer and capital injection agreement, pursuant to which: (i) Ms. Gong Zhiwen (龔之雯) agreed to sell, and our Company agreed to purchase, a 5.87% equity interest in Shandong Lizhong for a consideration of approximately RMB3.64 million; (ii) Lizhong Group, agreed to sell, and our Company agreed to purchase, a 36.72% equity interest in Shandong Lizhong for a consideration of approximately RMB22.77 million; and (iii) our Company agreed to subscribe for RMB20 million of the registered capital of Shandong Lizhong at a consideration of RMB120 million (collectively, the "**Acquisition**").

Upon completion of the Acquisition on November 30, 2025, Shandong Lizhong became a 51.00%-owned subsidiary of our Company. The remaining 49.00% was owned by Lizhong Group (45.15%), Ms. Gong Zhiwen (龔之雯) (2.07%), Mr. Liu Yubin (劉毓斌) (1.28%), and Mr. Zhang Yujun (張玉俊) (0.50%). The consideration for the Acquisition was determined with reference to the appraised equity value of Shandong Lizhong as assessed by an independent asset appraisal institution, and was fully settled on December 2, 2025. The Acquisition has been duly and legally completed, and all requisite approvals from the relevant authorities have been obtained.

Shandong Lizhong was principally engaged in the manufacture of battery material and has been a supplier of battery materials to our Group since 2024. To expand upstream battery material production, enhance supply chain resilience and build a vertically integrated business model, our Company decided to acquire 51.00% equity interest in Shandong Lizhong from certain of its then shareholders, Ms. Gong Zhiwen and Lizhong Group. Aside from Ms. Gong Zhiwen's previous directorship prior to the Acquisition and her current 2.07% shareholding in Shandong Lizhong, Lizhong Group's 45.15% shareholding in Shandong Lizhong, and our Group's procurement transactions with Shandong Lizhong, none of Ms. Gong Zhiwen, Lizhong Group, and Shandong Lizhong has any other relationship (business or otherwise) with the Company or its connected persons.

Considering that the Acquisition occurred in 2025 and that each of the relevant applicable percentage ratios in respect of the Acquisition was less than 25%, the Acquisition does not constitute the acquisition of a major subsidiary or business under Rule 4.05A of the Listing Rules. Accordingly, no pre-acquisition financial information of Shandong Lizhong has been disclosed in the document.

Acquisition of Minority Interests in Huzhou Kunlun

On July 31, 2026, our Company and Enchem Co., Ltd. ("**Enchem**"), a company listed on the Korea Exchange (stock code: 348370), entered into an equity transfer agreement, pursuant to which our Company agreed to acquire the remaining 15.00% equity interest in Huzhou Kunlun from Enchem at a consideration of RMB20.00 million. The consideration was determined after arm's length negotiations between the parties, taking into account, among other things, the net asset value of Huzhou Kunlun as well as a negotiated adjustment to such value having regard to the historical business relationship between the relevant parties.

On September 14, 2026, the registration of the equity transfer with the relevant market regulation authority was completed, while the payment of the consideration remained outstanding. Our Company expects to complete the payment and the acquisition prior to the [**REDACTED**]. Upon completion of the acquisition, our Company's equity interest in Huzhou Kunlun will increase from 85.00% to 100.00%, and Huzhou Kunlun will become a wholly-owned subsidiary of our Company.

As Huzhou Kunlun has been a subsidiary of our Group throughout the Track Record Period, its financial results have been consolidated into the financial statements of our Group.

Acquisition of Minority Interests in Advanced Technology

On August 27, 2026, our Company and Mr. Hu Zhisong (胡志松), the then shareholder of Advanced Technology, entered into an equity transfer agreement, pursuant to which Mr. Hu agreed to transfer, and our Company agreed to acquire, the remaining 30.00% equity interest in Advanced Technology at nil consideration. The consideration was determined after arm's length negotiations between the parties, taking into account, among other things, the fact that Mr. Hu had not paid up his subscribed capital contribution in Advanced Technology. Save for his previous shareholding in Advanced Technology, Mr. Hu is an Independent Third Party.

On September 3, 2026, the registration of the equity transfer with the relevant market regulation authority was completed. Upon completion of the acquisition, our Company's equity interest in Advanced Technology increased from 70.00% to 100.00%, and Advanced Technology became a wholly-owned subsidiary of our Company.

As Advanced Technology had been a subsidiary of our Group throughout the Track Record Period, its financial results had already been consolidated into the consolidated financial statements of our Group.

We did not conduct any other acquisitions, disposals or mergers that we consider material to our Group during the Track Record Period and up to the Latest Practicable Date.

[REDACTED] SHARE INCENTIVE SCHEME

On October 9, 2021, the [**REDACTED**] Share Incentive Scheme was approved and adopted by our Company to incentivize our core employees. As of the Latest Practicable Date, the Shares underlying the awards under the [**REDACTED**] Share Incentive Scheme have already been issued to Tianjin Kunyu and no further awards will be granted under the [**REDACTED**] Share Incentive Scheme after the [**REDACTED**]. For details, please refer to the section headed "Statutory and General Information — D. [**REDACTED**] Share Incentive Scheme" in this document.

PREVIOUS [REDACTED] APPLICATION

In preparation for the proposed [**REDACTED**] on the Shenzhen Stock Exchange, our Company entered into a tutoring agreement with China International Capital Corporation Limited (中國國際金融股份有限公司) ("**CICC**"), submitted the preliminary filing (上市輔導備案) to the CSRC in February 2022, and later submitted its [**REDACTED**] application (the "[**REDACTED**] **Attempt**") in June 2023. Due to a change in market conditions at the time, which adversely affected our Group's financial performance and resulted in our inability to meet the [**REDACTED**] requirements of the Shenzhen Stock Exchange, our Group decided to withdraw the [**REDACTED**] Attempt on March 21, 2024.

Our Directors confirm that there was no disagreement with the relevant regulatory authority, the professional parties (including the then sponsor or the then reporting accountants) in respect of the [**REDACTED**] Attempt, and that there is nothing relating to the [**REDACTED**] Attempt which would affect our Company's suitability for [**REDACTED**]. Our Directors further confirm that they are not aware of any material comments raised by the relevant regulatory authority nor any substantial matter in relation to the [**REDACTED**] Attempt that needs to be brought to the attention of the Stock Exchange.

The Directors are of the view, and the Joint Sponsors concur, that, based on the information available to them, there are no material unaddressed comments or concerns raised by the Shenzhen Stock Exchange and the CSRC in connection with the Company's [**REDACTED**] Attempt that would have any material adverse impact on our Company's suitability for the [**REDACTED**] on the Stock Exchange.

Based on the due diligence performed by the Joint Sponsors, having considered the conclusion of the Directors, nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' conclusion as stated above.

REASONS FOR [REDACTED] ON THE STOCK EXCHANGE

Our Company is seeking a [**REDACTED**] on the Stock Exchange to raise additional capital for the development and expansion of our business, and to further enhance our profile as a company with a global presence through the establishment of international channels. The [**REDACTED**] is also expected to strengthen our ability to attract new customers, business partners, strategic [**REDACTED**], and key management personnel. For further details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

Share Split upon [REDACTED]

As approved by our Shareholders' general meeting held on January 12, 2026, immediately upon [**REDACTED**], the ordinary Shares of the Company will be split on a one-for-ten basis, and the nominal value of the Shares will be changed from RMB1.00 each to RMB0.10 each. Immediately after such Share Split without taking into account Shares issued under the [**REDACTED**], the registered share capital of the Company will be RMB40,215,517 with 402,155,170 Shares with a nominal value of RMB0.10 each.

[REDACTED] INVESTMENTS

1. Overview of [REDACTED] Investments

(a) Capital injection by Tianjin Tongde and Tianjin Kunyuan ("May 2016 Investment")

On April 29, 2016, Tianjin Tongde, Tianjin Kunyuan, Mr. Guo and our Company entered into a capital injection agreement, pursuant to which Tianjin Tongde subscribed for RMB300,000 of the registered capital for a consideration of RMB300,000 and Tianjin Kunyuan subscribed for RMB200,000 of the registered capital for a consideration of RMB200,000. The considerations were fully settled on November 22, 2017 and December 28, 2017, respectively.

Upon completion of the capital contribution on May 4, 2016, the registered capital of our Company increased from RMB1.5 million to RMB2.0 million, and our Company was owned as to 75.00% by Mr. Guo, 15.00% by Tianjin Tongde, and 10.00% by Tianjin Kunyuan.

(b) Capital injection by two new investors ("June 2016 Investment")

In May 2016, our Company, the then Shareholders of our Company, Shenzhen Tongchuang and Mr. Guan Bo (being our non-executive Director) entered into a capital injection agreement, pursuant to which, (i) Shenzhen Tongchuang subscribed for RMB360,000 registered capital of our Company at a consideration of RMB18 million, and (ii) Mr. Guan Bo subscribed for RMB40,000 registered capital of our Company at a consideration of RMB2 million. The considerations were determined after arm's length negotiations among the parties and with reference to the mutually agreed valuation of our Company and prevailing market conditions. The considerations were fully settled on May 5, 2016 and May 16, 2016.

Upon completion of the June 2016 Investment on June 15, 2016, our registered capital increased from RMB2 million to RMB2.4 million, and the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital Immediately After the Change	Percentage of shareholding
	(RMB)	
Mr. Guo	1,500,000	62.50%
Shenzhen Tongchuang	360,000	15.00%
Tianjin Tongde	300,000	12.50%
Tianjin Kunyuan	200,000	8.33%
Mr. Guan Bo	40,000	1.67%
Total	**2,400,000**	**100.00%**

(c) Capital injection by a new investor ("February 2017 Investment")

On December 12, 2016, our Company, the then shareholders of our Company and Shenzhen Anpeng (an Independent Third Party) entered into a capital injection agreement, pursuant to which Shenzhen Anpeng subscribed for RMB200,000 of registered capital in our Company for a consideration of RMB10 million. The consideration was determined after arm's length negotiations among the parties and with reference to the mutually agreed valuation of our Company and prevailing market conditions. The consideration was fully settled on December 30, 2016.

Upon completion of the February 2017 Investment on February 4, 2017, our registered capital increased from RMB2.4 million to RMB2.6 million, and the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital Immediately After the Change	Percentage of shareholding
	(RMB)	
Mr. Guo	1,500,000	57.69%
Shenzhen Tongchuang	360,000	13.85%
Tianjin Tongde	300,000	11.54%
Tianjin Kunyuan	200,000	7.69%
Shenzhen Anpeng[(1)]	200,000	7.69%
Mr. Guan Bo	40,000	1.54%
Total	**2,600,000**	**100.00%**

Note:

(1). In July 2021, Shenzhen Anpeng transferred all of its equity interests in our Company to Tianjin Kunyu and ceased to be a shareholder of our Company. For further details, please refer to the subsection headed "— Our Corporate History — 3. Major Shareholding Changes of Our Company — (a) Equity Transfer in July 2021" above in this section.

(d) Capital injection by three new investors and equity transfer by one investor ("December 2017 Investment")

On November 15, 2017, Mr. Guo, our Company and Rizhao Chenrui entered into an equity transfer agreement pursuant to which Mr. Guo transferred a 3.00% equity interest in our Company, representing RMB78,000 of registered capital, to Rizhao Chenrui for a consideration of RMB9.9 million. The consideration was determined after arm's length negotiations among the parties and with reference to the mutually agreed valuation of our Company and prevailing market conditions. The consideration was fully settled on November 24, 2017.

On November 3, 2017, the then shareholders of our Company, Qianhai Fund, Hangzhou Nanhai and Rizhao Chenrui, entered into a capital injection agreement, pursuant to which: (i) Qianhai Fund subscribed for RMB315,152 of registered capital for a consideration of RMB40 million, (ii) Hangzhou Nanhai subscribed for RMB157,576 of registered capital for a consideration of RMB20 million, and (iii) Rizhao Chenrui subscribed for RMB157,576 of registered capital for a consideration of RMB20 million. The considerations were determined after arm's length negotiations among the parties and with reference to the mutually agreed valuation of our Company and prevailing market conditions. All considerations were fully settled on November 23, 2017 and December 12, 2017.

Upon completion of the December 2017 Investment on December 15, 2017, the registered capital of our Company increased from RMB2.6 million to approximately RMB3.2 million, and the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital Immediately After the Change	Percentage of shareholding
	(RMB)	
Mr. Guo	1,422,000	44.02%
Shenzhen Tongchuang	360,000	11.14%
Qianhai Fund	315,152	9.76%
Tianjin Tongde	300,000	9.29%
Rizhao Chenrui	235,576	7.29%
Tianjin Kunyuan	200,000	6.19%
Shenzhen Anpeng	200,000	6.19%
Hangzhou Nanhai	157,576	4.88%
Mr. Guan Bo	40,000	1.24%
Total	**3,230,304**	**100.00%**

(e) Capital injection by six new investors and equity transfer by one investor ("August 2021 Investment")

On August 20, 2021, Mr. Guo, Tianjin Kunyu, our Company, and Huzhou Qixing entered into an equity transfer agreement, pursuant to which Tianjin Kunyu transferred a 4.00% equity interest in our Company, representing RMB129,212 of registered capital, to Huzhou Qixing for a consideration of RMB20 million. The consideration was determined after arm's length negotiations among the parties and with reference to the mutually agreed valuation of our Company and prevailing market conditions. The consideration was fully settled on July 23, 2021, prior to the execution of the said equity transfer agreement, due to time consideration.

On the same date, the then shareholders of our Company, together with Ruihua Capital, Huzhou Qixing, Zhengzhou Tongchuang, Shanghai Zhepu, Pinghu Huarui, and Lishui Zhepu, entered into a capital injection agreement, pursuant to which: (i) Ruihua Capital subscribed for RMB193,817 of registered capital for a consideration of RMB30 million; (ii) Zhengzhou Tongchuang subscribed for RMB129,212 of registered capital for a consideration of RMB20 million; (iii) Shanghai Zhepu subscribed for RMB129,212 of registered capital for a consideration of RMB20 million; (iv) Huzhou Qixing subscribed for RMB64,606 of registered capital for a consideration of RMB10 million; (v) Pinghu Huarui subscribed for RMB64,606 of registered capital for a consideration of RMB10 million; and (vi) Lishui Zhepu subscribed for RMB3,230 of registered capital for a consideration of RMB500,000. The considerations were determined after arm's length negotiations among the parties and with reference to the mutually agreed valuation of our Company and prevailing market conditions. The considerations were fully settled during the period from July 30, 2021 to August 9, 2021.

Upon completion of the August 2021 Investment on August 26, 2021, the registered capital of our Company increased from approximately RMB3.2 million to approximately RMB3.8 million, and the shareholding structure of our Company was as follows:

Name of Shareholder	Registered capital Immediately After the Change	Percentage of shareholding
	(RMB)	
Mr. Guo	1,422,000	37.27%
Shenzhen Tongchuang	360,000	9.44%
Qianhai Fund	315,152	8.26%
Tianjin Tongde	300,000	7.86%

Name of Shareholder	Registered capital Immediately After the Change	Percentage of shareholding
	(RMB)	
Rizhao Chenrui	235,576	6.18%
Tianjin Kunyuan	200,000	5.24%
Huzhou Qixing	193,818	5.08%
Ruihua Capital	193,817	5.08%
Hangzhou Nanhai	157,576	4.13%
Zhengzhou Tongchuang	129,212	3.39%
Shanghai Zhepu	129,212	3.39%
Tianjin Kunyu	70,788	1.86%
Pinghu Huarui	64,606	1.69%
Mr. Guan Bo	40,000	1.05%
Lishui Zhepu	3,230	0.08%
Total	**3,814,987**	**100.00%**

(f) Capital injection by seven new investors and an existing investor ("December 2021 Investment")

On December 29, 2021, the then Shareholders of our Company, together with Suzhou Tongchuang, SAIC Yangtze Delta, Qingdao SAIC, Suzhou Zhongjin, Xuzhou Boda, Zhongjin Zhixing, Donghu Guolong, and Ruihua Capital, entered into a capital injection agreement, pursuant to which: (i) Suzhou Tongchuang subscribed for 333,333 Shares for a consideration of RMB20 million; (ii) SAIC Yangtze Delta subscribed for 1,250,000 Shares for a consideration of RMB75 million; (iii) Qingdao SAIC subscribed for 1,250,000 Shares for a consideration of RMB75 million; (iv) Suzhou Zhongjin subscribed for 1,666,667 Shares for a consideration of RMB100 million; (v) Xuzhou Boda subscribed for 1,500,000 Shares for a consideration of RMB90 million; (vi) Zhongjin Zhixing subscribed for 750,000 Shares for a consideration of RMB45 million; (vii) Donghu Guolong subscribed for 250,000 Shares for a consideration of RMB15 million; and (viii) Ruihua Capital subscribed for 500,000 Shares for a consideration of RMB30 million.

The considerations were determined after arm's length negotiations among the parties and with reference to an appraised equity value as of September 30, 2021 conducted by an independent asset appraisal institution. All considerations were fully settled during the period from December 29, 2021 to December 31, 2021.

Upon completion of the December 2021 Investment on December 29, 2021, the registered capital of our Company increased from approximately RMB30.0 million to RMB37.5 million, and the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares subscribed for	Percentage of shareholding
Mr. Guo	11,182,200	29.82%
Shenzhen Tongchuang	2,830,950	7.55%
Qianhai Fund	2,478,270	6.61%
Tianjin Tongde	2,359,110	6.29%
Ruihua Capital	2,024,120	5.40%
Rizhao Chenrui	1,852,500	4.94%
Suzhou Zhongjin	1,666,667	4.44%
Tianjin Kunyuan	1,572,750	4.19%
Huzhou Qixing	1,524,120	4.06%
Xuzhou Boda	1,500,000	4.00%
SAIC Yangtze Delta	1,250,000	3.33%

Name of Shareholder	Number of Shares subscribed for	Percentage of shareholding
Qingdao SAIC	1,250,000	3.33%
Hangzhou Nanhai	1,239,120	3.30%
Zhengzhou Tongchuang	1,016,100	2.71%
Shanghai Zhepu	1,016,100	2.71%
Zhongjin Zhixing	750,000	2.00%
Tianjin Kunyu	556,650	1.48%
Pinghu Huarui	508,050	1.35%
Suzhou Tongchuang	333,333	0.89%
Mr. Guan Bo	314,550	0.84%
Donghu Guolong	250,000	0.67%
Lishui Zhepu	25,410	0.07%
Total	**37,500,000**	**100.00%**

(g) Equity transfer to a new investor ("March 2022 Investment")

On March 22, 2022, Ruihua Capital and Changzhou Ruiliang entered into an equity transfer agreement, pursuant to which Ruihua Capital transferred 500,000 Shares to Changzhou Ruiliang for a consideration of RMB30 million. The consideration was determined after arm's length negotiations between the parties and with reference to the same appraised value as that used in December 2021 Investment. The consideration was fully settled on March 24, 2022. The transfer was primarily driven by Ruihua Capital's own investment and asset allocation needs.

Upon completion of the March 2022 Investment on March 24, 2022, Ruihua Capital and Changzhou Ruiliang held approximately 4.06% and 1.33% equity interests in our Company, respectively.

(h) Capital injection by four new investors ("December 2022 Investment")

On December 26, 2022, the then Shareholders of our Company, together with Yibin Green Investment, Jiang'An New Energy, Jiaxing Waniu, and Yichang High-tech, entered into a capital injection agreement, pursuant to which: (i) each of Yibin Green Investment, Jiang'An New Energy, and Jiaxing Waniu subscribed for 387,931 Shares for a consideration of RMB30 million; and (ii) Yichang High-tech subscribed for 258,621 Shares for a consideration of RMB20 million. The considerations were determined after arm's length negotiations among the parties and with reference to the mutually agreed valuation of our Company and prevailing market conditions. All considerations were fully settled on December 28, 2022 and December 29, 2022.

Upon completion of the December 2022 Investment on December 29, 2022, the registered capital of our Company increased from approximately RMB37.5 million to RMB38.9 million, and the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares subscribed for	Percentage of shareholding
Mr. Guo	11,182,200	28.73%
Shenzhen Tongchuang	2,830,950	7.27%
Qianhai Fund	2,478,270	6.37%
Tianjin Tongde	2,359,110	6.06%
Rizhao Chenrui	1,852,500	4.76%
Suzhou Zhongjin	1,666,667	4.28%
Tianjin Kunyuan	1,572,750	4.04%
Huzhou Qixing	1,524,120	3.92%
Ruihua Capital	1,524,120	3.92%

Name of Shareholder	Number of Shares subscribed for	Percentage of shareholding
Xuzhou Boda	1,500,000	3.85%
SAIC Yangtze Delta	1,250,000	3.21%
Qingdao SAIC	1,250,000	3.21%
Hangzhou Nanhai	1,239,120	3.18%
Zhengzhou Tongchuang	1,016,100	2.61%
Shanghai Zhepu	1,016,100	2.61%
Zhongjin Zhixing	750,000	1.93%
Tianjin Kunyu	556,650	1.43%
Pinghu Huarui	508,050	1.30%
Changzhou Ruiliang	500,000	1.28%
Yibin Green Investment	387,931	1.00%
Jiang'An New Energy	387,931	1.00%
Jiaxing Waniu	387,931	1.00%
Suzhou Tongchuang	333,333	0.86%
Mr. Guan Bo	314,550	0.81%
Yichang High-tech	258,621	0.66%
Donghu Guolong	250,000	0.64%
Lishui Zhepu	25,410	0.07%
Total	**38,922,414**	**100.00%**

(i) Equity transfer to a new investor ("March 2023 Investment")

On March 24, 2023, Mr. Guo and Mr. Xu Qiang (an Independent Third Party) entered into an equity transfer agreement, pursuant to which Mr. Guo transferred 194,612 Shares to Mr. Xu Qiang for a consideration of RMB12.04 million. The consideration was determined after arm's length negotiations between the parties, with reference to a mutually agreed valuation of our Company and prevailing market conditions. The consideration was fully settled on March 26, 2023.

Upon completion of the March 2023 Investment on March 26, 2023, Mr. Guo and Mr. Xu Qiang held approximately 28.23% and 0.50% equity interests in our Company, respectively.

(j) Capital injection by a new investor ("September 2025 Investment")

On September 30, 2025, Yichang Innovation, our Company and Mr. Guo entered into a capital injection agreement, pursuant to which Yichang Innovation agreed to subscribe for 1,293,103 Shares at a total consideration of RMB100 million. Of such consideration, RMB1,293,103 was credited to the increased registered capital of our Company, and the remaining RMB98,706,897 was credited to the capital reserve of our Company. The consideration was determined after arm's length negotiations between the parties, with reference to the mutually agreed valuation of our Company and prevailing market conditions. The consideration was fully settled on January 5, 2026.

Upon completion of the September 2025 Investment on January 5, 2026, the registered capital of our Company increased from approximately RMB38.92 million to approximately RMB40.21 million, and the shareholding structure of our Company was as follows:

Name of Shareholder	Number of Shares subscribed for	Percentage of shareholding
Mr. Guo	10,987,588	27.32%
Shenzhen Tongchuang	2,830,950	7.04%
Qianhai Fund	2,478,270	6.16%
Tianjin Tongde	2,359,110	5.87%
Rizhao Chenrui	1,852,500	4.61%

Name of Shareholder	Number of Shares subscribed for	Percentage of shareholding
Suzhou Zhongjin	1,666,667	4.14%
Tianjin Kunyuan	1,572,750	3.91%
Huzhou Qixing	1,524,120	3.79%
Ruihua Capital	1,524,120	3.79%
Xuzhou Boda	1,500,000	3.73%
SAIC Yangtze Delta	1,250,000	3.11%
Qingdao SAIC	1,250,000	3.11%
Hangzhou Nanhai	1,239,120	3.08%
Zhengzhou Tongchuang	1,016,100	2.53%
Shanghai Zhepu	1,016,100	2.53%
Zhongjin Zhixing	750,000	1.86%
Tianjin Kunyu	556,650	1.38%
Pinghu Huarui	508,050	1.26%
Changzhou Ruiliang	500,000	1.24%
Yibin Green Investment	387,931	0.97%
Jiang'An New Energy	387,931	0.97%
Jiaxing Waniu	387,931	0.97%
Suzhou Tongchuang	333,333	0.83%
Mr. Guan Bo	314,550	0.78%
Yichang High-tech	258,621	0.64%
Donghu Guolong	250,000	0.62%
Lishui Zhepu	25,410	0.06%
Xu Qiang	194,612	0.48%
Yichang Innovation	1,293,103	3.22%
Total	**40,215,517**	**100.00%**

(k) Equity transfers to three new investors ("December 2025 Investment")

On December 22, 2025, Ruihua Capital, Huasheng Nanyuan, Dunxing Jucai and Mr. Yu Hairen (鬱海仁) entered into an equity transfer agreement, pursuant to which Ruihua Capital agreed to transfer 508,922 Shares to Huasheng Nanyuan, 305,353 Shares to Dunxing Jucai and 709,845 Shares to Mr. Yu Hairen, at considerations of RMB12,625,217, RMB7,575,130 and RMB17,609,653, respectively. The considerations were determined after arm's length negotiations between the parties, with reference to the investment cost of Ruihua Capital and the annualized cost of funds. The considerations were fully settled on December 29, 2025. Ruihua Capital carried out the transfers primarily for the purpose of its financial planning and asset allocation.

On the same date, Changzhou Ruiliang, Huasheng Nanyuan, Dunxing Jucai and Mr. Yu Hairen (鬱海仁) entered into a separate equity transfer agreement, pursuant to which Changzhou Ruiliang agreed to transfer 166,956 Shares to Huasheng Nanyuan, 100,174 Shares to Dunxing Jucai and 232,870 Shares to Mr. Yu Hairen, at considerations of RMB12,374,783, RMB7,424,870 and RMB17,260,347, respectively. The considerations were determined after arm's length negotiations between the parties, with reference to the investment cost of Changzhou Ruiliang and the annualized cost of funds. The considerations were fully settled on December 29, 2025. Changzhou Ruiliang carried out the transfers primarily for the purpose of its financial planning and asset allocation.

Upon completion of the September 2025 Investment on January 5, 2026 and the December 2025 Investment on December 29, 2025, Ruihua Capital and Changzhou Ruiliang ceased to be Shareholders of our Company, and Huasheng Nanyuan, Dunxing Jucai and Mr. Yu Hairen (鬱海仁) held approximately 1.68%, 1.01% and 2.34% equity interests in our Company, respectively.

2. Summary of the [REDACTED] Investments

[REDACTED] investor(s)	Total Amount of consideration Paid by the Investor(s)	Investment [REDACTED][(1)]	Date of settlement of full consideration	[REDACTED] to the H [REDACTED][(2)]
	(RMB)	*(RMB)*		
May 2016 Investment				
Tianjin Tongde	300,000	0.01	December 28, 2017	[**REDACTED**]%
Tianjin Kunyuan	200,000	0.01	November 22, 2017	[**REDACTED**]%
June 2016 Investment				
Shenzhen Tongchuang	18,000,000	0.64	May 16, 2016	[**REDACTED**]%
Mr. Guan Bo	2,000,000	0.64	May 5, 2016	[**REDACTED**]%
February 2017 Investment				
Shenzhen Anpeng[(3)]	10,000,000	0.64	December 30, 2016	[**REDACTED**]%
December 2017 Investment				
Qianhai Fund	40,000,000	1.61	November 23, 2017	[**REDACTED**]%
Hangzhou Nanhai	20,000,000	1.61	November 23, 2017	[**REDACTED**]%
Rizhao Chenrui	29,900,000	1.61	December 12, 2017	[**REDACTED**]%
August 2021 Investment				
Ruihua Capital[(4)]	30,000,000	1.97	July 30, 2021	[**REDACTED**]%
Huzhou Qixing	30,000,000	1.97	July 30, 2021	[**REDACTED**]%
Zhengzhou Tongchuang	20,000,000	1.97	August 9, 2021	[**REDACTED**]%
Shanghai Zhepu	20,000,000	1.97	August 2, 2021	[**REDACTED**]%
Pinghu Huarui	10,000,000	1.97	August 2, 2021	[**REDACTED**]%
Lishui Zhepu	500,000	1.97	August 4, 2021	[**REDACTED**]%
December 2021 Investment				
Suzhou Tongchuang	20,000,000	6.0	December 30, 2021	[**REDACTED**]%
SAIC Yangtze Delta	75,000,000	6.0	December 29, 2021	[**REDACTED**]%
Qingdao SAIC	75,000,000	6.0	December 30, 2021	[**REDACTED**]%
Suzhou Zhongjin	100,000,000	6.0	December 29, 2021	[**REDACTED**]%
Xuzhou Boda	90,000,000	6.0	December 31, 2021	[**REDACTED**]%
Zhongjin Zhixing	45,000,000	6.0	December 30, 2021	[**REDACTED**]%
Donghu Guolong	15,000,000	6.0	December 29, 2021	[**REDACTED**]%
Ruihua Capital[(4)]	30,000,000	6.0	December 30, 2021	[**REDACTED**]%
March 2022 Investment				
Changzhou Ruiliang[(5)]	30,000,000	6.0	March 24, 2022	[**REDACTED**]%
December 2022 Investment				
Yibin Green Investment	30,000,000	7.7	December 29, 2022	[**REDACTED**]%
Jiang'An New Energy	30,000,000	7.7	December 28, 2022	[**REDACTED**]%
Jiaxing Waniu	30,000,000	7.7	December 28, 2022	[**REDACTED**]%
Yichang High-tech	20,000,000	7.7	December 28, 2022	[**REDACTED**]%
March 2023 Investment				
Mr. Xu Qiang	12,040,000	6.2[(6)]	March 26, 2023	[**REDACTED**]%
September 2025 Investment				
Yichang Innovation	100,000,000	7.7	January 5, 2026	[**REDACTED**]%

[REDACTED] investor(s)	Total Amount of consideration Paid by the Investor(s)	Investment [REDACTED][(1)]	Date of settlement of full consideration	[REDACTED] to the H [REDACTED][(2)]
	(RMB)	*(RMB)*		
December 2025 Investment				
Huasheng Nanyuan	25,000,000	3.7[(6)]	December 25, 2025	[**REDACTED**]%
Dunxing Jucai	15,000,000	3.7[(6)]	December 29, 2025	[**REDACTED**]%
Mr. Yu Hairen	34,870,000	3.7[(6)]	December 29, 2025	[**REDACTED**]%

Notes:

(1). The [**REDACTED**] presented in the table is arrived at by dividing the total consideration involved in respect of the relevant rounds of financings with the total number of Shares to be converted from the registered capital held by the respective [**REDACTED**] after taking into account the Share Split and the dilution effect resulting from the increase in the registered share capital of our Company following its conversion into a joint stock limited company in December 2021. On January 12, 2026, a general meeting of our Shareholders approved a Share Split on a one-for-ten basis, whereby the nominal value of each Share was reduced from RMB1.00 to RMB0.10 per Share, with effect from the [**REDACTED**]. Upon completion of the Share Split without taking into account Shares issued under the [**REDACTED**], the total issued share capital of the Company will be 402,155,170 Shares. On December 23, 2021, our Company completed its conversion into a joint stock limited company, increasing our registered share capital from approximately RMB3.8 million to RMB30.0 million.

(2). The [**REDACTED**] to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per H Share, being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share, and assuming that the [**REDACTED**] is not exercised.

(3). Shenzhen Anpeng held 6.19% equity interest in our Company upon completion of the February 2017 Investment, and transferred all of its equity interest in our Company to Tianjin Kunyu in July 2021, and therefore held no equity interest in our Company as of the Latest Practicable Date. For further details, please refer to the subsection headed "— Our Corporate History — 3. Major Shareholding Changes of Our Company — (a) Equity Transfer in July 2021" above in this section.

(4). Ruihua Capital held 1,524,120 Shares immediately prior to the December 2025 Investment, and it transferred all of its Shares to Huasheng Nanyuan, Dunxing Jucai and Mr. Yu Hairen under the December 2025 Investment, and therefore held no Shares as of the Latest Practicable Date. For further details, please refer to the subsection headed "— [**REDACTED**] Investments — 1. Overview of [**REDACTED**] Investments — (k) December 2025 Investment" above in this section.

(5). Changzhou Ruiliang held 500,000 Shares immediately prior to the December 2025 Investment, and it transferred all of its Shares to Huasheng Nanyuan, Dunxing Jucai and Mr. Yu Hairen under the December 2025 Investment, and therefore held no Shares as of the Latest Practicable Date. For further details, please refer to the subsection headed "— [**REDACTED**] Investments — 1. Overview of [**REDACTED**] Investments — (k) December 2025 Investment" above in this section.

(6). The transaction prices for the March 2023 Investment and December 2025 Investment were determined through negotiations between the parties, based on the transferors' investment costs plus agreed annualized interest income, leading to variations in the per Share pricing.

3. Information on the [REDACTED] Investors

Tianjin Tongde and Tianjin Kunyuan

Tianjin Tongde is a limited partnership established on April 25, 2016. At its inception, Mr. Guo served as the sole general partner, and eight employees of our Group were the limited partners. In December 2021, four resigned employees transferred their respective partnership interests to Mr. Guo, Mr. Xiong Shengjiang (our non-executive Director), and two Independent Third Parties (a supplier and an external consultant of our Group). As of the Latest Practicable Date, Tianjin Tongde is owned approximately 45.27% by Mr. Guo as the sole general partner, 6.67% by Mr. Xiong Shengjiang (our non-executive Director) as limited partner, and six other individual limited partners (all being Independent Third Parties), none of whom holds more than one-third of the voting rights or partnership interest. Under the partnership agreement, Mr. Guo, as the sole general partner and sole executive partner, is responsible for executing partnership affairs, managing and operating Tianjin Tongde and representing Tianjin Tongde externally, and is entitled to exercise all voting rights attached to the Shares held by Tianjin Tongde.

The following table sets out the partnership interests of Tianjin Tongde as at the Latest Practicable Date:

Partners	Partner nature	Relationship with our Group	As of the Latest Practicable Date
Mr. Guo	General Partner	Chairman, executive Director, general manager and a member of the Single Largest Shareholder Group	45.27%
Liu Wei (劉偉)	Limited Partner	Current employee of our Group	10.00%
Zhang Heping (張和平)	Limited Partner	Current employee of our Group	6.67%
Dong Ligang (董立剛)	Limited Partner	Current employee of our Group	3.33%
Fan Zhenhong (範振宏)	Limited Partner	Current employee of our Group	1.66%
Yu Hairen (鬱海仁)	Limited Partner	Controlling shareholder of our supplier	20.00%
Xiong Shengjiang (熊勝江)	Limited Partner	Non-executive Director	6.67%
Zhang Dong (張東)[(1)]	Limited Partner	Our external consultant	6.40%

Note:

(1). Mr. Zhang Dong (張東) has been the PRC legal advisor to our Group since October 2020, primarily responsible for providing legal advice on general commercial litigation matters in accordance with the Company's business needs. Mr. Zhang Dong invested in our Company through his limited partnership interest in Tianjin Kunyuan based on his own investment decision after considering our Group's business prospects and development potential. Such investment was independent from his role as our Group's PRC legal advisor, and he did not receive any preferential terms or benefits in connection with such investment by virtue of his provision of legal services to our Group.

Tianjin Kunyuan is a limited partnership established on April 26, 2016. At its inception, Mr. Guo served as the sole general partner holding 66.70%, with Mr. Guo Yingliang (our executive Director) holding 10.00% and Mr. Ding Jie (an Independent Third Party) holding 23.30% as limited partners. After several rounds of transfers and increase/decrease of the registered capital, as of the Latest Practicable Date, Tianjin Kunyuan is owned as to approximately 10.70% by Mr. Guo as the sole general partner, 1.00% by Mr. Guo Yingliang as limited partner, 36.30% by Mr. Ding Jie as limited partner, and seven other individual limited partners (all being Independent Third Parties), none of whom holds one-third or more of the voting rights or partnership interest. Under the partnership agreement, Mr. Guo, as the sole general partner and sole executive partner, is responsible for executing partnership affairs, managing and operating Tianjin Kunyuan and representing Tianjin Kunyuan externally, and is entitled to exercise all voting rights attached to the Shares held by Tianjin Kunyuan.

The following table sets out the partnership interests of Tianjin Kunyuan as at the Latest Practicable Date:

Partner	Partner nature	Relationship with our Group	As of the Latest Practicable Date
Mr. Guo	General Partner	Chairman, executive Director, general manager and a member of the Single Largest Shareholder Group	10.70%
Guo Yingliang (郭迎亮)	Limited Partner	Executive Director, deputy general manager, Board Secretary, and Joint Company Secretary	1.00%
Ding Jie (丁杰)	Limited Partner	Independent Third Party	36.30%
Ma Xintao (馬欣濤)	Limited Partner	Independent Third Party	5.00%
Zhao Haoran (趙昊然)	Limited Partner	Independent Third Party	10.00%
Zeng Shengping (曾勝坪)	Limited Partner	Independent Third Party	4.50%
Chen Ping (陳平)	Limited Partner	Independent Third Party	4.50%
Huang Yong (黃勇)	Limited Partner	Independent Third Party	9.00%
Wang Chunyu (王春雨)	Limited Partner	Independent Third Party	10.00%
Zheng Fanming (鄭凡明)	Limited Partner	Independent Third Party	9.00%

Shenzhen Tongchuang, Zhengzhou Tongchuang, Suzhou Tongchuang and Hangzhou Nanhai

Shenzhen Tongchuang is a limited partnership established in the PRC on July 1, 2013. Its general partner is Jinxiu Assets (0.80%). Limited partners are Shenzhen City Tongchuang Weiye Growth Investment Fund Enterprise (Limited Partnership) (深圳市同創偉業成長投資基金企業(有限合夥)) (33.20%), which is controlled by Tongchuang Assets Management, and six Independent Third Parties (66.00%), none holding more than one-third of the voting rights or equity interests.

Zhengzhou Tongchuang is a limited partnership established in the PRC on July 7, 2021. Its general partner is Jinxiu Assets (0.99%). Limited partners are Shandong Caijin Technology Innovation Equity Investment Fund Partnership (Limited Partnership) (山東財金科技創新股權投資基金合夥企業(有限合夥)) ("**Shandong Caijin**"), a state-owned enterprise and Independent Third Party (48.51%), and ten Independent Third Parties (50.50%), none holding more than one-third of the voting rights or equity interests. Shandong Caijin is controlled by its general partner, Shandong Province Caijin Venture Investment Co., Ltd. (山東省財金投資集團有限公司), which is ultimately wholly owned by the Finance Department of Shandong Province.

Suzhou Tongchuang is a limited partnership established in the PRC on September 16, 2021. Its general partner is Jinxiu Assets (1.13%). The remaining 98.87% partnership interest is held by 18 limited partners, of which 48.44% is held by four entities controlled by Tongchuang Assets Management, and the remaining 50.43% is held by 14 other limited partners, all of whom are Independent Third Parties. None of these 14 limited partners holds more than one-third of the voting rights or partnership interest.

Hangzhou Nanhai is a limited partnership established in the PRC on July 3, 2014. Its general partner is Hangzhou Tongchuang (7.03%). The remaining 92.97% partnership interest is held by eight limited partners, none of whom holds more than one-third of the voting rights or partnership interest, and all of whom are Independent Third Parties (save for the 24.92% limited partnership interests held by entities controlled by Tongchuang Assets Management).

Hangzhou Tongchuang is a company established in the PRC with limited liability on October 30, 2013, and a wholly-owned subsidiary of Tongchuang Assets Management, which is ultimately controlled by Mr. Zheng Weihe (鄭偉鶴) and Ms. Huang Li (黃荔), both being our substantial shareholders.

Jinxiu Assets is a wholly-owned subsidiary of Tongchuang Assets Management.

Mr. Guan Bo

Mr. Guan Bo is our non-executive Director and has been a long-standing acquaintance of Mr. Guo and has been familiar with and supportive of Mr. Guo's management philosophy and the Group's long-term development prospects. Accordingly, Mr. Guan Bo made personal investments in the Company and from time to time, introduces other investment companies to invest in the Company. For details of the background and biography of Mr. Guan Bo, please refer to the section headed "Directors and Senior Management" in this document.

Qianhai Fund

Qianhai Fund is a limited partnership established in the PRC on December 11, 2015. Its general partner is Qianhai Fangzhou Assets Management Co., Ltd (前海方舟資產管理有限公司) (1.05%), which is a subsidiary of Shenzhen Qianhai Huaize Fangzhou Venture Investment Enterprise (Limited Partnership) (深圳前海淮澤方舟創業投資企業(有限合夥)), whose general partner is wholly owned by Mr. Jin Haitao (靳海濤), an Independent Third Party. Limited partners of Qianhai Fund are 49 Independent Third Parties (98.95%), none holding more than one-third of the voting rights or equity interests.

Rizhao Chenrui

Rizhao Chenrui is a limited partnership established in the PRC on August 23, 2017. Its general partner is Shanghai Yichen Investment Management Co., Ltd. (上海億宸投資管理有限公司) (0.92%), which is 99.00% owned by Mr. Ma Weiguo (馬衛國), an Independent Third Party. Limited partners of Rizhao Chenrui are (i) Dongtai Chenxiang Enterprise Management Consulting Partnership (Limited Partnership) (東台宸祥企業管理諮詢合夥企業(有限合夥)) (59.41%), which is controlled by Mr. Ma Weiguo as its general partner; and (ii) ten Independent Third Parties (39.67%), none holding more than one-third of the voting rights or equity interests.

Huzhou Qixing

Huzhou Qixing is a limited partnership established in the PRC on January 26, 2018. Its joint executive general partners are Zhejiang Songguang Assets Management Co., Ltd. (浙江松光資產管理有限公司) (4.90%), which is wholly owned by Mr. Li Minfeng (李敏鋒), an Independent Third Party; and Zhejiang Kunxin Investment Management Co., Ltd. (浙江坤鑫投資管理有限公司) (0.10%), which is a wholly-owned subsidiary of Zhejiang Zheli Investment Management Co., Ltd. (浙江浙裡投資管理有限公司) ("**Zhejiang Zheli**"), a wholly-owned subsidiary of Zhejiang Equity Service Group Co., Ltd. (浙江股權服務集團有限公司), whose single largest shareholder is Zhejiang Province Financial Market Investment Co., Ltd (浙江省金融市場投資有限公司), which is an indirect-wholly owned subsidiary of Financial Department of Zhejiang Province, and an Independent Third Party. The limited partners are: (i) Huzhou Xiexing Investment Development Co., Ltd. (湖州協興投資發展有限公司) (90.00%), ultimately wholly-owned by the State-owned Assets Supervision and Administration Commission of the Huzhou Municipal People's Government (湖州市人民政府國有資產監督管理委員會) and an Independent Third Party; and (ii) Zhejiang Zheli (5.00%).

Shanghai Zhepu and Lishui Zhepu

Shanghai Zhepu is a limited partnership established in the PRC on May 12, 2021. Its general partner is Hangzhou Zhezheng Investment Management Co., Ltd. (杭州浙正投資管理有限公司) (1.04%), which is a wholly-owned subsidiary of Zheshang Venture Investment Co., Ltd. (浙商創投股份有限公司) ("**Zheshang Venture**"), a company listed on NEEQ (stock code: 834089). Zheshang Venture is controlled by Zhejiang Zhongjian Corporate Management Co., Ltd. (浙江中鑑企業管理有限公司), which is in turn owned as to 80.00% by Mr. Chen Yuemeng (陳越孟) and 20.00% by Mr. Hua Yeyu (華曄宇), both being Independent Third Parties. The limited partners are nine Independent Third Parties, none of whom holds more than one-third of the voting rights or equity interest.

Lishui Zhepu is a limited partnership established in the PRC on July 16, 2021. Its general partner is Hangzhou Kunyue Corporate Management Co., Ltd. (杭州昆越企業管理有限公司) (0.10%), which is a wholly-owned subsidiary of Zheshang Venture. The limited partner is Mr. Yang Zhilong (楊志龍) (99.90%), who is an Independent Third Party.

Pinghu Huarui

Pinghu Huarui is a limited partnership established in the PRC on February 3, 2021. Its general partner is Zhejiang Fuhua Ruiyin Investment Management Co., Ltd. (浙江富華睿銀投資管理有限公司) (2.61%), which is 79.00% owned by Mr. Zong Peimin (宗佩民), an Independent Third Party. The limited partners are 34 Independent Third Parties, none of whom holds more than one-third of the voting rights or equity interest.

SAIC Yangtze Delta

SAIC Yangtze Delta is a limited partnership established in the PRC on September 3, 2019. Its general partner is Shanghai Hengxu Chuangling Private Fund Management Co., Ltd. (上海恒旭創領私募基金管理有限公司) (0.10%) ("**Shanghai Hengxu**"), which is an investment fund platform of Shanghai Automobile Group Holdings Co., Ltd. (上海汽車集團股份有限公司) ("**SAIC**"), a public company listed on the Shanghai Stock Exchange (stock code: 600104). The limited partners are nine Independent Third Parties, none of whom holds more than one-third of the voting rights or equity interest.

Qingdao SAIC

Qingdao SAIC is a limited partnership established in the PRC on January 12, 2021. Its general partners are Shanghai Shangqi Investment Management Partnership (Limited Partnership) (上海尚頎投資管理合夥企業(有限合夥)) (0.02%), which is controlled by Shanghai Qiyuan Business Consulting Co., Ltd. (上海頎元商務諮詢有限公司) which is in turn owned as to 80.00% by Mr. Feng Ji (馮戟), an Independent Third Party; and Shanghai Hengxu (0.02%), which does not hold any executive or management role in Qingdao SAIC. The limited partners are SAIC, a public company listed on the Shanghai Stock Exchange (stock code: 600104) (99.63%), and an Independent Third Party (0.33%), none of whom holds more than one-third of the voting rights or equity interest.

Suzhou Zhongjin and Zhongjin Zhixing

Suzhou Zhongjin is a limited partnership established in the PRC on March 11, 2021. Its general partners are (i) CICC Capital Operation Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**") (0.20%), which is a wholly-owned subsidiary of CICC, a public company listed on the Stock Exchange and the Shanghai Stock Exchange (stock codes: 3908.HK and 601995.SH); and (ii) Shanghai Hengxu (0.10%), which does not have any executive or management role in Suzhou Zhongjin. The limited partners are (i) Qingdao SAIC (72.00%) and (ii) five Independent Third Parties, none of whom holds more than one-third of the voting rights or equity interest.

Zhongjin Zhixing is a limited partnership established in the PRC on September 11, 2018. Its general partner is CICC Capital (0.43%), a wholly-owned subsidiary of CICC. The limited partners are (i) Xinzhifeng (Wuhan) Equity Investment Fund Partnership (Limited Partnership) (信之風(武漢)股權投資基金合夥企業) (41.94%), and (ii) ten Independent Third Parties, none of whom holds more than one-third of the voting rights or equity interest. Xinzhifeng (Wuhan) Equity Investment Fund Partnership (Limited Partnership) is managed by Yuanjing (Wuhan) Investment Management Co., Ltd. (轅憬(武漢)投資管理有限公司) as the general partner, which is wholly owned by Dongfeng Asset Management Co., Ltd. (東風資產管理有限公司) ("**Dongfeng Assets**"), which is ultimately wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). Its limited partner is Dongfeng Assets, holding 99.97% of the partnership interest.

Xuzhou Boda

Xuzhou Boda is a limited partnership established in the PRC on November 12, 2020. Its general partners are (a) Xuzhou Bohaoda Equity Investment Co., Ltd. (徐州博灝達股權投資有限公司), which is ultimately controlled by two Independent Third Parties; and (b) Jiangsu Shengshi Guojin Investment Management Co., Ltd. (江蘇盛世國金投資管理有限公司), an Independent Third Party.

Xuzhou Bohaoda Equity Investment Co., Ltd. (徐州博灝達股權投資有限公司) is a wholly-owned subsidiary of Xuzhou Boda Equity Investment Co., Ltd. (徐州博達股權投資有限公司), which is (i) 80.00% owned by Shanghai Dianchi Intelligent Technology Partnership (Limited Partnership) (上海點赤智能科技合夥企業(有限合夥)), with Yu Xiang (于祥) and Xiang Jianfei (項建飛) as the ultimate beneficial owners, holding approximately 56.66% and 43.34% partnership interest, respectively, both of whom are Independent Third Parties; and (ii) 20.00% owned by Xuzhou Boshuo Equity Investment Co., Ltd. (徐州博碩股權投資有限公司) ("**Xuzhou Boshuo**"), a wholly-owned subsidiary of Xuzhou Botou Industrial Development Group Co., Ltd. (徐州博投產業發展集團有限公司), which is 100.00% ultimately owned by Pizhou Finance Bureau (邳州市財政局).

Jiangsu Shengshi Guojin Investment Management Co., Ltd. (江蘇盛世國金投資管理有限公司) is owned as to 65.00% by Jiangsu Shengshi Juxin Private Equity Fund Management Co., Ltd. (江蘇盛世聚鑫私募基金管理有限公司) ("**Shengshi Juxin**") and 35.00% by Xuzhou Guosheng Holding Group Co., Ltd. (徐州市國盛控股集團有限公司) ("**Guosheng Holding**"). Shengshi Juxin is owned as to: (i) 45.00% by Jiangsu Shengshi Qitong Consulting Management Co., Ltd. (江蘇盛世啟同諮詢管理有限公司) ("**Jiangsu Shengshi**"), a wholly-owned subsidiary of Beijing Shengshi Hongming Investment Fund Management Co., Ltd. (北京盛世宏明投資基金管理有限公司), which is ultimately beneficially owned as to approximately 66.60% by Jiang Mingming (姜明明), 16.42% by Zhang Yang (張洋), 14.82% by Qin Xiaoquan (秦曉娟), and 1.96% by several individuals and entities, all of which are Independent Third Parties; (ii) 35.00% by Jiangsu Jincai Investment Co., Ltd. (江蘇金財投資有限公司), which is ultimately wholly owned by Finance Department of Jiangsu Province (江蘇省財政廳); and (iii) 20.00% by Nanjing Shengshi Qizhi Consulting Center (Limited Partnership) (南京盛世啟智諮詢中心(有限合夥)), which is managed by Jiangsu Shengshi as the general partner. Its limited partners are Zhang Yang (張洋) holding 77.50% of the partnership interest, and eight individuals aggregately holding 22.50% of the partnership interest, with none of them holding more than one-third of the voting rights or partnership interest therein. All of the limited partners are Independent Third Parties. Guosheng Holding is wholly owned by State-owned Assets Supervision and Administration Commission of the Xuzhou Municipal People's Government (徐州市人民政府國有資產監督管理委員會).

The limited partners of Xuzhou Boda are Xuzhou Boshuo (69.72%); and Jiangsu Xuzhou Old Industrial Base Industry Development Fund (Limited Partnership) (江蘇徐州老工業基地產業發展基金(有限合夥)) (29.88%), which is managed by Jiangsu Shengshi Guojin Investment Management Co., Ltd. (江蘇盛世國金投資管理有限公司) as the general partner, and whose limited partners include Jiangsu Government Investment Fund (Limited Partnership) (江蘇政府投資基金(有限合夥)), holding 49.75% of the partnership interest and ultimately wholly owned by the Finance Department of Jiangsu Province (江蘇省財政廳), and Xuzhou Guosheng Holding Group Co., Ltd. (徐州市國盛控股集團有限公司), holding 49.75% of the partnership interest and ultimately wholly owned by the State-owned Assets Supervision and Administration Commission of Xuzhou Municipal People's Government (徐州市人民政府國有資產監督管理委員會).

Donghu Guolong

Donghu Guolong is a limited partnership established in the PRC on December 10, 2021. Its general partner is Wuhan Donghu Guolong Equity Investment Fund Management Co., Ltd. (武漢東湖國隆股權投資基金管理有限公司) (1.00%), whose single largest shareholder is China State-owned Enterprise Structural Adjustment Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司), which is ultimately 72.59% beneficially owned by the State-owned Assets Supervision and Administration Commission of the State Council. The limited partners are: (i) Mr. Tang Wei (唐煒) (38.39%), an Independent Third Party; (ii) Mr. Deng Zongjian (鄧宗劍) (32.26%), an Independent Third Party; and (iii) five Independent Third Parties, none of whom holds more than one-third of the voting rights or equity interest.

Yibin Green Investment

Yibin Green Investment is a limited partnership established in the PRC on December 12, 2022. Its general partner is Yibin Gangxin Assets Management Co., Ltd. (宜賓港信資產管理有限公司) (0.20%), which is ultimately 90% beneficially owned by Sichuan State-owned Assets Supervision and Administration Commission. The limited partner is Yibin Development Venture Investment Co., Ltd. (宜賓發展創投有限公司) (99.80%), which is ultimately 90% beneficially owned by Sichuan State-owned Assets Supervision and Administration Commission.

Jiang'An New Energy

Jiang'An New Energy is a limited liability company established in the PRC on January 9, 2020. It is a wholly-owned subsidiary of Jiang'An City Urban Transportation Construction Engineering Group Co., Ltd. (江安城交建設工程集團有限公司), an Independent Third Party. Jiang'An City Urban Transportation Construction Engineering Group Co., Ltd. is owned as to 49.00% by the Finance Bureau of Jiang'an County (江安縣財政局), 34.00% by Yibin City Investment Co., Ltd. (四川省宜賓市投資有限責任公司), which is wholly owned by the State-owned Assets Supervision and Administration Commission of Yibin City (宜賓市國有資產管理委員會), and 17.00% by Sichuan Yitou Transportation Development Co., Ltd. (四川省宜投交通開發有限公司), which is ultimately beneficially owned as to 90.00% by the State-owned Assets Supervision and Administration Commission of Yibin City (宜賓市國有資產管理委員會) and 10.00% by the Finance Department of Sichuan Province (四川省財政廳).

Jiaxing Waniu

Jiaxing Waniu is a limited partnership established in the PRC on December 2, 2020. Its general partner is Suzhou Industrial Park Waniu Investment Co., Ltd (蘇州工業園區哇牛投資有限公司) ("**Suzhou Waniu**"), whose single largest shareholder is Mr. Zhu Xingming (朱興明), an Independent Third Party. The limited partners are 29 Independent Third Parties, none of whom holds more than one-third of the voting rights or equity interest.

Yichang High-tech

Yichang High-tech is a limited partnership established in the PRC on September 18, 2020. Its general partner is Taiyi (Yichang) Equity Investment Fund Management Co., Ltd. (太一(宜昌)股權投資基金管理有限公司), a subsidiary of Taiyi Assets Management Co., Ltd (太一資產管理有限公司), which is ultimately beneficially owned as to 96.04% by Ms. Huang Lingzhen (黃鈴珍), an Independent Third Party. The limited partner is a government regulatory committee and an Independent Third Party (99.00%).

Mr. Xu Qiang

Mr. Xu Qiang, an Independent Third Party, currently serves as the sales director of Nanjing Maitexing Pharmaceutical Co., Ltd. (南京邁特興醫藥有限公司). Through an introduction by mutual acquaintance of Mr. Guo, with whom he is well acquainted, Mr. Xu became interested in the industry in which our Group operates and is optimistic about our prospects, and accordingly decided to invest in our Group.

Yichang Innovation

Yichang Innovation is a limited partnership established in the PRC on January 3, 2025. Its general partner is Hubei Tongfu Venture Investment Management Co., Ltd. (湖北同富創業投資管理有限公司) (1.00%), a wholly-owned subsidiary of Yichang Chancheng Ronghe Investment Development Co., Ltd. (宜昌產城融合投資發展有限公司) ("**Yichang Ronghe**"), which is ultimately 100.00% beneficially owned by the State-owned Assets Supervision and Administration Commission of the People's Government of Yichang (宜昌市人民政府國有資產監督管理委員會). Its limited partners are Yichang State-owned Capital Investment Holding Group Co., Ltd. (宜昌國有資本投資控股集團有限公司) (59.00%), a wholly-owned subsidiary of Yichang Ronghe; and a government regulatory committee and an Independent Third Party (40.00%).

Huasheng Nanyuan and Dunxing Jucai

Huasheng Nanyuan is a limited partnership established in the PRC on July 5, 2023. Its general partner is Suzhou Dunxing Investment Management Co., Ltd. (蘇州敦行投資管理有限公司) (1.67%), a 85.00% owned subsidiary of Suzhou Dunxing Enterprise Management Consulting Co., Ltd. (蘇州敦行企業管理諮詢有限公司), which is ultimately 100.00% beneficially owned by Mr. Ma Yangguang (馬陽光), an Independent Third Party. It has 14 limited partners, of which Jiangsu Huasheng Lithium Battery Materials Co., Ltd. (江蘇華盛鋰電材料股份有限公司), a public company listed on the Shanghai Stock Exchange (stock code: 688353), holds a 42.44% partnership interest. The remaining 13 limited partners are Independent Third Parties, holding 55.89%, with none of them holding more than one-third of the voting rights or interest therein.

Dunxing Jucai is a limited partnership established in the PRC on April 15, 2020. Its general partner is Mr. Ma Yangguang (馬陽光) (38.00%), an Independent Third Party. It has six limited partners, all of which are Independent Third Parties, holding 62.00%, with none of them holding more than one-third of the voting rights or interest therein.

Mr. Yu Hairen

Mr. Yu Hairen (鬱海仁), an Independent Third Party, through his controlled entity, provides long-term construction engineering services to our Group. Due to his confidence in Mr. Guo's business management and development plans and his positive outlook on our future growth, he decided to invest in our Group.

4. Principal Terms of the [REDACTED] Investments

[**REDACTED**] from the [**REDACTED**] Investments	As of the Latest Practicable Date, all of the [**REDACTED**] from the [**REDACTED**] Investments have been utilized for the development and operations of our business, including but not limited to research and development activities, expansion of our production bases, procurement of production materials, recruiting experienced employees, repayment of bank borrowings and general working capital purpose.
Strategic benefits of [**REDACTED**] Investors brought to our Company	Our diversified base of [**REDACTED**] investors has provided us with valuable industry insights, experience, and capital, supporting our growth in the electrolyte sector. Our [**REDACTED**] are optimistic about the industry's prospects and have resources across the supply chain, which have helped strengthen our position. Their [**REDACTED**] also demonstrate confidence in our business and future development.
Basis of determination of consideration	The consideration for each round of [**REDACTED**] Investments was determined after the arm's length negotiation among the parties, with reference to the scale and valuation of our Group and business.
Compliance with the Guide	On the basis that (i) the consideration for the [**REDACTED**] Investments was irrevocably settled no less than 120 clear days before the [**REDACTED**]; and (ii) all special rights granted to the [**REDACTED**] Investors as set out herein have been terminated or will be terminated upon the [**REDACTED**], the Joint Sponsors confirm that the [**REDACTED**] Investments are in compliance with the guidance in chapter 4.2 ([**REDACTED**] Investments) of the Guide.
Lock-up	Pursuant to the applicable PRC laws, within the 12 months following the [**REDACTED**], the Shares issued by the Company prior to the [**REDACTED**] (including those held by the [**REDACTED**] at the time of the [**REDACTED**]) are restricted from transfer.
Special Rights of the [**REDACTED**] Investors	Pursuant to the [**REDACTED**] agreements, certain [**REDACTED**] Investors had been granted special rights, which include (i) the right to appoint Directors; (ii) anti-dilution rights against Mr. Guo; (iii) the rights to financial compensation against Mr. Guo arising from the exercise of their anti-dilution rights; (iv) pre-emptive rights; (v) divestment rights against Mr. Guo; (vi) tag-along rights; and (vii) the right to appoint board observers (董事會觀察員). On March 23, 2023, all the then Shareholders who had previously been granted the abovementioned special rights entered into supplemental agreements with our Company, pursuant to which all such special rights have been terminated with immediate effect. On January 23, 2026, Yichang Innovation, which had been granted the right to appoint board observers under the shareholders' agreement dated September 30, 2025 between the Company and its then shareholders, entered into a supplemental agreement with our Company, pursuant to which, such right will be terminated one day prior to the [**REDACTED**].

For the avoidance of doubt, no divestment rights, anti-dilution rights or rights to financial compensation were granted by our Company. Such divestment rights, anti-dilution rights and rights to financial compensation were granted solely by Mr. Guo to certain [**REDACTED**] Investors. Our Company did not provide any guarantee or enter into any side agreement in respect of the divestment rights which were granted by Mr. Guo to certain [**REDACTED**] Investors. As our Company was not a party to the arrangements relating to such divestment rights, no liability in respect thereof was recognized or recorded in the consolidated financial statements of our Group during the Track Record Period. For details of the accounting treatment of the divestment rights, please refer to note 38 to the Accountants' Report in this document.

SHAREHOLDING STRUCTURE OF OUR COMPANY

The table below sets forth the shareholding structure of our Company as of the Latest Practicable Date and the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and that the Share Split and the [**REDACTED**] of our Company are completed):

	As of the Latest Practicable Date				Upon completion of the [REDACTED]			
Name of Shareholder	Number of Domestic [REDACTED] Shares	Percentage of total number of Domestic [REDACTED] Shares	Number of Shares after the completion of the Share Split without taking into account Shares issued under the [REDACTED]	Percentage of total number of Shares held by the Shareholders	Number of H Shares	Percentage of total number of Shares	Number of Domestic [REDACTED] Shares	Percentage of total number of Shares
		(%)		(%)		(%)		(%)
Single Largest Shareholder Group								
Mr. Guo	10,987,588	27.32	109,875,880	27.32	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tianjin Tongde	2,359,110	5.87	23,591,100	5.87	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tianjin Kunyuan	1,572,750	3.91	15,727,500	3.91	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Tianjin Kunyu	556,650	1.38	5,566,500	1.38	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total	**15,476,098**	**38.48**	**154,760,980**	**38.48**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Substantial Shareholders								
Shenzhen Tongchuang	2,830,950	7.04	28,309,500	7.04	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hangzhou Nanhai	1,239,120	3.08	12,391,200	3.08	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhengzhou Tongchuang	1,016,100	2.53	10,161,000	2.53	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Suzhou Tongchuang	333,333	0.83	3,333,330	0.83	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total	**5,419,503**	**13.48**	**54,195,030**	**13.48**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED] ***Investors (excluding those disclosed above)***								
Zheshang Venture								
Shanghai Zhepu	1,016,100	2.53	10,161,000	2.53	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Lishui Zhepu	25,410	0.06	254,100	0.06	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total	**1,041,510**	**2.59**	**10,415,100**	**2.59**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
CICC Capital								
Suzhou Zhongjin	1,666,667	4.14	16,666,670	4.14	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhongjin Zhixing	750,000	1.86	7,500,000	1.86	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total	**2,416,667**	**6.00**	**24,166,670**	**6.00**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

	As of the Latest Practicable Date				Upon completion of the [REDACTED]			
Name of Shareholder	Number of Domestic [REDACTED] Shares	Percentage of total number of Domestic [REDACTED] Shares	Number of Shares after the completion of the Share Split without taking into account Shares issued under the [REDACTED]	Percentage of total number of Shares held by the Shareholders	Number of H Shares	Percentage of total number of Shares	Number of Domestic [REDACTED] Shares	Percentage of total number of Shares
		(%)		(%)		(%)		(%)
Dunxing Capital – Ma Yangguang								
Huasheng Nanyuan	675,878	1.68	6,758,780	1.68	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dunxing Jucai	405,527	1.01	4,055,270	1.01	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total	**1,081,405**	**2.69**	**10,814,050**	**2.69**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other investors								
Qianhai Fund	2,478,270	6.16	24,782,700	6.16	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rizhao Chenrui	1,852,500	4.61	18,525,000	4.61	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Huzhou Qixing	1,524,120	3.79	15,241,200	3.79	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Xuzhou Boda	1,500,000	3.73	15,000,000	3.73	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
SAIC Yangtze Delta	1,250,000	3.11	12,500,000	3.11	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Qingdao SAIC	1,250,000	3.11	12,500,000	3.11	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Pinghu Huarui	508,050	1.26	5,080,500	1.26	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yibin Green Investment	387,931	0.97	3,879,310	0.97	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jiang'An New Energy	387,931	0.97	3,879,310	0.97	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jiaxing Waniu	387,931	0.97	3,879,310	0.97	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Guan Bo	314,550	0.78	3,145,500	0.78	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yichang High-tech	258,621	0.64	2,586,210	0.64	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Donghu Guolong	250,000	0.62	2,500,000	0.62	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Xu Qiang	194,612	0.48	1,946,120	0.48	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yichang Innovation	1,293,103	3.22	12,931,030	3.22	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Yu Hairen	942,715	2.34	9,427,150	2.34	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total	**14,780,334**	**36.76**	**147,803,340**	**36.76**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
H Shareholders under the [REDACTED]	–	–	–	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	**40,215,517**	**100.00**	**402,155,170**	**100.00**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[**REDACTED**]

Pursuant to Rule 8.08(1) of the Listing Rules, assuming that the [**REDACTED**] is not exercised and that the Share Split and the [**REDACTED**] application of our Company are completed, (i) based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the low end of the indicative [**REDACTED**] range), our expected [**REDACTED**] upon [**REDACTED**] is HK$[**REDACTED**] million; (ii) based on a mid-point [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], our expected [**REDACTED**] is approximately HK$[**REDACTED**] million; and (iii) based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the high end of the indicative [**REDACTED**] range), our expected [**REDACTED**] upon [**REDACTED**] is HK$[**REDACTED**] million. In each case, the minimum prescribed [**REDACTED**] percentage applicable to our Shares is [**REDACTED**]%, as our expected [**REDACTED**] does not exceed HK$[**REDACTED**] million.

Immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and that the Share Split and the [**REDACTED**] application of our Company are completed), our Company will have [**REDACTED**] H Shares, among which:

(a) [**REDACTED**] H Shares held by the Single Largest Shareholder Group, being Mr. Guo, Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu, representing approximately [**REDACTED**]% of our total issued Shares upon completion of the [**REDACTED**], will not be counted towards [**REDACTED**] as Mr. Guo, Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu are core connected persons of our Company;

(b) [**REDACTED**] H Shares held by a group of our substantial Shareholders, being Shenzhen Tongchuang, Zhengzhou Tongchuang, Suzhou Tongchuang, Hangzhou Nanhai, representing approximately [**REDACTED**]% of our total issued Shares upon completion of the [**REDACTED**], will not be counted towards [**REDACTED**] as Shenzhen Tongchuang, Zhengzhou Tongchuang, Suzhou Tongchuang, Hangzhou Nanhai are core connected persons of our Company;

(c) [**REDACTED**] H Shares held by Mr. Guan Bo, our non-executive Director, representing approximately [**REDACTED**]% of our total issued Shares upon completion of the [**REDACTED**], will not be counted towards [**REDACTED**] as Mr. Guan Bo is a core connected person of our Company;

(d) [**REDACTED**] H Shares converted from Domestic [**REDACTED**] Shares by all the other existing Shareholders, representing approximately [**REDACTED**]% of our total issued Shares upon completion of the [**REDACTED**], will be counted towards [**REDACTED**], as none of them (i) is a core connected person of our Company; (ii) has acquired the Shares with funds financed directly or indirectly by our Company (or any of its subsidiaries) or a core connected person of our Company; (iii) is accustomed to taking instructions from our Company (or any of its subsidiaries) or a core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of the Shares registered in its name or otherwise held by it; and (iv) consists of our Company holding any legal or beneficial interest in treasury shares; and

(e) [**REDACTED**] H Shares to be issued to [**REDACTED**] H Shareholders under the [**REDACTED**], representing approximately [**REDACTED**]% of our total issued Shares upon completion of the [**REDACTED**], will be counted towards [**REDACTED**].

In light of the above, the [**REDACTED**] of our Company will be approximately [**REDACTED**]% upon [**REDACTED**] assuming that (i) the [**REDACTED**] is not exercised and that the Share Split and the [**REDACTED**] application of our Company are completed; (ii) none of the following persons will take part in the [**REDACTED**] (a) any person whose acquisition of Shares has been financed, directly or indirectly, by our Company or any of its subsidiaries or by any core connected person of our Company; (b) any person who is accustomed to taking instructions from our Company or any of its subsidiaries or from any core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of Shares; and (c) our Company itself, as the holder of treasury Shares.

[**REDACTED**]

Under Rule 19A.13C of the Listing Rules, where a new applicant is a PRC issuer with no other [**REDACTED**] shares at the time of [**REDACTED**], this will normally mean that the portion of H shares for which [**REDACTED**] is sought that are held by the public and are not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise) at the time of [**REDACTED**], must: (i) represent at least 10% of the total number of issued shares in the class to which H shares belong at the time of [**REDACTED**] (excluding treasury shares), with an expected market value at the time of [**REDACTED**] of not less than HK$50,000,000, or (ii) have an expected market value at the time of [**REDACTED**] of not less than HK$600,000,000.

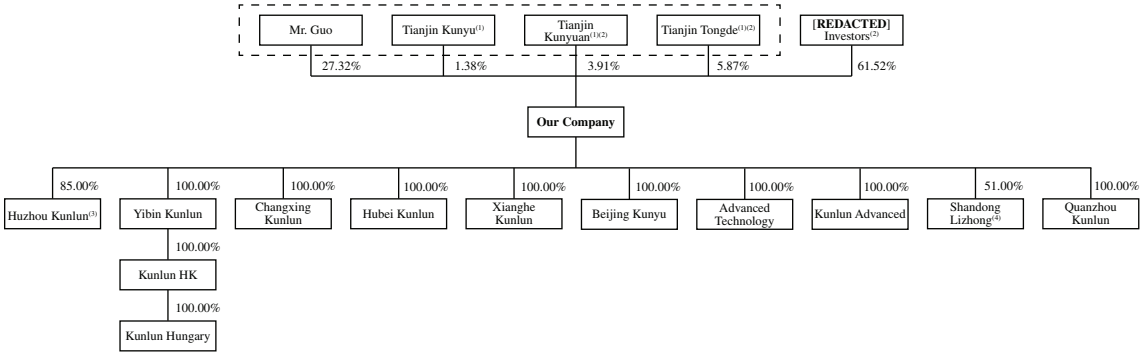
Our Company will satisfy the [**REDACTED**] requirement under Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

As advised by our PRC Legal Advisor, our Company is a joint stock limited company duly established and validly existing under the laws of the PRC. The establishment of our Company as well as all prior changes to its capital structure, have been carried out in accordance with the appropriate procedures and all necessary industrial and commercial registration formalities have been completed, and have complied with the provisions of the then effective and applicable Company Law and all other applicable laws, regulations, and normative documents in the PRC.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE [REDACTED]

The following chart illustrates the shareholding and corporate structure of our Group immediately prior to the completion of the [**REDACTED**]:



Notes:

(1) Tianjin Kunyu, Tianjin Tongde, and Tianjin Kunyuan are three limited partnerships established in the PRC, all of which are controlled by Mr. Guo as their respective general partner. As a result, Mr. Guo is deemed to be interested in all Shares held by Tianjin Tongde, Tianjin Kunyuan, and Tianjin Kunyu in our Company under the SFO. Accordingly, Mr. Guo, Tianjin Kunyu, Tianjin Tongde, and Tianjin Kunyuan constitute the Single Largest Shareholder Group.

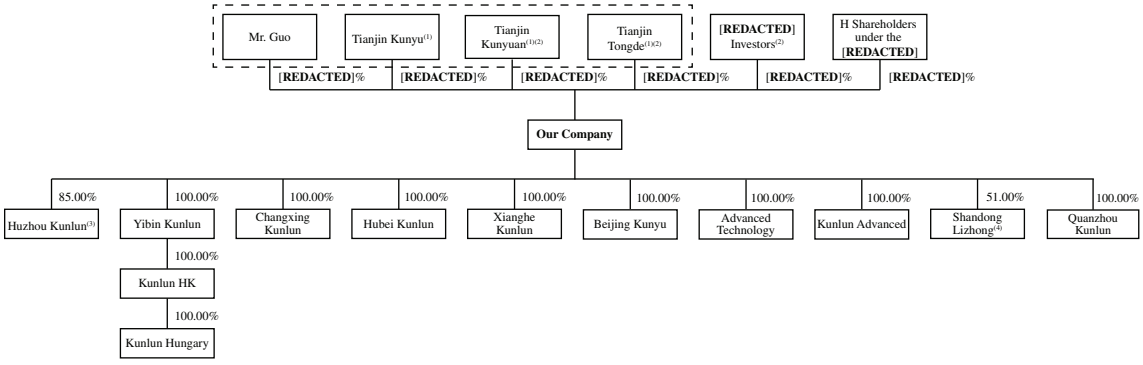
(2) Tianjin Tongde and Tianjin Kunyuan are our [**REDACTED**] Investors. For details of the [**REDACTED**] Investors, please refer to "— [**REDACTED**] Investments" above.

(3) The remaining 15.00% equity interest in Huzhou Kunlun is held by Enchem Co., Ltd., a company listed on the Korea Exchange (stock code: 348370). Upon completion of the transfer referred to in the paragraph headed "— Acquisitions and Disposals — Acquisition of Minority Interests in Huzhou Kunlun" in this section above, Huzhou Kunlun will become a wholly-owned subsidiary of our Company.

(4) The remaining 49.00% equity interest in Shandong Lizhong is held as to 45.15% by Lizhong Group, a public company listed on the ChiNext Market of the Shenzhen Stock Exchange (stock code: 300428), 2.07% by Ms. Gong Zhiwen (龔之雯), 1.28% by Mr. Liu Yubin (劉毓斌), and 0.50% by Mr. Zhang Yujun (張玉俊). Save for Ms. Gong Zhiwen's past directorship in Shandong Lizhong prior to its acquisition and Lizhong Group's shareholding in Shandong Lizhong, they are all Independent Third Parties.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED]

The following chart sets forth our Group's shareholding and corporate structure immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and that the Share Split and the [**REDACTED**] application of our Company are completed):



Note: See the respective note under "— Shareholding and Corporate Structure Immediately Prior to the Completion of the [**REDACTED**]" above in this section.

OVERVIEW

Who We Are

We are a supplier of lithium-ion battery electrolytes, specializing in the R&D, production and sales of lithium-ion battery electrolytes and emerging battery materials. According to Frost & Sullivan, in terms of electrolyte revenue, we ranked fourth among electrolyte suppliers globally and in China (including both independent and affiliated electrolyte manufacturers) in 2025 with the market share of 3.6% and 4.7%, respectively.

We have strategically positioned ourselves in emerging battery material fields, including solid-state electrolytes ("**SSE**"), gel electrolytes, hybrid solid-liquid electrolytes and sodium-ion electrolytes, for all of which we possess production capabilities and provide small-batch production services to satisfy niche and tailored customer demand.

We are committed to building long-term strategic partnerships with leading global new energy innovation and technology companies. We maintain close collaboration with downstream customers by participating in the early-stage R&D of their battery products, aligning our capacity expansion with their demand and securing advance orders on an ongoing basis. Through minority equity investments and in-house production capacity, we have secured the supply of critical raw materials at the source while realizing cost efficiencies. We have developed a comprehensive product portfolio that covers electrolytes for power batteries, energy storage system ("**ESS**") batteries, consumer electronics batteries and emerging applications.

Our R&D, Technologies and Production

Established in 2004, we have been committed to developing and producing electrolytes for lithium-ion power batteries. Our customer base encompasses leading enterprises across power batteries, ESS batteries, consumer electronics batteries and emerging applications.

We have consistently positioned technological innovation as a key strategic focus. We primarily conduct R&D independently, complemented by collaborative and commissioned R&D initiatives. Through long-term technology iteration and production practice, we have accumulated experience and technological expertise. As of June 30, 2026, we had established two R&D bases in Xianghe, Hebei Province, Huzhou, Zhejiang Province and Yichang, Hubei Province, housing four specialized R&D centers focusing on synthesis, electrolyte formulation, process development and research on technologies, respectively. As of June 30, 2026, we had 171 registered patents in China, covering new processes, new formulations, synthesis of new substances and applications of new materials. Substantially all such patents were developed independently by us.

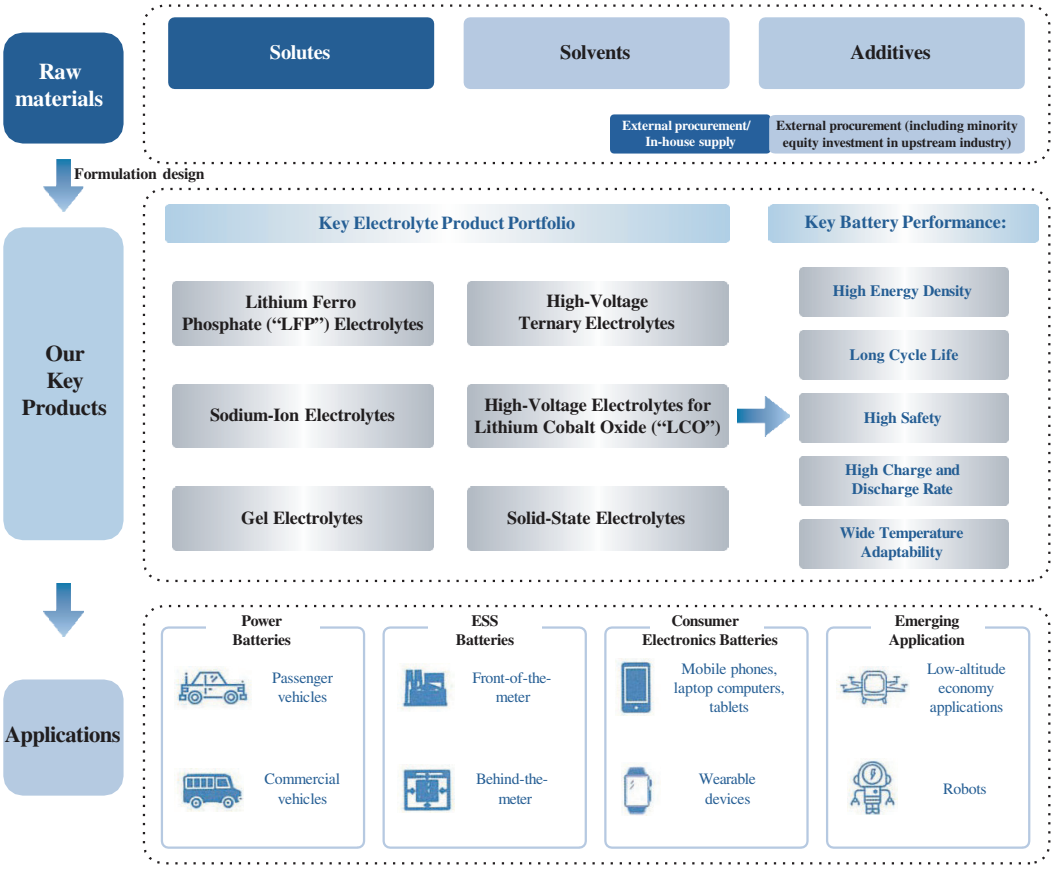
In emerging battery material fields such as SSE and sodium-ion electrolytes, we actively pursue technological innovation and have independently developed multiple technologies. For example, we have the ability to produce certain emerging hybrid solid-liquid electrolyte products such as oxide electrolytes. The ionic conductivity of our independently-developed sulfide SSE has reached 12 mS/cm, approaching the ionic conductivity of liquid electrolytes. Furthermore, our flame-retardant gel electrolytes have addressed battery safety and electrolyte leakage prevention, improving battery heat resistance to a temperature of 145°C. In 2023, 2024, 2025 and the six months ended June 30, 2026, the revenue from these emerging battery material fields amounted to RMB10.6 million, RMB7.8 million, RMB13.1 million and RMB2.1 million, representing 0.7%, 0.8%, 0.8% and 0.1% of the total revenue in the respective periods.

We have built large-scale production bases in Huzhou, Zhejiang Province, Yibin, Sichuan Province, Jining, Shandong Province and Yichang, Hubei Province, strategically positioning us in proximity to major clusters of the new energy battery industry. As of the Latest Practicable Date, our total electrolyte production capacity was 180,000 tons per year. To build on this competitive strength to meet evolving market demand, we plan to construct new electrolyte production bases or expand production capacity in Yichang, Jining, Huzhou, Yibin in China, as well as in Szolnok, Hungary. Upon completion, our total electrolyte production capacity will exceed 500,000 tons per year.

Through long-term production experience, we have developed enhanced production processes with quality control capabilities, differentiated customization capabilities and diversified formulations. We have obtained ISO 9001, ISO 14001, ISO 27001, ISO 45001 and IATF 16949 system certifications. We possess advantages in lithium-ion battery electrolyte quality and production process precision control, with a first pass yield rate, representing the percentage of product volumes that meet quality specifications on the first attempt without requiring rework or reprocessing, reaching 99.95% in 2025 and 99.94% in the six months ended June 30, 2026, significantly higher than the industry average of 92% to 95%, according to Frost & Sullivan. In 2024, we achieved a zero defective parts per million ("**DPPM**") performance in our product supply to a global new energy technology enterprise. In August 2026, we were invited to participate in 2035 Value-Chain Carbon Neutrality Pathway session of such global new energy technology enterprise as the only electrolyte supplier. We have built an automated production platform through multiple digital platforms such as manufacturing execution system ("**MES**"), distributed control system ("**DCS**"), and portable data assistant, while developing and introducing enhanced electrolyte process flows.

Our Business Model

Our core products are lithium-ion battery electrolytes. Electrolytes are one of the four major components of lithium-ion batteries. Known as the blood of batteries, electrolytes directly affect key battery indicators including capacity, power rate, lifespan, safety and temperature adaptability. Our core raw materials consist of solutes, solvents and additives, for which we have adopted a supply model that integrates external procurement (including minority equity investment in upstream industry) with in-house production capacity, thereby laying a solid foundation for the R&D and production of our electrolytes. We use such raw materials to produce a diverse product portfolio that caters to a wide range of application scenarios, including power batteries, ESS batteries, consumer electronics batteries and emerging applications. The following diagram demonstrates our business model:



Our Customer Base and Global Footprint

Supported by our leading technological capabilities, stable product quality and strategically positioned production capacity, we have developed an extensive customer base. In 2023, 2024, 2025 and the six months ended June 30, 2026, we had a total of 188, 274, 314 and 226 customers, respectively, with the newly-acquired customers of 95, 131, 93 and 42 customers in the respective periods. We have established long-term and stable cooperative relationships with mainstream global lithium-ion battery manufacturers and have entered the supply chains of major global battery manufacturers. Notably, we entered supply chain of a global new energy technology company in 2018 and have become one of its established electrolyte suppliers. We continue to develop leading lithium-ion battery customers in specialized segments, providing in-depth services for strategic customers. We believe collaboration with downstream industry leaders helps us to secure stable orders and gain market share while leveraging the industry influence and technical resources of leading customers to enhance our own technological capabilities and market competitiveness.

We plan to construct an electrolyte production facility in Hungary, partnering with battery companies to develop the Hungarian market and establish a European supply chain, improving local response speed and delivery capabilities. In the future, we expect to capitalize on opportunities presented by the localization of Europe's battery industry chain and grow alongside our strategic customers. Our electrolyte production facility in Hungary will serve leading global new energy innovation and technology companies and other internationally renowned customers, most of whom are located within a two-hour drive from our production facility. The storage and transportation of electrolyte require specialized equipment, making the location of electrolyte production facilities critical for ensuring safety and quality while reducing storage and transportation costs.

We are strategically expanding our overseas presence and enhancing our business capabilities to better support domestic battery manufacturers entering overseas markets, as well as leading international battery companies looking to expand their capacity. At the same time, we aim to deliver localized service for key downstream customers. We believe that our strategic partnerships with leading international customers, combined with our high-quality, efficient and progressively operational global production network, will serve as a powerful engine for long-term business.

Our Industry Opportunities

Strong Market Demand for Electrolytes with High Sales Volume Growth Rate

As electrolytes are one of the critical materials for lithium-ion batteries, the electrolyte market is entering a phase of rapid expansion. Driven by the growth of new energy vehicles ("**NEV**") and ESS, the industry is transitioning to structural growth. Looking ahead, with the continued growth in power battery shipments, increasing ESS demand and expansion of emerging applications, the global electrolyte market is expected to maintain high growth momentum. According to Frost & Sullivan, global electrolyte revenue has been continuously growing in recent years from over RMB13.8 billion in 2021 to over RMB48 billion in 2025, and are expected to exceed RMB125 billion in 2030, with a CAGR exceeding 20% from 2025 to 2030. China, as the core production and consumption market, has experienced rapid growth, over RMB8 billion in 2021 to over RMB30 billion in 2025, and is expected to exceed RMB90 billion in 2030. This would represent over 70% of the global market, with a CAGR exceeding 20% from 2025 to 2030. During the Track Record Period, the total sales volume of our electrolyte products increased by 15.2% from 2023 to 2024, by 76.5% from 2024 to 2025 and by 82.3% from the six months ended June 30, 2025 to the six months ended June 30, 2026. According to Frost & Sullivan, the rise in power battery demand and rapid construction of ESS have positioned China in a dominant position in the electrolyte industry chain, making it the primary engine of global electrolyte industry growth.

Rising Performance Demands and Diverse Applications Driving Electrolyte Innovation

Lithium-ion batteries are expanding from traditional power battery applications to comprehensive application scenarios across sea, land and air, becoming the main power source supporting energy transition and intelligent equipment development. For power batteries, the demand for high-performance electrolytes continues to rise, driven by the growing need for high energy density, fast-charging, and long-life battery technologies. For ESS batteries, rising requirements for electrolyte safety, cycle life and temperature resistance are driving continuous technological advancements across the industry. Driven by the growing demand for high-end smart terminals, wearable devices, and AI-enabled mobile devices, consumer electronics batteries are evolving toward higher voltage, fast-charging capability, and ultra-thin form factors, which is accelerating the technological iteration of high-performance electrolytes and novel separator materials. Emerging applications, such as robots and low-altitude economy applications, demand exceptional endurance from drive and control systems, requiring high-energy-density batteries with enhanced conductivity and safety. Electrolytes designed for high voltage and wide temperature ranges will be widely applied in this sector, driving industry technology iteration and continuous product upgrades across the industry.

Global Market Development Driving Localized Production

Driven by the acceleration of the global low-carbon energy transition, the NEV market is experiencing rapid growth. According to Frost & Sullivan, in 2024, NEV penetration rates in Europe stood at just 16.7%, far behind China's 42.9%, underscoring the vast growth potential in overseas markets. According to Frost & Sullivan, driven by the continuous increase in NEV penetration rates and rapid ESS development, the share of global lithium-ion battery shipment volume for Europe is expected to increase from 11.9% in 2025 to 14.0% by 2030. Global battery companies are favoring electrolyte suppliers with strong localized supporting capabilities. Electrolyte companies are beginning to establish production bases in Europe to achieve localized supply. The overseas expansion of the industry chain is creating new market opportunities, supported by improving supply systems abroad. Chinese enterprises, leveraging mature processes, cost advantages and strong raw material integration, are steadily increasing their global market share. Looking ahead, as global lithium-ion battery factories become operational, we believe the electrolyte industry will enter a new era of global coordinated growth.

Our Innovation System

Through long-term R&D and innovation practice, we have developed an innovation system that aligns with our core strengths and meets the evolving needs of industry development.

Joint R&D with Leading Customers, Building Sticky Barriers Through Technology Feedback

We adhere to a "customer needs-oriented" R&D model, establishing R&D teams for strategic downstream customers. Through early involvement, regular on-site engagement and full-process tracking, we collaborate closely with our customers to explore emerging technology trends, respond swiftly to evolving needs, and address their core pain points.

Comprehensive R&D Management System

We have established a comprehensive R&D process to manage the entire R&D cycle and ensure orderly progress. At the same time, we encourage innovation through incentive programs that link R&D achievements with remuneration, motivating R&D personnel to actively engage and deliver sustained innovation. Through years of R&D accumulation, we have developed diverse methodologies to enhance battery cycle life, storage performance and safety.

Technical Talent Team

As of June 30, 2026, we had 81 R&D staff, representing 10.6% of our total employees. Of these R&D professionals, 30 held a master's degree or higher, and a significant number are graduates of leading universities in the PRC, with diverse expertise spanning the fields of new energy and materials chemistry. Leveraging their multidisciplinary knowledge and industry experience, our R&D team is well positioned to address complex technological challenges in electrolyte development. We believe that their professional approaches not only contribute to the advancement of our proprietary technologies but also enhance product performance, strengthen our competitive advantages and support the sustainable growth of our business.

Industry-Academia-Research Strategic Collaboration Platform

We collaborate with a number of research institutes and universities to establish industry-academia-research partnerships and enhance our R&D capabilities in the lithium-ion battery materials field. We have also engaged a number of experienced technical experts in the industry as our special counsels, including fellows of the Engineering Academy of Japan, recipients of National Craftsman (大國工匠) honors, founders of electrolyte solvation theory and postdoctoral researchers from Tokyo Institute of Technology.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

As a Core Supplier of Lithium-Ion Battery Electrolytes, We Have Established Strategic Partnerships with Leading Battery Manufacturers

Supported by our leading technological capabilities, stable product quality, and strategically positioned production capacity, we have developed an extensive customer base. We believe this provides us with competitive advantages in identifying and addressing the constantly changing market demands of the downstream battery industry. We maintain close collaboration with downstream customers by participating in the early-stage R&D of their battery products, aligning our capacity expansion with their demand and securing advance orders on an ongoing basis.

Leading battery manufacturers apply strict standards for selection of suppliers, evaluating various factors including delivery capability, R&D strength, innovation achievements, new material research progress and technical communication. During cooperation, they assess suppliers' technical capabilities and product quality on an ongoing basis. Through technological innovation and process control, we have continuously enhanced our delivery capabilities and steadily expanded our market share. In 2025, in terms of electrolyte revenue, we ranked fourth among electrolyte suppliers globally and in China (including both independent and affiliated electrolyte manufacturers), with a market share of 3.6% and 4.7%, respectively.

We have established long-term and stable cooperative relationships with mainstream global lithium-ion battery manufacturers and have entered the supply chains of major global battery manufacturers. For example, we entered supply chain of a global new energy technology company in 2018 and have become one of its established electrolyte suppliers. We continue to develop leading lithium-ion battery customers in specialized segments. Collaboration with downstream industry leaders enables us secure stable orders and expand market share, while leveraging the industry influence and technical resources of leading customers to enhance our own technological capabilities and market competitiveness.

In line with our business development, we have cultivated a large customer base across different application scenarios including power batteries, ESS batteries and consumer electronics batteries. Our customers include a number of renowned companies in China. Notably, the number

of our customers increased robustly. In 2023, 2024, 2025 and the six months ended June 30, 2026, we had a total of 188, 274, 314 and 226 customers, respectively, with the newly-acquired customers of 95, 131, 93 and 42 customers in the respective periods. Our electrolyte customer retention rate, which is the proportion of our electrolyte customers in the preceding year that remained as our customers in the current year/period, was 61.6%, 74.5%, 65.3% and 54.8% in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. Our electrolyte customer retention rate decreased in 2025, primarily due to our continued optimization of customer portfolio as our business expanded and customer base grew. In particular, we became more selective in customer acquisition and retention by prioritizing customers with stronger credit profiles, better payment records and larger procurement demand, while reducing business with certain customers that did not meet our enhanced customer selection criteria. This enabled us to allocate our sales, technical and operational resources more efficiently, deepen cooperation with high-quality customers and support the sustainable growth of our business.

Beyond traditional lithium-ion battery electrolytes, we closely follow battery technology developments and have developed new products, including sodium-ion battery electrolytes and hybrid solid-liquid electrolytes, allowing us to develop new battery enterprise customers in the field of emerging batteries. These included sodium battery enterprises for which we provided sodium-ion electrolyte products, such as Huzhou Super Sodium New Energy Technology Co., Ltd. (湖州超鈉新能源科技有限公司) (a limited liability company located in Zhejiang Province with registered capital of RMB5.9 million, primarily engaging in the R&D and industrialization of sodium-ion energy storage batteries and their key materials) and Huzhou Qingna New Energy Technology Co., Ltd. (湖州青鈉新能源科技有限公司) (a limited liability company located in Zhejiang Province with registered capital of RMB19.1 million, primarily engaging in R&D, production and sales of sodium-ion batteries); and solid-state or hybrid solid-liquid battery enterprises, such as Qingtao (Kunshan) Energy Development Group Co., Ltd. (清陶(昆山)能源發展集團股份有限公司) and Anhui Levinergy Power Battery Co., Ltd. (安徽利維能動力電池有限公司).

Established R&D and Technological Capabilities

Having operated in the global electrolyte industry for years, we have built R&D competitive barriers with technology and customer collaboration as our core strategic focuses. Through close partnerships and joint R&D initiatives with leading downstream enterprises, we ensure that our core technologies evolve in step with market demands, while maintaining leadership in emerging fields such as hybrid solid-liquid and solid-state batteries.

As one of China's earliest enterprises engaged in lithium-ion battery electrolyte R&D and production, we have consistently positioned technological innovation as a strategic focus. Through long-term technology iteration and production practice, we have accumulated experience and technological expertise. As of June 30, 2026, we had 171 registered patents in China, covering new processes, new formulations, synthesis of new substances and applications of new materials. Substantially all such patents were developed independently by us. We have established standardized and systematic R&D management mechanisms, forming reusable technical R&D methodologies. We have established two R&D bases in Xianghe, Hebei Province and Huzhou, Zhejiang Province, housing four specialized R&D centers, focusing on synthesis, electrolyte formulation, process R&D in technologies such as solid-state battery products, respectively.

We adhere to an R&D model focusing on the specific needs of our customers. We have established a proprietary R&D and innovation system built upon our accumulated understanding of research methodologies and scientific theories such as molecular dynamics and electrochemical phase-field methods, and leveraging extensive industry experience and technical expertise accumulated over years of specialization in the lithium-ion battery electrolyte sector. We establish R&D teams for downstream strategic customers and, through close collaboration combining early involvement, regular on-site engagement and full-process tracking, we collaborate closely with our customers to explore emerging technology trends. For intellectual property generated from projects co-developed with our downstream strategic customers, we generally own the patents in relation to synthetic formulations, while our customers own the patents in relation to applications. Products and technologies developed under such cooperation are exclusively for use in products supplied to such customers. Our close partnerships with such customers allows us to rapidly identify and

respond to their needs and address their core pain points, enabling us to continuously improve our products based on real-world application feedback and R&D collaboration with our customers. For example, our flame-retardant electrolyte system adopts a composite strategy integrating solvent and flame-retardant additive technologies to develop high-safety flame-retardant electrolyte. While preserving largely uncompromised electrochemical performance, including high and low-temperature performance and discharge performance, the product elevates the safety protection level of battery cells. Notably, our customized development cycle for electrolytes from initial request to mass production is typically six months as compared to the industry average of six to ten months, according to Frost & Sullivan. Our average delivery time per order is five to seven days, shorter than the industry average of eight to 12 days, according to Frost & Sullivan. These advantages enable us to deliver products to our customers in a timely and efficient manner.

In addition, we are committed to improving production efficiency through the R&D of our production processes and technologies. We have also developed and introduced enhanced electrolyte process flows, such as pre-dissolved salt processes, powder conveying processes and additive liquefaction processes, shortening conventional electrolyte manufacturing time by more than 20%, according to Frost & Sullivan, improving electrolyte feeding precision by over 20%, and reducing impurity content during electrolyte manufacturing by over 20%; pneumatic conveying processes improve conveying efficiency by more than 50%.

Comprehensive Product Portfolio Covering Diverse Applications

We have continued to expand our product offerings to create an extensive product portfolio covering all key application areas, including power batteries, ESS batteries, consumer electronics batteries and emerging application scenarios. Our electrolyte products are generally specially developed formulations that can be customized to meet the unique needs of each customer. We design formulations according to specific application requirements, ensuring that it perfectly matches the intended end-use product. For customers without particular specifications, we also offer our proprietary formulations, providing reliable products that balance performance, safety and versatility. See "— Our Products." While continuously developing products for diverse applications, we also ensure the quality of our electrolyte products. Our product's first pass yield rate reached 99.95% in 2025 and 99.94% in the six months ended June 30, 2026, significantly higher than the industry average of 92% to 95%, according to Frost & Sullivan. In 2024, we achieved a zero DPPM performance in our product supply to a global new energy technology enterprise. In August 2026, we were invited to participate in 2035 Value-Chain Carbon Neutrality Pathway session of such global new energy technology enterprise as the only electrolyte supplier. Notably, while the industry average product return rate due to quality issue is around 0.3% to 0.8%, our product return rate was 0.04% during the Track Record Period.

Vertical Supply Chain Management Capabilities

We ensure security, stability and cost efficiencies for key raw materials through a variety of methods including minority equity investments, in-house production capacity and long-term agreements. We believe that efficient and flexible supply chain management ensures we can rapidly respond to market demands.

Strategic Planning for Solutes

In November 2025, we acquired a 51.00% equity interest in Shandong Lizhong, which primarily engages in the manufacture of battery materials. See "History and Corporate Structure — Acquisitions and Disposals — Acquisition of Shandong Lizhong." The raw materials we purchased from Shandong Lizhong primarily include $LiPF_6$. We believe through investing in Shandong Lizhong, we can expand upstream battery material production, enhance supply chain resilience and build a vertically integrated business model.

Strategic Planning for Solvents

In July 2023, we invested in Sichuan Mingfang New Energy Technology Co., Ltd. (四川明昉新能源科技有限公司, "**Sichuan Mingfang**"), with cumulative investment of RMB10.0 million to secure an 8.11% equity interest as of the Latest Practicable Date. Sichuan Mingfang is primarily

engaged in solvent products. It completed the production capacity construction in the first half of 2026 and has started to supply solvents to our production base in Yibin, Sichuan Province in June 2026, further securing our raw material supply.

Considering that the acquisition occurred in 2023 and that each of the relevant applicable percentage ratios in respect of the acquisition was less than 25%, the acquisition does not constitute the acquisition of a major subsidiary or business under Rule 4.05A of the Listing Rules. Accordingly, no pre-acquisition financial information of Sichuan Mingfang has been disclosed in the document.

Strategic Planning for Additives

In September 2022, we invested in Yingkou Changcheng New Material Technology Co., Ltd. (營口昌成新材料科技有限公司, "**Yingkou Changcheng**"), with cumulative investment of approximately RMB37.0 million to secure a 8.68% equity interest as of the Latest Practicable Date. Established in 2017, Yingkou Changcheng is a high-tech enterprise and provincial-level specialized and sophisticated small and medium-sized enterprise, primarily engaged in additives products with sales channels covering the whole country. It ranks among the top 10 companies by revenue of China's domestic electrolyte additives industry, according to Frost & Sullivan. Yingkou Changcheng is one of our suppliers of additives. During the Track Record Period, we sourced various additives from Yingkou Changcheng, primarily including succinonitrile (丁二腈), methylene methanedisulfonate (甲基二磺酸亞甲酯), and ethylene sulfate (硫酸乙烯酯).

Although our shareholdings in Sichuan Mingfang and Yingkou Changcheng are minority interests, the investments form part of our upstream integration strategy and strengthen our relationships with suppliers of solvents and additives, which are key raw materials used in electrolyte production. Through these equity investments, we are able to establish and maintain long-term cooperation with such suppliers, including during the early stages of their capacity development, and maintain closer communication regarding their capacity expansion plans, production schedules and future supply arrangements. This enables us to better coordinate our procurement planning, communicate our anticipated demand on a longer-term basis and support the incorporation of our procurement requirements into the suppliers' production and expansion planning. In addition, the equity relationships help align the commercial interests of the suppliers and us and strengthen our commitment to maintaining long-term business cooperation with the suppliers. This enhances the stability, predictability and continuity of supply, particularly during periods of market tightness or increasing demand. In addition, our strategic relationships with such suppliers also facilitate technical collaboration. For example, in March 2025, in response to customer requirements, we collaborated with Yingkou Changcheng to develop a new additive by leveraging its expertise in additive R&D, which was designed to meet the performance requirements of advanced battery systems, including high-voltage and high-temperature resistance, low gas generation and low impedance. Furthermore, as changes in additive and solvent suppliers may require additional qualification, testing and validation procedures, maintaining stable sourcing relationships with Yingkou Changcheng and Sichuan Mingfang helps reduce the operational risks associated with supplier replacement. As a result, the investments improve supply chain coordination, reduce the risk of supply disruptions and strengthen our ability to secure a stable supply of key raw materials for our production operations.

Our strategic equity investment in and long-term cooperation with upstream raw material suppliers, as a key driver of our profitability, secures stable supply and favorable procurement prices. These preferential prices directly cut procurement expenditures and reduce unit product costs. See "— Business Sustainability — Our Path to Sustainable Profitability — Cost Control and Economies of Scale." In addition, our integrated supply chain arrangement supports stable production and reduced operational risks, which indirectly underpin profitability. Reliable upstream supply avoids production disruptions caused by supply shortages or drastic price fluctuations, ensuring continuous output and stable product delivery. Combined with our optimized product formula and production scale, our refined supply chain management not only controls costs but also strengthens our overall profitability and sustainable development capability.

Comprehensive Production Capacity Layout Covering Core Customers

We have established a well-planned production capacity layout with strategically positioned production bases and orderly production expansion. We have built large-scale production bases in Huzhou, Zhejiang Province, Yibin, Sichuan Province, Jining, Shandong Province and Yichang, Hubei Province, strategically positioning us in proximity to major clusters of the new energy battery industry. As of the Latest Practicable Date, our electrolyte production capacity was 180,000 tons per year. To build on this competitive strength to meet evolving market demand, we plan to construct new electrolyte production bases or expand production capacity in Yichang, Jining, Huzhou, Yibin in China, as well as in Szolnok, Hungary. Upon completion, our total electrolyte production capacity will exceed 500,000 tons per year. The expansion of annual production capacity from 180,000 tons to more than 500,000 tons should be viewed as the establishment of a global production platform. Upon completion, our production bases will serve different regional markets and customer groups, creating a flexible manufacturing network that enables localized delivery, risk diversification and coordinated production scheduling. We believe such a platform-based capacity layout will become increasingly important as the battery industry continues to globalize.

The storage and transportation of electrolytes require specialized equipment, making the location of electrolyte production facilities critical for ensuring safety and quality while reducing storage and transportation costs. We have positioned production capacity in concentrated areas of battery manufacturers to achieve precise coverage of customers. Our logistics and cold-chain delivery capabilities then ensure that our products are rapidly transported to customers upon production. We are able to deliver the majority of our products to our customers within hours to two days. Our planned production base in Yichang is located within a five-hour drive from core customers. Our planned electrolyte production base in Hungary will serve globally-leading new energy innovation and technology companies and other internationally renowned customers, most of which are located within a two-hour drive from our production facility. After these facilities become operational, they will further reduce our transportation costs and strengthen our capacity layout advantages.

An Experienced Management Team Forming A Solid Foundation for Stable Operations

We possess an experienced and visionary management team and have established comprehensive talent incentive mechanisms and a skilled professional workforce to drive sustained development.

Our founder and Chairman, Mr. Guo Yingjun, has over 20 years of experience in the new energy battery materials sector, having experienced China's battery materials industry evolution from the early 3C era through the comprehensive rise of power batteries and ESS. He possesses profound insights into electrolyte technology evolution pathways, upstream and downstream supply chain changes, and industry rhythms. He participated in publishing the authoritative industry monograph "Lithium-Ion Secondary Batteries for Electric Vehicles (《電動汽車用鋰離子二次電池》)" and has received multiple honors including Battery Industry Person of the Year (電池行業年度人物). See "Directors and Senior Management — Overview — Executive Directors."

We have assembled a cross-disciplinary, cross-functional and integrated management team with backgrounds spanning electrochemistry, materials science, chemical engineering, automation control, quality management and supply chain. The management team includes not only technical leaders with years of battery material R&D experience, but also management personnel with backgrounds in production operations, intelligent manufacturing, quality systems, and customer project management. The management team possesses mature experience in project collaboration and validation processes with customers across power batteries, ESS batteries, and consumer electronics batteries, enabling us to better understand and meet of customer requirements. The diverse capability structure of our management team enables seamless connection, efficient collaboration, and precise execution throughout the entire process of technology development, process validation, mass production and customer introduction.

In addition, our R&D staff, many of whom graduated from renowned universities in China, possess diverse expertise across the fields of new energy and material chemistry. Leveraging their multidisciplinary knowledge and industry experience, our R&D team is well positioned to address complex technological challenges in electrolyte development. In addition, during the Track Record Period, we also engaged a number of experienced technical experts in the industry as our special counsels, including fellows of the Engineering Academy of Japan, recipients of National Craftsman (大國工匠) honors, founders of electrolyte solvation theory, and postdoctoral researchers from Tokyo Institute of Technology.

Through multidimensional mechanisms including equity incentives, project assessments and special awards, we strengthen the long-term stability and growth of our R&D personnel and management team. We implement equity incentives and performance-oriented mechanisms for key positions, enhancing the participation of core talents in our growth. At the same time, we implement reasonable assessment mechanisms for key R&D projects, linking results transformation, mass production progress and customer validation milestones with team performance, improving R&D investment efficiency. These mechanisms enable us to maintain R&D team stability and sustained innovation momentum amid intensifying industry talent competition.

OUR STRATEGIES

Our key objective is to consolidate and strengthen our established position in the electrolyte industry. In line with this objective, we intend to leverage our competitive strengths and implement the following strategies.

Production Expansion and Global Layout

Strategic Production Expansion in Coordination with Core Customers

We will coordinate with core customers to expand our production capacity, the geographic footprint of our production bases, strengthen our supply chain and reduce transportation costs. Our production strategy is to develop large-scale domestic production bases and establish supporting overseas manufacturing facilities, thereby enabling localized production capacity and products supply across major domestic regions, including Eastern China, Western China, Central China and North China, and overseas markets, including Hungary. Therefore, approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to expand our production capacity and support global expansion, including the establishment of lithium-ion battery materials production bases in Yichang, Hungary and Jining, thereby achieving localized production capacity and enhancing our product delivery capabilities in both domestic and overseas markets. See "Future Plans and [**REDACTED**]."

Intensify Global Customer Development Efforts

We plan to focus on further expanding our global customer base. We believe that there are significant global opportunities, particularly in the new energy vehicle sector. To capture such opportunities, we will continue to ramp up our global customer development initiatives and further strengthen strategic partnerships with leading lithium-ion battery manufacturers. Concurrently with advancing our global production capacity layout, we will continue to enhance localized service capabilities for overseas customers, thereby further growing our global market share.

Vertical Industry Chain Extension

Continuous Enhancement of Upstream Integration

We will continue to strengthen our presence in the upstream segment of the industry chain by identifying and engaging additional raw material manufacturers through approaches such as equity investments and long-term cooperation agreements. These strategies enable us to achieve cost

advantages while ensuring a stable supply of critical raw materials. This approach has proven successful in recent years, as demonstrated by our investments in Yingkou Changcheng in September 2022, Sichuan Mingfang in July 2023 and Shandong Lizhong in November 2025. See "— Our Competitive Strengths — Vertical Supply Chain Management Capabilities." For raw material enterprises in which we have made equity investments, we will further promote integration across product and technology management, production capacity, supply channels and personnel. This will enhance synergies between these manufacturers and our own production operations.

Further Extend Our R&D to Raw Materials

We will continue to expand our R&D efforts in critical upstream raw materials, including solute such as $LiPF_6$, $NaPF_6$, lithium difluorophosphate and sodium difluorophosphate, as well as additives such as cyclic phosphate ester compounds. For solute, we plan to invest in developing next-generation solid-state $LiPF_6$ technology and advancing liquid $LiPF_6$ and $NaPF_6$ production processes, including our patented high-purity phosphorus pentafluoride preparation technology. For additives, we plan to invest in the development of cyclic phosphate ester compounds derived from phosphorus- and epoxy-based chemistries, which serve as electrolyte additives that help enhance battery safety and extend battery lifespan. Through this strategy, we aim to establish a strong technological reserve in raw materials, improve product performance at the source, reduce production costs and reinforce supply chain security. Therefore, approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for R&D activities. Our focus will be on advancing research in next-generation battery materials, such as solid-state electrolytes, as well as other core raw materials including solutes and additives, to further strengthen our technological capabilities. See "Future Plans and [**REDACTED**]."

Continuous Technological Innovation and R&D Investment

Partner with Leading Customers to Complete Technology Upgrades

We will actively pursue strategic cooperation with partners across the global lithium-ion battery industry chain, deepening collaboration in technological innovation. Through these partnerships, we aim to obtain timely technology feedback from customers, conduct joint R&D with other market participants and share R&D risks more effectively. We will work closely with leading international battery manufacturers, aligning with their evolving needs and participating in their product innovation processes. In doing so, we can both meet customer requirements and strongly drive our own product upgrades and technological advancement. In addition, by leveraging the research strengths of universities and scientific institutes, we plan to further enhance our R&D capabilities in lithium-ion battery materials, supporting long-term innovation and competitiveness.

Advance R&D in Emerging Fields

We will further increase investment in product R&D and technological innovation, and consolidate our technological capabilities in the industry by advancing forward-looking layout and R&D in such fields as SSE, hybrid solid-liquid electrolytes, gel electrolytes, sodium-ion battery electrolytes, anion exchange membranes and electrocatalyst materials.

In the field of SSE, we are committed to developing sulfide electrolytes and lithium sulfide raw materials suitable for solid-state batteries. Lithium sulfide is not only a key raw material for sulfide electrolytes, but also can be used as a cathode material. We have also developed oxide electrolytes with NASICON and GARNET structures to enhance the safety and power performance of batteries. SSE and lithium-ion battery electrolytes share the fundamental characteristics of ionic conductivity and electronic insulation, but they differ in performance capabilities. In particular, SSE can support higher energy density: while conventional liquid electrolyte systems typically achieve approximately 180-300 Wh/kg, SSE can reach around 300-450 Wh/kg, thereby enhancing battery life. In addition, SSE offer improved safety, as inorganic SSE are generally non-flammable, non-volatile and free from leakage risks, as well as a wider operating temperature window that can exceed the conventional upper limit of approximately 60°C for liquid electrolyte batteries. Owing to their advantages in energy density, safety and temperature adaptability, they are expected to be widely applied in electric passenger vehicles, low-altitude economy applications, humanoid robots and data center backup systems, enabling longer endurance, enhanced safety and more compact battery configurations. As of June 30, 2026, we had around 20 patents related to solid-state battery materials, covering technological patents for oxide electrolytes with NASICON and GARNET structures, gel electrolytes and other related technologies.

Hybrid solid-liquid electrolytes are generally regarded as an electrolyte technology route that combines solid-state electrolyte materials with liquid electrolyte components. Hybrid solid-liquid electrolytes combine certain advantages of conventional liquid electrolytes, such as high ionic conductivity and good interfacial compatibility, with certain advantages of solid-state electrolyte materials, including improved safety and thermal stability. Hybrid solid-liquid electrolytes are expected to be used in high-energy-density electric vehicles, low-altitude economy applications, robotics and other applications requiring a balance of safety, energy density and commercial feasibility.

In the field of gel electrolytes, we are committed to developing electrolyte systems that combine the electrochemical performance of conventional liquid electrolytes with enhanced safety characteristics. Gel electrolytes contain only a limited amount of free liquid electrolyte, thereby reducing the risk of electrolyte leakage. During short circuit, acupuncture, thermal shock, and crush tests, the cells do not catch fire or explode, while achieving ionic conductivity comparable to liquid electrolytes. While maintaining ionic conductivity and electrochemical performance comparable to those of conventional liquid electrolytes, gel electrolytes can further enhance battery energy density by reducing electrolyte filling volume. In certain battery applications, such as smartphone batteries, energy densities of over 900 Wh/kg can be achieved. Through continuous research and optimization, batteries incorporating our gel electrolyte products can achieve cycling performance comparable to that of conventional liquid electrolytes. Under ambient operating conditions, batteries with our gel electrolyte can achieve cycle life in excess of 1,000 cycles at 80% capacity retention, while under elevated-temperature conditions, cycle life can reach approximately 400 cycles. Gel electrolytes are expected to be used in batteries requiring enhanced safety and leakage resistance, including ESS batteries, consumer electronics batteries and wearable devices. We believe this technology holds also broad prospects in fields with stringent safety requirements such as robots to reduce costs and enhance safety performance and environmental adaptability, and plan to engage in continued R&D to further optimize designs.

In the field of sodium-ion battery electrolytes, sodium-ion batteries using our electrolytes demonstrate ultra-long cycle life, exceeding 10,000 cycles at 80% capacity retention, and high-rate discharge performance with a capacity retention rate of 94% at 25C discharge. We are developing additives to stabilize the interface and mitigate electrolyte corrosiveness, aiming to extend sodium-ion battery service life from the current 8 years to 15 years or longer, establishing sodium-ion batteries as both a safe and economical solution for energy storage applications. Sodium-ion batteries benefit from the wide availability and relatively stable supply of sodium-based raw materials, making them less susceptible to resource constraints and raw material price fluctuations commonly associated with lithium-based battery technologies. These characteristics make sodium-ion batteries well suited for large-scale deployment in ESS and other cost-sensitive applications, supporting the broader commercialization of affordable and scalable electrification solutions.

For the emerging battery material fields, including SSE, gel electrolytes, hybrid solid-liquid electrolytes and sodium-ion electrolytes, we possess mass production capabilities and are able to accommodate small-batch orders that arise from customers' product development, testing, qualification, pilot-production and initial commercialization activities. Our small-batch production services for emerging battery materials are primarily provided in the following circumstances: (i) R&D activities, where customers require limited quantities of materials for product design, formulation development and performance testing; (ii) product qualification and certification processes, where customers conduct battery validation and compatibility testing prior to commercial adoption; (iii) pilot production and demonstration projects, where customers evaluate the feasibility of large-scale commercialization before commencing mass production; and (iv) specialized or emerging application scenarios, such as robotics and low-altitude economy applications, where demand remains relatively niche and products are often customized to meet specific technical requirements. Given that many emerging battery technologies remain at relatively early stages of commercialization and that customers often adopt different technical routes, battery chemistries and performance targets, demand is typically characterized by customized formulations,

limited procurement volumes and ongoing product optimization. In 2023, 2024, 2025 and the six months ended June 30, 2026, the revenue from these emerging battery material fields amounted to RMB10.6 million, RMB7.8 million, RMB13.1 million and RMB2.1 million, representing 0.7%, 0.8%, 0.8% and 0.1% of the total revenue in the respective periods.

Therefore, approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for R&D activities. Our focus will be on advancing research in next-generation battery materials, such as solid-state electrolytes, as well as other core raw materials including solutes and additives, to further strengthen our technological capabilities. See "Future Plans and [**REDACTED**]."

Explore Intelligent Manufacturing Upgrades

In terms of manufacturing equipment, we will continue to improve and upgrade our equipment in production lines, promoting production line evolution toward enhanced automation, better intelligence, and lower carbon footprints. This include automated equipment for conveying, material feeding, filling and $LiPF_6$ pre-dissolution, together with integrated DCS and MES. We will also explore integration of AI technologies to achieve intelligent manufacturing upgrades, building globally leading electrolyte intelligent production lines and further strengthening our leading advantages in product quality and production efficiency.

OUR PRODUCTS

Overview

We are a supplier of lithium-ion battery electrolytes, specializing in the R&D, production and sales of electrolytes and emerging lithium-ion battery materials. According to Frost & Sullivan, in terms of electrolyte revenue, we ranked fourth among electrolyte suppliers globally and in China (including both independent and affiliated electrolyte manufacturers) in 2025 with the market share of 3.6% and 4.7%, respectively.

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)						*(unaudited)*			
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**

Note:

(1) Others primarily represented our sales of raw materials, such as solutes, solvents and additives. The 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 $LiPF_6$.

During the Track Record Period, we generated the majority of our revenue from the sales of electrolytes for power batteries, which accounted for 77.7%, 76.8%, 68.1% and 70.4% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. As we expand our business, we continue to develop diverse electrolyte formulations tailored to our customers' unique requirements, while advancing technologies in emerging fields such as hybrid solid-liquid electrolytes, sodium-ion electrolytes and SSE.

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 and RMB1,971.6 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, representing 99.98%, 99.97%, 99.98% 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.

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by electrolyte product category for the periods indicated:

	Year ended December 31,									Six months ended June 30,					
	2023			2024			2025			2025			2026		
	Revenue	*Gross profit*	*Gross Profit margin (%)*	*Revenue*	*Gross profit*	*Gross Profit margin (%)*	*Revenue*	*Gross profit*	*Gross Profit margin (%)*	*Revenue*	*Gross profit*	*Gross Profit margin (%)*	*Revenue*	*Gross profit*	*Gross Profit margin (%)*
	(RMB in thousands, except for percentages)														
										(unaudited)					
Electrolytes															
Lithium-ion electrolytes	1,559,664	169,487	10.9	1,002,373	40,788	4.1	1,692,437	142,902	8.4	628,485	35,629	5.7	1,901,762	263,870	13.9
Sodium-ion electrolytes	498	185	37.1	1,808	722	39.9	2,890	849	29.4	1,470	291	19.8	375	109	29.1
Others[(1)]	10,092	2,212	21.9	5,970	844	14.0	10,245	3,340	32.6	589	135	22.9	1,685	839	49.8
Total	**1,570,254**	**171,884**	**10.9**	**1,010,151**	**42,344**	**4.2**	**1,705,572**	**147,091**	**8.6**	**630,544**	**36,055**	**5.7**	**1,903,822**	**264,818**	**13.9**

Note:

(1) Others primarily represented SSE, gel electrolytes, hybrid solid-liquid electrolytes.

The following table sets forth the sales volume and average selling price by business line for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price	Sales Volume	Average Selling Price
	tons	*RMB in thousand/ ton*	*tons*	*RMB in thousand/ ton*	*tons*	*RMB in thousand/ ton*	*tons*	*RMB in thousand/ ton*	*tons*	*RMB in thousand/ ton*
Electrolytes	**52,670**	**30**	**60,676**	**17**	**107,094**	**16**	**42,332**	**15**	**77,164**	**25**
Electrolytes for power batteries	40,556	30	46,806	17	75,209	16	31,117	15	56,446	25
Electrolytes for ESS batteries	7,624	25	11,198	14	30,164	15	10,410	14	19,700	24
Electrolytes for consumer electronics batteries	4,372	35	2,617	24	1,630	30	758	28	964	40
Electrolytes for emerging applications	118	46	55	28	91	30	47	29	54	44
Others[(1)]	**709**	**9**	**843**	**12**	**3,507**	**12**	**692**	**9**	**15,124**	**5**

Note:

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

The average selling price of our electrolytes decreased from 2023 to 2024. We adjust prices of our electrolyte products in accordance with the market price of solutes, such as $LiPF_6$, our core raw material. According to Frost & Sullivan, the average price of $LiPF_6$ experienced a surge from approximately RMB132,500 per ton in early 2021 to over RMB560,000 per ton in March 2022, primarily driven by explosive growth in global demand for NEVs and limited effective upstream capacity. As new upstream production capacity was gradually commissioned and the supply chain gradually stabilized, the average price of $LiPF_6$ decreased from approximately RMB130,200 per ton in 2023 to RMB62,500 per ton in 2024. In addition, we strengthened our competitive pricing strategy for electrolytes for ESS batteries to accelerate market penetration, broaden our customer base and increase our market share in this sector, see "Financial Information — Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin." Largely as a result, the prices of our electrolyte products declined from approximately RMB30,000 per ton in 2023 to approximately RMB17,000 per ton in 2024. The average selling price of our electrolytes remained relatively stable at approximately RMB17,000 per ton in 2024 and approximately RMB16,000 per ton in 2025, largely in line with the relatively stable average market price of $LiPF_6$, which was approximately RMB62,500 per ton in 2024 and RMB75,800 per ton in 2025, even though the average market price of $LiPF_6$ increased in the fourth quarter in 2025 to over RMB170,400 per ton in December 2025, according to Frost & Sullivan. The average selling price of our electrolytes increased from approximately RMB15,000 per ton in the six months ended June 30, 2025 to approximately RMB25,000 per ton in the six months ended June 30, 2026. See "Industry Overview — Overview of the Global Electrolyte Industry — Market Size Analysis of the Global Electrolyte Industry" and "Industry Overview — Price Analysis of Raw Materials and Electrolyte Products." According to Frost & Sullivan, the average selling prices of our electrolyte products by business line are generally in line with industry trends.

Notably, the average selling price of electrolytes for consumer electronics batteries increased from RMB24,000 per ton in 2024 to RMB30,000 per ton in 2025, while the average selling prices for other electrolytes remained relatively stable during the same period, primarily due to differences in product mix and pricing dynamics. Electrolytes for consumer electronics batteries are largely customized products and are typically priced on an order-by-order basis, which enables faster and

more effective pass-through of cost changes and supports timely price adjustments. Meanwhile, the continued ramp-up of higher-end customized products further improved the product mix, contributing to the overall increase in average selling price. By contrast, electrolytes for power and ESS batteries are more standardized with relatively consistent pricing mechanisms, resulting in more stable average selling prices.

The average selling price of our raw materials was approximately RMB9,000 per ton, RMB12,000 per ton, RMB12,000 per ton, RMB9,000 per ton and RMB5,000 per ton in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. The average selling price of our raw materials fluctuated in line with variations in customer's specific demand for raw materials of electrolytes.

Electrolytes

Our electrolyte products are generally specially developed formulations that can be customized to meet the unique needs of each customer. We design formulations according to specific applications requirements, ensuring a good match with the intended end-use products. For customers without particular specifications, we also offer our proprietary formulations, providing reliable products that balance performance, safety and versatility. Our product portfolio can be broadly classified into the following categories:

Electrolytes for Power Batteries

Power batteries are primarily used in NEVs, including commercial vehicles and passenger vehicles, and other applications, such as electric vessels, heavy-duty electric trucks and other electric industrial machinery, requiring high energy density and power output. Power batteries using our electrolytes meet the core technical requirements of the electrical vehicle ("**EV**") industry, including fast charging capability, wide temperature adaptability, high energy density and compliance with national safety standards.

Electrolytes for ESS Batteries

ESS batteries are used in both front-of-the-meter (grid-side, owned by power companies for large-scale grid support) and behind-the-meter (user-side, owned by users for self-consumption and cost reduction) applications, including grid-scale ESS, base station backup power, household photovoltaic-storage systems, electric vehicle photovoltaic-storage charging stations, AI data centers and other applications. Our electrolytes for ESS batteries have completed a 24-hour storage test at a high temperature of 45°C and a 60-day storage test at a normal temperature of 15°C. Key indicators remained nearly unchanged throughout the testing period, demonstrating thermal stability and long-term chemical stability. This can ensure the reliable operation of ESS batteries under high and low temperature conditions and long-term storage scenarios, and meets the core requirements of large-scale energy storage applications for long cycle life, high safety and wide temperature adaptability of batteries. ESS batteries using our electrolytes are designed to deliver long cycle life, high safety and cost-effectiveness to meet the requirements of large-scale energy storage applications.

Electrolytes for Consumer Electronics Batteries

Batteries for consumer electronics are used in mobile phones, laptop computers, tablets, wearable devices, power tools and other consumer electronic products. Our electrolytes for consumer electronics batteries are engineered for consumer electronics batteries with high-voltage and high energy density capability, fast-charging performance, wide temperature adaptability, and safety to meet the diverse requirements of modern consumer applications.

Electrolytes for Emerging Applications

Batteries for emerging applications are primarily used in robots and low-altitude economy applications, such as drones used for logistics and agricultural operations, aircraft for urban air mobility, as well as aerial mapping and emergency response systems. Our electrolytes for emerging applications are engineered for batteries with extreme temperature resilience, ultra-fast charging capability, enhanced safety, and operational reliability to meet the requirements of specialized and next-generation energy applications.

Key Features and Technical Specifications of Our Selected Electrolyte Products

The following table sets forth our several selected electrolyte products:

Products	Key features and technical specifications	Key applications
LFP electrolytes (磷酸鐵鋰電解液)	**For LFP power batteries:** Electrolytes designed for LFP power batteries. The mixed solute formulation enhances ionic conductivity and stability of the electrolytes, while appropriate acid-suppressing additives reduce corrosion and damage of cathode and anode interface. Batteries using these electrolytes can achieve: (i) wide temperature range performance and long cycle life: at 2C, capacity retention rate reaches 90% after 2,000 cycles; and (ii) high-temperature thermal stability, maintaining a capacity retention rate of 80% after 600 cycles at a high temperature of 85°C.	Power batteries
	For LFP ESS batteries: Electrolytes designed for LFP ESS batteries. Utilizing composite solutes combined with high-performance additive packages, the electrolytes form low-impedance, low-consumption and high-toughness solid electrolyte interphase, ensuring interfacial stability between the electrolytes and materials, thereby significantly improving battery cycle life and high-temperature adaptability. Batteries using these electrolytes can achieve ultra-long cycle life performance: (i) at 25°C, capacity retention rate exceeds 84% after 8,000 cycles, and based on measured data, capacity retention rate is projected to reach approximately 80% after 12,000 cycles; and (ii) after 140 days of storage at 60°C and 100% state of charge, capacity retention rate reaches over 80%.	ESS batteries
High-voltage ternary electrolytes (高電壓三元電解液)	Electrolytes designed for high-voltage ternary power batteries. Through high-voltage resistant solvent optimization and effective coordination of efficient film-forming additives, these electrolytes suppress high-voltage interfacial side reactions. By precisely regulating solvation effects, metal ion dissolution is inhibited, enhancing battery cycle life. Batteries using these electrolytes can achieve capacity retention rate exceeding 90% after 2,500 cycles at 25°C, representing a leading position compared to the industry average of 1,500 to 2,500 cycles, according to Frost & Sullivan.	Power batteries

Products	Key features and technical specifications	Key applications
High-voltage electrolytes for lithium cobalt oxide (鈷酸鋰高電壓電解液)	Electrolytes designed for high-voltage LCO systems. By introducing high-voltage-resistant solvents to prevent continuous oxidative decomposition of electrolytes under high-voltage conditions, and through the combined use of specific metal-stabilizing additives and interfacial protection additives, electrode interfacial degradation and cobalt dissolution are suppressed, enable the batteries to achieve higher energy density and extended cycle life. At 25°C, 4.5V high-voltage LCO batteries using these electrolytes can achieve a cycle life of 1,200 cycles, higher than the industry average of less than 1,000 cycles, according to Frost & Sullivan.	Consumer electronics batteries
Gel electrolytes (凝膠電解質)	Gel electrolytes for ternary and LFP systems. Utilizing in-situ curing gel electrolyte technology, gel electrolyte products have been developed through precise optimization and selection of polymer monomers and initiators. The gel electrolytes formed after curing possess ionic conductivity comparable to liquid electrolytes while featuring a multi-dimensional network structure that effectively suppresses side reactions between the electrolytes, cathode and anode materials. Gel electrolytes enhance the safety performance of lithium-ion batteries, ensuring batteries do not catch fire or explode during safety tests such as acupuncture, hot box, and overcharge tests. Gel electrolytes can enable lithium-ion batteries to withstand hot box temperatures up to 200°C, and reach a cycle life of 2,000 cycles at capacity retention rate of 80%.	Power batteries, consumer electronics batteries, emerging applications
Ultra-low temperature electrolytes (超低溫電解液)	Batteries using these electrolytes can significantly improve low-temperature adaptability, enabling long-term stable operation under extreme low temperatures. Capacity retention rate exceeds 90% at -40°C and rate exceeds 65% at -68°C, whereas conventional ultra-low temperature electrolytes in the industry are typically only applicable within a range of -20°C to -40°C, according to Frost & Sullivan.	Emerging applications
Super-long cycle life/high-rate sodium-ion battery electrolytes (超長循環壽命/高倍率鈉離子電池電解液)	Electrolytes designed for sodium-ion batteries. Through solid electrolyte interphase additive optimization, a dense, stable solid electrolyte interphase with ultra-high ionic conductivity is formed on the battery anode surface, significantly reducing the solubility of solid electrolyte interphase components in electrolyte solvents and minimizing active sodium loss during long-term cycling. Sodium-ion batteries using these electrolytes simultaneously achieve ultra-long cycle life and high-rate characteristics. At 25°C and a capacity retention rate of 80%, batteries using these electrolytes can achieve a cycle life of 10,000 cycles at 1C/1C and can reach continuous discharge capacity retention rate at 25°C of over 94%.	ESS batteries, emerging applications

Products	Key features and technical specifications	Key applications
Flame-retardant electrolytes (阻燃電解液)	Flame-retardant electrolytes designed for LFP batteries in high-safety applications. Utilizing composite technology of novel flame-retardant solvents and flame-retardant additives, when applied to LFP batteries, the electrolytes significantly reduce heat generation during battery failure and provide wide temperature adaptability and can support high-rate charge and discharge requirements from 1C to 5C. During safety tests including short circuit, acupuncture, thermal shock, and crush tests, batteries using these electrolytes do not smoke, fire, or explode throughout the process, effectively enhancing battery safety performance.	Power batteries, ESS batteries, emerging applications
Oxide electrolytes (氧化物電解質)	Taking LATP oxide electrolytes as an example, their ionic conductivity can reach 0.7 mS/cm, higher than the industry average of 0.3 mS/cm, according to Frost & Sullivan. Batteries using these electrolytes achieve performance advantages including high safety and high power.	Power batteries, ESS batteries, emerging applications
Sulfide electrolytes (硫化物電解質)	Taking coarse-powder sulfide electrolytes as an example, their ionic conductivity can reach 12 mS/cm, higher than the industry average of 8 mS/cm, according to Frost & Sullivan. Batteries using these electrolytes achieve performance advantages including high safety and high energy density.	Power batteries, ESS batteries, emerging applications

Others

During the Track Record Period, in addition to supplying our customers with electrolyte products, we occasionally provided a small quantity of the raw materials required for the production of such electrolytes to these customers at their request to support their relevant R&D or production needs.

RESEARCH AND DEVELOPMENT

Through our dedicated R&D efforts, we continuously improve our technical capabilities and promote product and technological innovation. We have established our own R&D bases in Xianghe, Hebei Province and Huzhou, Zhejiang Province, housing four specialized R&D centers, focusing on synthesis, electrolyte formulation, process R&D, respectively. We primarily conduct R&D independently, complemented by collaborative and commissioned R&D initiatives.

- ***Synthesis R&D Center:*** It focuses on developing high-yield, low-energy-consumption and environmentally-friendly synthesis routes for core components including solutes, solvents and additives, and collaborating with the procurement department to reduce raw material costs.

- ***Electrolyte Formulation R&D Center:*** It focuses on electrolyte formulation design, material screening, mechanism research, full-process validation and failure analysis. It delivers specifications and manufacturing processes to support mass production conversion, quality control and technology iteration, while interfacing with customers and suppliers.

- ***Process Development R&D Center:*** It establishes the technical pathway from laboratory formulations to industrial-scale mass production, conducting process design, optimization and validation across the entire electrolyte production workflow.

- ***Frontier R&D Center:*** It focuses on the development of our emerging products and technologies, such as solid-state battery related products. It also provides technical support and oversees production planning, facility construction and product delivery of our solid-state battery related products.

We are committed to investing in R&D to enhance our technology capabilities that can further empower our business operations and catalyze innovation throughout our various business lines and expand the downstream application scenarios of our products. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development expense was RMB19.7 million, RMB24.1 million, RMB30.2 million, RMB11.3 million and RMB25.8 million, respectively.

Our R&D System

We have established a proprietary R&D and innovation system built upon our accumulated understanding of research methodologies and scientific theories such as molecular dynamics and electrochemical phase-field methods, and leveraging extensive industry experience and technical expertise accumulated over years of specialization in the lithium-ion battery electrolyte sector, which is reflected in the following aspects:

- ***Electrolyte formulation R&D:*** Guided by solvation theory and based on visualized solvation structures and molecular interface models, we used a quantitative design methodology for functional electrolytes and compatible battery systems grounded in solvation structural chemistry as the underlying logic. This approach has successfully transformed our R&D model from the traditional trial-and-error formulation model to a theory-driven design model.

- ***Additive R&D:*** We possess accumulated understanding of the rational combination and mechanistic principles of additives. We are leveraging AI computation to conduct R&D design driven by both data and mechanisms.

- ***Product R&D:*** We pursue customer-oriented development through collaboration and joint R&D partnerships with leading customers. In emerging battery material fields such as SSE and sodium-ion battery electrolytes, we actively pursue technological innovation and have independently developed multiple proprietary technologies. See "— Our Proprietary Technologies."

- ***Engineering System:*** We possess the capability to rapidly transform research into stable large-scale production. We have integrated digital and intelligent R&D tools in our R&D process management. Through refined R&D process control, we effectively reduce overall R&D costs and improve the commercial success rate of R&D projects.

Our R&D Process

We have standard operating procedures for the development of new products. The following chart sets out our procedures in developing new electrolyte products:



R&D requirement identification: This stage primarily focuses on the identifying and verifying R&D requirements. To define requirements, we analyze potential demands from both customers and internal teams, then complete a project initiation application. A project review committee is established to oversee the process. For requirements verification, we hold a project kick-off meeting to discuss the background, objectives, expected timeline, quality standards and deliverables. A research and analysis report is prepared, and the committee assigns a project classification level.

Project review and approval: The review committee evaluates the project through needs assessment and interaction review, determines the technical solution and sets project assessment indicators.

Design and development: We formulate a technical solution with clearly defined milestones and task schedules. Testing workflows and standards are established, and risk analyses are conducted to address schedule, personnel, technical and environmental risks. Based on the technical solution, we reassess project resources and workload requirements.

Technical verification: This stage includes small-scale testing and pilot-scale testing with stage reviews, where testing verification reports will be produced. Monthly progress reports are presented at regular meetings. Mass production verification follows, including process validation, review sessions, and final verification reports. Approval for mass production is granted upon successful verification, with documentation and coding standards executed in line with company-wide protocols.

Project closure: The review committee conducts project closure review on deliverables, documentation and overall performance. Results review forms, closure reports, and presentation materials are generated to formally conclude the project.

Our R&D Team

We have an experienced and highly professional team. As of June 30, 2026, our in-house R&D team consisted of 81 members, representing 10.6% of our total employees. Of these R&D professionals, 30 held a master's degree or higher, and a significant number are graduates of leading universities in the PRC, with diverse expertise spanning the fields of new energy and materials chemistry. Leveraging their multidisciplinary knowledge and industry experience, our R&D team is well positioned to address complex technological challenges in electrolyte development. We believe their professional approaches not only contribute to the advancement of our proprietary technologies but also enhance product performance, strengthen our competitive advantages and support the sustainable growth of our business.

Our Proprietary Technologies

We are committed to continuously developing technologies and products to strengthen our competitive edge. We have successfully developed several leading proprietary technologies for electrolytes, including:

- ***Flame-retardant electrolyte system:*** This system adopts a composite strategy integrating solvent and flame-retardant additive technologies to develop high-safety flame-retardant electrolytes. While preserving largely uncompromised electrochemical performance, including high and low-temperature performance and discharge performance, the product elevates the safety protection level of battery cells, ensuring no ignition or explosion occurs in rigorous safety tests such as short-circuit, nail penetration, thermal shock, overcharge and crush tests. Boasting outstanding safety performance and electrochemical compatibility, this flame-retardant electrolyte product exhibits broad application prospects and market value in sectors with stringent battery safety requirements, including rail transit, new energy storage, aerospace and NEVs.

- ***Super-long cycle life sodium-ion battery electrolyte technology:*** through additive optimization, a dense, stable sodium electrolyte interphase with ultra-high ionic conductivity is formed on the battery anode surface, reducing active sodium loss during long-term cycling. Sodium-ion batteries using these electrolytes simultaneously achieve ultra-long cycle life and high-rate characteristics, demonstrating significant application potential in communication base stations and data centers.

- ***High-nickel ternary and silicon-based anode electrolyte technology:*** By addressing silicon anode system expansion and solid electrolyte interphase film instability issues, this technology significantly improves discharge capacity retention rate to exceed 97% at 4C rate, with cycle life maintaining 80% capacity retention rate after 900 cycles. The technology is also designed for outdoor environments ranging from -30°C to 60°C, achieving 90% capacity at -30°C, and passes hot box tests at 130°C. High energy density batteries equipped with this technology are used in drones.

- ***Ultra-low temperature electrolyte technology:*** This technology significantly improves lithium-ion transmission rates at low temperatures, with capacity retention rates of over 90% at -40°C and over 65% at -68°C, enabling long-term stable battery operation under extreme low temperatures. Batteries equipped with this technology are primarily applied in northern base station communication equipment, Antarctic expeditions, and aerospace, marine, and other special applications.

In addition, we have developed core technologies in the production of solutes to help ensure supply chain security while reducing costs. Such technologies include:

- ***High-purity phosphorus pentafluoride technology:*** This technology is applied for the preparation of phosphorus pentafluoride, with the product achieving a purity of 99.99% and above. This technology has obtained the invention patent "A Method for Preparing High-Purity Phosphorus Pentafluoride Gas Using Non-aqueous $LiPF_6$ Ionic Liquid (一種非水六氟磷酸離子液體製備高純五氟化磷氣體的方法)". Phosphorus pentafluoride can be used in the production of $LiPF_6$.

- ***Synthesis process technology for lithium bis(fluorosulfonyl)imide (雙氟磺酰亞胺鋰):*** The core intermediate in this technology adopts a green synthesis process, featuring low cost and environmental friendliness. Currently, lithium bis(fluorosulfonyl)imide can be used as an electrolyte additive or solute, which partially replaces $LiPF_6$, and significantly enhances the high-temperature performance and normal-temperature cycle performance of batteries.

Our Key R&D Projects

We are committed to advancing our R&D projects to facilitate the development and commercialization of our products. The table below sets forth the details of our several key R&D projects as of the Latest Practicable Date.

R&D projects	Independent/ Joint R&D	Self-initiated/ customer-driven	Targeted outcomes	Development stage	Expected commercialization/ launch time
R&D and Industrialization of Oxide and Sulfide Solid Electrolytes (氧化物及硫化物固體電解質研發及產業化) . .	Independent R&D	Self-initiated	To achieve mass production of oxide and sulfide solid electrolytes	Under verification	Commercialization of oxide solid electrolytes in 2026 and sulfide solid electrolytes in 2027

R&D projects	Independent/ Joint R&D	Self-initiated/ customer-driven	Targeted outcomes	Development stage	Expected commercialization/ launch time
Development and Application of High-Performance Anion Exchange Membranes and Electrocatalyst Materials for High-Performance AEM Water Electrolysis Systems (用於高性能AEM電解水系統的高效陰離子交換膜與電催化劑材料的開發與應用)	Joint R&D	Self-initiated	To develop high-performance anion exchange membranes and electrocatalyst materials for AEM water electrolysis systems	Under development	Commercialization of electrocatalyst materials for AEM water electrolysis systems in 2028 and anion exchange membranes for AEM water electrolysis systems in 2029
Development of High-Safety Electrolytes (高安全電解質開發)	Independent R&D	Self-initiated	To achieve satisfactory nail-penetration safety performance for high-nickel batteries without fire or smoke emission and without compromising battery performance	Under development	Commercial promotion in 2026
Development of High-Performance and Low-Cost Sodium-Ion Batteries (高性能低成本鈉離子電池研製)	Joint R&D	Customer-driven	To establish a mass production platform for sodium-ion battery electrolytes	Under development of key technologies for sodium-ion battery electrolyte production process	Commercialization in 2027
Development of Safe Electrolyte – Gel Electrolyte Formulation (安全型電解液-凝膠電解質配方開發)	Independent R&D	Self-initiated	To develop a gel electrolyte that addresses thermal runaway safety issues of batteries	Under verification	Commercialization in 2027

As of June 30, 2026, we had 171 registered patents in China. Substantially all such patents were developed independently by us. As of June 30, 2026, we had two registered patents in Japan.

Our R&D efforts have received wide recognition. For example, in April 2025, our R&D and industrialization project for key technologies in high-energy-density and high-safety power lithium-ion battery electrolytes was awarded the Hebei Province Science and Technology Award (河北省科學技術獎) from the People's Government of Hebei Province (河北省人民政府). See "— Awards and Recognitions."

Advances in Emerging Technologies

We believe the lithium-ion battery industry will continue to evolve towards higher safety, higher energy density and faster charging products. In order to take advantage of such trend, we have proactively positioned ourselves in emerging sectors.

Our developed sulfide SSE have achieved ionic conductivity of 12 mS/cm, approaching liquid electrolyte performance, and have been successfully adapted to high-nickel ternary and silicon-based anode systems. Such electrolytes can be mass produced and can be used in power batteries for passenger vehicles. Our developed oxide lithium aluminum titanium phosphate SSE have achieved ionic conductivity of 0.7 mS/cm.

For the lithium anode-free electrolyte technology, we are collaborating with downstream customers to develop electrolyte products for battery cell systems with an energy density of 400 Wh/kg. By designing and developing key electrolyte components including solvents and $LiPF_6$, we have initially completed the construction of a electrolyte system, which mitigates the formation of lithium dendrites and lithium loss during battery cycling, thereby providing an effective solution for the design of high-energy-density battery cells.

For sodium-ion battery systems, we are undertaking national-level research projects. We have developed specialized electrolyte products, focusing primarily on ESS, grid peak shaving and other application scenarios, collaborating with multiple sodium battery manufacturers and achieving supply in batches.

Our R&D Cooperation

We collaborate with a number of research institutes and universities to enhance our R&D capabilities in the lithium-ion battery materials field. For example, in January 2026, a joint research project on key materials for high-safety batteries and supercapacitors, which we conducted in collaboration with a university and two of our customers, passed the acceptance check for the Zhejiang Provincial Science and Technology Program (浙江省科技計劃項目). We have also entered into strategic cooperation agreements with some leading Chinese solid-state battery customers to conduct joint development in solid-state, hybrid solid-liquid and liquid-state electrolytes. We believe these collaborations will allow us to continue to enhance and upgrade our existing technologies, while also providing valuable insights into prevailing industry trends and emerging innovations. The salient terms of our typical cooperation agreements are set forth below:

- ***Objective:*** The R&D objectives are specified in the cooperation agreements.

- ***Costs and resources:*** We may provide funding and experimental equipment for R&D, along with raw materials for development and composition data for solutions, according to the cooperation agreements. The cooperation partners provide technical guidance and support, helping us enhance relevant technologies, joint-develop relevant electrolyte products and address challenges during pilot-scale testing and facilitating the transition to mass production.

- ***Milestone and profit sharing:*** Our cooperation partners generally do not enjoy any rights to the subsequent income or benefits arising from the relevant technological achievements. We generally pay fixed amounts to such partners by instalments in accordance with agreed project milestones. We generally pay 10% or 20% of the total fee upon execution of the agreement. Subsequently, in accordance with the R&D progress, we pay partial fees at respective stages after the jointly-developed electrolytes meet the stage-specific technical specifications and pass the stage-specific performance tests as set forth in the agreement.

- ***Intellectual property rights:*** Both parties will jointly own the relevant technological achievements and intellectual property rights arising from such cooperation. Each party shall have the right to make subsequent improvements to the technological achievements jointly developed under the cooperation. Any new technological achievements arising therefrom shall be owned by the improving party. Where the improving party is the cooperation partner, we shall have the right of first use in respect of such new technological achievements.

- ***Confidentiality:*** Both parties shall maintain confidentiality of related documents and commercial secrets, and should not disclose any information to third parties without written consent.

Commissioned R&D

We commission certain R&D projects to universities, research institutes and enterprises, which may execute certain aspects of the R&D work for us, including background studies, research planning, structural design, synthesis and performance testing. The salient terms of our typical commissioning agreements are set forth below:

- ***Objective:*** The commissioned party shall achieve the technological objectives as specified in the commissioning agreements.
- ***Costs and resources:*** We provide funding for R&D and procure raw materials for development, while the commissioned party provides premises and equipment required for R&D.
- ***Intellectual property rights:*** We are the sole owner of the technological achievements and intellectual property rights arising from the execution of the commissioning agreements.
- ***Confidentiality:*** All parties shall maintain confidentiality of any non-public information obtained during the discussion and execution of the agreement, and may not disclose such information to any third parties without prior consent of the other party.

PRODUCTION

Our Production Bases

As of the Latest Practicable Date, we operated four production bases in China, which were located in Huzhou, Zhejiang Province ("**Huzhou Production Base**"), Yibin, Sichuan Province ("**Yibin Production Base**"), Jining, Shandong Province ("**Jining Production Base I**") and Yichang, Hubei Province. The following table sets forth detailed information relating to our production bases:

Location	GFA	Products Manufactured	Year of Commencement of Production	Key Features
Huzhou, Zhejiang Province	23,811.93 sq.m	Lithium-ion and sodium-ion electrolytes	2019	Our lithium-ion battery electrolyte production base covering Eastern and Southern China.
Yibin, Sichuan Province	34,615.29 sq.m	Lithium-ion electrolytes	2023	Our lithium-ion battery electrolyte production base covering Central and Western China.
Jining, Shandong Province	56,733.58 sq.m	$LiPF_6$	2023[(1)]	Our raw materials production base.
Yichang, Hubei Province	100,728.3 sq.m	Lithium-ion electrolytes	2026[(2)]	Our lithium-ion battery electrolyte production base covering Central China.

Notes:

(1) Our Jining Production Base I has been operated by Shandong Lizhong since it commenced production in November 2023 in which we acquired a 51.00% equity interest in November 2025.

(2) In November 2026, we obtained the Trial Production Notification Letter (試生產告知書) issued by the competent authority, permitting us to commence trial production.

The following map sets out our current production bases and bases under planning:



Note:

(1) To build on this competitive strength to meet evolving market demand, we plan to construct new electrolyte production bases or expand production capacity in Yichang, Jining, Huzhou, Yibin in China, as well as in Szolnok, Hungary.

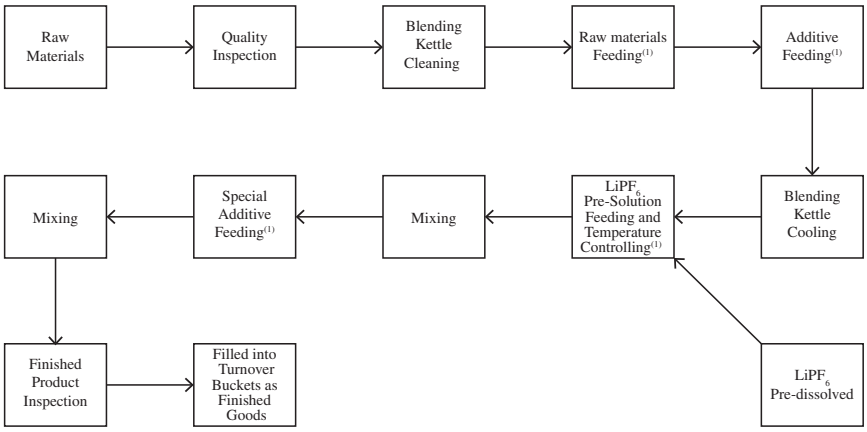
Production Machinery and Equipment

Our production bases are generally equipped with professional machinery and equipment. Our major machinery and equipment used for the production of electrolytes include: (i) container equipment, including mixing reactors and storage tanks; (ii) filling equipment, including transfer tanks and circulation tanks; (iii) compressors; (iv) pump equipment, including magnetic pumps and product filling pumps; and (v) complete equipment sets, including purified water systems.

All the machinery and equipment for production are owned by us, and were primarily purchased from reputable equipment manufacturers in the PRC during the Track Record Period. We work with our equipment suppliers to repair and maintain our machinery and equipment on a regular basis to ensure good working condition. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any prolonged suspension of the production process or significant interruption in our business operations due to production equipment failures or breakdowns.

Production Process

Our production adheres to the quality standards and product specifications required by our customers. In order to manufacture products with consistent quality, we maintain stringent technical standards in our production processes. The typical lead time from raw material preparation to finished product is approximately 48 hours. The following diagram sets out the main steps of the production process for our electrolyte products.



Note:

(1) Our various electrolyte products differ primarily in their formulations. At the feeding stages, different types and quantities of solutes, solvents and additives are introduced according to the specifications of individual production work orders.

We have independently developed a series of enhanced electrolyte production processes, which effectively improve production efficiency, reduce costs and ensure product quality. The $LiPF_6$ powder conveying process adopts automatic weight control to realize error prevention and foolproofing of feeding quantity, where typical industry feeding remains semi-manual and less precise, according to Frost & Sullivan. As $LiPF_6$ powder is highly sensitive to moisture and impurities, we use a fully enclosed conveying system with dry nitrogen gas to transport the material without exposure to air. This helps maintain product quality, enhances production safety and enables continuous automated operation. Taking the production of 24-ton pre-dissolved salt as an example, the feeding time of $LiPF_6$ is shortened from the original 4 hours to 2 hours, and the conveying efficiency is increased by more than 50%.

Combined with automatic feeding, our additive pre-dissolution process not only reduces the feeding time, but also improves the accuracy and reliability of feeding, surpassing conventional batch based processes and shortening the overall conventional production time by more than 20%, according to Frost & Sullivan. In simple terms, certain additives used in electrolyte production are added in very small quantities and therefore need to be distributed evenly throughout the electrolyte. To achieve this, solid or liquid additives are first dissolved in a solvent to form a uniform solution before being transferred to the main mixing tank. The solvent parallel feeding process improves the efficiency of solvent feeding by more than 50%. Instead of feeding different solvents one by one through a shared pipeline, as is common in conventional production processes, our solvent parallel feeding process uses separate pipelines and metering devices for different solvents, allowing multiple solvents to be fed into production simultaneously. For the production of 20-ton electrolyte, the total solvent feeding time is reduced from the original one to 1.5 hours to less than half an hour which is approximately 50% faster than the industry average, according to Frost & Sullivan.

The ton-barrel closed solvent cleaning process reduces the loss of parts and components caused by the disassembly of ton-barrels, improves the cleaning efficiency by more than 50%, and at the same time enhances the operation efficiency of ton-barrels and reduces the cleaning labor, compared with traditional open cleaning methods with higher wear and inefficiency in industry, according to Frost & Sullivan. Instead of manually opening and cleaning ton-barrels, our process uses a fully enclosed and automated cleaning system that removes residual electrolyte, cleans the interior with solvents and dries the ton-barrels without exposing them to the surrounding environment. For packaging barrels of 200L and below, the nitrogen purging process is adopted: after the packaging barrels are cleaned and dried, nitrogen is used for purging instead of the original solvent rinsing process, which improves the adaptability of packaging barrels, reduces the introduction of foreign components caused by incorrect use of packaging barrels, reduces the work intensity of employees and improves the barrel cleaning efficiency.

In addition, we have optimized the cleaning process of the blending kettle by adjusting the cleaning method and solvent dosage, which reduces the solvent consumption for kettle cleaning by more than 50% compared with conventional cleaning methods in industry and effectively reduces the cost of kettle cleaning, according to Frost & Sullivan. After production is completed, a controlled amount of cleaning solvent is added into the blending kettle in a closed environment to dissolve and remove residual electrolyte left on the inner surfaces of the kettle. The cleaning liquid is then discharged and the kettle is dried and inspected before being reused. This helps reduce solvent consumption, improve cleaning efficiency and lower cleaning costs. These self-developed production processes form our core technical advantages in the electrolyte production field, laying a solid foundation for the stable and efficient operation of production.

Production Capacity, Volume and Utilization Rate

For the construction and operation of our in-house production bases, we normally take into account not only our historical and current sales volume, but also our projections for future development of the lithium-ion battery and electrolyte industries. In addition, we plan our electrolyte production capacity to accommodate our expected business growth, including the mass production of hybrid solid-liquid electrolyte, sodium-ion electrolyte and SSE. The following table sets forth the designed production capacities, production volumes and utilization rates for our electrolyte products for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
Electrolytes					
Designed production capacity[(1)] (tons)	120,000	180,000	180,000	90,000	90,000
Production volume[(2)] (tons)	52,700	61,732	108,221	42,329	78,547
Utilization rate[(3)] (%)	43.9	34.3	60.1	47.0	87.3

The following tables set forth the designed production capacities, production volumes and utilization rates of our production bases for the periods indicated:

Huzhou Production Base

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
Electrolytes					
Designed production capacity[(1)] (tons)	60,000	60,000	60,000	30,000	30,000
Production volume[(2)] (tons)	45,772	32,662	50,725	21,756	35,503
Utilization rate[(3)] (%)	76.3	54.4	84.5	73.5	118.3

Yibin Production Base

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
Electrolytes					
Designed production capacity[1] (tons)	60,000[4]	120,000	120,000	60,000	60,000
Production volume[2] (tons)	6,928	29,069	57,496	20,573	43,044
Utilization rate[3] (%)	11.5	24.2	47.9	34.3	71.7

Jining Production Base I[5]

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
$LiPF_6$					
Designed production capacity[1] (tons)	139	2,000	10,000	2,500	5,000
Production volume[2] (tons)	23	401	1,730	692	2,378
Utilization rate[3] (%)	8.6	20.1	17.3	27.7	47.6

Notes:

(1) The designed production capacity for the year/period is calculated based on the following assumptions: (i) all the production lines are operating at full capacity; (ii) our production facilities operate for 336 days on an annual basis and 168 days on an semi-annual basis; and (iii) our production facilities operate for 24 hours on a daily basis with production personnel working in two shifts.

(2) The actual production volume of the year/period represents the total quantity of products produced during that year/period.

(3) The utilization rate for the year/period is calculated by dividing the actual production volume by the designed production capacity for the same year/period.

(4) Yibin Production Base, with its annual production capacity of 120,000 tons, commenced commercial production in July 2023.

(5) Jining Production Base I has been operated by Shandong Lizhong independently since it commenced production in November 2023 prior to our acquisition of a 51.00% equity interest in November 2025. Accordingly, the utilization rates in 2023 and 2024 reflected the operating conditions and business decisions of Shandong Lizhong prior to its consolidation into our Group. The utilization rate of Jining Production Base I remained relatively low in 2023, 2024 and 2025, primarily due to (i) its initial trial production stage, during which production volume was in a gradual ramp-up phase, (ii) the progressive customer acquisition process with the expansion of customer base, as customers generally required supplier qualification, product testing and certification procedures before commencing commercial procurement, resulting in a gradual increase in customer orders and production demand during the ramp-up period, (iii) the relatively lower overall $LiPF_6$ prices in 2023, 2024 and 2025, which put pressure on industry-wide profitability and prompted Shandong Lizhong to adopt a prudent production strategy by aligning production volume with actual customer orders rather than maximizing capacity utilization, resulting in moderate production volume levels, and (iv) following our acquisition in November 2025, additional time was required for the commissioning and optimization of all production lines, as well as for personnel recruitment and training for the operation of production facilities. The utilization rate of Jining Production Base I increased significantly to 47.6% in the six months ended June 30, 2026, primarily driven by improved market demand and increased $LiPF_6$ prices.

Our production capacity for our electrolyte products increased from 120,000 tons in 2023 to 180,000 tons in 2024, primarily due to the commencement of commercial production of our Yibin Production Base in July 2023, with its annual production capacity of 120,000 tons. The increase in production volume of our electrolyte products from 52,700 tons in 2023 to 61,732 tons in 2024 and

108,221 tons in 2025, and from 42,329 tons in the six months ended June 30, 2025 to 78,547 tons in the six months ended June 30, 2026, were mainly due to the increased customer orders in response to growing market demand.

The utilization rate of our electrolyte products decreased from 43.9% in 2023 to 34.3% in 2024, primarily because our newly operational Yibin Production Base was still in the process of developing customers in the surrounding area. By contrast, the utilization rate of our electrolyte products increased from 34.3% in 2024 to 60.1% in 2025, and from 47.0% in the six months ended June 30, 2025 to 87.3% in the six months ended June 30, 2026, mainly due to (i) the increasing order volumes from newly-developed customers of Yibin Production Base, and (ii) the increasing order volumes of Huzhou Production Base, as customer demand for electrolyte products continued to grow. According to Frost & Sullivan, our utilization rates of our electrolyte products during the Track Record Period were relatively higher than the industry average.

Our production capacity utilization rates were 43.9% in 2023 and 34.3% in 2024, primarily driven by two key transitional factors. First, Yibin Production Base only commenced operations in July 2023 and remained in a phase of production ramp-up and customer acquisition during 2023 and the first half of 2024, creating a timing mismatch between the actual release of production capacity and our designed capacity. Second, there was a degree of misalignment between the pace of downstream industry demand growth and our forward-looking capacity expansion strategy, which prevented capacity utilization from being fully reflected in 2023 and 2024. These utilization rates should be understood as a transitional feature of our proactive capacity planning within a growing industry cycle, rather than an indication of insufficient market demand. Furthermore, our production model is fundamentally driven by customer demand and order intake. The sales volume of our electrolyte products increased from 52,670 tons in 2023 to 60,676 tons in 2024, and further increased to 107,094 tons in 2025. Furthermore, 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 six months ended June 30, 2026. This growth trajectory closely aligns with our actual production volumes, namely 52,700 tons in 2023, 61,732 tons in 2024, 108,221 tons in 2025 and 78,547 tons in the six months ended June 30, 2026, confirming that our production planning is tightly integrated with market demand. Against this backdrop, our capacity utilization rate improved to 60.1% in 2025 and 87.3% in the six months ended June 30, 2026. This increase demonstrates that, as the downstream industry demand expanded rapidly and customer order volumes grew, our total current designed capacity of 180,000 tons was progressively and effectively utilized. The recovery in capacity utilization not only validates our capacity expansion decisions but also provides a solid foundation for meeting future market demand and expanding our business.

Following our acquisition of a 51.0% equity interest in Shandong Lizhong in November 2025, Shandong Lizhong's production output is utilized through a combination of internal supply to support our electrolyte production and external sales to third-party customers. Historically, prior to and following the acquisition, Shandong Lizhong had established a customer base for its $LiPF_6$. Accordingly, while supporting our internal demand, Shandong Lizhong continued to conduct external sales of $LiPF_6$ to third-party customers based on market demand, customer relationships and commercial considerations.

MARKETING AND SALES

During the Track Record Period, we primarily focused our sales and marketing efforts on promoting our electrolytes. Our sales strategy emphasizes coverage of key lithium-ion battery manufacturing clusters across China. As of June 30, 2026, we had a sales and marketing team of 30 personnel, focusing on business development and customer service. Our sales and marketing personnel possess extensive industry knowledge, enabling them to effectively understand customer technical requirements and provide professional service.

When selecting a battery electrolyte supplier, customers generally focus on product performance, quality and consistency, safety standards, stable supply and on-time delivery. They also attach significant importance to established R&D capabilities, mass production capacities, favorable industry rankings and advantageous geographical locations. Cost competitiveness, regulatory compliance, professional technical support, as well as the supplier's financial stability and market reputation are also key considerations.

Our sales and marketing personnel regularly contact existing and potential customers about our current offerings and development plans through multiple channels including:

- ***Customer visits and on-site support:*** We maintain regular communication with customers through on-site visits, where they engage in technical discussions regarding electrolyte performance requirements and collaborate on joint product development initiatives. In addition, our technical sales personnel work closely with customers' R&D teams to understand their battery development roadmap and electrolyte specifications ensuring that our solutions are aligned with their evolving needs.

- ***Industry conferences and exhibitions:*** We actively participate in major industry conferences and trade shows, including the International Summit on Power Battery Application (動力電池應用國際峰會) to showcase our latest product innovations, enhance brand visibility and establish connections with potential customers. These platforms enable us to demonstrate our technical capabilities and engage with industry participants.

- ***Technical seminars and workshops:*** We organize and participate in technical seminars focused on battery material innovations, where we present our latest research findings and product solutions to existing and potential customers.

Our business is not project-based. Our customers generally approach us or invite us to participate in their internal bidding processes. Where customers consider to cooperate with us, they provide us with their product customization requirements, including technical specifications and performance indicators. We undertake R&D, testing and trial production in accordance with such customization requirements. The duration of such R&D activities varies from approximately three months to three years, depending on the application scenario of the customer's battery products, as well as the complexity of the underlying chemical system and electrolyte formulation. Following design validation, we typically cooperate with customers in product validation procedures involving testing and trial production, which generally take more than six months before commercial production can commence. We generally bear the costs associated with R&D, testing and trial production. However, certain customers may compensate us for such activities pursuant to relevant development agreements. In such cases, the fees are typically determined based on the costs incurred, primarily including material costs, labor costs and testing expenses. In 2023, 2024, 2025 and the six months ended June 30, 2026, we recognized revenue from such R&D, testing and trial production activities of RMB1.5 million, RMB5.1 million, RMB3.9 million and RMB3.8 million, respectively, representing 0.1%, 0.5%, 0.2% and 0.2% of our total revenue in the respective periods. Following customers' confirmation of satisfaction with our trial-produced products, purchase orders may be issued upon mutual agreement. We then arrange mass production in accordance with production plans and deliver the products in a timely manner. We subsequently collect payments and provide continuous after-sales support to ensure stable and long-term cooperation with customers.

As of the Latest Practicable Date, we had an order backlog of RMB180.0 million for our electrolyte products that had not yet been delivered. Future growth is expected to be further amplified with the industry development and market demand.

Salient Terms of Framework Sales Agreements with Major Customers

We enter into framework sales agreements with major customers, pursuant to which the customers issue specific purchase orders to us. The salient terms of such agreements typically include:

- ***Duration:*** The term of the agreement is typically one to three years.
- ***Scope of terms:*** We supply products according to the specifications outlined in purchase orders issued by our customer from time to time.
- ***Pricing and Payment:*** The price is determined on a transaction-by-transaction basis as set out in the purchase orders.
- ***Minimum Purchase Commitment:*** There is no agreed minimum purchase commitment under the framework agreements. Payment is made after the customer accepts the delivered products, in accordance with the purchase orders.
- ***Delivery arrangement:*** We are responsible for delivering products to the customer's designated location at our own expense.

During the Track Record Period and up to the Latest Practicable Date, other than one settled litigation as described in "— Legal Proceedings and Compliance — Litigation," we did not experience any material breach of the agreements with our customers, nor did we have any material disputes with our customers.

Pricing

We price our products based on various factors, including, among others, raw material costs, labor and production costs, market supply and demand conditions, expected profit margins and customer negotiations. We closely monitor price fluctuations of key raw materials and actively seek to reduce procurement and production costs, reassessing our product pricing levels when necessary. In practice, product prices are generally negotiated and agreed with customers on an order-by-order basis, taking into account prevailing market conditions, raw material prices, product specifications and other commercial factors at the time of order placement. As a result, changes in market prices are typically reflected in the pricing of new orders in a timely manner. Our framework sales agreements and long-term procurement agreements also contain price adjustment mechanisms that provide flexibility for the parties to renegotiate pricing arrangements in the event of significant changes in supply and demand dynamics or the commercial environment. However, given our practice of determining product prices on an order-by-order basis, changes in market conditions and raw material prices were generally reflected through newly negotiated orders, and therefore we did not find it necessary to formally invoke such mechanisms during the Track Record Period and up to the Latest Practicable Date. The decrease in our gross profit margin in 2024 primarily reflected intensified market competition, which resulted in lower market prices of electrolyte products, rather than any limitation on our ability to adjust pricing arrangements. Accordingly, although the contractual price adjustment mechanisms were not formally exercised, they remained available as a supplementary contractual tool in the event of significant market disruption or pricing volatility.

Our Major Customers

Our customers primarily consist of manufacturers of lithium-ion batteries for NEVs and ESS. In 2023, 2024, 2025 and the six months ended June 30, 2026, revenue generated from our five largest customers in each period amounted to RMB1,297.1 million, RMB745.0 million, RMB1,261.4 million and RMB1,475.3 million, respectively, accounting for 82.3%, 73.0%, 72.2% and 74.8% of our total revenue in the respective periods. In 2023, 2024, 2025 and the six months ended June 30, 2026, revenue generated from our largest customer in each period amounted to RMB947.5 million, RMB605.0 million, RMB844.7 million and RMB1,105.3 million, respectively, accounting for 60.1%, 59.3%, 48.4% and 56.1% of our total revenue in the respective period. The main payment methods of the five largest customers in each period during the Track Record Period were bank acceptance bills.

The following table sets forth the details of our top five customers in each period during the Track Record Period:

Year Ended December 31, 2023

Rank	Customer	Background	Primary Products Provided	Year of Establishing Business Relationship	Credit Term	Amount of Revenue	As Percentage of Our Total Revenue
					Days	*RMB'000*	*%*
1. . .	Group A	A public company located in Fujian Province, the PRC and listed both on Shenzhen Stock Exchange and the Stock Exchange, with registered capital of RMB4,403.3 million, primarily engaging in R&D, production and sales of batteries	Electrolytes	2018	90 days upon issuing the invoice	947,499	60.1
2. . .	Group B	A limited liability company located in Jiangsu Province, the PRC, with registered capital of RMB110.0 million, primarily engaging in R&D, production and sales of new energy equipment and electrolytes	Electrolytes	2020	60 days upon issuing the invoice	198,388	12.6
3. . .	Group C	A limited liability company located in Jiangxi Province, the PRC, with registered capital of RMB3,175.6 million, primarily engaging in production of lithium products	Electrolytes	2021	60 to 90 days upon issuing the invoice	101,259	6.4
4. . .	Jiangsu Tianhui Lithium Battery Co., Ltd. (江蘇天輝鋰電池有限公司)	A limited liability company located in Jiangsu Province, the PRC, with registered capital of RMB300.0 million, primarily engaging in R&D, production and sales of lithium-ion batteries	Electrolytes	2021	90 days upon issuing the invoice	25,168	1.6
5. . .	Customer D	A public company located in Guangdong Province, the PRC and listed on Shenzhen Stock Exchange, with registered capital of RMB2,045.7 million, primarily engaging in R&D, production and sales of lithium batteries	Electrolytes	2021	90 days upon issuing the invoice	24,829	1.6
Total .						**1,297,143**	**82.3**

Year Ended December 31, 2024

Rank	Customer	Background	Primary Products Provided	Year of Establishing Business Relationship	Credit Term	Amount of Revenue	As Percentage of Our Total Revenue
					Days	*RMB'000*	*%*
1. . .	Group A	A public company located in Fujian Province, the PRC and listed both on Shenzhen Stock Exchange and the Stock Exchange, with registered capital of RMB4,403.3 million, primarily engaging in R&D, production and sales of batteries	Electrolytes	2018	90 days upon issuing the invoice	604,994	59.3
2. . .	Jiangsu Zenergy Battery Technologies Group Co., Ltd. (江蘇正力新能電池技術股份有限公司)	A public company located in Jiangsu Province, the PRC and listed on the Stock Exchange, with registered capital of RMB2,554.5 million, primarily engaging in R&D, production and sales of battery products	Electrolytes	2023	60 to 90 days upon issuing the invoice	58,907	5.8
3. . .	Group B	A limited liability company located in Jiangsu Province, the PRC, with registered capital of RMB110.0 million, primarily engaging in R&D, production and sales of new energy equipment and electrolytes	Electrolytes	2020	60 days upon issuing the invoice	32,948	3.2
4. . .	Customer E	A limited liability company located in Fujian Province, the PRC, with registered capital of RMB1,094.7 million, primarily engaging in R&D, production and sales of ESS batteries	Electrolytes	2023	180 days upon issuing the invoice	28,528	2.8
5. . .	Rept Battero Co., Ltd. (瑞浦蘭鈞能源股份有限公司)	A public company located in Zhejiang Province, the PRC, with registered capital of RMB2,276.9 million, primarily engaging in R&D, production and sales of batteries	Electrolytes	2022	90 days upon issuing the invoice	19,629	1.9
Total .						**745,006**	**73.0**

Year Ended December 31, 2025

Rank	Customer	Background	Primary Products Provided	Year of Establishing Business Relationship	Credit Term	Amount of Revenue	As Percentage of Our Total Revenue
					Days	*RMB'000*	*%*
1. . .	Group A	A public company located in Fujian Province, the PRC and listed both on Shenzhen Stock Exchange and the Stock Exchange, with registered capital of RMB4,403.3 million, primarily engaging in R&D, production and sales of batteries	Electrolytes	2018	90 days upon issuing the invoice	844,671	48.4
2. . .	Customer E	A limited liability company located in Fujian Province, the PRC, with registered capital of RMB1,094.7 million, primarily engaging in R&D, production and sales of ESS batteries	Electrolytes	2023	180 days upon issuing the invoice	132,010	7.6
3. . .	Customer F	A limited liability company located in Jiangsu Province, the PRC, with registered capital of USD600.0 million, primarily engaging in R&D, production and sales of battery systems	Electrolytes	2024	90 days upon issuing the invoice	123,711	7.1
4. . .	Jiangsu Zenergy Battery Technologies Group Co., Ltd.	A public company located in Jiangsu Province, the PRC and listed on the Stock Exchange, with registered capital of RMB2,554.5 million, primarily engaging in R&D, production and sales of battery products	Electrolytes	2023	60 to 90 days upon issuing the invoice	113,585	6.5
5. . .	Phylion Battery Co., LTD. (星恒電源股份有限公司) ("**Phylion**")	A limited liability company located in Jiangsu Province, the PRC, with registered capital of RMB321.6 million, primarily engaging in R&D and production of power batteries	Electrolytes	2021	150 days upon issuing the invoice	47,470	2.6
Total .						**1,261,447**	**72.2**

Six Months Ended June 30, 2026

Rank	Customer	Background	Primary Products Provided	Year of Establishing Business Relationship	Credit Term	Amount of Revenue	As Percentage of Our Total Revenue
					Days	*RMB'000*	*%*
1	Group A	A public company located in Fujian Province, the PRC and listed both on Shenzhen Stock Exchange and the Stock Exchange, with registered capital of RMB4,403.3 million, primarily engaging in R&D, production and sales of batteries	Electrolytes	2018	90 days upon issuing the invoice	1,105,317	56.1
2	Customer E	A limited liability company located in Fujian Province, the PRC, with registered capital of RMB1,094.7 million, primarily engaging in R&D, production and sales of ESS batteries	Electrolytes	2023	180 days upon issuing the invoice	106,787	5.4
3	Group C	A limited liability company located in Jiangxi Province, the PRC, with registered capital of RMB3,175.6 million, primarily engaging in production of lithium products	Electrolytes	2021	60 to 90 days upon issuing the invoice	102,748	5.2
4	Jiangsu Zenergy Battery Technologies Group Co., Ltd.	A public company located in Jiangsu Province, the PRC and listed on the Stock Exchange, with registered capital of RMB2,554.5 million, primarily engaging in R&D, production and sales of battery products	Electrolytes	2023	60 to 90 days upon issuing the invoice	83,666	4.2
5	Customer F	A limited liability company located in Jiangsu Province, the PRC, with registered capital of USD600.0 million, primarily engaging in R&D, production and sales of battery systems	Electrolytes	2024	90 days upon issuing the invoice	76,797	3.9
Total						**1,475,315**	**74.8**

As of the Latest Practicable Date, none of our Directors or their respective close associates or any of our shareholders (who, to the knowledge of the Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest customers in each period during the Track Record Period.

Customer E, Customer F and Phylion each became one of our five largest customers within one to four years after commencing business cooperation with us. The underlying reasons for, and circumstances leading to, the significant increase in our sales to these customers, particularly in 2025, primarily include the following factors:

- ***Favorable Industry Dynamics.*** The new energy sector, particularly the lithium-ion battery industry and electrolyte industry, experienced rapid growth in the past several years. According to Frost & Sullivan, for example, the global electrolyte industry market size in terms of revenue increased from RMB13.8 billion in 2021 to RMB48.7 billion in 2025, with a CAGR of 37.1% between 2021 and 2025. Driven by the increasing penetration of new energy vehicles, battery manufacturers accelerated capacity expansion, leading to a significant increase in demand for upstream materials.

  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質量發展的通知) (the "**Notice**") drove China's energy storage sector to transition from policy-driven mandatory supporting storage allocation to market-oriented development. Notably, we primarily supplied electrolytes for ESS batteries to Customer E and Customer F. Following the promulgation of the Notice, the PRC ESS market drove increased deployment of ESS projects and, in turn, higher demand for ESS batteries. As leading participants in the ESS battery segment, Customer E and Customer F benefited from such industry developments, which consequently contributed to the growth in demand for our electrolyte products.

  In addition, several industry adjustments took place in the electric two-wheeler power lithium battery sector in 2024. On the one hand, the nationwide trade-in program for electric bicycles was rolled out, driving replacement demand for complete vehicles and supporting batteries. On the other hand, GB 43854-2024 Safety Specification for Lithium-ion Batteries Used in Electric Bicycles (電動自行車用鋰離子蓄電池安全技術規範) came into full force, imposing stricter requirements on product safety, performance and traceability management and phasing out all types of non-compliant battery products. Driven by the dual policies, market concentration continued to rise, and the penetration rate of lithium batteries in the electric two-wheeler market increased substantially. As leading participant in the electric two-wheeler power lithium battery sector, Phylion benefited from such industry developments, which consequently contributed to the growth in demand for our electrolyte products.

- ***Rapid Expansion of Key Customers.*** Customer E, Customer F and Phylion are all competitive battery manufacturers within the industry. During the Track Record Period, to our best knowledge, these customers experienced rapid business expansion and continuous capacity ramp-up, which in turn drove a corresponding increase in their procurement volumes from us.

- ***Targeted Marketing Strategy and Deepened Cooperation.*** From the perspective of our own development and marketing strategy, we identified the Customer E, Customer F and Phylion as key accounts and successfully established cooperation with them in 2023, 2024 and 2021, respectively, through proactive business development efforts. After entering their respective supply chains, we actively promoted deeper cooperation with the goal of becoming a core supplier leveraging our industry position and mass production capabilities. Under this strategic direction, we continuously improved product quality consistency, enhanced our supply capabilities, and strengthened customer service and technical support, thereby progressively increasing our share in the customers' procurement systems.

Customer Concentration

In 2023, 2024, 2025 and the six months ended June 30, 2026, revenue generated from our five largest customers in each period amounted to RMB1,297.1 million, RMB745.0 million, RMB1,261.4 million and RMB1,475.3 million, respectively, accounting for 82.3%, 73.0%, 72.2% and 74.8% of our total revenue in the respective period.

Our Directors consider that our customer concentration during the Track Record Period is mainly due to the high concentration of the downstream lithium-ion battery industry, and our ability to meet our customers' requirements for product innovation and for stable supply at large scale. As of the Latest Practicable Date, our business relationships with our five largest customers during each period of the Track Record Period ranged from around two to seven years. We believe that we have maintained our customers' loyalty through providing a broad spectrum of products that have met, and continue to meet, our customers' specific functional needs and technical requirement. Our performance over the years has helped us secure recurring business opportunities from these customers. During the Track Record Period and up to the Latest Practicable Date, we did not have any material dispute regarding our product quality with any customer who was one of our five largest customers in any period of the Track Record Period.

Despite our revenue concentration from our five largest customers during each period of the Track Record Period, we consider that our business is sustainable on the following grounds:

- except for Group A, none of our five largest customers in any period of the Track Record Period individually accounted for more than 15% of our total revenue during any period of the Track Record Period;

- we believe that it is mutually beneficial and complementary for both our major customers and us to maintain our business relationships. According to Frost & Sullivan, it is common in the electrolyte industry to have high concentration rate of customers, primarily because leading electrolyte companies, including our Company, leverage large-scale operations, cross-regional coordination, and reliable supply capabilities to create strong competitive barriers, making it difficult for new entrants to achieve comprehensive competitiveness in pricing, delivery and service in the short term. In addition, with the rapid growth in the demand for power batteries and ESS, global new energy materials customers require their suppliers possessing product consistency, reliability and sustainable supply. We believe our R&D capabilities, customer satisfaction, manufacturing technologies and equipment, substantial production capacity and broad portfolio of lithium-ion battery materials form the foundation for our deep and stable relationships with major customers; and

- According to Frost & Sullivan, the new energy materials industry is concentrated. Thus, our reliance on our major customers is consistent with the industry norm.

Relationship with Group A

Group A is a global new energy technology company, primarily engaged in the R&D, production, and sales of EV batteries and ESS batteries. Group A has been our largest customer during each year/period of the Track Record Period and was also among our top five suppliers in 2025. Group A has played a significant role in the development and growth of our business.

We commenced our business relationship with Group A in 2018 and were one of the established electrolyte suppliers for Group A during the Track Record Period. In 2021, Group A also became a supplier of additives for lithium-ion battery materials to us. Over the course of our relationship, we have actively supported Group A's product development by providing technical expertise and tailored products.

Sales to Group A

Group A primarily procures electrolyte products from us. We have been supplying Group A with our electrolyte products on a continuous basis since 2018 and are currently party to three-year framework agreements with Group A, including its various subsidiaries. While each of these agreements typically has a term of three years and similar contractual terms, their respective expiry dates differ. Our framework agreements with Group A and its various subsidiaries came up for expiry on a rolling basis from late 2025 through the first half of 2026, we renewed the relevant agreements in the first half of 2026, each for a further term of three years. Our Directors are of the view that this approach enables both parties to respond flexibly to fluctuations in market conditions, technological advancements and changes in end-market demand.

The salient terms of the three-year framework agreements with Group A include:

- Terms. The three-year framework agreements entered into with Group A and its subsidiaries will expire on a rolling basis in the first half of 2029.

- Pricing. Upon receipt of a purchase inquiry from Group A, we are required to provide a quotation within the agreed timeframe. We undertake that the prices charged to Group A for electrolyte products of the same specifications and models will not exceed those charged to other customers under comparable commercial terms.

- Subcontract. We may not subcontract any order to a third party without the prior written consent of Group A.

- Delivery and payment. We are responsible, at our own cost, for delivering or consigning the products to the location designated by Group A using packaging and transportation methods that satisfy the applicable requirements. Title and risk in the products pass to Group A only upon delivery and acceptance by Group A. Payment is generally made by Group A following receipt and acceptance of the products.

- Confidentiality. Both parties shall maintain confidentiality of related documents and commercial secrets.

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, revenue generated from Group A in each period amounted to RMB947.5 million, RMB605.0 million, RMB844.7 million, RMB318.3 million and RMB1,105.3 million, respectively, accounting for 60.1%, 59.3%, 48.4%, 50.0% and 56.1% of our total revenue in the respective period. Excluding our largest customer in each period, revenue generated from our other customers amounted to RMB629.1 million, RMB415.6 million, RMB901.4 million, RMB318.2 million and RMB866.6 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 39.9%, 40.7%, 51.6%, 50.0% and 43.9% of our total revenue in the respective periods.

Procurement from Group A

During the Track Record Period, we sourced raw materials such as additives from Group A. As a global new energy technology company, Group A may require us to use certain raw materials that meet its prescribed quality specifications in electrolyte formulations. In order to comply with its formulation requirements and product quality standards, we procured these raw materials directly from Group A.

In 2023, 2024, 2025 and the six months ended June 30, 2026, the amount of purchases we made with Group A amounted to RMB1.7 million, RMB28.0 million, RMB110.5 million and RMB517.9 million, respectively, accounting for 0.1%, 3.1%, 7.0% and 27.7% of our total purchases in the respective period. We do not enter into framework procurement agreements with Group A. Instead, we place specific procurement orders with Group A based on our production requirements.

The terms and conditions of the procurement orders with Group A were negotiated on an arm's length basis and were generally in line with the terms and conditions with other comparable suppliers. The salient terms of the procurement orders with Group A include:

- Raw material specification. The procurement orders specify raw material types, specifications, prices and quantities.

- Payment. Group A is typically required to make payments in accordance with the terms of the relevant procurement orders upon receipt of the corresponding invoices from us.

- Delivery. Group A is required to dispatch the raw materials, at its own cost, on the agreed delivery date to the designated location specified in the relevant procurement orders.

We believe that our relationship with Group A is mutually beneficial. While Group A is significantly larger in scale and has stronger bargaining power in the industry, our relationship is underpinned by long-term strategic interdependence rather than purely transactional dynamics. For Group A, we possess stable and mass production capacity that can effectively support its global expansion and production layout. Our R&D capabilities and close technical collaboration enable us to keep pace with its technological iteration and product upgrading demands. Our established customer stickiness and high industry entry barriers reduce the risks and costs associated with supplier replacement, thereby supporting its production continuity and operational stability. For us, Group A's stable procurement volume provides us with solid revenue support and economies of scale, which improves our overall business development. Group A's leading position in the industry offers us forward-looking technical guidance and insights that facilitate our R&D advancement. Its global footprint enables synergistic cooperation and resource integration, which in turn supports our overseas expansion strategy, such as our proposed construction in Hungary, see "Future Plans and [**REDACTED**]." Therefore, our Directors consider that our business relationship with Group A is unlikely to materially adversely change or terminate. This expectation is supported by the strategic interdependence and substantial switching costs embedded in our long-standing collaboration. As one of the few qualified electrolyte suppliers capable of meeting Group A's stringent requirements for product consistency, quality stability, technical customization and large-scale reliable supply, we provide essential support for its production continuity and global expansion plans. According to Frost & Sullivan, Group A maintains stringent qualification requirements for electrolyte suppliers, encompassing quality management systems, manufacturing capabilities, product performance, supply reliability and compliance standards. Suppliers are generally required to complete a comprehensive qualification process involving multiple stages of testing, validation and quality assessment before they can be approved. Therefore, according to Frost & Sullivan, we are one of a limited number of electrolyte suppliers that have been able to meet such stringent requirement of Group A and thus establish and maintain long-term supply relationships with Group A. Any replacement or reduction of our supply would involve lengthy supplier qualification procedures, potential disruptions to production stability, increased operational risks and significant incremental costs for Group A. According to Frost & Sullivan, the qualification process for a new electrolyte supplier generally takes approximately six to 24 months for Group A, depending on the relevant product specifications and application scenarios. The replacement of an existing qualified supplier would typically require extensive additional testing, product validation, certification procedures and production-line verification, resulting in additional costs and resource commitments. As electrolytes are key materials that directly affect battery performance, safety and reliability, supplier replacement may also pose risks to product consistency, operational efficiency and security of supply during the transition period. Consequently, battery manufacturers generally prefer to maintain stable and long-term relationships with approved suppliers.

Meanwhile, our continued capacity expansion, sustained R&D investment and synchronized technical development further strengthen our ability to satisfy Group A's evolving and demanding specifications. Coupled with Group A's established practice of maintaining a diversified yet stable core supplier base to ensure supply chain security and operational resilience, the combination of technical barriers, supply reliability, strategic synergy and high switching costs provides a solid foundation for the stability and continuity of our relationship.

Based on information available to our Directors, during the Track Record Period, Group A sourced the majority of its electrolyte products from a selected group of suppliers, including our Group. Our Directors further believe that it is the business plan of Group A to maintain a stable and diversified base of key suppliers in order to ensure continuity, quality and supply chain reliability.

We expect our relationship with Group A will remain stable for the following reasons: (i) engaging new suppliers introduces significant risks and uncertainties, including potential product quality concerns, divergence in commercial terms, and risks of delay in product delivery, any of which could materially disrupt a customer's production processes and downstream relationships, and would also impose substantial qualification costs and transition burdens that compromise operational efficiency; (ii) according to Frost & Sullivan, leading electrolyte companies, including our Company, leverage large-scale operations, cross-regional coordination and reliable supply capabilities to create strong competitive barriers, making it difficult for new entrants to achieve comprehensive competitiveness in pricing, delivery and service in the short term; (iii) only a limited number of global market participants, including our Group, possess the integrated technological strengths necessary to meet the rigorous requirements of major customers such as Group A, reflecting the high entry barriers and specialized qualification system in the electrolyte industry. According to Frost & Sullivan, supplying leading battery manufacturers requires strong capabilities in product formulation, process development, quality management, large-scale manufacturing and customer qualification. Owing to the technological complexity of electrolyte products, the extensive qualification procedures imposed by leading battery manufacturers, and the demanding standards for product consistency, quality assurance and supply reliability, only a limited number of market participants are able to develop the integrated capabilities required to become qualified suppliers to major customers such as Group A. As a result, the electrolyte industry is characterised by relatively high entry barriers and a highly specialised supplier qualification framework; (iv) our R&D efforts and proprietary technical capabilities in developing, customizing and consistently producing high-performance electrolyte products have been instrumental in meeting Group A's evolving and stringent technical standards, forming long-term technical synergy and mutual adaptation that is difficult to replicate; and (v) we have established a well-planned production capacity layout with strategically located production bases and orderly production expansion. As of the Latest Practicable Date, our electrolyte production capacity was 180,000 tons per year. We plan to construct new electrolyte production bases or expand production capacity in Yichang, Jining, Huzhou, Yibin in China, as well as in Szolnok, Hungary. Upon completion, our total electrolyte production capacity will exceed 500,000 tons per year. This multi-location and mass production capacity layout enables us to effectively support Group A's domestic and overseas production deployment and long-term growth strategy. Our supply to Group A with stable and timely deliveries at scale has further reinforced our ability to support Group A's demands and expectations. We believe that our outstanding R&D capabilities and know-how have added significant value to our customers and have further strengthened customer loyalty, supporting the sustainability and stability of our long-term strategic cooperation. See "— Research and Development." In addition, Group A has a well-established practice of maintaining a diversified and stable core supplier base to safeguard supply chain security and reduce reliance on single sources, which further supports the continuity of our cooperation. Moreover, the mutual strategic alignment and complementary business objectives between Group A and us create a solid foundation for long-term collaboration, as both parties share a common interest in promoting technological advancement, improving product performance and enhancing industry competitiveness. Therefore, our Directors are of the view, and the Joint Sponsors concur, that the likelihood of any material adverse change to, or termination of, our relationship with Group A is remote.

Our Directors believe that we will be able to mitigate our exposure to material adverse change to, or termination of, our relationship with our major customers since we believe that the [**REDACTED**] will enhance our profile and recognition, strengthening our ability to attract new businesses. The [**REDACTED**] also demonstrates our financial strength, which is an important consideration for potential customers. In addition, our [**REDACTED**] status would offer extra confidence to potential customers as they can obtain our public disclosure of information. The [**REDACTED**] from the [**REDACTED**] would strengthen our financial capability and provide us

with additional capital to expand and diversify our business operations such that we will be able to undertake new projects, expand our customer base and reduce the risk of customer concentration. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to customer concentration risk."

Nevertheless, given that Group A has been our largest customer during the Track Record Period and accounted for a significant portion of our revenue, any material deterioration in Group A's business performance, financial condition, market position, production volume or procurement demand, or any significant reduction in its purchases from us, could materially and adversely affect our business, results of operations, financial condition and prospects. See "Industry Overview — Overview of the Global Electrolyte Industry — Analysis of Development Trends of the Global Electrolyte Industry — Global Market Demand Growth Driving Industry Expansion."

After-Sales Services

We have established an efficient and responsive customer service mechanism, acknowledging feedback and providing solutions swiftly, forming a complete closed loop of feedback, resolution, improvement and verification.

We typically enter into quality assurance agreements with our customers to formalize our quality commitments and service standards. Internally, we have established a comprehensive Non-Conforming Output Management Procedure (不合格輸出管理程序) to systematically handle product replacements and returns. When customer feedback identifies defective products, our sales department records the details and requirements, then promptly informs the quality department. The quality team investigates to determine responsibility. For issues confirmed as our fault, we perform root cause analysis, implement corrective actions, and provide investigation and improvement reports to customers in line with their requirements and timelines. Confirmed non-conforming products are reviewed by our material review board—comprising quality, R&D, and relevant departments—which decides on appropriate disposition methods. Throughout the process, we maintain full traceability and record all quality issues in our knowledge management system to drive continuous improvement.

During the Track Record Period and up to the Latest Practicable Date, (i) we were not subject to any material administrative or other penalties from any governmental authority in connection with product quality, (ii) we did not experience any material product recall or product issue and were not ordered to undertake any mandatory product recalls as required by any government authorities, which could have a material adverse effect on our business, financial condition and results of operations, (iii) other than one settled litigation as described in "— Legal Proceedings and Compliance — Litigation," we did not experience any incidents related to material product liability exposure, (iv) we did not receive any material complaints from customers in connection with product quality, and (v) we did not experience any sales of non-conforming products nor any material returns requested due to non-conforming products. See "Risk factors — Risks Relating to Our Business and Industry — Our products may not meet customers' expectations and could potentially contain defects. We may be subject to financial and reputational risks due to product recalls and product liability claims arising from such defects."

Third-Party Payment Arrangements

During the Track Record Period and up to the Latest Practicable Date, certain of our customers (the "**Relevant Customers**") settled payments with us through accounts held by third parties (the "**Third-Party Payment Arrangements**"). For the majority of arrangements under the Third-Party Payment Arrangements, trilateral payment agreements were executed among our Company, the Relevant Customers, and the third-party payors (the "**Third-party Payors**"). According to trilateral payment agreements, the designated Third-party Payors are authorized by the Relevant Customers to settle payments with us. For arrangements where no tripartite payment agreement has been entered into, the Relevant Customers were required to issue a written statement to us confirming that the designated Third-Party Payors have made the relevant payments to us. In 2023, 2024, 2025 and the six months ended June 30, 2026, the aggregate amount settled with the Relevant Customers under the Third-Party Payment Arrangements was RMB6.5 million, RMB1.1 million, RMB2.8 million and RMB7.7 million, respectively, representing 0.4%, 0.1%, 0.2% and 0.4% of our total

revenue in the respective periods. In the six months ended June 30, 2026, the corporate bank accounts of one of our customers were frozen as a result of ongoing litigation. In order to continue to collect outstanding trade receivables due from this customer, we accepted third-party payments from its trade counterparties in accordance with tripartite agreements entered into among this customer, its trade counterparties and us. We anticipate that we will continue to collect outstanding trade receivables through Third-party Payors in the foreseeable future as this customer's bank accounts remain frozen, until we collect all outstanding trade receivables from such customer. Save for this isolated non-recurring circumstance, as of the Latest Practicable Date, we had ceased all other Third-Party Payment Arrangements. Our Directors confirm that, save for this isolated non-recurring circumstance, there will not be any other Third-Party Payment Arrangements subsequent to the [**REDACTED**].

During the Track Record Period and up to the Latest Practicable Date, save as discussed above, the Third-party Payors primarily consisted of associates of the Relevant Customers. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, all Relevant Customers and the designated Third-party Payors who settled payments under the Third-Party Payment Arrangements were not connected with the Company and any of our substantial shareholders, Directors, senior management members or any of their respective associates. To the best knowledge of our Directors, the Relevant Customers utilized Third-party Payment Arrangements to settle their payments with us primarily due to their internal payment arrangements. According to the Frost & Sullivan, it is not uncommon for companies in the electrolyte industry in China to settle payments using the third-party payment arrangement. During the Track Record Period and up to the Latest Practicable Date, we did not initiate any Third-Party Payment Arrangements, and the Third-Party Payment Arrangements were arranged based on the Relevant Customers' requests. We did not provide any discount, commission, rebate or other benefits to any of the Relevant Customers or the designated third-party payors to facilitate or incentivize the Third-Party Payment Arrangements.

During the Track Record Period and up to the Latest Practicable Date, we implemented internal control measures to monitor and manage the Third-Party Payment Arrangements. We required the Relevant Customers to communicate with us the relevant information, including, among others, the reasons for the Third-Party Payment Arrangements and the identity of the involved third-party payors. We entered into the trilateral payment agreements with Relevant Customers and the Third-party Payors, or requested the Relevant Customers to issue written statements, both of which specify that the designated Third-party Payors are authorized by the Relevant Customers to settle payments with us. During the Track Record Period and up to the Latest Practicable Date, the relevant payments were based on *bona fide* underlying transactions and valid contractual relationships. The pricing and payment terms we provided to the Relevant Customers were in line with those provided to customers not involved in the Third-Party Payment Arrangements. During the Track Record Period and up to the Latest Practicable Date, we have duly booked all payments received under the Third-party Payment Arrangement according to our internal accounting policies and tax related laws and regulations.

To the best of our knowledge, we had not been subject of any investigations, enquiries, penalties or surcharges as a result of our involvement in the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date. In addition, we had not encountered any refund requests, actual or pending disputes or disagreements due to Third-Party Payment Arrangements or any material claims against us in relation to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any money laundering issues, fabricated transactions, violation of tax laws or other illegal activities under the Third-party Payment Arrangement.

As advised by our PRC Legal Advisor, the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date did not contravene the mandatory provisions of the Civil Code of the PRC in material aspects. Our Directors are of the view that, as (i) except for one isolated non-recurring circumstance discussed above, we had ceased all other Third-Party Payment Arrangements as of the Latest Practicable Date, and (ii) the aggregate amount settled and expected to be settled under the Third-Party Payment Arrangements is insignificant as compared to our total revenue during the Track Record Period, the foregoing internal control measures are sufficient and can substantially mitigate the risk we face for the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

SUPPLIERS AND PROCUREMENT

Our Major Suppliers

Our suppliers primarily consist of producers or manufacturers of solutes, solvents and additives. In 2023, 2024, 2025 and the six months ended June 30, 2026, purchases from our five largest suppliers in each period amounted to RMB690.3 million, RMB524.4 million, RMB885.1 million and RMB1,068.2 million, respectively, accounting for 55.6%, 57.7%, 56.2% and 57.1% of our total purchases in the respective periods. In 2023, 2024, 2025 and the six months ended June 30, 2026, purchases from our largest supplier in each period amounted to RMB228.4 million, RMB189.5 million, RMB266.2 million and RMB517.9 million, respectively, accounting for 18.4%, 20.9%, 16.9% and 27.7% of our total purchases in the respective periods. Our main payment methods for the five largest suppliers for each period during the Track Record Period were bank acceptance bills. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage or delay in the supply of raw materials and finished products from our suppliers.

The following table sets forth the details of our top five suppliers in each period during the Track Record Period:

Year Ended December 31, 2023

Rank	Supplier	Background	Primary Products provided to us	Year of Establishing Business Relationship	Credit Term	Purchase Amount	As Percentage of Our Total Purchases
					Days	*RMB'000*	*%*
1. . .	Group D	A public company located in Henan Province, the PRC and listed on Shenzhen Stock Exchange, with registered capital of RMB1,190.4 million, primarily engaging in R&D and production of inorganic fluorides, electronic chemicals and lithium-ion batteries	Solutes	2015	30 days upon issuing the invoice	228,396	18.4
2. . .	Group B	A limited liability company located in Jiangsu Province, the PRC, with registered capital of RMB110.0 million, primarily engaging in R&D, production and sales of new energy equipment and electrolytes	Solutes, solvents and additives	2021	30 days upon issuing the invoice	176,956	14.3
3. . .	Supplier E	A public company located in Shandong Province, the PRC and listed on Shenzhen Stock Exchange, with registered capital of RMB222.8 million, primarily engaging in R&D, production and sales of electrolyte solvents	Solvents	2015	60 to 90 days upon issuing the invoice	111,359	9.0

Rank	Supplier	Background	Primary Products provided to us	Year of Establishing Business Relationship	Credit Term	Purchase Amount	As Percentage of Our Total Purchases
					Days	*RMB'000*	*%*
4. . .	Jiangsu Jiujiujiu Technology Co., Ltd. (江蘇九九久科技有限公司)	A limited liability company located in Jiangsu Province, the PRC, with registered capital of RMB628.0 million, primarily engaging in production of battery materials	Solutes	2015	30 days upon issuing the invoice	89,709	7.2
5. . .	Supplier F	A limited liability company located in Fujian Province, the PRC, with registered capital of RMB100.0 million, primarily engaging in R&D, production and sales of $LiPF_6$	Solutes	2020	30 days upon issuing the invoice	83,891	6.7
Total .						**690,311**	**55.6**

Year Ended December 31, 2024

Rank	Supplier	Background	Primary Products provided to us	Year of Establishing Business Relationship	Credit Term	Purchase Amount	As Percentage of Our Total Purchases
					Days	*RMB'000*	*%*
1. . .	Group D	A public company located in Henan Province, the PRC and listed on Shenzhen Stock Exchange, with registered capital of RMB1,190.4 million, primarily engaging in R&D and production of inorganic fluorides, electronic chemicals and lithium-ion batteries	Solutes	2015	30 days upon issuing the invoice	189,539	20.9
2. . .	Supplier E	A public company located in Shandong Province, the PRC and listed on Shenzhen Stock Exchange, with registered capital of RMB222.8 million, primarily engaging in R&D, production and sales of electrolyte solvents	Solvents	2015	60 to 90 days upon issuing the invoice	177,087	19.5
3. . .	Supplier F	A limited liability company located in Fujian Province, the PRC, with registered capital of RMB100.0 million, primarily engaging in R&D, production and sales of $LiPF_6$	Solutes	2020	30 days upon issuing the invoice	61,240	6.7

Rank	Supplier	Background	Primary Products provided to us	Year of Establishing Business Relationship	Credit Term	Purchase Amount	As Percentage of Our Total Purchases
					Days	*RMB'000*	*%*
4. . .	Hubei Hongyuan Pharmaceutical Technology Co., Ltd. (湖北省宏源藥業科技股份有限公司)	A public company located in Hubei Province, the PRC and listed on Shenzhen Stock Exchange, with registered capital of RMB400.0 million, primarily engaging in R&D, production and sales of new energy and polymer materials	Solutes	2021	60 days upon issuing the invoice	55,602	6.1
5. . .	Jiangsu Xintai Materials Technology Co., Ltd. (江蘇新泰材料科技有限公司)	A limited liability company located in Jiangsu Province, the PRC, with registered capital of RMB130.0 million, primarily engaging in R&D, production and sales of $LiPF_6$ and battery additives	Solutes	2021	60 to 90 days upon issuing the invoice	40,951	4.5
Total .						**524,419**	**57.7**

Year Ended December 31, 2025

Rank	Supplier	Background	Primary Products provided to us	Year of Establishing Business Relationship	Credit Term	Purchase Amount	As Percentage of Our Total Purchases
					Days	*RMB'000*	*%*
1. . .	Supplier E	A public company located in Shandong Province, the PRC and listed on Shenzhen Stock Exchange, with registered capital of RMB222.8 million, primarily engaging in R&D, production and sales of electrolyte solvents	Solvents	2015	60 to 90 days upon issuing the invoice	266,242	16.9
2. . .	Ganzhou Shilei New Energy Technology Co., Ltd. (贛州石磊新能源科技有限公司)	A limited liability company located in Jiangxi Province, the PRC, with registered capital of RMB50.0 million, primarily engaging in R&D, production and sales of battery materials	Solutes	2022	60 days upon issuing the invoice	204,110	13.0
3. . .	Group D	A public company located in Henan Province, the PRC and listed on Shenzhen Stock Exchange, with registered capital of RMB1,190.4 million, primarily engaging in R&D and production of inorganic fluorides, electronic chemicals and lithium-ion batteries	Solutes	2015	30 days upon issuing the invoice	178,880	11.3

Rank	Supplier	Background	Primary Products provided to us	Year of Establishing Business Relationship	Credit Term	Purchase Amount	As Percentage of Our Total Purchases
					Days	*RMB'000*	*%*
4. . .	Supplier F	A limited liability company located in Fujian Province, the PRC, with registered capital of RMB100.0 million, primarily engaging in R&D, production and sales of $LiPF_6$	Solutes	2020	30 days upon issuing the invoice	125,355	8.0
5. . .	Group A	A public company located in Fujian Province, the PRC and listed on both Shenzhen Stock Exchange and the Stock Exchange, with registered capital of RMB4,403.3 million, primarily engaging in R&D, production and sales of batteries	Additives	2018	90 days upon issuing the invoice	110,465	7.0
Total .						**885,052**	**56.2**

Six Months Ended June 30, 2026

Rank	Supplier	Background	Primary Products provided to us	Year of Establishing Business Relationship	Credit Term	Purchase Amount	As Percentage of Our Total Purchases
					Days	*RMB'000*	*%*
1 . .	Group A	A public company located in Fujian Province, the PRC and listed both on Shenzhen Stock Exchange and the Stock Exchange, with registered capital of RMB4,403.3 million, primarily engaging in R&D, production and sales of batteries	Additives	2018	90 days upon issuing the invoice	517,900	27.7
2 . .	Supplier E	A public company located in Shandong Province, the PRC and listed on Shenzhen Stock Exchange, with registered capital of RMB222.8 million, primarily engaging in R&D, production and sales of electrolyte solvents	Solvents	2015	60 to 90 days upon issuing the invoice	229,226	12.3

Rank	Supplier	Background	Primary Products provided to us	Year of Establishing Business Relationship	Credit Term	Purchase Amount	As Percentage of Our Total Purchases
					Days	*RMB'000*	*%*
3 . .	Supplier F	A limited liability company located in Fujian Province, the PRC, with registered capital of RMB100.0 million, primarily engaging in R&D, production and sales of LiPF6	Solutes	2020	30 days upon issuing the invoice	120,310	6.4
4 . .	Guizhou Phosphating New Energy Technology Co., Ltd. (貴州磷化新能源科技有限責任公司)	A state-owned company located in Guizhou Province, the PRC, with registered capital of RMB2,000.0 million, primarily engaging in R&D of new energy battery materials and technologies	Solutes	2024	30 days upon issuing the invoice	114,547	6.1
5 . .	Shandong Shida Shenghua Chemical Group Co., Ltd. (石大勝華新材料集團股份有限公司)	A public company located in Shandong Province, the PRC and listed on Shanghai Stock Exchange, with the registered capital of RMB1,250.0 million, primarily engaging in R&D, production and sales of lithium battery materials	Lithium fluoride and solvents	2008	90 days upon issuing the invoice	86,251	4.6
Total						**1,068,234**	**57.1**

As of the Latest Practicable Date, none of our Directors or their respective close associates or any of our shareholders (who, to the knowledge of the Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each period during the Track Record Period.

Procurement Process

Our procurement pace is primarily based on our actual needs. During the Track Record Period, we primarily procured, among other things, (i) raw materials such as solutes, solvents and additives as well as other materials used for the production of $LiPF_6$, such as lithium fluoride; (ii) equipment such as mixing tanks and tanks for production workshops; and (iii) auxiliary materials such as molecular sieves and filter cartridges. During the Track Record Period and up to the Latest Practicable Date, all of our raw materials were purchased in the PRC. In order to ensure the stability of our supply chain and optimize our procurement cost, we have (i) made minority investments in upstream raw material providers, including Yingkou Changcheng and Sichuan Mingfang; and (ii) acquired Shandong Lizhong, which manufactures $LiPF_6$, one of the key raw materials for our electrolyte production.

Despite the acquisition of a 51.0% equity interest in Shandong Lizhong in November 2025, we continued to procure a portion of $LiPF_6$ from external suppliers. This was primarily because Shandong Lizhong remained in the process of production line commissioning, optimization and capacity ramp-up following its integration into our Group. In the six months ended June 30, 2026, the utilization rate of Jining Production Base I for $LiPF_6$ production was 47.6%, with a total production volume of 2,378 tons. As a result, Shandong Lizhong's production output was not yet

sufficient to satisfy all of our $LiPF_6$ demand. In addition, prior to our acquisition, Shandong Lizhong had established its own customer base for $LiPF_6$ products. Following the acquisition, Shandong Lizhong continued to maintain its external sales channels while gradually increasing supplies to us. Accordingly, the production output of Shandong Lizhong was allocated between internal consumption by us and external sales to third-party customers.

In terms of the purchase amount of additives, in 2023, 2024, 2025 and the six months ended June 30, 2026, the procurement from Yingkou Changcheng accounted for 29.0%, 23.2%, 8.7% and 48.3% of our total procurement, respectively. In addition, since we acquired a 51.00% equity interest in Shandong Lizhong in November 2025, the in-house supply of $LiPF_6$ accounted for 3.6% and 16.7% of our total procurement quantity in 2025 and the six months ended June 30, 2026, respectively, with the remainder procured from external suppliers.

For raw materials procurement, our sales department provides the following month's plan to our technical department, which calculates the material requirements and synchronizes them with our procurement department. Our procurement department places orders based on the requirements and notifies our warehouse of the delivery schedule. Our quality department is responsible for inspection and acceptance of the materials into inventory. Our finance department is responsible for reconciliation and payment of procurement fees upon verification.

For equipment and auxiliary materials procurement, the requesting department submits requirements with clearly defined parameters and budgets for review and approval. Our procurement department then selects suppliers through inquiry or tender processes. Our technical and engineering departments coordinate on technical specifications and design drawings. Following due diligence and confirmation, we execute procurement contracts and technical agreements with the selected suppliers. Upon delivery of the equipment, we organize multi-departmental joint acceptance inspections, complete installation, commissioning and performance testing, and execute final acceptance reports. Progress payments and retention monies are paid in accordance with the agreed terms. Our finance department records the assets, while we maintain after-sales service tracking and comprehensive documentation archiving throughout the process.

Selection of Suppliers

We have established standard procedures for selecting suppliers, which are illustrated below:

- ***Supplier Identification and Investigation:*** Our procurement department identifies potential suppliers, giving preference to those with product advantages, recognized quality certifications, compliant operations, or customer designation. Suppliers complete a survey form, after which our procurement team screens them and submits qualified candidates to the quality department for evaluation.

- ***Sample Testing and On-site Inspection:*** Suppliers must submit samples for testing by our quality and R&D departments. Those failing tests will have their introduction process suspended until improvement reports are provided. We also conduct on-site inspections covering commercial, quality, technical, and system aspects. Suppliers rated A are directly qualified, those rated B must make corrections, and those rated C are disqualified.

- ***Approval:*** Our procurement department confirms pricing and delivery terms, and suppliers must sign quality agreements before trial production. Qualified suppliers then submit production approval documents and environmental reports, which we evaluate before seeking general manager approval to add them to our qualified supplier list.

During the Track Record Period, we had established long-term stable cooperative relationships with leading suppliers of our major raw material categories, including solutes, solvents and additives.

Salient Terms of Framework Procurement Agreements with Suppliers

We generally enter into framework procurement agreements with major raw materials suppliers. The salient terms of such agreements typically include:

- ***Product:*** The product to be supplied is included in the framework procurement agreement, while the quantity, specifications and other details of the products are specified in the individual purchase order.

- ***Duration:*** Typically ranges from one year to three years.

- ***Pricing and Payment:*** Prices may be adjusted based on market prices. We typically settle payments with suppliers based on their invoices within the period specified in the framework procurement agreements.

- ***Minimum procurement amount:*** The framework procurement agreements typically do not specify a minimum procurement amount. They typically include an estimated procurement amount, with actual purchases subject to mutual negotiation.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of the agreements with our suppliers, nor did we have any material disputes with our suppliers.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, (i) Group A, one of our five largest customers in 2023, 2024, 2025 and the six months ended June 30, 2026, was also one of our suppliers during the same periods and one of our five largest suppliers in 2025 and the six months ended June 30, 2026; (ii) Group B, one of our five largest customers in 2023 and 2024, was also one of our suppliers during the same periods and one of our five largest suppliers in 2023; (iii) Group C, one of our five largest customers in 2023, was also one of our suppliers in 2024, 2025 and the six months ended June 30, 2026; and (iv) Group D, one of our five largest suppliers in 2023, 2024, 2025 and the six months ended June 30, 2026, was also one of our customers in 2023, 2024 and 2025.

For details about our relationship with Group A, see "— Marketing and Sales — Customer Concentration — Relationship with Group A."

With respect to Group B, in 2023, 2024, 2025 and the six months ended June 30, 2026, we provided electrolytes for Group B with the revenue of RMB198.4 million, RMB32.9 million, RMB10.7 million and RMB10.6 million, respectively, representing 12.6%, 3.2%, 0.6% and 0.5% of our total revenue in the respective periods. In separate transactions, we primarily purchased solutes, solvents and additives in 2023 and 2024, with the purchase amount of RMB177.0 million and RMB24.4 million, respectively, representing 14.3% and 2.7% of our total purchases in the respective years.

With respect to Group C, in 2023, 2024, 2025 and the six months ended June 30, 2026, we provided electrolytes for Group C with the revenue of RMB101.3 million, RMB3.2 million, RMB5.6 million and RMB102.7 million, respectively, representing 6.4%, 0.3%, 0.3% and 5.2% of our total revenue in the respective periods. In separate transactions, we primarily purchased solutes in 2024, 2025 and the six months ended June 30, 2026, with the purchase amount of RMB0.5 million, RMB4.8 million and RMB0.2 million, representing 0.1%, 0.3% and 0.01% of our total purchases in the respective periods.

With respect to Group D, in 2023, 2024, 2025 and the six months ended June 30, 2026, we primarily purchased solutes from Group D with the purchase amount of RMB228.4 million, RMB189.5 million, RMB178.9 million and RMB47.8 million, respectively, representing 18.4%, 20.9%, 11.4% and 2.6% of our total purchases in the respective periods. In separate transactions, we provided electrolytes to Group D with the revenue of RMB21.4 million, RMB18.2 million and RMB2.1 million in 2023, 2024 and 2025, respectively, representing 1.4%, 1.8% and 0.1% of our total revenue in the respective years.

In 2023, 2024, 2025 and the six months ended June 30, 2026, aggregate sales to Group A, Group B, Group C and Group D accounted for revenue of RMB1,268.6 million, RMB659.3 million, RMB863.1 million and RMB1,218.6 million, respectively, representing 80.5%, 64.6%, 49.4% and 61.8% of our total revenue in the respective period, and gross profit of RMB141.7 million, RMB33.8 million, RMB98.4 million and RMB174.9 million, respectively representing 82.0%, 75.4%, 60.1% and 62.5% of our total gross profit in the respective period. Gross profit margin with respect to such sales was 11.2%, 5.1%, 11.4% and 14.4% in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively.

According to Frost & Sullivan, given considerations including raw materials quality control, cost management, supply chain security and deepened industrial chain collaboration, it is common for large customers in the electrolyte industry to require suppliers to purchase raw materials from them. Therefore, our procurement of raw materials from our major customers is in line with industry practice.

The raw materials purchased by us from the suppliers are of a general nature and are not limited to use in the production of products for such suppliers; they may also be used in the production of products for other customers. Upon delivery and acceptance of the raw materials purchased from our suppliers, we obtain legal title to such materials and have full discretion to determine their usage. Our procurement and sales transactions are separately entered into with our respective customers and suppliers.

Negotiations of the terms of sales to the companies mentioned above and purchases from them were conducted separately, and the sales and purchases were neither connected nor conditional upon each other. Our Directors are of the view that such arrangements are mutually beneficial, given that we negotiated with such companies on an arm's-length basis. In addition, the terms of transactions with the companies mentioned above are in line with market practice and similar to those with our other customers and suppliers. Save as disclosed, to the best of our knowledge, none of our major customers during each year/period of the Track Record Period was a supplier of ours and vice versa.

BUSINESS SUSTAINABILITY

Industry Cyclicality and Impact on Our Financial Performance

During the Track Record Period, the electrolyte industry underwent cyclical adjustments, which adversely affected our financial performance. As a result, our revenue decreased by 35.3% from RMB1,576.6 million in 2023 to RMB1,020.6 million in 2024. Our gross profit margin decreased from 11.0% in 2023 to 4.4% in 2024. In addition, while we recorded a net profit of RMB86.2 million in 2023, we incurred a net loss of RMB27.6 million in 2024. These challenges were primarily attributable to industry-wide factors affecting the entire electrolyte industry, including, among others:

- ***Raw material price***. As the primary raw material for lithium-ion battery electrolytes, the price of $LiPF_6$ directly affects our cost of sales and financial performance. The price of $LiPF_6$ is influenced by a combination of factors, including macro-level demand for new energy, changes in supply chain capacity, lithium carbonate price fluctuations, policy guidance and global battery market price trends. According to Frost & Sullivan, the average price of $LiPF_6$ experienced a surge from 2021 to 2022, primarily driven by

explosive growth in global demand for NEVs and limited effective upstream capacity. As new upstream production capacity was gradually commissioned and the supply chain gradually stabilized, the average price of $LiPF_6$ decreased from approximately RMB130,200 per ton in 2023 to RMB62,500 per ton in 2024. See "Industry Overview — Price Analysis of Raw Materials and Electrolyte Products." Largely as a result, the prices of our electrolyte products, which typically adjust in accordance with the market price of solutes, such as $LiPF_6$, our core raw material, declined 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.

- ***Market competition***. As the market competition is intensifying, industry players have been continuing to leverage large-scale operations, cross-regional coordination and reliable supply capabilities to achieve comprehensive competitiveness in pricing, delivery and service in the short term, leading to pricing pressure across the industry. See "Industry Overview — Market Challenge Analysis of Global Electrolyte Industry." According to Frost & Sullivan, the global electrolyte industry is a relatively concentrated market, with top five electrolyte suppliers accounting for a combined market share of 49.2% in terms of the revenue in 2025. As a result, our pricing is influenced by competitive dynamics within the industry.

Notwithstanding the industry challenges encountered in 2024, our financial performance demonstrated strong resilience. Our revenue increased by 71.1% from RMB1,020.6 million in 2024 to RMB1,746.1 million in 2025. Our gross profit margin improved from 4.4% in 2024 to 9.4% in 2025. In addition, while we recorded net loss of RMB27.6 million in 2024, we recorded net profit of RMB36.1 million in 2025. In addition, our revenue increased significantly from RMB636.5 million in the six months ended June 30, 2025 to RMB1,971.9 million in the same period in 2026. Our gross profit margin increased from 5.9% in the six months ended June 30, 2025 to 14.2% in the same period in 2026. This recovery trajectory was primarily driven by:

- ***Continuously increased sales volume with relatively stabilized prices:*** In line with our expanded customer base and growth in downstream EV batteries and ESS batteries industries, the sales volume of our electrolyte products increased by 76.5% from 60,676 tons in 2024 to 107,094 tons in 2025 and increased by 82.3% from 42,332 tons in the six months ended June 30, 2025 to 77,164 tons in the same period in 2026. In addition, our 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 and increased from approximately RMB15,000 per ton in the six months ended June 30, 2025 to approximately RMB25,000 per ton in the same period in 2026. Consequently, revenue contribution from sales volume growth more than offset the minor decrease in selling prices. Notably, in the fourth quarter of 2025 and the six months ended June 30, 2026, with growth in downstream NEVs and the progress of ESS project rollouts, demand for both EV batteries and ESS batteries recovered, leading to a further improvement in electrolyte demand. See "Industry Overview — Price Analysis of Raw Materials and Electrolyte Products."

- ***Enhanced cost efficiency:*** We continued to enhance our cost efficiency by implementing systematic operational improvements across our production bases. We leveraged the distinct regional advantages of each base, such as proximity to major customers, access to local supply chains and favorable infrastructure, to minimize logistics expenses and improve delivery timeliness. By situating our production bases closer to end-markets, we not only reduced transportation costs but also enhanced responsiveness to customer demand.

Notably, the fluctuation of the raw materials prices are in line with a pronounced capacity cycle of China's electrolyte industry. According to Frost & Sullivan, in 2020, China's electrolyte production capacity reached approximately 450 thousand tons, with a utilization rate exceeding 60%, reflecting relatively balanced supply and demand. Since 2022, rapid capacity expansion combined with a moderation in downstream demand led to industry-wide overcapacity. Total capacity increased from approximately 2.1 million tons in 2022 to approximately 5.0 million tons in 2024, while utilization declined to approximately 30% in 2024, resulting in downward pressure on electrolyte prices in China. As China accounts for approximately 90% of global electrolyte shipments, global electrolyte price trends have remained highly aligned with those in China. With the gradual exit of outdated and inefficient capacity, improving industry concentration, and renewed demand growth driven by NEVs, energy storage systems and emerging applications, overcapacity conditions are expected to ease. In 2025, effective capacity adjusted to approximately 4,000 thousand tons, and utilization recovered to around 55%, indicating improving supply-demand balance. From 2026 to 2030, electrolyte capacity growth is expected to become more disciplined, shifting from aggressive expansion to utilization and efficiency optimization. Against this backdrop, as downstream battery installation demand continues to expand and industry rationalization progresses, electrolyte prices are expected to gradually rebound from 2026 to 2030, thereby providing stronger revenue stability and margin support for our sustainable development. Moving into the longer term towards 2030, as upstream raw material prices stabilize and supply-demand dynamics gradually rebalance, electrolyte prices are expected to ease from peak levels and gradually normalize, ultimately stabilizing within a more rational and sustainable range.

Our Path to Sustainable Profitability

Despite our financial fluctuation during the Track Record Period, we believe that we have a clear and viable path to achieve sustainable profitability and long-term business growth. Our confidence is based on the following key factors: (i) growing industry landscape and favorable policy support; (ii) increasing sales volume and expansive customer base; (iii) cost control and economies of scales; and (iv) product diversification.

Growing Industry Landscape and Favorable Policy Support

We operate in an industry with substantial long-term growth potential supported by the global transition to clean energy and electrification. According to Frost & Sullivan, it is expected that the lithium-ion battery shipment volume in China will exceed 3,300 GWh by 2030, representing a CAGR of 16.9% from 2025 onwards. In addition, driven by the continued penetration of NEVs worldwide, accelerated development of ESS, 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 over RMB120 billion by 2030, with a projected CAGR of over 20% from 2025 to 2030. This substantial market expansion is underpinned by strong growth of revenue across multiple downstream application segments, especially the EV batteries electrolytes (expected CAGR of 18.0% from 2025 to 2030) and ESS battery electrolytes (expected CAGR of 21.1% from 2025 to 2030) and consumer electronics batteries electrolytes (expected CAGR of 14.1% from 2025 to 2030).

Although China's battery industry experienced a phase of rapid capacity expansion that led to periodic oversupply, the excess is expected to gradually ease under coordinated effects from policy guidance, supply-side adjustment and sustained downstream demand growth. For example, the lithium-ion battery industry benefits from favorable government policies and regulatory support. Notably, supported by "the Opinions of the CPC Central Committee and the State Council on Accelerating the Comprehensive Green Transformation of Economic and Social Development" (《中共中央、國務院關於加快經濟社會發展全面綠色轉型的意見》), policy frameworks have clearly emphasized accelerated progress in high energy density, long cycle life and high safety battery technologies, while continuing to advance the electrification of the new energy vehicle sector. From a supply-side perspective, intensified competition and margin pressure have driven the gradual exit or consolidation of weaker and low-end producers, resulting in structural capacity

rationalization and improved industry concentration, particularly benefiting leading manufacturers. From a demand perspective, continued growth in NEVs, rapid expansion of energy storage installations, steady demand from consumer electronics, and emerging applications such as robots and low-altitude economy collectively provide diversified and resilient end-market support. As a result, overcapacity of the battery industry eased since the second half of 2025, supporting stable production growth of major battery manufacturers and, in turn, sustaining demand for upstream electrolyte products. Consequently, the structural optimization of the battery industry is expected to mitigate the impact of prior overcapacity and provide a more stable and supportive operating environment for the electrolyte industry and the Group's long-term development.

We believe that the combination of a growing industry landscape with robust demand growth across key application sectors, and favorable policy support positions us well to capture future growth opportunities and enhance our long-term competitiveness.

Increasing Sales Volume and Expansive Customer Base

Notwithstanding the average selling price pressures we faced during the Track Record Period, the total 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 increased from 42,332 tons in the six months ended June 30, 2025 to 77,164 tons in the same period in 2026. By virtue of our robust delivery capacity, we steadily expanded our market share. According to Frost & Sullivan, in 2025, in terms of electrolyte revenue, we ranked fourth among electrolyte suppliers globally and in China (including both independent and affiliated electrolyte manufacturers), with a market share of 3.6% and 4.7%, respectively.

We also focused our sales and marketing efforts on promoting our electrolytes. In 2023, 2024, 2025 and the six months ended June 30, 2026, we had a total of 188, 274, 314 and 226 customers, respectively, with the newly-acquired customers of 95, 131, 93 and 42 customers in the respective period. Notably, our electrolyte customer retention rate was 61.6%, 74.5%, 65.3% and 54.8% in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. In addition, we attach importance to the coordinated development of our business lines. The number of customers for our four business lines, namely electrolytes for power batteries, electrolytes for ESS batteries, electrolytes for consumer electronics batteries and electrolytes for emerging applications, increased by 63.3%, 65.1%, 61.8% and 16.7% respectively from 2023 to 2025. The following table sets forth the number of our customers by business line during the Track Record Period:

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Electrolytes for power batteries	109	129	178	121
Electrolytes for ESS batteries	63	104	104	89
Electrolytes for consumer electronics batteries	68	132	110[(2)]	66
Electrolytes for emerging applications	6	27	7	41

Notes:

(1) As certain customers purchase multiple types of electrolyte products, the total number of customers as summed in the table may exceed our actual number of customers.

(2) The number of customers of electrolytes for consumer electronics batteries declined from 132 in 2024 to 110 in 2025, primarily due to a combination of industry dynamics and our strategic initiatives. On the industry side, small and mid-sized battery manufacturers accelerated market consolidation and reduced the overall number of our upstream customers. On our side, we proactively optimized our customer mix by allocating more resources to key customers while gradually reducing business with smaller customers that exhibited relatively higher credit risk.

In addition, we are constantly optimizing customer diversification and reducing customer concentration risk based on the following strategies:

- *Customer structure optimization*. We focus on intensive cultivation of core customers to deepen cooperation stickiness and consolidate market share. We prioritize expanding medium-sized customers by providing differentiated services and establishing a cultivation mechanism. Meanwhile, we layout emerging fields and small and medium-sized customers to tap long-term growth potential. Through the establishment of a customer hierarchical evaluation, we dynamically adjust cooperation strategies.

- *Product and technology driven*. We plan to continue to build differentiated advantages through innovation and technological upgrading, and attract customers from different fields with diversified and high-value-added products to promote customer diversification. On the one hand, we plan to continuously develop electrolyte products suitable for multiple fields on the basis of the existing product line, and layout emerging products to expand customer coverage. On the other hand, we increase R&D investment to optimize product formulations, establish a rapid customized R&D mechanism, and provide full-process technical support and value-added services to enhance customer stickiness.

- *Production capacity and supply network*. A stable and diversified supply capacity is the premise of customer diversification. We have established a well-planned production capacity layout, with an electrolyte production capacity of 180,000 tons per year. We plan to construct and expand electrolyte production bases both domestically and overseas, and the total production capacity will exceed 500,000 tons per year upon completion. In addition, we will continue to strengthen our presence in the upstream segment of the industrial chain by identifying and cooperating with additional raw material manufacturers through approaches such as equity investments and long-term cooperation agreements. See "— Our Strategies — Vertical Industry Chain Extension — Continuous Enhancement of Upstream Integration." As production scale and market presence continue to grow, we expect to deepen our participation in industry collaboration, technology development and standard-setting initiatives. A larger manufacturing platform may enhance our ability to influence future technological and product development trends within the battery materials industry.

- *Proactive expansion of diversified sales channels*. We will continue to tap customer resources in different regions and fields to rapidly expand customer coverage. Domestically, we explore customers through multiple channels such as participating in industry exhibitions, setting up regional sales teams and utilizing online platforms. Overseas, we establish dedicated teams and cooperate with local distributors to expand the market. Meanwhile, we link upstream and downstream enterprises and research institutions to share customer resources, supplemented by refined customer relationship management to enhance customer stickiness, promote customer referrals and reduce customer churn.

As a result of our ongoing customer diversification initiatives, the revenue contribution from our five largest customers decreased from 82.3% in 2023 to 73.0% in 2024, 72.2% in 2025 and 74.8% in the six months ended June 30, 2026. This trend reflects our continued efforts to expand and diversify our customer base and reduce customer concentration.

To meet increasing market demand and expanded customer base, we are steadily expanding our production capacity and expect to continue such expansion in line with our business growth. See "— Our Competitive Strengths — Comprehensive Production Capacity Layout Covering Core Customers" and "Future Plans and [**REDACTED**]."

Increasing R&D Efforts for Electrolyte Products and Production

We are committed to strengthening electrolyte products and production innovation as a core strategy to underpin our sustainable profitability. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development expenses were RMB19.7 million, RMB24.1 million, RMB30.2 million, RMB11.3 million and RMB25.8 million, respectively. Leveraging our in-house R&D capabilities, customized formulations and long-standing customer collaborations, we have been continuously enhancing product performance and added value, and consolidating our competitive advantages in high-growth segments such as power batteries, ESS and consumer electronics batteries.

We intensify R&D investment in high-performance electrolytes, focusing on improvements in key indicators including ionic conductivity, low-or-high-temperature performance, cycle life and safety stability. By optimizing electrolyte formulations, we aim to launch differentiated and high-margin products that meet the evolving customer requirements. We have also strategically positioned ourselves in emerging battery material fields, including SSE, gel electrolytes, hybrid solid-liquid electrolytes and sodium-ion electrolytes, for all of which we possessed mass production capabilities and provided small-batch production services to satisfy niche and tailored customer demand. In addition, we are committed to upgrading production processes. For example, we have optimized the feeding and conveying process of $LiPF_6$ through R&D, which enables automatic control of input volume and weight and achieves fool-proof, error-free dosing, resulting in an improvement of over 50% in the conveying efficiency of $LiPF_6$. We will also accelerate the industrialization of advanced products such as high-voltage electrolytes, low-temperature electrolytes and long-cycle electrolytes to capture incremental demand in high-end applications.

In addition, we have strengthened customer-centric product verification, customized development and integrated support. For example, during the Track Record Period, we achieved effective cost reduction of raw materials through process optimization and performance verification, and such technical improvements enabled us to conduct more technical cooperation with customers, which to a certain extent increased customer order volume and expanded our market share. By establishing close cooperative R&D mechanisms with core customers, we can better align our product roadmap with their technical routes and capacity expansion plans, thereby increasing customer stickiness, securing long-term supply agreements and stabilizing recurring income.

We also emphasize the development of technical standards and have translated our core R&D achievements into local standards and group standards. During the Track Record Period, we led or participated in the formulation of a number of key industry standards covering core fields such as lithium-ion battery electrolytes and sodium-ion batteries, including the local standard Cleaning Treatment and Recycling of Cleaning Agents in the Production of Lithium-Ion Battery Electrolytes (鋰離子電池電解液生產中清洗處理及清洗劑循環利用), as well as group standards including General Specification for Sodium-Ion Batteries (鈉離子電池通用規範) and Lithium Hexafluorophosphate Electrolytes Containing Thermosensitive Special Additives (含溫敏性特殊添加劑的六氟磷酸鋰電解液).

Cost Control and Economies of Scale

Our future profitability depends significantly on our ability to control costs and operating expenses, which are affected by a number of factors, such as costs of components, raw materials and other supplies, as well as our operational efficiency. We believe that as we ramp up the sales of our products, we will achieve economies of scale such that our costs as a percentage of our total revenue will decrease.

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, such as functional additives and $LiPF_6$, which enhances supply-chain security while helping to reduce procurement and production

costs. In September 2022, we invested in Yingkou Changcheng. The average procurement prices of additives purchased from Yingkou Changcheng during the Track Record Period were relatively lower than our average external procurement prices. For example, in 2023, 2024, 2025 and the six months ended June 30, 2026, the procurement price of methylene methanedisulfonate (甲基二磺酸亞甲酯) from Yingkou Changcheng was 6.7%, 12.2%, 6.5% and 9.9% lower, respectively, than that from other suppliers. In addition, during the Track Record Period, 61.9% of our ethylene sulfate (硫酸乙烯酯) by procurement value was sourced from Yingkou Changcheng, generating cumulative procurement cost savings of RMB2.4 million compared with prices offered by other suppliers during the same periods. Meanwhile, we are committed to enhancing profitability through flexible and data-driven procurement adjustment strategies. We continuously monitor price differentials between internal suppliers and external markets and promptly optimize our procurement structure. For example, in 2023, 87.3% of our succinonitrile (丁二腈) by procurement value was sourced from external suppliers. The average price of succinonitrile purchased by us from Yingkou Changcheng in 2023 was 32.2% lower than the average external procurement price. Accordingly, we adjusted our procurement strategy. In 2024, 2025 and the six months ended June 30, 2026, 98.4%, 100.0% and 100.0% of our succinonitrile was purchased from Yingkou Changcheng, respectively. In addition, 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." In 2025 and the six months ended June 30, 2026, 3.9% and 15.8% of our LiPF6 by procurement value was sourced from Shandong Lizhong, respectively, at an average procurement price 13.4% and 7.6% lower than the average external procurement price in the respective period. Such self-sufficiency helps to ensure stable supply and we believe it enables us to achieve cost reductions.

In addition, we expect to achieve effective reductions in unit production costs as we continue to expand our production capacity and improve overall utilization rates. As production volumes increase, our fixed production costs per ton are expected to decline due to improved economies of scale, thereby enhancing operating efficiency and cost competitiveness. Our expanded scale is also expected to strengthen our bargaining power with suppliers. Furthermore, production expansion enhances production line efficiency, which further contributes to the absorption of fixed costs. The integration of our production facilities with automation technologies not only improves production efficiency and consistency, but also shortens production cycles and accelerates time-to-market for new and upgraded products.

Product Diversification

Leveraging our comprehensive R&D system and technological advances, and reinforcing our production processes through iterative upgrades, we have developed a diversified product portfolio covering multiple application scenarios including power, ESS, consumer electronics and emerging applications. See "— Our Products — Electrolytes."

Furthermore, we are continuing to expand and enhance our product portfolio to capture future growth opportunities and address evolving industry trends. In the near term, we will focus on the development of emerging electrolyte formulations aimed at improving critical performance parameters, including safety, cycle life, temperature adaptability, energy density and fast-charging capability, in response to increasingly stringent performance expectations in downstream applications. In the medium term, we intend to develop a portfolio of differentiated specialty products, including specialty performance additives, high-safety flame-retardant liquid electrolyte formulations, high-safety hybrid solid-liquid battery electrolytes, and electrolyte systems tailored for high-voltage capacity and high-silicon battery architectures, with a view to expanding our value-added offerings and strengthening product differentiation. In the long term, we plan to conduct frontier research into sodium-ion battery electrolyte, oxide-based and sulfide-based solid-state battery electrolyte and other next-generation battery technologies, including anion exchange membranes for fuel cells, with the objective of maintaining technological capabilities and positioning ourselves to benefit from future breakthroughs in robots and low-altitude economy applications.

Going forward, we will align with electrolyte industry trends and leverage our core strengths to systematically adjust our product portfolio, focusing on product structure upgrading, core material self-supply, downstream application optimization, production scale effects and customized product deepening. As our products are primarily customized electrolytes, tailored to customers' exclusive needs through specialized formulation R&D, customized production and supporting services, we will continue to prioritize high-value-added, high-margin customized electrolytes, such as high-voltage, fast-charging and long cycle life products to further increase their revenue share. We will also enhance the self-supply rate of key raw materials, including solutes, solvents and additives, to reduce external procurement dependence, mitigate cost pressures from raw material price fluctuations and lower unit production costs. Additionally, we will optimize our downstream application mix by focusing on high-quality segments such as power batteries and ESS, improve customer and application diversification and unlock scale effects through well-planned capacity layout and automation upgrades. Locating production bases near customers will reduce logistics costs and mass production will offset the relatively high unit costs of customization, strengthening overall profitability resilience.

In terms of pricing strategy, given the significant impact of raw material price fluctuations on revenue during the Track Record Period, we will focus on refining a linkage mechanism between major raw material prices and customized electrolyte selling prices to lock in stable profit margins and minimize the impact of raw material volatility on revenue and profits. Leveraging our electrolyte products' customized nature, we will implement a differentiated pricing strategy based on customization degree, technological content, application fields, customer cooperation depth and order size. For highly specialized, technologically advanced customized products, we will adopt a reasonable premium strategy, while balancing market competitiveness and capacity utilization, and flexibly adjust pricing to reflect their customized value and technological advantages. Furthermore, we will sign long-term customized cooperation framework agreements with core customers to stabilize sales volume, price expectations and collection quality, dynamically balancing market share and profitability to further mitigate the impact of raw material and market fluctuations.

The product portfolio optimization and pricing strategy adjustments are expected to effectively improve our gross profit margin and profitability stability. Specifically, higher revenue share of high-value-added and high-profit-margin customized products, increased core material self-supply and scale effect realization will directly enhance gross profit levels, offsetting customization-related cost pressures. A smooth raw material cost transmission mechanism will weaken the impact of cyclical raw material fluctuations on revenue and profits, reducing operational risks. Additionally, optimizing customer structure, efficient operations and refined cost control will further improve capital efficiency.

We believe that our phased development roadmap positions us to respond effectively to industry trends, enhance technological competitiveness and achieve sustainable and high-quality growth over the long term.

QUALITY CONTROL

We place significant emphasis on quality control with regard to our products. We believe that quality control is essential in establishing and strengthening the reputation of our brand. To ensure product quality and compliance with relevant laws and regulations, we have established a system of quality control policies and procedures. Our quality management system is built on three core principles, including full-process closed-loop control, data-driven decision making and risk prevention and control.

For raw materials, we have established a rigorous supplier inspection mechanism. See "— Suppliers and Procurement — Selection of Suppliers." Every incoming batch of raw materials undergoes comprehensive inspection covering critical parameters. Non-conforming materials are identified, isolated and subject to root cause traceability and disposal procedures. We maintain a raw material retention sample system to ensure quality stability throughout the storage period.

With respect to production, critical production processes are conducted in clean rooms. We monitor key parameters in real-time, with abnormalities triggering automatic alarms and process lockouts. Each production batch is subject to comprehensive recording of all production elements, ensuring forward traceability and backward tracking capabilities.

We have established a comprehensive electrolyte quality control system. We have obtained ISO 9001, ISO 14001, ISO 27001, ISO 45001 and IATF 16949 system certifications, which reflects our capabilities in ensuring consistent electrolyte quality and effective manufacturing process management. We own testing equipment such as ion chromatography, gas chromatography and gas chromatography-mass spectrometry, and conduct full-component and full-process testing and monitoring of electrolytes, ensuring production quality and production process efficiency. We have established specific testing methods and strict technical standards for different raw materials, effectively controlling the quality of electrolyte raw materials. For finished electrolyte products, we continuously introduce new testing methods and improve testing technology levels, having advantages in component ratio control, material parameter control, and foreign object control capabilities. Our product's first pass yield rate reached 99.95% in 2025 and 99.94% in the six months ended June 30, 2026, significantly higher than the industry average of 92% to 95%, according to Frost & Sullivan. In 2024, we achieved a zero DPPM performance in our product supply to a global new energy technology enterprise. In August 2026, we were invited to participate in 2035 Value-Chain Carbon Neutrality Pathway session of such global new energy technology enterprise as the only electrolyte supplier.

During the Track Record Period and up to the Latest Practicable Date, there had been no incidents of penalties by regulatory authorities for violations of applicable laws and regulations of product quality.

INVENTORY

During the Track Record Period, our inventories included raw materials, work-in-progress and finished goods. Our finished goods primarily consist of electrolytes. Our warehouses are equipped with comprehensive fire protection, lighting and other auxiliary facilities and equipment, with dedicated personnel conducting regular inspections and patrols. We strive to maintain optimal inventory levels to meet our sales plans. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our inventories amounted to RMB30.3 million, RMB53.7 million, RMB177.0 million and RMB281.1 million, respectively. In 2023, 2024, 2025 and the six months ended June 30, 2026, our inventory turnover days were 20 days, 18 days, 28 days and 25 days, respectively. The typical shelf life of our electrolytes ranges from one month to six months.

We have adopted an inventory management policy of production based on sales and procurement based on production. We dynamically determine our safety stock and optimal inventory levels by taking into account sales orders, production plans, market prices and raw material supply conditions. Our raw material procurement is generally conducted on a monthly basis, with purchase prices and procurement volumes determined after considering prevailing market prices, customer orders, production schedules and inventory levels. We generally maintain raw material inventories sufficient for approximately one month of production requirements. To manage procurement risks, we have established an internal raw material price assessment mechanism involving personnel from our sales, procurement and finance departments to monitor market prices, supply and demand dynamics, industry inventory levels and overall market conditions for key raw materials. Procurement decisions are generally linked to customer orders and production plans, and significant inventory build-up at elevated price levels is subject to heightened internal review. We also conduct supplier price comparisons for key raw materials to mitigate the impact of significant price fluctuations. In addition, we periodically review major raw material purchases, inventory turnover and subsequent price movements as part of our procurement management and performance evaluation process.

Inventory turnover is monitored in real time through our MES system and manual dynamic tracking to strictly control inventory scale and improve operational efficiency. We conduct regular comprehensive inventory checks. Provision is made when the carrying cost of inventories exceeds their net realizable value, where inventories are damaged, slow-moving or impaired, or when their future net realizable value is lower than cost due to declining market prices, product upgrades or other factors. Such provisions are reversed within the original amount previously provided if the factors causing the impairment cease to exist. In 2023, 2024, 2025 and the six months ended June 30, 2026, the amounts of inventory write-downs made were RMB4.3 million, RMB1.1 million, RMB4.8 million and RMB1.4 million, respectively.

LOGISTICS AND TRANSPORTATION

Our products are typically delivered directly from our warehouses to the venue specified by our customers, with the shipping costs borne by us. We engage qualified third-party logistics service providers for delivery to our customers in compliance with product specifications. For those products containing highly reactive or easily decomposable additives, we require third-party logistic service providers to provide (i) appropriate vehicle types such as standard hazardous materials transport vehicles or refrigerated hazardous materials vehicles based on our temperature control requirements for transportation, with vehicles equipped with online temperature monitoring devices featuring real-time data upload and temperature alarm and warning functions for effective monitoring and management; (ii) positioning and tracking systems throughout the transportation process to monitor delivery timeliness and ensure on-time delivery; and (iii) real-time monitoring and transmission of temperature and pressure data for products. To the best of our knowledge, all logistics service providers during the Track Record Period and up to the Latest Practicable Date are Independent Third Parties.

COMPETITION

In 2025, the global and China's electrolyte industry market size reached RMB48,707 million and RMB36,898 million in terms of revenue, respectively. Taking into account both independent and affiliated electrolyte manufacturers, the top five companies collectively accounted for 57.1% and 72.2% of the global and China's market share, respectively, indicating a relatively concentrated market. We primarily compete with a number of suppliers of lithium-ion battery electrolytes. See "Risk Factors — Risks Relating to Our Business and Industry — We face intense competition in the industries in which we operate." The current global electrolyte industry is highly competitive and concentrated. In 2025, in terms of electrolyte revenue, we ranked fourth among electrolyte suppliers globally and in China (including both independent and affiliated electrolyte manufacturers), with a market share of 3.6% and 4.7%, respectively. With established positions in the industry, accumulated industry experience, R&D and production capabilities, broad product portfolios and stable customer base, we believe that we are able to maintain our competitive position in our industry. See "— Our Competitive Strengths" and "Industry Overview."

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognition in respect of our products, technology and innovation. The following table sets out major awards and recognitions we received during the Track Record Period:

Award Year	Award/Recognition	Awarding Institution/Authority
2025	2024 Zhejiang Province Characteristic Industrial Cluster Core Area (2024年浙江省特色產業集群核心區)	Department of Economy and Information Technology of Zhejiang Province (浙江省經濟和信息化廳)
2025	Zhejiang Province Science and Technology Plan Project (浙江省科技計劃項目)	Department of Science and Technology of Zhejiang Province (浙江省科學技術廳)
2025	Hebei Province Science and Technology Award (河北省科學技術獎)	Hebei Provincial People's Government (河北省人民政府)
2024	Hebei Province Science and Technology Achievement Certificate (河北省科學技術成果證書)	Department of Science and Technology of Hebei Province (河北省科學技術廳)
2024	Hebei Province Industrial Enterprise New Energy Materials Technology R&D Center – Self-established (Grade A) (河北省工業企業新能源材料技術研發中心-自建(A級))	Department of Industry and Information Technology of Hebei Province (河北省工業和信息化廳)
2023	Provincial Clean Production Project (省級清潔生產項目)	Department of Economy and Information Technology of Zhejiang Province (浙江省經濟和信息化廳)
2023	Hebei Province Innovative Small and Medium-sized Enterprise (河北省創新型中小企業)	Department of Industry and Information Technology of Hebei Province (河北省工業和信息化廳)

INTELLECTUAL PROPERTY

We protect our intellectual property with various patents, trademarks and copyright, among others. As of June 30, 2026, we had 171 registered patents, 16 trademarks and four copyrights in China. As of June 30, 2026, we also had two registered patents in Japan.

We take a proactive approach to managing our intellectual property portfolio. We have established clear division of responsibilities for the protection of intellectual property and proprietary technologies. The R&D department is responsible for the identification of technological achievements. Patent engineers are responsible for the application and maintenance of intellectual properties, as well as classified management of technical secrets. The marketing department monitors potential infringement clues, forming a collaborative mechanism. We have established a series of processes regarding the application, analysis, invalidation, operation, purchase and asset evaluation of patents. These processes help us manage our intellectual property operations throughout their cycle life. We will take actions when we become aware of a potential infringement of our intellectual property rights. We incorporate intellectual property output into performance evaluations, and provide incentives such as bonuses to teams that achieve intellectual property registrations and successful rights protection. We maintain encrypted storage and access control for commercial secret documents, ensure physical isolation of core areas, and implement data anonymization and complete operation log retention. In addition, we seek to protect our proprietary technologies and processes, in part, by entering into confidentiality arrangements with all of our Directors, senior management and other key personnel. We also regularly organize intellectual property training to enhance awareness of protection among all employees, and establish an intellectual property information database to integrate internal and external resources for dynamic monitoring.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of our intellectual properties or any material disputes or claims against us in relation to the infringement of the intellectual properties of third parties arising from our business. See "Risk Factors — Risks Relating to Our Business and Industry — We may be unable to protect our intellectual properties, and may be subject to infringement claims from third parties, either of which could reduce the value of our brands and harm our business and competitive market position."

INFORMATION TECHNOLOGY

Our information technology systems are critical to our operations, including contract management, safety and quality control, documentation management, engineering management, human resources and accounting and finance. From time to time, we procure or develop new or upgrade existing information technology systems based on our business needs. We ensure the integrity and security of operational data through strict network security protocols and access control mechanisms. During the Track Record Period and up to the Latest Practicable Date, we did not suffer any major information technology system failures or related losses.

The information technology systems we use in our business operations include, among others: (i) an enterprise resource planning (ERP) platform covering financial management, supply chain, manufacturing and collaboration modules, enabling integrated business and financial management; (ii) a manufacturing execution system (MES), a real-time production management system that achieves transparent, efficient and traceable production through real-time data collection, work order execution, quality traceability, and equipment and resource scheduling; (iii) DingTalk, an intelligent collaborative office platform that integrates communication, conferencing, approval workflows and document management, supporting multi-device collaboration; and (iv) WeCom, which integrates instant messaging and audio/video conferencing capabilities, and facilitates internal and external communications.

EMPLOYEES

As of June 30, 2026, we had a total of 762 employees. As of the same date, 760 of our employees were located in Mainland China and two employees were located in Hungary. The table below sets forth a breakdown of our employees by function as of June 30, 2026.

Function	Number of employees	% of total
Production	400	52.5
Administration	155	20.3
R&D	81	10.6
Management	33	4.3
Sales and marketing	30	3.9
Finance	21	2.8
Others[(1)]	42	5.5
Total	**762**	**100.0**

Note:

(1) Others mainly include supporting staff such as security guards.

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We aim to establish a collaborative work environment that encourages them to develop their career with us. In addition, we have an effective training system that includes onboarding training for new employees and ongoing job-specific training aimed at accelerating learning progress and enhancing the knowledge and skills of our employees.

We regularly review our capabilities and adjust our workforce to ensure we have the right mix of expertise to meet the demand for the products we sell. We offer employees competitive salaries and performance-based cash bonuses. We believe that our reputation, work environment, training system and remuneration package are advantageous and attract qualified candidates. During the Track Record Period, we adopted internet recruitment, social recruitment, campus recruitment and internal referral by existing employees, among other recruitment approaches. When considering and selecting qualified employment candidates, we take into consideration their education background, work experience, relevant expertise and specific skills, as well as the demand for and the objectives of the vacant positions.

During the Track Record Period, we experienced four work-related injury incidents involving four employees, none of which resulted in any disruption to our production or operations. Two incidents arose from traffic accidents during employees' commutes, one involved an employee accidentally falling on a staircase during working hours, and one occurred when an employee accidentally tripped over a chair during a business exhibition. All four employees sustained fractures and had fully recovered as of the Latest Practicable Date. As of the Latest Practicable Date, we had paid compensation totaling RMB33,484 in respect of two incidents. Compensation in respect of one of the remaining incidents is expected to be borne by the third party responsible for the relevant traffic accident, while the injury assessment for the other incident was still in progress as of the Latest Practicable Date. All affected employees were covered by statutory work injury insurance. We have implemented preventive measures, including enhancing workplace safety inspections, strengthening employee safety training and awareness programs, as well as improving safety management of production and office facilities. Our Directors are of the view that these incidents do not indicate any systemic deficiencies in our occupational health and safety management or internal control systems, primarily because: (i) they were isolated, historical and non-recurring; (ii) as advised by our PRC Legal Advisor, such incidents did not involve any non-compliance with applicable PRC work safety laws and regulations or have any material adverse impact on the [**REDACTED**]; and (iii) they did not reveal any material deficiencies in our occupational health and safety measures or internal control systems.

We have established labor unions that protect employees' rights, encourage employee participation in management decisions and assist in mediating disputes between us and union members. During the Track Record Period and up to the Latest Practicable Date, we had maintained a good relationship with our employees and did not have any material labor dispute.

LICENSES AND PERMITS

We are required to obtain various licenses and permits for our business. We had obtained all requisite licenses and permits from applicable authorities which are material to our operations in the PRC, and such licenses and permits were valid and subsisting as of the Latest Practicable Date. During the Track Record Period, the material licenses and permits held by us for our operations in the PRC primarily included Safety Production License (安全生產許可證), Hazardous Chemicals Business License (危險化學品經營許可證), Hazardous Chemicals Registration Certificate (危險化學品登記證) and Pollutant Discharge License (排污許可證). See "Risk Factors — Risks Relating to Our Business and Industry — We are required to obtain, maintain and renew various approvals, permits, licenses, registration and certificates for our business operations, which may be subject to potential delays or changes in standards."

The following table sets forth the details of our material licenses and permits for our operations in the PRC as of the Latest Practicable Date:

Licenses/permits	Issuing Authority	Issue/Effective Date	Expiry Date
Safety Production License (安全生產許可證)	Yibin Municipal Emergency Management Bureau	November 27, 2024	November 27, 2027
	Shandong Provincial Emergency Management Department	April 8, 2025	April 7, 2028
	Zhejiang Provincial Emergency Management Department	May 5, 2025	May 4, 2028
Hazardous Chemicals Business License (危險化學品經營許可證)	Jiang'an County Emergency Management Bureau	November 20, 2026	November 19, 2029
	Yichang High-tech Industrial Development Zone Management Committee Emergency Management Bureau	March 3, 2026	March 2, 2029
	Changxing County Emergency Management Bureau	October 27, 2026	October 26, 2029
Hazardous Chemicals Registration Certificate (危險化學品登記證)	Shandong Province Hazardous Chemicals Registration Center, Chemical Registration Center of the Ministry of Emergency Management	October 18, 2026	October 17, 2029
	Zhejiang Province Hazardous Chemicals Registration Center, Chemical Registration Center of the Ministry of Emergency Management	November 18, 2024	November 17, 2027

Licenses/permits	Issuing Authority	Issue/Effective Date	Expiry Date
	Sichuan Provincial Hazardous Chemicals Registration Center and Chemical Registration Center of the Ministry of Emergency Management	November 1, 2026	October 31, 2029
Pollutant Discharge License (排污許可證)	Jining Municipal Ecology and Environment Bureau	September 19, 2024	September 18, 2029
Record-Filing Certificate for the Production of Non-Pharmaceutical Precursor Chemicals (非藥品類易制毒化學品生產備案證明)	Jining Municipal Emergency Management Bureau	August 26, 2025	August 25, 2028
National Industrial Product Production License (全國工業產品生產許可證)	Shandong Provincial Administration for Market Regulation	October 9, 2025	October 8, 2030

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, nothing had come to its attention that would indicate any legal impediment to renewing these licenses and permits upon expiry.

PROPERTIES

We own and lease properties in China and overseas. As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance.

As of the Latest Practicable Date, we owned land use rights of seven parcels of land in the PRC with an aggregate GFA of approximately 115,160.8 sq.m., which were primarily used for R&D and production purposes. As of the Latest Practicable Date, we had obtained the land use right certificate for a parcel of land in Huzhou, Zhejiang Province which was under construction for R&D purposes, covering an aggregate GFA of approximately 57,735.0 sq.m. As of the Latest Practicable Date, we owned a real estate property with 150,075 sq.m. located in Szolnok, Hungary.

As of the Latest Practicable Date, we leased four properties in the PRC with an aggregate GFA of approximately 5,411.44 sq.m., which were primarily used for office and R&D purposes. As of the Latest Practicable Date, our lease agreements for the above leased properties had not been registered with relevant authorities, primarily because the lessors are unwilling to cooperate with the procedures. See "Business — Legal Proceedings and Compliance — Non-Compliance."

DATA PRIVACY AND INFORMATION SECURITY

We are committed to ensuring data privacy and information security. In our business operations, we primarily collect personal data related to employee information, customer information and other data essential for operation and management. We endeavor to obtain proper authorization and consent from our customers for the collection and processing of their business information. We adhere to the principle of data minimization regarding storage duration, setting appropriate retention periods based on actual business needs. Data exceeding these storage periods is either deleted or anonymized. Directly identifiable personal information is encrypted or desensitized, while other data undergoes database-level encryption. In addition, we enforce access controls for database queries.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material incidents of theft, leakage, damage, illegal use or illegal export of core data, important data or a large amount of personal information; we had not received any investigations, inquiries, rectification orders or penalties from relevant government departments related to network security, data protection or any network security review; we had not been involved in any material lawsuits, arbitrations, penalties or potential disputes or controversies regarding network security and data protection.

INSURANCE

As of June 30, 2026, we maintained property insurance, work safety liability insurance and group accident insurance. Most of our insurance policies are subject to standard deductions, exclusions and limitations. We believe that these insurance policies cover the major risks in our day-to-day operations. During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies. According to Frost & Sullivan, our insurance coverage during the Track Record Period and up to the Latest Practicable Date was in line with industry practices. However, the risks related to our business and operations may not be fully covered by insurance. See "Risk Factors — Risks relating to Our Business and Industry — We may not have sufficient insurance to cover our business risks."

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time be subject to legal or administrative proceedings arising from the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

During the Track Record Period and up to the Latest Practicable Date, other than the litigation as disclosed below in this sub-section, we had not been and were not a party to any material legal, arbitral or administrative proceedings and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any systemic non-compliance incidents. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the jurisdictions in which we operate during the Track Record Period and up to the Latest Practicable Date.

Litigation

During the Track Record Period, we were involved as a defendant in a litigation matter (the "**Litigation**") concerning a dispute in relation to the electrolytes we sold to a customer (the "**Plaintiff**") from June 2024 to January 2025.

In December 2025, we learned that the Plaintiff had filed a complaint with Changxing County People's Court (the "**Court**") alleging that quality defects in the electrolytes we sold to it led to complaints from its customers and the eventual need to recall its products (the "**Allegation**"). The Plaintiff is a limited liability company located in Guangdong Province, primarily engaging in the R&D, production and sales of lithium-ion battery. The Plaintiff initiated to purchase our electrolyte products since 2023. In 2023, 2024, 2025 and the six months ended June 30, 2026, the revenue from the Plaintiff was RMB0.02 million, RMB0.9 million, RMB0.05 million and nil, respectively, which was insignificant compared to our total revenue in the respective period.

The Plaintiff has claimed compensation of RMB15.0 million and reimbursement of RMB0.1 million in relation to the lawyer's fees from us. In January 2026, the Court granted the Plaintiff's application for pre-litigation property preservation and ordered the freezing of our bank account deposits in the amount of RMB5.0 million. Save for the freezing of our bank account deposits, no other assets of the Group have been subject to any preservation measures.

We engaged a litigation legal advisor to advise on the Litigation. We disagree with the Allegation and have defended against it. On March 12, 2026, the Court held a hearing for the Litigation and requested both parties to provide further evidence. In June 2026, taking into account our business relationship with the Plaintiff, its operational circumstances, as well as the time and costs associated with protracted Litigation, and upon the Plaintiff's proposal, we entered into a mediation agreement with the Plaintiff, pursuant to which, we agreed to make a one-time payment of RMB1.0 million to settle with the Plaintiff. Both parties confirmed that (i) this settlement payment was made solely as a commercial agreement in light of the above considerations and does not represent compensation for any product quality issues or similar claims, (ii) the electrolyte products supplied by us to the Plaintiff did not have any quality issue, and (iii) the dispute underlying the Litigation has been fully and finally resolved, and the parties have no further disputes in relation thereto. Following the execution of the mediation agreement, the Court issued an official mediation statement to give effect to the settlement, and the freeze on our bank account deposits was subsequently lifted.

Given that (i) the settlement amount we paid was only RMB1.0 million, which is immaterial in comparison with our total revenue and assets, and (ii) the Plaintiff confirmed in the mediation agreement that our electrolyte products did not have any quality issues, we are of the view that the Litigation did not and will not have a material adverse effect on our business, financial condition and results of operations.

Non-Compliance

Underpayment of Social Insurance and Housing Provident Fund

During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations, primarily because (i) certain employees were unwilling to pay the social insurance and housing provident funds in full as additional contributions were required from them; or (ii) our employees did not fully understand the relevant requirements of the relevant PRC laws and regulations. In 2023, 2024, 2025 and the six months ended June 30, 2026, the shortfall amount of housing provident funds was RMB3.2 million, RMB1.8 million, RMB1.7 million and RMB1.0 million, respectively, and the shortfall amount of social insurance was RMB9.5 million, RMB5.9 million, RMB5.6 million and RMB1.9 million, respectively.

According to the Social Insurance Law of the PRC, if we fail to make contribution to our employee's social insurance timely and sufficiently in accordance with the requirements under the relevant PRC laws and regulations, we may be ordered to pay the shortfall amount and a late payment fee of up to 0.05% of the shortfall amount for each day of delay within a prescribed time limit, and if we fail to pay up the shortfall amount and the late payment fee within the newly prescribed time limit, we may be imposed fines in an aggregate amount ranging from one to three times of the shortfall amount. Therefore, the maximum potential penalty for the shortfall in social insurance contributions during the Track Record Period is RMB68.7 million. In the event that we fail to pay the housing provident fund in full, the housing provident fund management center may order us to pay the shortfall amount within a prescribed time limit. If we fail to do so upon the expiration of the abovementioned time limit, further application may be made to the People's Court for compulsory enforcement. Therefore, the maximum potential penalty for the shortfall in housing provident fund contributions is the compulsory enforcement of the shortfalls applied by the PRC court.

As of the Latest Practicable Date, we had not received any notice or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities in relation to the above-mentioned arrangements as to our social insurance and housing provident funds contribution. As advised by our PRC Legal Advisor, based on the interviews with relevant competent government authorities, assuming that there is no material employee claims or material change to current PRC laws and regulations and the practice in policy implementation and inspection of local governments, the likelihood that we would be required by relevant authorities to pay all of the shortfall and late fees for social insurance and housing provident fund contributions and/or be subject to material administrative penalties due to failure to make full contributions is remote.

We have taken the following internal control measures to prevent future occurrences of such non-compliance: (i) enhancing our human resources management policies, which explicitly require social insurance and housing provident fund contributions to be made in accordance with applicable local requirements, (ii) strengthening the compliance-related training of our personnel; (iii) consulting our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments; and (iv) actively communicate with relevant social insurance and housing fund local authorities to ensure we have the most relevant updated regulatory requirements. If the relevant authorities order us to pay the shortfall in our social insurance and/or housing provident funds or take any rectification measures in accordance with applicable laws and regulations, we undertake that we will rectify as requested as soon as practicable. We aim to rectify the non-compliance of failure to make full contribution of social insurance and housing provident funds within one year after the [**REDACTED**].

Failure to Register Leases of Properties

As of the Latest Practicable Date, our lease agreements for all of four leased properties had not been registered with relevant authorities, primarily because the lessors are unwilling to cooperate with the procedures and our relevant employees did not fully understand the relevant requirements of the relevant PRC laws and regulations. As advised by our PRC Legal Advisor, the non-registration of lease agreements will not affect the validity of the lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000 for any delay in making registration for each of these lease agreements. The aggregate amount of maximum fine will be RMB40,000. As of the Latest Practicable Date, we had not been required by the relevant local housing administrative authorities to complete the registrations, nor been penalized or fined by the relevant authorities. To minimize the potential negative impact of the above incident, we will continue to maintain sustained and active communications with such lessors, clearly explaining the legal obligations and potential risks of lease registration and thus seeking their cooperation to complete a late registration of the relevant leases. In addition, we will seek the landlord's or lessor's cooperation to register the lease agreement with the competent authority after execution in order to ensure compliance with applicable PRC laws and regulations in the future.

Considering (i) as advised by our PRC Legal Advisor, the non-registration of lease agreements does not affect the legal validity of the relevant leases under applicable PRC laws and regulations; (ii) the non-registration resulted primarily from the lessors' unwillingness to cooperate with the procedural requirements, which is beyond our control and not due to any intentional non-compliance or negligence on our part; (iii) as of the Latest Practicable Date, we had not received any notice from the relevant housing authorities requiring us to complete the lease registration, nor had we been subject to any administrative penalty or fine in connection with the non-registration; and (iv) the maximum potential penalty for non-registration of all relevant leases, if imposed in full, would amount to approximately RMB40,000, which is immaterial relative to our overall operating costs and would not have a material financial impact on our Group, our Directors are of the view that the abovementioned incidents do not constitute material or systemic non-compliance of our Group, and will not, individually or in the aggregate, have any material adverse effect on our business, financial position or results of operations.

Construction Work Non-compliances

During the Track Record Period, the construction of two production facilities were commenced before obtaining the safety review opinions. The competent authority has imposed an administrative penalty of RMB30,000 on one of such production facilities. In February 2023, the competent authority issued a certificate confirming that we had fully settled the penalty and completed the relevant administrative procedures, and that it would not impose any other administrative penalties upon us in respect of the aforesaid matter. For the other production facility, the competent authority has confirmed that it has not received any complaints or reports relating to our work safety, identified no major violations of laws and regulations pertaining to work safety management, or imposed any administrative penalties or other administrative measures on us, and that it will not impose any such penalties or measures on us in connection with the aforesaid matter. As of the Latest Practicable Date, we had obtained the safety condition review opinion for this production facility, while we had not yet obtained the review opinion on the design of safety facilities as the design work for the safety facilities was still in progress.

In addition, we received a penalty of RMB48,000 from the relevant competent authority in March 2024 because, in connection with a construction project of our Yibin Production Base, due to an administrative oversight and procedural deficiencies, the work permit for hot work did not specify the completion time of the hot work and the acceptance and completion date as required under the applicable safety standards, and we failed to enter into a special safety management agreement with the contractor as required under the PRC Work Safety Law. Pursuant to the Safety Code for Special Work in Hazardous Chemical Enterprises (GB30871-2022), relevant information relating to the completion of hot work and completion acceptance should be properly recorded in the hot work permit. In addition, pursuant to the PRC Work Safety Law, production and business operation entities shall enter into safety management agreements with contractors where production and business activities are conducted on the same worksite. In December 2025, the competent authority issued a confirmation letter certifying the completion of the project's acceptance procedures and the issuance of the Work Safety Certificate, and further confirming that no hidden risks of major work safety accidents in relation to the Company had been identified and that the Company had not been subject to any major administrative penalties.

Save as disclosed above, we had not experienced any other non-compliance concerning our construction activities during the Track Record Period and up to the Latest Practicable Date and we have obtained all requisite licences and approvals for our production bases or production lines, including work safety and fire safety. We have established a pre-construction and pre-operation compliance approval mechanism. We have set up a special compliance review node for project commencement or operation to ensure that all production facilities are constructed and operated in full compliance with safety laws and regulations.

Hazardous Chemical Storage Non-compliance

In August 2026, we were fined RMB60,000 by the competent authority for exceeding the permitted storage quantity of hazardous chemicals in our warehouse due to a delay in the internal relocation of raw materials. As of the Latest Practicable Date, we had fully settled the fine and completed the relevant rectification measures. According to a certificate issued by the competent authority, the incident did not constitute a material violation of applicable laws and regulations, nor did the penalty constitute a material administrative penalty.

Rectification and Internal Control Measure

In addition, we have taken and enhanced the following enhanced rectification and internal control measures to prevent future occurrences of above non-compliance: (i) enhancing our management policies and improving operational risk analysis capabilities, which explicitly require social insurance, housing provident fund contributions, registration of leased properties, safety review opinion and hazardous chemical storage to be made in accordance with applicable laws and regulations; (ii) strengthening the training of our personnel, including training on various compliance-related topics for our employees; (iii) regularly keeping abreast of the latest developments in PRC laws and regulations; (iv) requiring relevant personnel to monitor our ongoing compliance with relevant laws and regulations and oversee the implementation of any necessary measures; (v) strengthening work permit review and contractor management procedures to ensure the completeness of special operation permits and the execution of required safety management agreements; (vi) enhancing hazardous chemicals storage controls and inventory monitoring to ensure compliance with applicable storage limits and regulatory requirements; and (vii) consulting our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments and actively communicate with relevant authorities to ensure we have the most updated information about the relevant laws and regulations.

Our Directors are of the view that our construction work non-compliances and hazardous chemical storage non-compliance do not constitute systemic non-compliances, primarily considering: (i) these incidents were generally isolated, historical and non-recurring in nature and did not have any material adverse effect on our business, financial position and results of operations; and (ii) as advised by our PRC Legal Advisor, such incidents will not have a material adverse impact on the [**REDACTED**].

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) MATTERS

We are committed to integrating ESG considerations into our corporate management and core business decisions. We undertake to comply with Appendix C2 Environmental, Social and Governance Reporting Code to the Listing Rules upon [**REDACTED**] and fulfill our responsibility to publish an ESG report annually.

ESG Governance

The Board, as the highest responsible body for our ESG matters, fulfills its responsibilities of identifying, analyzing and overseeing relevant issues, including reviewing ESG objectives and their progress, reviewing ESG reports and ensuring the integration of ESG considerations into our business strategy.

We plan to gradually establish a robust ESG governance framework upon [**REDACTED**]. We plan to set up an ESG Task Force to assist the Board in fulfilling its ESG responsibilities. The ESG working group will be responsible for assessing and determining ESG-related risks and material

issues we face, and formulating and overseeing our ESG management mechanisms, goals, systems and specific action plans. We will also maintain ongoing communication with key stakeholders and focus our resources on ESG areas that receive significant attention and have a substantial impact on our business.

Environmental Matters

We comply with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and other relevant laws and regulations of our operating locations in our daily operations, and earnestly fulfill our environmental protection responsibilities. We have established a systematic environmental governance framework, relying on internal systems such as environmental operational control procedures to manage and oversee issues related to emissions treatment and resource utilization.

Upholding the sustainable development philosophy of environmental protection, we integrate environmental awareness into our product management. We are committed to advancing the construction of "zero-carbon factories", and gradually optimizing our energy structure by launching carbon neutrality-related projects and selecting environmentally friendly raw materials. In 2025, our Yibin Production Base was certified as a "zero-carbon factory" by SGS, a globally-leading testing, inspection and certification institution headquartered in Switzerland. We aim to leverage scientific management methods and technological means to minimize the impact of our production operations on the environment and strive to strike a balance between business growth and ecological conservation.

Emission Management

We adhere to an emission control strategy that combines reduction of emissions at source with process monitoring. We have established a traceability system for waste generation and developed targeted emission reduction plans. In terms of exhaust gas management, we are committed to promoting green production at source, reducing air pollutants by optimizing production processes, selecting non-hazardous raw materials and implementing equipment upgrades, and conducting real-time monitoring of emissions during the production process to ensure that exhaust gas emission concentrations remain in stable compliance with applicable national and local emission standards.

We follow relevant laws and regulations on waste disposal and implement standardized management of waste generated during the production process. For chemical waste and other hazardous waste involved in the production process, we have established procedures for classified collection and storage and engage qualified entities for harmless treatment. Meanwhile, we actively implement resource recycling to reduce waste at source. We have set a target of achieving a 100% compliance rate for waste gas, wastewater and solid waste discharges, and there were no incidents of noncompliance with waste disposal laws and regulations during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth the volumes of hazardous waste generated during the periods indicated:

		Year ended December 31,			Six months ended June 30,
	Unit	2023	2024	2025	2026
Hazardous waste	**ton**	74.28	213.69	149.53	209.25
Hazardous waste intensity	**ton/RMB ten thousand revenue**	0.0005	0.0021	0.0009	0.0011

Resource Management

We place great emphasis on energy efficiency, adhering to relevant laws and regulations such as the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》). Under the guidance of internal policies and systems, we uphold the management policy of "Fulfilling Compliance Obligations, Pursuing Continuous Improvement, and Protecting the Environment." In practice, we encourage technological improvements and application of energy-saving measures, monitor and control energy consumption during the production process, and actively explore the utilization of renewable energy. We are committed to steadily reducing energy consumption per unit of output through management optimization and equipment upgrades.

The following table sets forth the energy consumption during the periods indicated:

		Year ended December 31,			Six months ended June 30,
	Unit	2023	2024	2025	2026
Total purchased electricity	kWh	9,025,658	8,460,625	9,407,892	15,482,861[3]
Direct energy consumption[1]	kWh	–	–	–	–
Indirect energy consumption[2]	kWh	9,025,658	8,460,625	9,407,892	15,482,861
Comprehensive energy consumption	kWh	9,025,658	8,460,625	9,407,892	15,482,861
Comprehensive energy consumption intensity	kWh/RMB ten thousand revenue	57.25	82.90	53.80	78.52

Notes:

(1) During the Track Record Period, our operations did not involve the consumption of gasoline, diesel or any other direct fuels, and therefore direct energy consumption was nil.

(2) During the Track Record Period, our indirect energy consumption arose from purchased electricity.

(3) The increase in total purchased electricity in the six months ended June 30, 2026 was primarily driven by the acquisition of Shandong Lizhong in November 2025. As Shandong Lizhong's production processes were powered by purchased electricity, its operations resulted in higher electricity consumption.

We are committed to enhancing water resource utilization efficiency and minimizing the impact of our business operations on water resources. We adhere to relevant laws and regulations such as the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and rely on our internal environmental management processes to monitor and manage water consumption and wastewater discharge. We focus on water resource consumption during operations and actively explore the feasibility of water-saving technologies and water recycling in production processes, aiming to reduce the intensity of water consumption.

The following table sets forth the water resource consumption during the periods indicated:

		Year ended December 31,			Six months ended June 30,
	Unit	2023	2024	2025	2026
Water consumption	m^3	67,965	53,716	62,910	59,642
Water consumption intensity	m^3/RMB ten thousand revenue	0.43	0.53	0.36	0.30

We practice the philosophy of the circular economy and focus on resource efficiency in the packaging process. Based on the morphological characteristics of our electrolyte products, we primarily use reusable stainless steel packaging drums for transportation and delivery to support the recycling of packaging resources. We will continue to promote the optimization of packaging management based on compliance and operational needs, enhancing the level of our green operations.

Response to Climate Change

We recognize the impact of climate change on the global economy and the lithium-ion battery industry chain and consider it a crucial issue for our sustainable development. In terms of risk identification, we pay close attention to changes in regulatory policies and market demands in the context of the transition to a low-carbon economy, and are committed to maintaining our competitive advantages by optimizing our energy structure. Meanwhile, we have identified physical risks that may potentially trigger abnormal greenhouse gas emissions, such as fire hazards, and incorporated them into our environmental monitoring framework. By assessing these risks, we aim to develop targeted response strategies.

We have implemented a greenhouse gas inventory control procedure to standardize the quantification and reporting of greenhouse gases. At the operational level, we have implemented emission reduction control measures for operation of production equipment, management of air-conditioning refrigerants and employee commuting, such as arranging production schedules reasonably, regularly identifying potential hazards and encouraging low-carbon travel. In addition, we are committed to increasing the application of green and low-carbon products, striving to achieve carbon neutrality in our operations by enhancing resource utilization efficiency.

The following table sets forth the greenhouse gas emissions during the periods indicated:

		Year ended December 31,			Six months ended June 30,
	Unit	2023	2024	2025	2026
Total greenhouse gas emissions (Scope 1 and Scope 2)	**tCO2e**	4,789.01	4,489.21	4,991.83	8,215.21
Greenhouse gas emission intensity (Scope 1 and Scope 2)	**tCO2e/ RMB ten thousand revenue**	0.0304	0.0440	0.0286	0.0417
Scope 1 emissions[(1)]	**tCO2e**	–	–	–	–
Scope 2 emissions[(2)]	**tCO2e**	4,789.01	4,489.21	4,991.83	8,215.21
Scope 3 emissions[(3)]	**tCO2e**	617.36	578.71	643.50	1,059.03

Notes:

(1) During the Track Record Period, our production processes were powered by purchased electricity and did not involve the consumption of gasoline, diesel or any other direct fuels. As we did not generate greenhouse gas emissions from any direct fuel combustion activities, we did not record any Scope 1 greenhouse gas emissions during the Track Record Period.

(2) During the Track Record Period, the indirect greenhouse gas emissions generated from our purchased electricity. We calculated the indirect greenhouse gas emissions using the electricity carbon dioxide emission factor of 0.5306 kgCO2/kWh published by the Ministry of Ecology and Environment of the PRC for 2023. The increase in Scope 2 emissions in the six months ended June 30, 2026 was primarily driven by the acquisition of Shandong Lizhong in November 2025. As Shandong Lizhong's production processes were powered by purchased electricity, its operations resulted in higher electricity consumption and corresponding increases in Scope 2 greenhouse gas emissions.

(3) We have compiled and calculated the emission data corresponding to Category 3 fuel- and energy-related activities. In the future, we will gradually improve the data compilation and calculation for Scope 3 greenhouse gas emissions in other categories and enhance the disclosure completeness and transparency of Scope 3 greenhouse gas emissions.

Social Matters

We strive to deeply integrate social values into our daily operations and organizational strategies to jointly build a sustainable development ecosystem with our employees, supply chain partners and communities for win-win cooperation.

Labor Management

Based on our Social Responsibility Management Handbook and human resources management system, we focus on the professional capabilities and qualities of candidates in talent selection. We are committed to establishing a fair compensation and benefits system, standardizing salary payments and providing employees with social security in accordance with the law. We adhere to statutory working hour standards and rest and vacation systems to ensure employees' right to rest. We advocate for an equal workplace culture, strictly prohibit any form of discrimination or harassment, and place emphasis on safeguarding the legitimate rights and interests of female employees.

Occupational Health and Safety

We are committed to establishing a safety production control framework. Relying on our internal safety regulations and rules, we aim to integrate safety considerations into every aspect of production and operation by implementing a safety production accountability system. To foster a safe working environment, we have established a risk identification and hierarchical control mechanism. During the production process, we dynamically monitor potential risks, equip necessary occupational disease prevention facilities based on job characteristics, and organize occupational health examinations. Additionally, we are committed to reducing safety hazards in the workplace by optimizing operational processes and upgrading equipment and technologies. We regularly organize safety skills training and emergency drills to enhance employees' accident prevention and emergency response capabilities. Meanwhile, we have established a hidden danger investigation mechanism and continuously monitor occupational health and safety performance through regular management reviews. We have made efforts to maintain a strong safety record and are committed to controlling the risks of work-related injuries, fatalities and industrial accidents. In view of the high flammability of electrolytes, we have established and rigorously implemented a comprehensive fire safety management system. We ensure safety and controllability across all stages of production, operation, storage and handling through a multi-dimensional approach encompassing institutional frameworks, routine inspections, specialized training, facility maintenance and emergency drills.

Employee Development and Training

To support the construction of talent pool, we have established a career advancement pathway dedicated to providing employees with clear professional development paths. To enhance the quality of our talents, we have established a comprehensive training system covering different stages. During the onboarding stage, we offer a new hire orientation program that covers corporate culture, professional skills and safety regulations to assist new hires in integrating into our Group. For current employees, we regularly provide training on R&D technologies, management skills and professional skills based on our business needs. Through a combination of internal and external resources, we assist employees in acquiring relevant professional knowledge and practical skills. By evaluating the implementation of training, we continuously optimize course offerings and encourage employees to actively participate in labor competitions and professional qualification certifications to build a learning-oriented organization.

Supply Chain Management

We are committed to building a compliant and responsible supply chain system. In strict compliance with the laws and regulations of the jurisdictions in which we operate, we have established and implemented the Sustainable Procurement Management Policy, incorporating ESG factors into our supplier management process.

We implement supplier admission review and performance evaluation mechanisms, under which suppliers are assessed comprehensively on multiple aspects, including product quality, environmental protection, safety management, social responsibility and business ethics. Through written reviews or on-site spot checks, we track and assess suppliers' ESG performance, urge them to rectify identified risks, and continuously improve their sustainability performance. We have set sustainable procurement targets and achieved a 100% signing rate of the Social Responsibility Commitment Letter by suppliers. In addition, to implement responsible mineral sourcing, we strictly enforce the Conflict Minerals Management Policy, require suppliers to sign conflict minerals commitment letters, and have completed due diligence on all direct suppliers involved in lithium mining-related business to ensure supply chain compliance. During the Track Record Period and up to the Latest Practicable Date, no supplier was involved in any violation.

Business Ethics

To foster a standardized business environment, we have established internal systems for anti-fraud and anti-bribery risk management, clarifying the code of professional ethics for our employees. To prevent and identify the risks of commercial violations, we have established a reporting and investigation mechanism, which includes channels such as reporting emails, telephone hotlines and letters, encouraging stakeholders including employees, customers and suppliers to report suspected corruptions with their real names or anonymously. We undertake to keep the information of whistleblowers confidential and strictly prohibit any form of retaliation, aiming to protect stakeholders' right of supervision. For the reported clues received, relevant departments will conduct investigations in accordance with the regulations and report the results to the management.

We attach great importance to the cultivation of an ethical business culture and are committed to enhancing the integrity awareness of all staff through publicity and promotion. We incorporate anti-fraud and anti-bribery into our training programs and management meetings, guiding employees to consciously resist violations. Meanwhile, we promote an integrity-focused supply chain by requiring our partners to sign integrity commitments or include anti-corruption clauses in agreements, with the objective of reducing external commercial risks through compliance reviews.

Social Responsibilities

We are committed to fulfilling our corporate citizenship responsibilities. We focus on talent cultivation and care for vulnerable groups, actively participate in the Three-Year Action Plan for "Youths Supporting and Underprivileged Individuals Caring" ("百青千護"三年行動計劃) and visit and express sympathy and solicitude for adolescents from disadvantaged families to bring warmth to them. Additionally, we consistently carry out assistance initiatives for employees in need, offering necessary care and assistance to employees and their families facing life difficulties, and thereby spreading warmth within our Group and surrounding communities.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a robust risk management and internal control system which we continually enhance to ensure the compliance of our business operations. Our internal control mechanisms are regularly reviewed and updated to maintain their effectiveness and adequacy. Additionally, we conduct periodic assessments of our risk management policies and internal control measures to ensure they align with our operational needs and regulatory requirements.

Financial Management

Our financial management covers accounting, budgeting, financial reporting and internal controls over cash and asset management. To foster accountability and operational efficiency, we maintain a clear segregation of duties within the finance team by assigning distinct roles and responsibilities. All financial activities are subject to rigorous approval procedures, with regular financial and variance analysis conducted to uphold accuracy, transparency and sound decision-making. Comprehensive policies guide our budgeting, forecasting, investment and cash management practices, while ongoing training and development for finance personnel ensure excellence, professionalism and compliance in all aspects of our financial operations.

Compliance Management

Our compliance management framework is structured to proactively monitor and address changes in laws and regulations, upholding the highest standards of integrity through strong anti-fraud, anti-bribery, anti-money laundering and anti-economic sanctions controls. Regular compliance training equips our staff with the knowledge needed to foster a culture of accountability and awareness. Robust systems are in place to identify, report and resolve non-compliance issues, supported by well-established procedures for managing compliance matters and legal disputes. Designated personnel continuously track regulatory developments to ensure our policies and procedures remain up to date.

Intellectual Property Management

We take a systematic approach to intellectual property management by developing clear policies for the application, registration, maintenance, renewal and protection of patents, trademarks and copyrights. Our intellectual property assets are routinely audited and recorded in dedicated registers to ensure proper oversight. Procedures are in place to identify and address potential infringements, and employees and partners are generally required to sign confidentiality and intellectual property protection agreements. To reinforce compliance, we conduct regular training and awareness programs to ensure that all staff understand the importance of safeguarding intellectual property.

Human Resource Management

We have implemented clear policies covering recruitment, onboarding, performance appraisal, compensation, benefits and disciplinary actions. Strict measures are in place to manage personnel files, control access and maintain the confidentiality of employee information. Employees receive regular training and development opportunities, including orientation, compliance and professional development programs. We have established channels for employee feedback and complaints, with safeguards to protect those who raise concerns. Additionally, we are dedicated to promoting diversity, equity and inclusion while ensuring full compliance with all applicable labor laws and regulations.

To ensure the effectiveness of our risk management policies, we have established an audit committee to oversee our financial reporting and internal control systems. The committee reviews the effectiveness of these systems and addresses any identified weaknesses, reporting significant issues to the Board of Directors in a timely manner.

OVERVIEW

As of the Latest Practicable Date, by virtue of Mr. Guo's role as the general partner of Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu, Mr. Guo, Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu constitute the Single Largest Shareholder Group, which, in aggregate, was interested in approximately 38.48% of the total issued share capital of our Company.

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and that the Share Split and the [**REDACTED**] application of our Company are completed), the Single Largest Shareholder Group will, in aggregate, be interested in approximately [**REDACTED**]% of the total issued share capital of our Company. Accordingly, Mr. Guo, Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu will become our Single Largest Shareholder Group immediately following the [**REDACTED**] and the Company will not have any controlling shareholder as defined under the Listing Rules.

Information on Other Companies Owned by Our Single Largest Shareholder Group

Each member of the Single Largest Shareholder Group confirmed that, as of the Latest Practicable Date, he/it did not have any interest in any business, other than our business, which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR SINGLE LARGEST SHAREHOLDER GROUP

Our Directors believe that our Company is capable of carrying on its business independently from our Single Largest Shareholder Group and/or their respective associates after the [**REDACTED**], having taken into consideration the following factors:

Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Company's business. Our Board's main function includes the approval of the overall business plans and strategies of our Company, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team which is led by a team of senior management with experience and expertise in our business to implement our policies and strategies.

Our Board consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. For a summary of the positions held by our Directors at our Company, please refer to the section headed "Directors and Senior Management" in this document.

Our Directors consider that our Board and senior management will function independently of our Single Largest Shareholder Group because:

(a). each of our Directors is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. The provisions of the Articles of Association also ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice;

(b). our Company has also appointed three independent non-executive Directors, comprising one-third of our Board, to provide a balance between the number of executive Directors and independent non-executive Directors to ensure that there is a strong independent element on our Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. The independent non-executive Directors have diversified skills and experience in their respective fields of expertise and our Directors believe that our Board will benefit from their independent advice;

(c). our Company has also established internal control mechanisms to identify related party transactions to ensure that our Single Largest Shareholder Group or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions; and

(d). in order to allow the non-conflicting members of the Board to function properly with the necessary professional advice, our Company will engage a third party professional advisor to advise the Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between our Company and our Directors or their respective associates.

In light of the above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing its business independently from our Single Largest Shareholder Group after [**REDACTED**].

Operational independence

Our Company has established our own organizational structure comprising individual departments, each with specific areas of responsibilities. We have established our own suppliers and customer bases and ourselves negotiated and concluded agreements with our suppliers and customers. We hold all relevant licences and assets necessary to operate our business, and have sufficient capital and employees to operate our business independently.

Our Company does not have any transactions with any of our connected person including our Single Largest Shareholder Group and/or their respective associates, which will constitute continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**]. Our Company is therefore able to operate independently from our Single Largest Shareholder Group after the [**REDACTED**].

Financial independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. Moreover, our Group opens and manages bank accounts independently, and has never shared any bank account with our Single Largest Shareholder Group. Our Group has independent taxation registration according to the relevant laws, and makes tax payments independently according to the applicable PRC taxation laws and regulations. Our Group has never made any tax payment jointly with our Single Largest Shareholder Group or any other entities controlled by them.

During the Track Record Period, our Group obtained certain bank loans, in connection with which Mr. Guo, a member of the Single Largest Shareholder Group, and his associates provided personal guarantees. For details, please refer to "notes 28 and 35 to Appendix I — Accountants' Report" in this document. As of June 30, 2026, the interest-bearing bank borrowings and bills payables guaranteed by Mr. Guo and our Company amounted to RMB245,609,000. As at the Latest Practicable Date, the relevant banks had agreed to the release of all such personal guarantees provided by Mr. Guo and/or his associates upon the [**REDACTED**]. Our Directors confirm that all guarantees provided by Mr. Guo and/or his associates will be released prior to [**REDACTED**], while the corporate guarantees provided by our Company in respect of the relevant bank borrowings and bills payables will remain in place. We had received the [**REDACTED**] Investments from various third-party investors independently. For details of the [**REDACTED**] Investments, please refer to the section headed "History and Corporate Structure — [**REDACTED**] Investments" in this document.

We are capable of obtaining financing from third parties, if necessary, without reliance on our Single Largest Shareholder Group in view of our steady cash flow generation, as well as our ability to raise funds independently. We have a proven track record of obtaining financing on our own. We have also secured additional financing channels without any security or guarantees from our Single Largest Shareholder Group or their respective close associates. We believe that key financial institutions in China, where our operations are primarily conducted, recognize the standalone creditworthiness of our Company and are willing to grant credit lines without financial support from our Single Largest Shareholder Group or their close associates following the [**REDACTED**].

Having considered the above factors, our Directors consider that there is no financial dependence on our Single Largest Shareholder Group.

In light of the above, our Directors are of the view that our Company does not unduly rely on our Single Largest Shareholder Group and/or their respective associates, and our Company is considered independent in all material aspects including finance, management and operations of our Single Largest Shareholder Group.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Single Largest Shareholder Group and our Company and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

(a). where a Shareholders' meeting is to be held for considering proposed transactions in which our Single Largest Shareholder Group or any of their respective close associates has a material interest, our Single Largest Shareholder Group will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b). our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if any transaction is proposed between our Company and our Single Largest Shareholder Group and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders' approval;

(c). our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Company and our Single Largest Shareholder Group and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d). where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(e). we have appointed Altus Capital Limited as our compliance advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Company and our Single Largest Shareholder Group, and to protect our minority Shareholders' interests after [**REDACTED**].

OVERVIEW

Our Board is responsible for the overall management and operation of our business. Our Board currently comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The following table sets forth information regarding the members of our Board:

Name	Age	Position	Date of first appointment as Director	Date of joining our Group/ serving as external consultant of our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Mr. Guo Yingjun (郭營軍)	50	Chairman, executive Director and general manager	April 2015	September 2010	Responsible for overseeing the overall strategic planning of our Group	Elder brother of Mr. Guo Yingliang
Mr. Guo Yingliang (郭迎亮)	40	Executive Director, Board secretary, deputy general manager and Joint Company Secretary	December 2021	June 2016	Responsible for the overall management of the finance, procurement, engineering, and securities functions of our Group	Younger brother of Mr. Guo
Mr. Wang Chuanshui (王傳水)	41	Executive Director and deputy general manager	August 2022	July 2020	Responsible for production, procurement and quality control of our Group	N/A
Mr. Guan Bo (關博)	42	Non-executive Director	June 2016	June 2016	Responsible for providing advice to our Board	N/A
Mr. Xiong Shengjiang (熊勝江)	39	Non-executive Director	January 2026	September 2025	Responsible for providing advice to our Board	N/A
Mr. Ming Jun (明軍)	43	Non-executive Director	January 2026	February 2025	Responsible for providing advice to our Board	N/A
Ms. Wong Wai Kei (黃慧琪)	42	Independent non-executive Director	September 2026	September 2026	Responsible for supervising management and providing independent judgment to our Board	N/A
Mr. Zhang Longfei (張龍飛)	49	Independent non-executive Director	December 2021	December 2021	Responsible for supervising management and providing independent judgment to our Board	N/A

Name	Age	Position	Date of first appointment as Director	Date of joining our Group/ serving as external consultant of our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Mr. Nie Xin (聶昕)	54	Independent non-executive Director	June 23, 2026	June 23, 2026	Responsible for supervising management and providing independent judgment to our Board	N/A

Executive Directors

Mr. Guo Yingjun (郭營軍), aged 50, joined our Group in September 2010 as general manager and chief engineer, responsible for overseeing the Group's day-to-day operations, overall strategic planning, and technical development. In April 2015, Mr. Guo acquired all of the equity interests in our Company from the then shareholders, and our Group has since been under his control. Since April 2015, Mr. Guo has served as an executive Director and the general manager, responsible for overseeing the overall strategic planning of our Group. He was appointed as the chairman of our Board in December 2021. Mr. Guo also serves as the executive director and general manager of Huzhou Kunlun and Xianghe Kunlun since May 2017 and August 2017, respectively. He has also held the position of executive director at Kunlun Advanced, Yibin Kunlun and Hubei Kunlun since December 2020, April 2022 and April 2023, respectively. He has also been the managing director of Kunlun Hungary since August 2023. Mr. Guo is the chairman of the Nomination Committee.

Mr. Guo has nearly 23 years of experience in the battery and power technology industry. From June 2002 to February 2007, he worked at Beijing Mengguli New Materials Technology Co., Ltd. (北京盟固利新材料科技有限公司), formerly known as CITIC Guoan Mengguli Power Technology Co., Ltd. (中信國安盟固利電源技術有限公司). From March 2007 to March 2010, he served at CITIC Guoan Mengguli New Energy Technology Co., Ltd. (中信國安盟固利新能源科技有限公司), a company engaged in the research and industrialization of lithium-ion batteries for NEVs. From April 2010 to August 2010, he worked at RiseSun MengGuLi New Energy Science & Technology Co., Ltd. (榮盛盟固利新能源科技股份有限公司).

Mr. Guo obtained a master's degree in applied chemistry from China University of Petroleum (Beijing) (中國石油大學) (北京) (formerly known as University of Petroleum (Beijing) (石油大學) (北京)) in June 2002 in the PRC. He also holds the intermediate professional title in Metallic Materials Engineering (金屬材料工程中級職稱) obtained in September 2004 and granted by Beijing Intermediate Professional and Technical Position Evaluation Committee (北京市中級專業技術職務評審委員會). In February 2026, Mr. Guo was appointed as a board member of the Global Alliance of Innovators, an international non-profit organization dedicated to fostering global innovation cooperation and exchange.

Mr. Guo is the elder brother of Mr. Guo Yingliang, who is an executive Director, Board secretary, and deputy general manager of our Group.

Mr. Guo was a director of the following companies at the time of their respective dissolution:

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution	Status	Reason of Dissolution
Jiangsu Kunlun Power Battery Materials Co., Ltd. (江蘇昆侖動力電池材料有限公司)	PRC	Wholesale of chemical and industrial products	January 14, 2022	Deregistration	No operation since its establishment
Xuzhou Kunlun New Materials Technology Co., Ltd. (徐州昆侖新材料科技有限公司)	PRC	Provision of technical promotion service	May 18, 2023	Deregistration	No operation since its establishment
Huzhou Anhe Materials Technology Co., Ltd. (湖州安和材料科技有限公司)	PRC	Production of electronic materials	December 20, 2024	Deregistration	No operation since its establishment

Mr. Guo confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of the above companies.

Mr. Guo Yingliang (郭迎亮), aged 40, joined our Group in June 2016 and served as finance manager and finance director until December 2021, during which period he was responsible for overseeing our Group's financial matters. In December 2021, he was appointed as an executive Director, deputy general manager and Board secretary and has served in these roles since then, responsible for the overall management of our Group's financial, procurement, engineering, and securities functions. Mr. Guo Yingliang has also served as a supervisor of Beijing Kunyu and a director of Huzhou Kunlun since March 2021 and January 2022, respectively, and has held the position of director and general manager of Changxing Kunlun since May 2023. In January 2026, he was appointed as our Joint Company Secretary. He is a member of the Remuneration and Review Committee.

Mr. Guo Yingliang has over 15 years of experience in financial management. From July 2010 to May 2016, he worked as an accountant at Sinosteel Group Tianjin Co., Ltd. (中鋼集團天津有限公司), a company engaged in the wholesale of metals and metal ores.

Mr. Guo Yingliang obtained a bachelor's degree in accounting from Tianjin Polytechnic University (天津工業大學) in July 2010 in the PRC.

Mr. Guo Yingliang is the younger brother of Mr. Guo, who is the chairman, executive Director, and general manager of our Group.

Mr. Wang Chuanshui (王傳水), aged 41, joined our Group in July 2020 as sales director, was primarily responsible for leading the operations of our marketing center. Since August 2022, he has served as an executive Director and since January 2023, he has served as the deputy general manager, responsible for overseeing our Group's production, procurement and quality control.

Mr. Wang has nearly 16 years of experience in the chemical engineering and new materials application industry. Starting from February 2010, he worked as an operator at Ningbo GP ENERGY Co., Ltd. (寧波超霸能源有限公司), a company primarily engaged in battery manufacturing and sales. From July 2009 to March 2012, he worked as a process engineer at Zhongyin (Ningbo) Battery Co., Ltd. (中銀(寧波)電池有限公司) where he was primarily responsible for production line process management and research and development relating to battery performance enhancement. From March 2012 to November 2016, he worked at Zhejiang Lantian Environmental Protection HI-TECH Co., Ltd. (浙江藍天環保高科技股份有限公司), a company engaged in chemical products manufacturing. Starting from December 2016, he worked as a R&D engineer at Jiangsu Guotai Chaowei New Materials Co., Ltd. (江蘇國泰超威新材料有限公司), a domestic enterprise specializing in electrolytes and additives as well as supercapacitor electrolytes. From April 2018 to June 2020, Mr. Wang was the section chief of the battery materials department at Shanghai Zhongxiao Trading Co., Ltd. (上海中硝商貿有限公司), a company engaged in the sales of chemical products.

Mr. Wang obtained a master's degree in applied chemistry from Fuzhou University (福州大學) in April 2009 in the PRC.

Non-executive Directors

Mr. Xiong Shengjiang (熊勝江) (with former name as Xiong Jiang (熊江)), aged 39, served as an external consultant of our Group in September 2025 and was appointed as a non-executive Director on January 12, 2026. He is responsible for providing advice to the Board.

Mr. Xiong has approximately 12 years of professional experience in fund investment and investment management. From October 2014 to April 2016, he worked at Beijing StarRock Investment Management Co. Ltd. (北京市星石投資管理有限公司). From May 2016 to December 2018, he worked at Beijing Hongdao Investment Management Co., Ltd. (北京鴻道投資管理有限公司), which is principally engaged in investment management. From January 2019 to January 2021, he worked at Beijing Zhikai Investment Management Co., Ltd. (北京志開投資管理有限公司), a fund investment company. From February 2021 to January 2023, Mr. Xiong worked at Beijing Yuanwei Investment Management Co., Ltd. (北京遠惟投資管理有限公司). From February 2023 to September 2025, Mr. Xiong served as research director of the investment research department at Hainan Shencai Private Equity Fund Management Co., Ltd. (海南神采私募基金管理有限公司).

Mr. Xiong obtained a master's degree in engineering from Peking University (北京大學) in July 2013 in the PRC.

Mr. Ming Jun (明軍), aged 43, served as an external consultant of our Group in February 2025 and was appointed as a non-executive Director on January 12, 2026, responsible for providing advice to our Board.

Mr. Ming has around 14 years of professional experience in research and academia. From March 2012 to November 2013, Mr. Ming served as a postdoctoral researcher at Hanyang University (韓國漢陽大學) in South Korea. From December 2013 to March 2015, Mr. Ming served as a project researcher at the University of Tokyo (日本東京大學) in Japan. From March 2015 to January 2018, Mr. Ming served as a postdoctoral researcher at King Abdullah University of Science and Technology (沙特阿卜杜拉國王科技大學) in Saudi Arabia and was responsible for physical chemistry research. Since December 2017, Mr. Ming has served as a researcher at the Changchun Institute of Applied Chemistry, Chinese Academy of Sciences (中國科學院長春應用化學研究所). Since February 2025, Mr. Ming has served as the director of Kunlun New Materials Research Institute (昆侖新材研究院).

Mr. Ming obtained a doctoral degree in physical chemistry from Changchun Institute of Applied Chemistry, Chinese Academy of Sciences (中國科學院長春應用化學研究所) in January 2012.

Mr. Guan Bo (關博), aged 42, joined our Group in June 2016 and has since served as a non-executive Director, responsible for providing advice to our Board. He is a member of the Audit Committee.

Mr. Guan has extensive professional experience in auditing, investment banking, and assets management. From September 2009 to October 2011, he served as an auditor at KPMG Huazhen LLP. He joined Huatai United Securities Co., Ltd. (華泰聯合證券有限責任公司) in October 2011. From April 2012 to January 2015, he worked at Shenzhen Tongchuang Weiye Venture Capital Co., Ltd. (深圳市同創偉業創業投資有限公司). From February 2015 to August 2017, he worked at Beijing Tongchuang Asset Management Co., Ltd. (北京同創資產管理有限公司), where he had previously served as a deputy director of investment. From August 2017 to July 2022, he served as a director of Shanghai Yichen Investment Management Co., Ltd. (上海億宸投資管理有限公司). From August 2022 to October 2025, he worked at China Building Materials (Anhui) New Materials Fund Management Co., Ltd. (中建材(安徽)新材料基金管理有限公司). Since November 2025, he has served at Zhongjian Materials Private Fund Management (Beijing) Co., Ltd. (中建材私募基金管理(北京)有限公司).

Mr. Guan obtained a bachelor's degree in industrial design from Tianjin University (天津大學) in July 2006 in the PRC, and subsequently obtained a master's degree in law (法律專業) from Nankai University in June 2009.

Independent Non-executive Directors

Ms. Wong Wai Kei (黃慧琪), aged 42, joined our Group in September 2026 and currently serves as our independent non-executive Director. She is responsible for supervising management and providing independent judgment to our Board. Ms. Wong is the chair of the Audit Committee, and a member of the Remuneration and Review Committee and the Nomination Committee.

Ms. Wong has around 19 years of experience in tax and financial management and accounting. From April 2007 to May 2017, Ms. Wong successively served as an assistant assessor and an assessor at the Inland Revenue Department of Hong Kong. From June 2017 to July 2021, she served as a senior manager at PricewaterhouseCoopers Limited, where she was primarily responsible for tax-related matters. From July 2021 to September 2024, she served as deputy director and director of tax management at China Resources Enterprise Limited. Since September 2024, Ms. Wong has served as finance director of China Resources Logistics (Group) Limited, where she is primarily responsible for the overall management of financial accounting and management accounting.

Ms. Wong obtained a bachelor's degree in business administration from The Chinese University of Hong Kong in Hong Kong in December 2006. She subsequently obtained a bachelor's degree in laws from the University of London through online courses in August 2011 and a master of philosophy degree from The Chinese University of Hong Kong in Hong Kong in November 2015. Ms. Wong has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2011.

Mr. Zhang Longfei (張龍飛), aged 49, joined our Company in December 2021 and has since served as an independent Director. In January 2026, he was re-designated as an independent non-executive Director of our Company. He is primarily responsible for providing independent opinions and judgment to our Board. Mr. Zhang is also a member of the Nomination Committee.

Mr. Zhang has over 20 years of experience in the fields of education and research in engineering. Since July 2005, Mr. Zhang has served successively as lecturer and associate professor at Beijing Institute of Technology (北京理工大學). From December 2009 to June 2011, he was a visiting scholar at Carnegie Mellon University (卡內基梅隆大學) in the United States.

Mr. Zhang obtained a doctoral degree in computer application technology from Beijing Institute of Technology (北京理工大學) in September 2005 in the PRC.

Mr. Zhang has been serving as our independent Director since December 2021 in connection with the proposed [**REDACTED**] attempt on the Shenzhen Stock Exchange to provide independent and objective views to and share relevant industry experience with the Board. Mr. Zhang has never performed any executive or management function in our Company. Mr. Zhang does not have any other relationship with any other Director, senior management or substantial Shareholder of the Company and does not hold any other position with any member of the Group. Therefore, our Board is of the view that Mr. Zhang continues to meet the independence criteria required by the Listing Rules.

Mr. Nie Xin (聶昕), aged 54, was appointed as our independent non-executive Director on June 23, 2026. He is primarily responsible for providing independent advice and judgment to the Board. Mr. Nie is a member of the Audit Committee and the chairman of the Remuneration and Review Committee.

Mr. Nie joined Beijing Huaqing Zhengxing Technology Development Co., Ltd. (北京華清正興科技發展有限公司) ("**Beijing Huaqing**") in May 2014, and has been working at Beijing Huaqing since then. He has served as the executive director and manager of Beijing Huaqing since May 2022, where he is primarily responsible for its overall operations and management. Since July 2023, he has also served as the executive director and manager of Hezhi Zhenli (Beijing) Information Technology Co., Ltd. (和智真鋰(北京)信息技術有限公司), where he is primarily responsible for its overall operations and management. Since August 2024, Mr. Nie has served as an independent director of Ningbo Ronbay New Energy Technology Co., Ltd. (寧波容百新能源科技股份有限公司), a company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (stock code: 688005).

Mr. Nie obtained a bachelor's degree in statistics from Renmin University of China (中國人民大學) in July 1996.

Mr. Nie was previously a legal representative, director and/or general manager of the following companies at the time of their respective dissolutions (or revocations):

Name of Company	Place of Incorporation	Nature of Business	Date of Dissolution/ Revocation	Status	Reasons of Dissolution/ Revocation
Beijing Huaqing Ruiyuan Technology Development Co., Ltd. (北京華清瑞源科技發展有限公司) . . .	PRC	Provision of technology intermediary service	October 20, 2003	Revocation of business license[(1)]	Annual inspection was not completed in a timely manner following cessation of business
Beijing Qingke New Materials Technology Development Centre (北京青科新材技術開發中心)	PRC	Provision of scientific research and technical service	January 24, 2008	Revocation of business license[(1)]	Annual inspection was not completed in a timely manner following cessation of business
Ningbo Zhenli Technology Development Co., Ltd. (寧波真鋰科技發展有限公司).	PRC	Provision of technology intermediary service	August 12, 2025	Deregistration	Cessation of business

Note:

(1). Pursuant to the PRC Company Law, a person who has served as the legal representative of a company or enterprise whose business licence was revoked for violation of law, and who bears personal responsibility for such revocation, is prohibited from serving as a director, supervisor or senior management member of a company for a period of three years from the date of such revocation. As confirmed by Mr. Nie, he was subject to such statutory restrictions in connection with the above revocations, and the relevant restriction periods have since expired. As advised by our PRC Legal Advisers, as of the Latest Practicable Date, Mr. Nie was not subject to any of the circumstances prescribed under Article 178 of the PRC Company Law that would disqualify him from serving as a director or senior management member of a company.

Save as disclosed above, Mr. Nie confirmed that, to the best of his knowledge, information and belief after making reasonable enquiries, (i) each of the above companies was solvent immediately prior to the relevant incident; (ii) there was no fraud or dishonesty on his part which led to or was otherwise connected with any of the relevant incidents; and (iii) he was not aware of any actual or potential claim that had been or would be made against him as a result of or in connection with any of the relevant incidents.

SENIOR MANAGEMENT

All of our executive Directors also serve as members of our senior management. In addition, our senior management team includes Mr. Zheng Zhiyi (鄭志義). Our senior management is responsible for the day-to-day management of our business. The following table sets forth general information regarding our senior management:

Name	Age	Position	Appointment Date	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Mr. Zheng Zhiyi (鄭志義). . .	36	chief financial officer	January 2026	November 2025	Responsible for supervising the overall financial management of our Group	N/A

Mr. Zheng Zhiyi (鄭志義), aged 36, joined our Group in November 2025 as the chief financial officer of Huzhou Kunlun. In January 2026, he was appointed as the chief financial officer of our Group. He is primarily responsible for overseeing the overall financial management of our Group.

Mr. Zheng has extensive professional experience in auditing, investment banking and corporate finance. From October 2013 to October 2017, he worked as a senior auditor at Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所). From October 2017 to April 2019, he served as a manager in the investment banking department of First Capital Securities Underwriting and Sponsorship Co., Ltd. (第一創業證券承銷保薦有限責任公司) (formerly known as J.P. Morgan First Capital Securities Co., Ltd. (第一 創業摩根大通證券有限責任公司)).

From May 2019 to May 2022, he served as audit director, assistant to the chairman and board secretary of Guilin MFC Corporation (桂林吉福思羅漢果生物技術股份有限公司), where he was principally responsible for overseeing the company's audit-related matters. From May 2022 to May 2025, he served as the board secretary of Triapex Laboratories Co., Ltd. (江蘇鼎泰藥物研究(集團)股份有限公司). From April 2023 to May 2025, he also served as the chairman of Shanghai Harborside Medical Technology Co., Ltd. (上海瀚賽醫療科技有限公司).

Mr. Zheng obtained a dual bachelor's degree in financial management and administration management from Nanjing University (南京大學) in June 2013. He obtained the qualification of Certified Public Accountant (CPA) of the People's Republic of China in December 2016.

OTHER INFORMATION AND INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

Saved as disclosed above, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders, nor is there any information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Save as disclosed above, none of our Directors and senior management held any directorships in any other listed company during the three years immediately preceding the date of this document.

Saved as disclosed above, as of the Latest Practicable Date, none of our Directors or senior management were related to other Directors or senior management of our Company.

Saved as disclosed in the sections headed "Relationship with our Single Largest Shareholder Group," "Substantial Shareholders" and "Appendix IV — Statutory and General Information — C. Further Information about Directors, Chief Executive and Substantial Shareholders — 4. Disclosure of Interests of Directors and Chief Executive," as of the Latest Practicable Date, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

JOINT COMPANY SECRETARIES

Mr. Guo Yingliang (郭迎亮) is our executive Director, Board secretary, deputy general manager and Joint Company Secretary. For details of his biography, please refer to the paragraph headed "— Overview — Executive Directors" in this section.

Ms. Chan Ching Nga (陳靜雅) was appointed as a Joint Company Secretary in January 2026. She has over 20 years of experience in the corporate secretarial and compliance service field and serves as a senior manager, entity solutions at Computershare Hong Kong Investor Services Limited and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies.

Ms. Chan holds a master's degree in corporate governance from The Hong Kong Polytechnic University. Ms. Chan is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations, the Listing Rules and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration and Review Committee and the Nomination Committee.

Audit Committee

We established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary responsibilities of the Audit Committee include but not limited to: assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Company, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee of our Company consists of three members, being Ms. Wong Wai Kei, Mr. Nie Xin and Mr. Guan Bo, and Ms. Wong Wai Kei is the chairperson of our Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications or financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Remuneration and Review Committee

We established a Remuneration and Review Committee with written terms of reference in compliance with Rule 3.2 of the Listing Rules and paragraph E.1 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Review Committee include but not limited to: making recommendations to the Board on our policy and

structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration, determining the specific remuneration packages of all Directors and senior management, and reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration and Review Committee consists of three members, being Mr. Nie Xin, Ms. Wong Wai Kei and Mr. Guo Yingliang, and Mr. Nie Xin is the chairman of our Remuneration and Review Committee.

Nomination Committee

We established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary responsibilities of the Nomination Committee include but not limited to: reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment and re-appointment of Directors. The Nomination Committee consists of three members, comprising Mr. Guo Yingjun, Ms. Wong Wai Kei, and Mr. Zhang Longfei, and Mr. Guo Yingjun is the chairman of our Nomination Committee.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 16, 2026, August 18, 2026 or September 28, 2026, as applicable, and (ii) understands his or her obligations as a director of a [**REDACTED**] on the Stock Exchange under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management receive their remuneration in the form of Directors' salary and allowances, contributions to our retirement benefit scheme, discretionary bonuses and other benefits in kind (if applicable).

For the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the total remuneration paid to our then Directors amounted to approximately RMB5,016,000, RMB4,525,000, RMB6,724,000 and RMB3,022,000, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors in kind for their service for the year ending December 31, 2026 to be approximately RMB6,764,000. The actual remuneration of Directors in 2026 may be different from the expected remuneration.

For the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, the total emoluments paid to the five highest paid individuals (excluding four, four, four and three Directors, respectively) by our Company amounted to approximately RMB628,000, RMB690,000, RMB773,000 and RMB796,000, respectively.

For the three years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026, no emolument was paid by our Company to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of our Directors has waived or agreed to waive any emoluments during the Track Record Period.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Company to or on behalf of any of our Directors.

CORPORATE GOVERNANCE CODE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules after the [**REDACTED**].

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the general manager should be segregated and should not be performed by the same individual. We do not have a separate chairman and general manager, and Mr. Guo currently performs these two roles. The Board believes that vesting the roles of both the chairman and general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning and implementation of our Board's decisions for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the general manager of our Company if and when it is appropriate taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after the [**REDACTED**].

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. Pursuant to the board diversity policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on our Board and recommend them to our Board for formal adoption.

We recognize the particular importance of gender diversity. Our Board currently comprises nine Directors, including one female Director. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but not limited to at our Board and senior management levels. We will also ensure that there is gender diversity when recruiting staff at mid to senior level, as well as engaging more resources in training more female staff with the aim of providing a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity in our Board and our Group companies with reference to the stakeholders' expectation and international and local recommended best practices.

Our Nomination Committee is responsible for reviewing the structure and ensuring the diversity of our Board. After the [**REDACTED**], our Nomination Committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on annual basis.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor (the "**Compliance Advisor**") pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Company, including share issues and share repurchases;

(iii) where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our Company's business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [**REDACTED**] volume of its [**REDACTED**] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the [**REDACTED**] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the conversion of our Domestic [**REDACTED**] Shares to H Shares assuming that the [**REDACTED**] is not exercised and that the Share Split is completed, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

			As of the Latest Practicable Date		Immediately after the [REDACTED]	
Shareholder	**Capacity/Nature of Interest**	**Class of Shares**	**Number of Shares**	**Approximate percentage of shareholding in total issued share capital**	**Number of Shares**	**Approximate percentage of shareholding in the total issued share capital**
				(%)		*(%)*
Mr. Guo[(1)]	Beneficial owner	Domestic [**REDACTED**] Shares	10,987,588	27.32	[**REDACTED**]	[**REDACTED**]
		H Shares	–	–	[**REDACTED**]	[**REDACTED**]
	Interest in a controlled corporation	Domestic [**REDACTED**] Shares	4,488,510	11.16	[**REDACTED**]	[**REDACTED**]
		H Shares	–	–	[**REDACTED**]	[**REDACTED**]
Mr. Zheng Weihe[(2)] . .	Interest in a controlled corporation	Domestic [**REDACTED**] Shares	5,419,503	13.48	[**REDACTED**]	[**REDACTED**]
		H Shares	–	–	[**REDACTED**]	[**REDACTED**]
Ms. Huang Li[(2)]	Interest in a controlled corporation	Domestic [**REDACTED**] Shares	5,419,503	13.48	[**REDACTED**]	[**REDACTED**]
		H Shares	–	–	[**REDACTED**]	[**REDACTED**]
Tongchuang Assets Management[(2)] . . .	Interest in a controlled corporation	Domestic [**REDACTED**] Shares	5,419,503	13.48	[**REDACTED**]	[**REDACTED**]
		H Shares	–	–	[**REDACTED**]	[**REDACTED**]
Jinxiu Assets[(2)]	Interest in a controlled corporation	Domestic [**REDACTED**] Shares	4,180,383	10.39	[**REDACTED**]	[**REDACTED**]
		H Shares	–	–	[**REDACTED**]	[**REDACTED**]
Shenzhen Tongchuang[(2)]	Beneficial owner	Domestic [**REDACTED**] Shares	2,830,950	7.04	[**REDACTED**]	[**REDACTED**]
		H Shares	–	–	[**REDACTED**]	[**REDACTED**]

Notes:

(1). Mr. Guo, together with Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu, constitutes the Single Largest Shareholder Group. Upon completion of the [**REDACTED**] and the relevant filing procedures with the CSRC for the conversion of Domestic [**REDACTED**] Shares into H Shares, Mr. Guo will (i) be the beneficial owner of [**REDACTED**] Domestic [**REDACTED**] Shares and [**REDACTED**] Shares in our Company; and (ii) be deemed to be interested in the [**REDACTED**] H Shares held by Tianjin Tongde, the [**REDACTED**] H Shares held by Tianjin Kunyuan, and the [**REDACTED**] H Shares held by Tianjin Kunyu in our Company, by virtue of his capacity as general partner of each of these entities. Accordingly, Mr. Guo will be deemed to be interested in all H Shares held by Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu in our Company under the SFO.

(2). Upon completion of the [**REDACTED**] and the relevant CSRC filing procedures for the conversion of Domestic [**REDACTED**] Shares into H Shares, Shenzhen Tongchuang will directly hold [**REDACTED**] H Shares in our Company. Jinxiu Assets, as the general partner of Shenzhen Tongchuang, Suzhou Tongchuang, and Zhengzhou Tongchuang, will be deemed to be interested in the [**REDACTED**] H Shares held by each of these entities in our Company. The general partner of Hangzhou Nanhai is Hangzhou Tongchuang, a wholly-owned subsidiary of Tongchuang Assets Management. Tongchuang Assets Management, as the parent company of Jinxiu Assets and Hangzhou Tongchuang, will be deemed to be interested in all the H Shares held by Shenzhen Tongchuang, Suzhou Tongchuang, Zhengzhou Tongchuang, and Hangzhou Nanhai in our Company. Tongchuang Assets Management is ultimately controlled by Mr. Zheng Weihe (鄭偉鶴) and Ms. Huang Li (黃荔). Accordingly, Mr. Zheng Weihe, Ms. Huang Li, and Tongchuang Assets Management will each be deemed to be interested in all H Shares held by Shenzhen Tongchuang, Suzhou Tongchuang, Zhengzhou Tongchuang, and Hangzhou Nanhai in our Company under the SFO.

Save as disclosed above and the section headed "Appendix IV — Statutory and General Information — C. Further Information about Directors, Chief Executive and Substantial Shareholders — 5. Disclosure of Interests of Substantial Shareholders", our Directors are not aware of any person who will, immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), have any interest and/or short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

This section presents certain information regarding our share capital before and upon completion of the [**REDACTED**].

BEFORE THE COMPLETION OF THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB40,215,517, comprising 40,215,517 Domestic [**REDACTED**] Shares with a nominal value of RMB1.00 each.

UPON THE COMPLETION OF THE [REDACTED]

Upon [**REDACTED**], the ordinary Shares of the Company will be split on a one for ten basis, and the registered share capital of the Company became RMB40,215,517 divided into 402,155,170 Shares of par value RMB0.10 each, all of which are fully paid up.

Immediately following the completion of the [**REDACTED**] and the conversion of certain Domestic [**REDACTED**] Shares into H Shares, assuming that the [**REDACTED**] is not exercised and that the Share Split is completed, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Total Share Capital of our Company
		(%)
Domestic [**REDACTED**] Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Domestic [**REDACTED**] Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

Immediately following the completion of the [**REDACTED**] and the conversion of certain Domestic [**REDACTED**] Shares into H Shares, assuming that the [**REDACTED**] is fully exercised and that the Share Split is completed, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Total Share Capital of our Company
		(%)
Domestic [**REDACTED**] Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Domestic [**REDACTED**] Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

RANKING

Upon completion of the [**REDACTED**], we would have only one class of Shares. H Shares and Domestic [**REDACTED**] Shares are all ordinary Shares in the share capital of our Company. However, except for certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai — Hong Kong Stock Connect or the Shenzhen — Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic [**REDACTED**] Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be paid by us in Renminbi, Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR DOMESTIC [REDACTED] SHARES INTO H SHARES

According to the regulations issued by the CSRC, the holders of our Domestic [**REDACTED**] Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Domestic [**REDACTED**] Shares to H Shares, and such converted Shares may be [**REDACTED**] and [**REDACTED**] on an overseas stock exchange provided that the required filings with the securities regulatory authorities of the State Council for the conversion, [**REDACTED**] and [**REDACTED**] of such converted Shares have been completed. Additionally, such conversion, [**REDACTED**] and [**REDACTED**] shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. Save as disclosed in this document and to the best knowledge of our Directors, we are not aware of the intention of such existing Shareholders to convert their Domestic [**REDACTED**] Shares.

If any of the Domestic [**REDACTED**] Shares are to be converted, [**REDACTED**] and [**REDACTED**] as H Shares on the Stock Exchange, the filings with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of Domestic [**REDACTED**] Shares into H Shares as set forth below, we will apply for the [**REDACTED**] of all or any portion of the Domestic [**REDACTED**] Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the [**REDACTED**] to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As the [**REDACTED**] of additional Shares after the [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong. No class Shareholder voting is required for the conversion of such Shares or the [**REDACTED**] and [**REDACTED**] of such converted Shares on an overseas stock exchange. Any application for [**REDACTED**] of the converted shares on the Stock Exchange after our initial [**REDACTED**] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite filings have been completed and approvals have been obtained, the relevant Domestic [**REDACTED**] Shares will be withdrawn from the Domestic [**REDACTED**] Share register, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the [**REDACTED**] to issue H Shares. Registration on the H Share register of our Company will be on the conditions that (i) the [**REDACTED**] lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the [**REDACTED**] of allotted shares; and (ii) the admission of the H Shares to be [**REDACTED**] on the Stock Exchange complies with the Listing Rules and [**REDACTED**] in force from time to time.

Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be [**REDACTED**] as H Shares. Following the completion of the [**REDACTED**] (assuming the Share Split is completed) and filing procedure with the CSRC on September 30, 2026, a total of [**REDACTED**] Domestic [**REDACTED**] Shares held by certain Shareholders will be converted into H Shares on a one-for-one basis and [**REDACTED**] on the Stock Exchange for [**REDACTED**], details of the conversion and numbers of H Shares and Domestic [**REDACTED**] Shares before and after the [**REDACTED**] are set out as below:

	As of the Latest Practicable Date				Upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and that the Share Split is completed)			
Name of Shareholder	Number of Domestic [REDACTED] Shares	Percentage of total number of Domestic [REDACTED] Shares	Number of Shares Applied for [REDACTED] into H Shares	Percentage of Number of Shares Applied for [REDACTED] into H Shares to Number of Shares Held by the Shareholder(s)	Number of H Shares	Percentage of total number of Shares	Number of Domestic [REDACTED] Shares	Percentage of total number of Shares
		(%)		*(%)*		*(%)*		*(%)*
Single Largest Shareholder Group								
Mr. Guo	10,987,588	27.32	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Tianjin Tongde	2,359,110	5.87	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Tianjin Kunyuan	1,572,750	3.91	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Tianjin Kunyu	556,650	1.38	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Sub-total	**15,476,098**	**38.48**	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Substantial Shareholders								
Shenzhen Tongchuang	2,830,950	7.04	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Hangzhou Nanhai	1,239,120	3.08	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Zhengzhou Tongchuang	1,016,100	2.53	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Suzhou Tongchuang	333,333	0.83	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Sub-total	**5,419,503**	**13.48**	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**] ***Investors (excluding those disclosed above)***								
Zheshang Venture								
Shanghai Zhepu	1,016,100	2.53	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Lishui Zhepu	25,410	0.06	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Sub-total	**1,041,510**	**2.59**	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
CICC Capital								
Suzhou Zhongjin	1,666,667	4.14	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Zhongjin Zhixing	750,000	1.86	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Sub-total	**2,416,667**	**6.00**	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

	As of the Latest Practicable Date				Upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and that the Share Split is completed)			
Name of Shareholder	Number of Domestic [REDACTED] Shares	Percentage of total number of Domestic [REDACTED] Shares	Number of Shares Applied for [REDACTED] into H Shares	Percentage of Number of Shares Applied for [REDACTED] into H Shares to Number of Shares Held by the Shareholder(s)	Number of H Shares	Percentage of total number of Shares	Number of Domestic [REDACTED] Shares	Percentage of total number of Shares
		(%)		(%)		(%)		(%)
Dunxing Capital – Ma Yangguang								
Huasheng Nanyuan	675,878	1.68	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Dunxing Jucai	405,527	1.01	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Sub-total	**1,081,405**	**2.69**	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Other investors								
Qianhai Fund	2,478,270	6.16	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Rizhao Chenrui	1,852,500	4.61	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Huzhou Qixing	1,524,120	3.79	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Xuzhou Boda	1,500,000	3.73	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
SAIC Yangtze Delta	1,250,000	3.11	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Qingdao SAIC	1,250,000	3.11	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Pinghu Huarui	508,050	1.26	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Yibin Green Investment	387,931	0.97	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Jiang'An New Energy	387,931	0.97	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Jiaxing Waniu	387,931	0.97	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Mr. Guan Bo	314,550	0.78	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Yichang High-tech	258,621	0.64	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Donghu Guolong	250,000	0.62	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Xu Qiang	194,612	0.48	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Yichang Innovation	1,293,103	3.22	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Mr. Yu Hairen	942,715	2.34	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Sub-total	**14,780,334**	**36.76**	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
H Shareholders under the [**REDACTED**]	–	–	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	**40,215,517**	**100.00**	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

As far as we are aware, save for the relevant Shareholders listed above, none of the other Shareholders currently proposes to convert any of their Domestic [**REDACTED**] Shares into H Shares.

RESTRICTIONS OF SHARE TRANSFER

In accordance with the PRC Company Law, the shares issued prior to any [**REDACTED**] of shares by a company cannot be transferred within one year from the date on which such publicly [**REDACTED**] shares are [**REDACTED**] and [**REDACTED**] on the relevant stock exchange. As such, the Shares issued by our Company prior to the [**REDACTED**] of H Shares will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**].

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies 《境內企業境外發行證券和上市管理試行辦法》 issued by the CSRC, shares not listed on an overseas stock exchange of a domestic company shall be centrally registered and deposited at a domestic securities depository and settlement agency.

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from our Shareholders is required for our Company to issue H Shares and apply for the [**REDACTED**] of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on January 12, 2026.

SHAREHOLDERS' GENERAL MEETING

For details of circumstances under which our Shareholders' general meeting is required, Please refer to the sections headed "Regulatory Overview" and "Appendix III — Summary of Articles of Association" in the document.

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, 2025 and the six months ended June 30, 2026, 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 Accounting Standards.

[**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 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 fourth among electrolyte suppliers globally and in China (including both independent and affiliated electrolyte manufacturers) in 2025 with the market share of 3.6% and 4.7%, respectively.

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."

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 four production bases in China, which were located in Huzhou, Zhejiang Province, Yibin, Sichuan Province, Jining, Shandong Province and Yichang, Hubei 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**]."

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, in terms of 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.

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 of 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.

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.

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.

(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)						*(unaudited)*			
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

	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)						*(unaudited)*			
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**

Note:

(1) Others primarily represented our sales of raw materials, such as solutes, solvents and additives. The 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 $LiPF_6$.

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)						*(unaudited)*			
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)									
							(unaudited)			
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
Electrolytes for emerging applications	1,659	30.6	359	23.4	1,145	42.1	524	39.0	961	40.3
Others[(3)]	**962**	**15.2**	**2,494**	**23.9**	**16,630**	**41.1**	**1,438**	**24**	**14,902**	**21.9**
Total	**172,846**	**11.0**	**44,838**	**4.4**	**163,721**	**9.4**	**37,493**	**5.9**	**279,720**	**14.2**

Notes:

(1) The gross losses of our electrolytes for ESS batteries in 2023 and 2024 were primarily attributable to the product characteristics of electrolytes for ESS batteries, our competitive pricing strategy and the narrow spreads between their average selling prices and average raw material costs. 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 because (i) prices of key upstream raw materials, such as $LiPF_6$, decreased in 2024, which led to a decline in the average selling prices of electrolytes for power and ESS batteries, (ii) electrolytes for consumer electronics batteries mainly consist of customized products, making them less susceptible to industry-wide price competition, and (iii) we continued to optimize our product mix of electrolytes for consumer electronics batteries, which helped partially offset cost fluctuations.

(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.

Notwithstanding the foregoing, 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. We identified the ESS battery electrolyte business as an important growth area in 2023 and implemented the competitive pricing strategy. Under such strategy, we determined product prices through commercial negotiations with customers after taking into account various factors, including electrolyte formulations, raw material supply conditions, product specifications, procurement scale, customers' specific requirements and our market expansion objectives. During the customer acquisition and business ramp-up stage of our ESS battery electrolyte business, we were willing to offer more commercially attractive pricing for certain products in order to facilitate customer onboarding, expand shipment volume and establish a broader customer base, rather than prioritizing the maximization of profitability or short-term net profit. Customers would typically compare our quotations with those offered by other suppliers before making procurement decisions and, where they considered our quotations commercially attractive, would negotiate and agree on the final pricing with us and commence or expand their purchases from us. Customers' decisions to accept our quotations and commence or expand cooperation with us indicate that our pricing was competitive and commercially attractive from their perspective. According to Frost & Sullivan, the annual average market prices of electrolytes for ESS batteries were RMB32 thousand per ton and RMB18 thousand per ton in 2023 and 2024, respectively, while the average selling prices of our electrolytes for ESS batteries were RMB25 thousand per ton and RMB14 thousand per ton, respectively, which was consistent with our competitive pricing strategy during the customer acquisition. 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% of our total revenue in the respective years/period.

In 2023 and 2024, competition in the ESS battery electrolyte market remained intense. At the same time, the decline in the average prices of major raw materials, including $LiPF_6$, resulted in downward pressure on electrolyte selling prices. Given that raw material costs accounted for a substantial proportion of the cost structure of electrolytes, the profitability of our products was highly sensitive to the spread between selling prices and raw material costs. The average selling prices of our electrolytes for ESS batteries exceeded their average raw material costs by only RMB2.37 per kg and RMB1.72 per kg in 2023 and 2024, respectively. Such spreads were insufficient to cover other costs and expenses, including manufacturing costs, transportation expenses and employee benefit expenses, which in aggregate amounted to RMB2.40 per kg and RMB2.44 per kg in 2023 and 2024, respectively, and therefore constituted one of the principal reasons for the gross losses incurred by these products.

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.

The competitive pricing strategy was primarily implemented in 2023 and 2024 for our electrolytes for ESS batteries. Following the improvement in market conditions and demand since the fourth quarter of 2025 and the enhancement of our pricing power in this sector, our reliance on such strategy has gradually decreased. Nevertheless, we expect to continue to apply this strategy selectively on a case-by-case basis for certain customers or projects where commercially appropriate, taking into account customer relationships, competitive dynamics, market conditions and our overall business objectives. As of the Latest Practicable Date, the major customers acquired through our competitive pricing strategy, as well as those with whom we expanded our business relationships through such strategy, have continued to transact with us, reflecting the effectiveness of our prior competitive pricing strategy in both expanding and retaining our customer base.

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

	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)						*(unaudited)*			
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.

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*	*%*
	(RMB in thousands, except for percentages)						*(unaudited)*			
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[(1)]	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[(2)]	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**

Notes:

(1) Our consulting and professional fees increased significantly in the six months ended June 30, 2026 compared to the six months ended June 30, 2025, 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".

(2) 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*	*%*
	(RMB in thousands, except for percentages)						*(unaudited)*			
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

	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)						*(unaudited)*			
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**

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, primarily due to (i) the continued growth in demand from downstream lithium-ion battery manufacturers, which supported a more favorable pricing environment for our electrolyte products, and (ii) increases in the prices of certain key raw materials used in electrolyte production, including $LiPF_6$, which led to corresponding upward adjustments in the selling prices of our products.

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) the increase in the market price of raw materials, such as $LiPF_6$, which provided us with greater flexibility in pricing negotiations and, together with our growing procurement volume and established supplier relationships, enabling us to obtain more favorable procurement terms and optimize raw material costs and resulting in the increase in the selling prices of our electrolyte products outpacing the increase in raw material costs, and (iii) our increased selling prices of our electrolyte products.

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.

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.

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.

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.

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 $LiPF_6$, our core raw material, as we largely price our electrolyte products based on the cost of the underlying raw materials. According to Frost & Sullivan, $LiPF_6$, 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 $LiPF_6$ 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 $LiPF_6$, 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.

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

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.

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**

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 October 31,
	2023	2024	2025	2026	2026
			(RMB in thousands)		*(unaudited)*
Current Assets					
Inventories	30,298	53,671	177,014	281,096	401,029
Trade and bills receivables	961,066	605,385	1,158,724	1,561,478	1,999,633
Debt investments at fair value through other comprehensive income	–	21,239	32,036	32,467	1,126
Prepayments, other receivables and other assets	47,605	66,567	45,090	54,508	83,712
Financial assets at fair value through profit or loss	36,914	41,890	53,136	84,533	76,791
Pledged deposits	57,854	46,786	68,255	81,493	93,053
Cash and cash equivalents	23,539	41,484	46,935	197,193	99,450
Total current assets	**1,157,276**	**877,022**	**1,581,190**	**2,292,768**	**2,754,794**
Current Liabilities					
Trade and bills payables	(469,899)	(340,066)	(937,811)	(1,239,015)	(1,843,090)
Other payables and accruals	(100,623)	(46,059)	(116,518)	(69,603)	(76,720)
Interest-bearing bank borrowings	(74,483)	(55,438)	(283,907)	(448,202)	(412,549)
Lease liabilities	(386)	(436)	(184)	(163)	(154)
Tax payable	(3,779)	(158)	(10,010)	(14,277)	(18,732)
Contract liabilities	(836)	(33,697)	(26,661)	(45,531)	(26,902)
Derivative financial instruments	–	–	–	(661)	–
Total current liabilities	**(650,006)**	**(475,854)**	**(1,375,091)**	**(1,817,452)**	**(2,375,147)**
Net Current Assets	**507,270**	**401,168**	**206,099**	**475,316**	**379,647**

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.

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.

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**

	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**

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 October 31, 2026, RMB261.3 million, or 98.8%, of our inventories as of June 30, 2026 had been subsequently sold or utilized.

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**

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 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 October 31, 2026, RMB1,114.1 million, or 80.6%, 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.

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
	469,899	**340,066**	**937,811**	**1,239,015**

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.

- 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 October 31, 2026, RMB762.0 million, or 74.5%, 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**] expense 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
	(RMB in thousands)			
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**

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 decreased by 19.0% from RMB475.3 million as of June 30, 2026 to RMB379.6 million as of October 31, 2026 primarily due to (i) the increase in trade and bills payables mainly driven by the increase in our procurement of raw materials driven by the increased market demand for our products, and (ii) the decrease in cash and cash equivalents mainly attributable to the repayment of bank borrowings during the period, partially offset by (i) the increase in trade and bills receivables mainly in line with the revenue growth, and (ii) the increase in inventories mainly as a result of the increase in raw materials in response to rising market demand for our products.

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.

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 October 31,
	2023	2024	2025	2026	2026
	(RMB in thousands)				*(unaudited)*
Current					
Interest-bearing bank borrowings	74,483	55,438	283,907	448,202	412,549
Lease liabilities	386	436	184	163	154
Non-current					
Interest-bearing bank borrowings	94,949	88,337	150,389	255,810	253,179
Lease liabilities	174	105	144	4	–
Total	**169,992**	**144,316**	**434,624**	**704,179**	**665,882**

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 October 31, 2026, we had banking facilities of RMB1,872.8 million, among which, RMB1,031.3 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 decreased from RMB704.0 million as of June 30, 2026 to RMB665.7 million as of October 31, 2026, primarily due to the repayment of bank borrowings during the period.

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 October 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 October 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 October 31, 2026.

CONTINGENT LIABILITIES

As of December 31, 2023, 2024 and 2025, June 30, 2026 and October 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 net [**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 net [**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	2025	2026
			(RMB in thousands)		
				(unaudited)	
Net cash flows from/(used in) operating activities	84,766	190,839	56,611	(47,975)	(17,412)
Net cash flows used in investing activities	(268,390)	(140,373)	(209,115)	(9,149)	(144,471)
Net cash flows from/(used in) financing activities	81,563	(32,501)	157,618	69,372	309,466
Net (decrease)/increase in cash and cash equivalents	(102,061)	17,965	5,114	12,248	147,583
Cash and cash equivalents at the beginning of year/period	125,600	23,539	41,484	41,484	46,935
Effect of foreign exchange rate changes, net	–	(20)	337	(450)	2,675
Cash and cash equivalents at end of year/period	**23,539**	**41,484**	**46,935**	**53,282**	**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.

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 2023, 2024 and 2025, we recorded net cash flows used in operating activities in the six months ended June 30, 2025 and 2026. In particular, in the six months ended June 30, 2026, our net cash flows used in operating activities was RMB17.4 million, primarily due to (i) the increase in trade and bills receivables in line with the revenue growth, and (ii) the increase in inventories mainly driven by an increase in raw material prices and higher levels of raw material inventory maintained in anticipation of increased market demand. 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.

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 net [**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.

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.

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 [**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.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See "Unaudited [**REDACTED**] Financial Information" in Appendix II to this document.

FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

[**REDACTED**]

We estimate that the net [**REDACTED**] of the [**REDACTED**], after deducting the estimated [**REDACTED**] and other fees and expenses paid and payable by us in connection with the [**REDACTED**], will be approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the mid-point of the indicative range of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per H Share), and that the [**REDACTED**] is not exercised. We plan to use the net [**REDACTED**] from the [**REDACTED**] for the following purposes:

- Approximately [**REDACTED**]% of the net [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used to expand our production capacity and support global expansion, including the lithium-ion battery materials production bases in Yichang, Hubei Province (the "**Yichang Production Base**"), Szolnok, Hungary (the "**Hungary Production Base**") and Jining, Shandong Province (the "**Jining Production Base II**"), thereby achieving localized production capacity and enhancing our product delivery capabilities in both domestic and overseas markets. See "Business — Our Strategies — Production Expansion and Global Layout." Specifically:

  (i) Approximately [**REDACTED**]% of the net [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for our Yichang Production Base for the production of electrolytes and $LiPF_6$. Specifically: (a) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used to fund payments for the purchase of machinery and equipment for its production of electrolytes and $LiPF_6$, such as diverse storage tanks, analytical equipment, refrigeration units and electrical instruments for electrolytes and $LiPF_6$, among others; and (b) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for the purchase of software, such as manufacturing execution system ("**MES**") and distributed control system ("**DCS**").

  As of the Latest Practicable Date, we had obtained the Trial Production Notification Letter (試生產告知書) issued by the competent authority, permitting us to commence trial production. We expect to begin the construction of $LiPF_6$ production lines in 2027. We expect to begin the mass production of electrolytes in the first quarter of 2027 and $LiPF_6$ in 2028, respectively. Upon completion, the expected annual production capacity of the electrolytes and $LiPF_6$ at Yichang Production Base will be 100,000 tons and 20,000 tons, respectively. Our Yichang Production Base is expected to reach electrolyte production volumes of 50,000 tons, 100,000 tons and 100,000 tons in 2027, 2028 and 2029, respectively, corresponding to utilization rates of 50.0%, 100.0% and 100.0% in the respective years. The $LiPF_6$ produced at our Yichang Production Base will be used to produce our electrolytes to strengthen our raw material security. Our Yichang Production Base is expected to reach $LiPF_6$ production volumes of 20,000 tons with the utilization rate of 100.0% in 2029.

  (ii) Approximately [**REDACTED**]% of the net [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for the construction of our Hungary Production Base in the following three years for the production of electrolytes. Driven by the robust market demand for electrification in Europe and the need to deliver products efficiently to our customers operating in Europe, we are accelerating the construction of our Hungary Production Base to establish our footprint in the European supply chain and enhance our efficient delivery

capabilities. Specifically: (a) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for the construction, including design planning, civil construction, and basic interior fit-out within the Hungary Production Base; (b) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for the purchase of machinery and equipment, such as production lines, storage tanks, power distribution systems, refrigerated storage tanks, forklifts, freight elevators, among others, as well as for the purchase of software, such as MES; (c) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for the trial operation costs of our Hungary Production Base, covering expenditures such as the procurement of raw materials, auxiliary materials and other production supplies, as well as the payment of salaries and related remuneration for on-site production, technical and management personnel engaged in the trial operation.

As of the Latest Practicable Date, we were in the process of identifying and evaluating potential sites for our Hungary Production Base, taking into account factors such as local infrastructure, logistics and customer proximity. We expect to begin the construction of the Hungary Production Base in 2027 and begin the production of electrolytes in 2028. Upon completion, the expected annual production capacity of electrolytes for the Hungary Production Base will be 36,600 tons. Our Hungary Production Base is expected to reach production volumes of 10,000 tons, 36,600 tons and 36,600 tons in 2028, 2029 and 2030, respectively, corresponding to utilization rates of 27.3%, 100.0% and 100.0% in the respective years.

Based on our Hungary Production Base, we plan to adopt a market development strategy anchored on supporting the European capacity layout of our core customers, with phased outreach to downstream participants across the European industrial chain. Leveraging our cooperation framework with our domestic core customers we plan to replicate our proven domestic cooperation model in Europe to satisfy core customers' localized supply requirements on a proximity basis. In parallel, benefiting from Hungary's geographic position with a two-hour logistics radius covering major new energy technology enterprises and other world-renowned customers, and capitalizing on the comprehensive cost advantages of localized manufacturing and differentiated electrolyte formulations customized to suit Europe's regional requirements and local application scenarios, we plan to proactively pursue business opportunities with other Chinese and foreign top-tier new energy battery manufacturers with overseas production footprints, and supply leading European end-customers through the supply chains of downstream battery manufacturers. Therefore, we will continuously optimize the revenue mix of our overseas business and mitigate risks associated with customer concentration. As of the Latest Practicable Date, we had not secured firm customer orders for our Hungary Production Base. Based on our communications with core customers and their European business development plans, we anticipate securing the relevant orders closer to the production commencement of the Hungary Production Base.

(iii) Approximately [**REDACTED**]% of the net [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for the construction of our Jining Production Base II for the production of electrolytes. Jining is located in close proximity to our major customers who operate their battery production bases in the surrounding area. By constructing the Jining Production Base II, we expect to further leverage the local integrated supply chain and serve core customers in close proximity, thereby enhancing order fulfillment and improving production response times. We plan to construct Jining Production Base II on the existing vacant land adjacent to our Jining Production Base I. Specifically: (a) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be

used for the purchase of machinery and equipment, such as production lines, storage tanks, analytical equipment, refrigeration units and electrical instruments, among others; and (b) approximately [**REDACTED**]%, or HK$[**REDACTED**] million, is expected to be used for the purchase of software, such as MES and DCS.

As of the Latest Practicable Date, we were in the process of constructing Jining Production Base II. We expect to complete the construction and begin the production of electrolytes in the first half of 2027. Upon completion, the expected annual production capacity of electrolytes for Jining Production Base II will be 150,000 tons. Our Jining Production Base II is expected to reach production volumes of 50,000 tons, 100,000 tons and 150,000 tons in 2027, 2028 and 2029, respectively, corresponding to utilization rates of 33.3%, 66.7% and 100.0% in the respective years.

A summary of feasibility analysis with respect to the expansion of our production capacity domestically and overseas is as follows:

- ***Industry development***. According to Frost & Sullivan, driven by the continued penetration of NEVs worldwide, accelerated ESS layout, efficiency and integration upgrades in consumer electronics and rapid expansion in emerging applications such as robots and low-altitude economy applications, global electrolyte revenue is 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. Therefore, we are positioned to further expand our footprint in tandem with the industry development.

  In addition, according to Frost & Sullivan, the electrolyte industry has been undergoing continuous consolidation. As battery manufacturers increasingly prioritize supply security, product consistency and delivery reliability, procurement volumes are becoming concentrated among large-scale electrolyte suppliers with proven track records. We believe future market share growth will be disproportionately captured by leading suppliers with large-scale manufacturing capabilities. Accordingly, our production expansion represents not only a response to overall industry growth but also a strategic initiative to position ourselves to benefit from ongoing industry consolidation.

- ***Policy support***. The lithium-ion battery industry benefits from favorable government policies and regulatory support. Notably, supported by "the Opinions of the CPC Central Committee and the State Council on Accelerating the Comprehensive Green Transformation of Economic and Social Development" (《中共中央、國務院關於加快經濟社會發展全面綠色轉型的意見》), policy frameworks have clearly emphasized accelerated progress in high energy density, long cycle life and high safety battery technologies, while continuing to advance the electrification of the new energy vehicle sector. In Europe, "Regulation (EU) 2019/631" and its subsequent amendments have progressively tightened vehicle-level carbon emission standards, reinforcing the central role of power batteries within the vehicle architecture. In addition, our domestic capacity expansion initiatives are consistent with national industrial policies. According to the New Energy Vehicle Industry Development Plan (2021–2035), the Chinese government explicitly supports the development of a technological supply system for key components of NEVs. As one of the key raw materials for power batteries, the prudent expansion of electrolyte production capacity contributes to maintaining the stable operation of the downstream NEV industry chain and supply chain, and is consistent with the policy objective of "promoting coordinated development across the entire power battery value chain" under this plan.

- ***Sales volume growth***. During the Track Record Period, the sales volume of our electrolyte products increased continuously, benefiting from the industry growth and policy support. The sales volume of our electrolyte products increased by 15.2% from 52,670 tons in 2023 to 60,676 tons in 2024, and further increased by 76.5% to 107,094 tons in 2025, and the total sales volume of our electrolyte products increased by 82.3% from 42,332 tons in the six months ended June 30, 2025 to 77,164 tons in the same period in 2026. Leveraging positive industry development and policy support, we expect market demand for our electrolyte products to rise further.

  In addition, our capacity expansion is also driven by the increasing depth of cooperation with existing customers. According to Frost & Sullivan, once an electrolyte supplier successfully enters a battery manufacturer's supply chain and completes product qualification, the battery manufacturers typically prefer to expand procurement volume with proven suppliers rather than frequently introduce new suppliers due to the stringent certification requirements, switching costs and product consistency requirements. As a result, demand growth from existing customers is often faster than overall market growth. Our planned capacity expansion therefore aims not only to support new customer acquisition but also to capture a larger share of procurement demand from existing strategic customers as their battery production capacity continues to expand.

  Additional production capacity also supports our customer diversification strategy. While we maintain strong partnerships with existing strategic customers, expanded capacity enables us to pursue opportunities with a broader range of customers without affecting our ability to meet the demand requirements of our existing customer base.

- ***Economies of scale***. We continuously advance capacity expansion to fully capture the economies of scale arising from mass production, thereby optimizing our cost structure across multiple dimensions and enhancing overall operating efficiency. Specifically:

  - *Economies of scale in procurement*. As our electrolyte production volume increases substantially, our procurement volumes for key raw materials, including solutes, solvents and additives, are expected to expand accordingly. Large-scale and long-term procurement requirements enhance our bargaining power within the supply chain, enabling us to lower unit raw material costs through arrangements such as long-term price-lock agreements and bulk purchasing.

  - *Synergies from internal supply of raw materials*. We continue to advance our capacity expansion plans for key solutes such as $LiPF_6$, enabling partial internal sourcing of core raw materials. This improves supply stability while strengthening upstream-downstream capacity synergies, thereby further reducing overall production costs.

  - *Optimization of transportation and delivery costs*. By leveraging localized and centralized production layouts, we shorten product transportation and delivery cycles, reduce expenditures on logistics, warehousing and related support services, and effectively lower costs incurred in the sales process. For example, our Hungary Production Base will serve leading global new energy innovation and technology companies and other internationally renowned customers, most of whom are located within a two-hour drive from our production facility. Our Yichang Production Base is located within a five-hour drive from core customers.

- *Cost efficiencies from scaled operations*. Capacity expansion significantly enhances our ability to dilute per-unit costs. On the one hand, fixed costs, such as depreciation of production equipment, are spread over a larger production volume, reducing fixed costs per unit. For example, in terms of the manufacturing costs under the cost of sales, with the continuous increase in our production volume from 52,700 tons in 2023 to 61,732 tons in 2024, and further to 108,221 tons in 2025, and from 42,329 tons in the six months ended June 30, 2025 to 78,547 tons in the same period in 2026, the average manufacturing costs were approximately RMB1,300 per ton, RMB1,200 per ton, RMB700 per ton, RMB800 per ton and RMB600 per ton, respectively. On the other hand, administrative and selling and distribution expenses do not increase proportionately with capacity growth; supported by centralized operational management and an optimized core customer base, their proportion of total costs continues to decline, further improving our overall cost structure and profitability.

- *Strengthened access to critical raw materials.* The expansion of our production capacity enhances our strategic significance within the battery materials value chain. As our procurement scale continues to increase, we expect to further strengthen long-term strategic relationships with key upstream suppliers and improve our ability to secure stable and preferential access to critical raw materials during periods of market volatility. Given that temporary supply-demand imbalances in key battery materials may materially affect production continuity and delivery performance, enhanced supply assurance capabilities represent an important competitive advantage and support the long-term stability of our operations and customer relationships.

- ***Overseas opportunity***. According to Frost & Sullivan, Hungary has in recent years actively promoted the inflow of foreign direct investment, and a number of new energy-related projects by Chinese enterprises have been implemented locally. As a core raw material for their power battery and ESS battery, our electrolyte production is well positioned to support the capacity deployment of such new energy customers and is aligned with Hungary's industrial development orientation for the new energy and related sectors. Therefore, the construction of our production base in Hungary is closely aligned with the expansion of our upstream and downstream customers in Europe, enabling coordinated capacity deployment and supporting their localized supply requirements. With respect to our Hungary Production Base, the relevant business does not fall within any sector subject to foreign investment prohibitions or restrictions under Hungarian law. We plan to source core raw materials, including solutes, solvents and additives, primarily from long-term partner suppliers in China to ensure consistent quality and supply reliability. Certain general-purpose chemicals, auxiliary materials and supporting services are expected to be progressively procured from European or local suppliers, thereby reducing logistics costs and enhancing supply responsiveness. At the same time, by leveraging the geographic concentration of local power battery and ESS battery customers, we intend to establish proximity-based supply arrangements and coordinated production and sales operations, further enhancing the overall stability and cost efficiency of our supply chain.

- ***Forward-looking construction***. The construction of our Yichang Production Base, Hungary Production Base and Jining Production Base II is projected to take around 12 to 24 months, with commercial operations scheduled to commence in 2027 or 2028. Looking ahead, we anticipate that our existing production capacity will be insufficient to meet the growing customer demand by 2027 or 2028. Notably, our production utilization rate reached 80.8% in the fourth quarter of 2025 and 87.3% in the six months ended June 30, 2026, which reflects the strong growth in market demand from the fourth quarter of 2025. Against this backdrop, launching a targeted production capacity expansion initiative represents a forward-looking strategic move that aligns with our long-term market development goals. Upon completion, each of our Yichang Production Base, Hungary Production Base and Jining Production Base II is expected to achieve breakeven within one year, with investment payback periods of 4.0 years, 4.7 years and 5.8 years, respectively.

  In addition, future capacity expansion is also intended to support the evolution of our product portfolio. With the increasing adoption of emerging battery technologies, production requirements are becoming more diversified and customized. Compared with conventional products, advanced electrolyte products often require more production flexibility, more frequent production-line adjustments and additional quality control procedures. Consequently, additional production capacity is necessary to support product innovation and diversification.

- ***Customer preference***. According to Frost & Sullivan, the rapid growth in demand for power batteries and ESS has heightened expectations among global new energy materials customers. These customers increasingly require their suppliers to demonstrate product consistency, operational reliability and the ability to provide a sustainable and secure supply of critical materials. Therefore, production capacity is not only a result of customer demand, but also a prerequisite for obtaining future customer orders. Suppliers with insufficient capacity reserves may face constraints in participating in large-scale procurement programs or future projects. Therefore, maintaining ample and forward-looking production capacity is essential for preserving our competitiveness and expanding our customer base. In response to these industry dynamics, we strategically expand our production capacity, enabling us to deliver stable output, meet stringent quality requirements and ensure timely fulfillment of customer orders. Additional production capacity enhances our responsiveness to customer demand fluctuations and enables us to accommodate short-notice orders, seasonal demand changes and accelerated customer production schedules, thereby improving customer service capabilities and strengthening competitive positioning. We believe that our enhanced production capabilities will not only strengthen our ability to support the long-term needs of our customers, but also reinforce the deep and stable relationships we have established with them.

- Approximately [**REDACTED**]% of the net [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for R&D activities in the following four years. Our focus will be on advancing research in next-generation battery materials, such as solid-state electrolytes ("**SSE**"), as well as other core raw materials including solutes and additives, to further strengthen our technological capabilities. See "Business — Our Strategies — Continuous Technological Innovation and R&D Investment."

Specifically, we plan to conduct R&D on SSE, $LiPF_6$ and additives. These areas of focus were selected to address growing market demand for next-generation battery materials across NEVs, ESS and emerging applications. Our R&D investments are expected to include: (i) the procurement of R&D equipment, such as sintering equipment and mixing machines for our SSE and $LiPF_6$ R&D, and dry rooms and battery testing equipment for our additives R&D; (ii) the recruitment of R&D specialists; (iii) the procurement of R&D materials, such as sulfide materials, cathode and anode materials and inert gases; and (iv) the procurement of software for R&D, such as MES. Specifically:

- We expect to allocate approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for our R&D on SSE. We plan to develop sulfide electrolytes, oxide electrolytes and halide electrolytes, which are safer, have higher energy density and longer cycle life than conventional liquid lithium-/sodium-ion electrolytes. We expect to finalize the R&D and achieve the small-scale production in 2028 to meet market demand.

- We expect to allocate approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for our R&D on $LiPF_6$. We plan to develop the production process for liquid $LiPF_6$ electrolyte, which features high ionic conductivity, excellent electrochemical stability and low-temperature performance. We expect to finalize the testing by the end of 2027 and possess production capability in 2028.

- We expect to allocate approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for our R&D on additives. We plan to develop new electrolyte additives that form stable electrolyte interface films to suppress side reactions and extend battery life. We expect to finalize the testing in 2028 and possess production capability in 2029.

To support our R&D efforts in SSE, $LiPF_6$ and additives, we plan to recruit 27, 27 and 24 R&D specialists, respectively. Candidates must hold a bachelor's degree or above and possess extensive experience in electrolyte, $LiPF_6$ and additive testing, experimentation, R&D and production processes.

- Approximately [**REDACTED**]% of the net [**REDACTED**] of the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for working capital and general corporate purposes.

If the [**REDACTED**] is set at the high end of the [**REDACTED**] range or the low end of the [**REDACTED**] range, the net [**REDACTED**] of the [**REDACTED**] will increase or decrease by approximately HK$[**REDACTED**] million. To the extent our net [**REDACTED**] from the [**REDACTED**] (including the net [**REDACTED**] from the exercise of the [**REDACTED**]) are either more or less than expected, we will adjust our allocation of the net [**REDACTED**] for the above purposes on a *pro rata* basis.

If the [**REDACTED**] are fully exercised, we will receive additional net [**REDACTED**] of approximately HK$[**REDACTED**] million for [**REDACTED**] Shares to be allotted and issued based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range, and after deducting the [**REDACTED**] and [**REDACTED**] payable by our Company. The additional amount raised will be applied to the above areas of [**REDACTED**] on a *pro rata* basis.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of *force majeure* events, we will carefully evaluate the situation and may reallocate the net [**REDACTED**] from the [**REDACTED**].

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, we will only deposit the unused net [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

[**REDACTED**]

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The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, [●], Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KUNLUN NEW ENERGY MATERIALS TECHNOLOGY (YICHANG) CO., LTD, CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND PING AN SECURITIES (HONG KONG) CAPITAL COMPANY LIMITED

Introduction

We report on the historical financial information of Kunlun New Energy Materials Technology (Yichang) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[●] to I-[●], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2026 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and 30 June 2026 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and 30 June 2026 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2025 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[●] have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]
Certified Public Accountants
Hong Kong
[**REDACTED**]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	*5*	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	*6*	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	*8*	(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	*11*	(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
Earnings/(loss) per share attributable to ordinary equity holders of the parent						
Basic (RMB) and Diluted (RMB yuan)	*13*	1.92	(0.57)	0.94	(0.20)	3.21

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit/(Loss) for the year/period	86,168	(27,609)	36,062	(9,375)	147,703
Other comprehensive income					
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	–	(22)	2,839	3,582	(2,682)
Debt investments at fair value through other comprehensive income:					
Impairment losses	–	–	23	–	59
Income tax effect	–	–	(4)	–	(10)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	–	(22)	2,858	3,582	(2,633)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Equity investments at fair value through other comprehensive income/(loss):					
Changes in fair value	4	4,999	(895)	350	1,040
Income tax effect	(1)	(750)	135	(51)	(156)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	3	4,249	(760)	299	884
Other comprehensive income/(loss) for the year/period, net of tax	3	4,227	2,098	3,881	(1,749)
Total comprehensive income/(loss) for the year/period	86,171	(23,382)	38,160	(5,494)	145,954
Attributable to:					
Owners of the parent	74,578	(17,887)	38,658	(3,985)	126,114
Non-controlling interests	11,593	(5,495)	(498)	(1,509)	19,840
	86,171	(23,382)	38,160	(5,494)	145,954

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	14	487,159	466,408	835,616	894,982
Prepayments, other receivables and other assets	23	15,205	11,806	83,326	61,235
Right-of-use assets	15	68,489	66,197	103,982	140,982
Intangible assets	16	2,550	2,153	2,919	2,923
Debt investments at fair value through other comprehensive income	18	–	72,258	–	–
Equity investments designated at fair value through other comprehensive income	17	53,437	68,437	67,542	68,582
Deferred tax assets	20	–	14,947	29,437	35,004
Financial assets at fair value through profit or loss	19	–	–	30,276	30,722
Total non-current assets		626,840	702,206	1,153,098	1,234,430
CURRENT ASSETS					
Inventories	21	30,298	53,671	177,014	281,096
Trade and bills receivables	22	961,066	605,385	1,158,724	1,561,478
Debt investments at fair value through other comprehensive income	18	–	21,239	32,036	32,467
Prepayments, other receivables and other assets	23	47,605	66,567	45,090	54,508
Financial assets at fair value through profit or loss	19	36,914	41,890	53,136	84,533
Pledged deposits	24	57,854	46,786	68,255	81,493
Cash and cash equivalents	24	23,539	41,484	46,935	197,193
Total current assets		1,157,276	877,022	1,581,190	2,292,768
CURRENT LIABILITIES					
Trade and bills payables	25	(469,899)	(340,066)	(937,811)	(1,239,015)
Other payables and accruals	26	(100,623)	(46,059)	(116,518)	(69,603)
Interest-bearing bank borrowings	28	(74,483)	(55,438)	(283,907)	(448,202)
Lease liabilities	15	(386)	(436)	(184)	(163)
Tax payable		(3,779)	(158)	(10,010)	(14,277)
Contract liabilities	30	(836)	(33,697)	(26,661)	(45,531)
Derivative financial instruments		–	–	–	(661)
Total current liabilities		(650,006)	(475,854)	(1,375,091)	(1,817,452)
NET CURRENT ASSETS		507,270	401,168	206,099	475,316
TOTAL ASSETS LESS CURRENT LIABILITIES		1,134,110	1,103,374	1,359,197	1,709,746
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	28	(94,949)	(88,337)	(150,389)	(255,810)
Lease liabilities	15	(174)	(105)	(144)	(4)
Deferred government grants	27	(5,864)	(3,130)	(11,013)	(12,604)
Deferred tax liabilities	20	(2,693)	(4,227)	(10,971)	(7,026)
Total non-current liabilities		(103,680)	(95,799)	(172,517)	(275,444)
Net assets		1,030,430	1,007,575	1,186,680	1,434,302
EQUITY					
Share capital	29	38,922	38,922	38,922	40,216
Reserves	32	943,111	925,672	964,574	1,190,859
		982,033	964,594	1,003,496	1,231,075
Non-controlling interests		48,397	42,981	183,184	203,227
Total equity		1,030,430	1,007,575	1,186,680	1,434,302

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	38,922	715,663	1,170	14,288	5,493	131,919	907,455	36,804	944,259
Profit for the year	–	–	–	–	–	74,575	74,575	11,593	86,168
Other comprehensive income for the year:									
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	3	–	3	–	3
Total comprehensive income for the year	–	–	–	–	3	74,575	74,578	11,593	86,171
Safety production reserve	–	–	–	9,334	–	(9,334)	–	–	–
Transfer to statutory surplus reserve	–	–	629	–	–	(629)	–	–	–
At 31 December 2023	38,922	715,663*	1,799*	23,622*	5,496*	196,531*	982,033	48,397	1,030,430

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	38,922	715,663	1,799	23,622	5,496	–	196,531	982,033	48,397	1,030,430
Loss for the year	–	–	–	–	–	–	(22,114)	(22,114)	(5,495)	(27,609)
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	4,249	–	–	4,249	–	4,249
Exchange differences on translation of foreign operations	–	–	–	–	–	(22)	–	(22)	–	(22)
Total comprehensive loss for the year	–	–	–	–	4,249	(22)	(22,114)	(17,887)	(5,495)	(23,382)
Safety production reserve	–	–	–	7,035	–	–	(7,035)	–	–	–
Equity-settled share award expense	–	448	–	–	–	–	–	448	79	527
At 31 December 2024	38,922	716,111*	1,799*	30,657*	9,745*	(22)*	167,382*	964,594	42,981	1,007,575

Year ended 31 December 2025

	Attributable to owners of the parent									
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	38,922	716,111	1,799	30,657	9,745	(22)	167,382	964,594	42,981	1,007,575
Profit for the year	–	–	–	–	–	–	36,560	36,560	(498)	36,062
Other comprehensive income for the year:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(760)	–	–	(760)	–	(760)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	–	19	–	–	19	–	19
Exchange differences on translation of foreign operations	–	–	–	–	–	2,839	–	2,839	–	2,839
Total comprehensive income for the year	–	–	–	–	(741)	2,839	36,560	38,658	(498)	38,160
Acquisition of a subsidiary (note 33)	–	–	–	–	–	–	–	–	140,666	140,666
Safety production reserve	–	–	–	(1,065)	–	–	1,065	–	–	–
Equity-settled share award expense	–	244	–	–	–	–	–	244	35	279
At 31 December 2025	38,922	716,355*	1,799*	29,592*	9,004*	2,817*	205,007*	1,003,496	183,184	1,186,680

Six months ended 30 June 2025 (unaudited)

	Attributable to owners of the parent									
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	38,922	716,111	1,799	30,657	9,745	(22)	167,382	964,594	42,981	1,007,575
Loss for the period (unaudited)	–	–	–	–	–	–	(7,866)	(7,866)	(1,509)	(9,375)
Other comprehensive income for the period (unaudited):										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax (unaudited)	–	–	–	–	299	–	–	299	–	299
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	3,582	–	3,582	–	3,582
Total comprehensive loss for the period (unaudited)	–	–	–	–	299	3,582	(7,866)	(3,985)	(1,509)	(5,494)

	Attributable to owners of the parent									
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Safety production reserve (unaudited)	–	–	–	(4,192)	–	–	4,192	–	–	–
At 30 June 2025 (unaudited)	38,922	716,111	1,799	26,465	10,044	3,560	163,708	960,609	41,472	1,002,081

Six months ended 30 June 2026

	Attributable to owners of the parent									
	Share capital	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 29)	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000 (note 32)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2026	38,922	716,355	1,799	29,592	9,004	2,817	205,007	1,003,496	183,184	1,186,680
Profit for the period	–	–	–	–	–	–	127,863	127,863	19,840	147,703
Other comprehensive income for the period:										
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	884	–	–	884	–	884
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	–	49	–	–	49	–	49
Exchange differences on translation of foreign operations	–	–	–	–	–	(2,682)	–	(2,682)	–	(2,682)
Total comprehensive income for the period	–	–	–	–	933	(2,682)	127,863	126,114	19,840	145,954
Issue of shares	1,294	98,706	–	–	–	–	–	100,000	–	100,000
Safety production reserve	–	–	–	2,768	–	–	(2,768)	–	–	–
Equity-settled share award expense	–	1,465	–	–	–	–	–	1,465	203	1,668
At 30 June 2026	40,216	816,526*	1,799*	32,360*	9,937*	135*	330,102*	1,231,075	203,227	1,434,302

* These reserve accounts comprise the consolidated reserves of RMB943,111,000, RMB925,672,000, RMB964,574,000 and RMB1,190,859,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025 and 30 June 2026.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax		108,758	(41,771)	38,786	(12,556)	158,885
Adjustments for:						
Finance costs	8	3,425	4,701	8,345	2,772	5,557
Interest income from debt investments at fair value through other comprehensive income	6	–	(611)	(2,352)	(1,218)	(431)
Dividends income from equity investments designated at fair value through other comprehensive income	6	(625)	–	–	–	–
Depreciation of property, plant and equipment	14	35,145	48,483	53,215	25,015	43,477
Depreciation of right-of-use assets	15	2,632	2,742	2,639	1,312	2,016
Amortisation of intangible assets	16	584	1,052	785	412	530
Gains/Loss from changes in fair value of financial assets measured at fair value through profit or loss	6	(274)	(676)	(435)	(28)	12,887
Gain on early termination of leases	6	–	(54)	(27)	–	–
Gains on foreign exchanges		–	–	(337)	450	(2,675)
Written-down of inventories to net realisable value, net		6,276	6,671	5,042	1,024	(1,282)
Impairment losses on financial assets, net		436	9,154	9,491	6,023	20,086
Share-based payment expense		–	527	279	–	1,668
Loss/(gain) on disposal of items of property, plant, and equipment	6	41	(4)	18	(7)	333
		156,398	30,214	115,449	23,199	241,051
Decrease/(increase) in inventories		65,637	(30,043)	(107,679)	17,130	(102,800)
(Increase)/decrease in trade and bills receivables		(228,756)	301,991	(519,124)	(179,574)	(422,837)
(Increase)/decrease in prepayments, other receivables and other assets		(7,223)	(21,372)	2,687	6,998	(10,453)
(Increase)/decrease in pledged deposits		(25,080)	11,068	(20,451)	32,401	(13,238)
Increase/(decrease) in trade and bills payables		124,600	(129,834)	571,723	52,674	301,203

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Increase in other payables and accruals		28,419	3,017	14,457	24,278	(9,115)
(Decrease)/increase in deferred government grants		(705)	(2,734)	7,883	6,597	1,590
(Decrease)/increase in contract liabilities		(6,360)	32,860	(7,847)	(31,521)	18,870
Cash generated from/(used in) operations		106,930	195,167	57,098	(47,818)	4,271
Income tax paid		(22,164)	(4,328)	(487)	(157)	(21,683)
Net cash flows from operating activities		84,766	190,839	56,611	(47,975)	(17,412)
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividends received		625	–	–	–	–
Proceeds from disposal of items of property, plant and equipment		41	254	1,333	10	–
Proceeds from financial assets measured at fair value through profit or loss		100,403	342,345	129,360	85,000	54,430
Purchases of financial assets measured at fair value through profit or loss		(137,041)	(346,644)	(120,520)	(48,500)	(97,610)
Purchases of transferable certificate of bank deposit		–	(92,886)	–	–	–
Proceeds from transferable certificate of bank deposit		–	–	63,814	–	–
Purchase of convertible bonds		–	–	(30,000)	–	–
Payment of futures deposits		–	–	(2,000)	–	–
Acquisition of a subsidiary		–	–	(127,895)	–	–
Purchases of equity investments designated at fair value through other comprehensive income		(17,238)	(10,001)	–	–	–
Purchases of property, plant and equipment		(221,669)	(35,934)	(84,258)	(45,455)	(99,964)
Purchases of land use right		–	–	–	–	(793)
Purchases of intangible assets		(2,162)	(655)	(945)	(204)	(534)
Prepayment for acquisition of land use right		–	–	(37,880)	–	–
Repayment of land deposits		8,651	3,148	–	–	–

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Payment of rental deposits		–	–	(124)	–	–
Net cash flows (used in)/from investing activities		(268,390)	(140,373)	(209,115)	(9,149)	(144,471)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank borrowings		140,894	57,499	175,311	104,071	372,640
Repayment of bank borrowings		(50,803)	(83,328)	(63,071)	(31,107)	(102,918)
Interest paid		(6,815)	(6,231)	(8,185)	(2,772)	(5,557)
Advances from an investor		–	–	50,000	–	–
Capital injections from an investor		–	–	–	–	50,000
Repayment of capital injections receivables from non-controlling shareholder *(note 33)*		–	–	8,229	–	–
Payment of [**REDACTED**]		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Payment of loan service fee		–	–	(400)	–	(400)
Repayments of leases liabilities		(1,713)	(441)	(1,923)	(820)	(165)
Net cash flows from/(used in) financing activities		81,563	(32,501)	157,618	69,372	309,466
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(102,061)	17,965	5,114	12,248	147,583
Cash and cash equivalents at beginning of year/period		125,600	23,539	41,484	41,484	46,935
Effect of foreign exchange rate changes, net		–	(20)	337	(450)	2,675
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		23,539	41,484	46,935	53,282	197,193
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		23,539	41,484	46,935	53,282	197,193
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows	*24*	23,539	41,484	46,935	53,282	197,193

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at 30 June
		2023	2024	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	2,129	3,408	3,947	3,444
Prepayments, other receivables and other assets	*23*	8,664	9,464	28,664	33,660
Right-of-use assets	*15*	921	–	–	–
Intangible assets	*16*	22	17	120	100
Investments in subsidiaries	*1*	319,773	332,099	631,571	675,855
Equity investments designated at fair value through other comprehensive income	*17*	53,437	68,437	67,542	68,582
Financial assets at fair value through profit or loss	*19*	–	–	30,276	30,722
Total non-current assets		384,946	413,425	762,120	812,363
CURRENT ASSETS					
Inventories	*21*	117	5,907	18	–
Trade and bills receivables	*22*	53,935	73,605	74,461	21,290
Prepayments, other receivables and other assets	*23*	394,581	378,662	131,996	134,975
Cash and cash equivalents	*24*	948	7,288	2,766	41,025
Pledged deposits		–	–	–	2
Financial assets at fair value through profit or loss		–	–	–	28,090
Total current assets		449,581	465,462	209,241	225,382
CURRENT LIABILITIES					
Trade and bills payables	*25*	(33,019)	(82,430)	(137,261)	(50,686)
Other payables and accruals	*26*	(6,136)	(3,878)	(60,343)	(7,703)
Tax payable		(422)	–	–	–
Interest-bearing bank borrowings		–	–	–	(30,842)
Contract liabilities	*30*	(555)	(573)	(5,606)	(593)
Total current liabilities		(40,132)	(86,881)	(203,210)	(89,824)
NET CURRENT ASSETS		409,449	378,581	6,031	135,558
TOTAL ASSETS LESS CURRENT LIABILITIES		794,395	792,006	768,151	947,921
NON-CURRENT LIABILITIES					
Deferred government grants		(4,300)	(300)	–	–
Interest-bearing bank borrowings		–	–	–	(87,000)
Deferred tax liabilities		(970)	(1,720)	(1,586)	(1,856)
Total non-current liabilities		(5,270)	(2,020)	(1,586)	(88,856)
Net assets		789,125	789,986	766,565	859,065
EQUITY					
Share capital	*29*	38,922	38,922	38,922	40,216
Reserves	*32*	750,203	751,064	727,643	818,849
Total equity		789,125	789,986	766,565	859,065

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Kunlun New Energy Materials Technology (Yichang) Co., Ltd. (the "Company") is a company established under the Law of the People's Republic of China on 15 November 2004 and converted into a joint stock company with limited liability on 17 December 2021. The registered office address of the Company is Yichang High-tech Zone, Yichang, Hubei, the People's Republic of China (the "PRC").

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the manufacture, research and development and sale of lithium-ion battery electrolyte. The electrolyte is primarily used in three key sectors: power batteries (for electric vehicles), energy storage system (ESS) batteries, and consumer electronics batteries (for devices such as smartphones and laptops).

As at the date of this report, the particulars of the Company's principal subsidiaries are set out below:

Company name	Place and date of registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Huzhou Kunlun Yienke Battery Materials Co., Ltd.* ("湖州昆侖億恩科電池材料有限公司") *(note (a)) (note (b)) (note (d))*	Chinese mainland 9 May 2017	RMB58,820,000	100.00%	–	Manufacture, R&D and sale of electrolytes
Yibin Kunlun New Energy Co., Ltd.* ("宜賓昆侖新能源有限公司") *(note (a)) (note (b)) (note (d))*	Chinese mainland 11 April 2022	RMB300,000,000	100.00%	–	Manufacture, R&D and sale of electrolytes
Hubei Kunlun New Materials Co., Ltd.* ("湖北昆侖新材料有限公司") *(note (e))*	Chinese mainland 17 April 2023	RMB100,000,000	100.00%	–	No operations since establishment
Shandong Lizhong New Energy Materials Co., Ltd.* ("山東立中新能源材料有限公司") *(note (c))*	Chinese mainland 26 August 2021	RMB402,294,100	51.00%	–	Manufacture, R&D and sale of electrolytes raw materials
Kunlun Hungary Co., Ltd.* ("匈牙利昆侖有限公司") *(note (e))*	Hungary 12 October 2023	HUF20,000,000	–	100.00%	No operations since establishment

Notes:

(a) The statutory financial statements of these entities for the years ended 31 December 2023 prepared under China Accounting Standards of Business Enterprises were audited by Zhito Certified Public Accountants LLP ("致同會計師事務所(特殊普通合夥)"), certified public accountants registered in the PRC.

(b) The statutory financial statements of this entity for the years ended 31 December 2024 prepared under China Accounting Standards of Business Enterprises were audited by Pan-China Certified Public Accountants LLP ("天健會計師事務所(特殊普通合夥)"), certified public accountants registered in the PRC.

(c) The statutory financial statements of this entity for the years ended 31 December 2023, 2024 and 2025 prepared under China Accounting Standards of Business Enterprises were audited by RSM CHINA Certified Public Accountants LLP ("容誠會計師事務所(特殊普通合夥)"), certified public accountants registered in the PRC.

(d) The statutory financial statements of these entities for the years ended 31 December 2025 prepared under China Accounting Standards of Business Enterprises were audited by Huzhou Tianheng United Certified Public Accountants (General Partnership) ("湖州天衡聯合會計師事務所(普通合夥)"), certified public accountants registered in the PRC.

(e) As at the date of this report, no audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024 and 2025.

* The English names of these companies registered in the Chinese mainland represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as these companies have not been registered with any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group.

The Company

The carrying amounts of the Company's investments in subsidiaries are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment, at cost	291,430	303,229	602,422	645,038
Share based payments awards	28,343	28,870	29,149	30,817
Total investments in subsidiaries	319,773	332,099	631,571	675,855

2. ACCOUNTING POLICIES

2.1 Basis Of Preparation

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 1 January 2026, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Issued But Not Yet Effective HKFRS Accounting Standards

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
HKFRS 18	*Presentation and Disclosure in Financial Statements*[2]
HKFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to HKAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
HKFRS 20	*Regulatory Assets and Regulatory Liabilities*[3]
Amendments to HKAS 28	*Amendments to the Fair Value Option for Investments in Associates and Joint Ventures in IAS 28*[4]

1 No mandatory effective date yet determined but available for adoption

2 Effective for annual/reporting periods beginning on or after 1 January 2027

3 Effective for annual periods beginning on or after 1 January 2029

4 The amendments are applied when an entity first applies HKFRS 18

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below:

The Group is in the process of assessing the impact of these new and revised HKFRS Accounting Standards upon initial application. Based on the assessment to date, the Group considers that, except for HKFRS 18, the adoption of these new and revised HKFRS Accounting Standards may result in changes in accounting policies but is not expected to have a significant impact on the Group's financial performance or financial position in the period of initial application. The adoption of HKFRS 18 is not expected to have a material impact on the Group's financial position, but is expected to affect the presentation of the statements of profit or loss and cash flows, as well as the related disclosures, in the future financial information. The Group will continue to assess the impact of HKFRS 18 on its financial information.

2.3 Material Accounting Policy

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred. The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Fair value measurement

The Group measures its debt investment at fair value through other comprehensive income, equity investment designated at fair value through other comprehensive income, equity instrument designated as fair value through other comprehensive income and financial assets at fair value through profit or loss, derivative financial instruments at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets for which fair value is measured or disclosed in the financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets that are recognised in the financial information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group;

  (iii) is a minority shareholder of the Group; or

  (iv) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

  (vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i), (a)(iii) and (a)(iv) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 capitalised 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, the Group recognises such parts as individual assets with specific useful lives and depreciates 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 recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Software	5 years
Patents	10 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Safety production reserve

The Group has appropriated a certain amount of profit to the safety production reserve fund for the purposes of safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to accumulated losses.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	50 years
Office premises	1 to 5 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised 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 the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures 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 the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised 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.

The Group's 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 amortised 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 recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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 recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

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

Upon initial recognition, the Group 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 recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits 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.

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 recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has not increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. The management classifies the category or the form of inventories in accordance with the way of consumption or the intended uses, inventories in the form of materials are held to consume in the production process, and when materials which are held for sale in the ordinary course of business, it is classified as finished goods. Cost is determined on a weighted average cost basis, and in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred government grants account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects 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 the Group 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 recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of goods

Revenue from the sale of goods is recognised 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 the Group 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 recognised if it is material.

Other income

Interest income is recognised 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 recognised 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 the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract. (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of share award refers to the fair value of the underlying ordinary shares of the Company on the respective dates of grant, further details of which are given in note 31 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the unlocking date reflects the extent to which the unlocking period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-unlocking conditions. Non-unlocking conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-unlocking condition, the transactions are treated as unlocking irrespective of whether the market or non-unlocking condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had unlocked on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

Other employee benefits

Pension scheme

The employees of the Company and the Group's subsidiaries which operate in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. The Company and the subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Foreign currencies

The financial information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group's business model for managing financial assets. When determining the business model, the Group considers the methods used to evaluate and report financial asset performance to key management, the risks affecting the performance of financial assets and the risk management, and the manner in which the relevant management receives remuneration. When assessing whether the objective is to collect contractual cash flows, the Group needs to analyse and judge the reason, timing, frequency and value of the sale before the maturity date of the financial assets.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised as well as the tax rate that is expected to apply to the period when the liability is settled, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are given in note 20 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade and bills receivables

The loss allowances for trade and bills receivables are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. The provision for ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade and bills receivables is disclosed in note 22 to the Historical Financial Information.

Provision for slow-moving inventories and net realisable value of inventories

The Group reviews the condition of its inventories at the end of each reporting period, and makes a provision for slow-moving inventory items which are identified as no longer suitable for sale or use based on sales forecasts. Sales forecasts are prepared based on agreements or orders on hand and estimated sales in the foreseeable future based on historical experiences with its customers and current market conditions of the industry. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. A write-down of inventories to net realisable value is made based on the estimated net realisable value of inventories. The assessment of the write-down amount requires management's estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and the write-down/reversal of write-down of inventories in the period in which such estimate has been changed.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on recent transaction price approach and market approach as detailed in note 41 to the Historical Financial Information. This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible, but this is not always available. In that case the Group uses the best information available. The Group classifies the fair values of these investments as Level 2 and Level 3. Further details are included in note 17 and 41 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into one single business unit that includes primarily the manufacture and sale of lithium-ion battery electrolyte.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

Revenues are attributed to geographical areas based on locations of the customers. Revenues by geographical segment based on locations of the customers for the Relevant Period are presented as follows:

	As at 31 December			As at 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Chinese mainland	1,576,341	1,020,286	1,745,797	636,485	1,971,609
Other countries/regions	249	312	263	53	305
Total	1,576,590	1,020,598	1,746,060	636,538	1,971,914

(b) Non-current assets

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Chinese mainland	573,403	546,425	1,030,463	1,104,744
Other countries/regions	–	139	25,656	26,100
Total	573,403	546,564	1,056,119	1,130,844

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from two customers, including sales to a group of entities which are known to be under common control with those customers, which accounted for 10% or more of the Group's revenue during the Relevant Periods, is set out below:

	Year ended December 31			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Customer A	947,499	604,838	844,671	318,333	1,105,317
Customer B	198,388	N/A*	N/A*	N/A*	N/A*

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for that year.

5. REVENUE

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue from contracts with customers	1,576,590	1,020,598	1,746,060	636,538	1,971,914

Revenue from contracts with customers

(a) Disaggregated revenue information

Types of goods

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Sale of electrolytes	1,570,254	1,010,151	1,705,572	630,544	1,903,822
Others	6,336	10,447	40,488	5,994	68,092
Total	1,576,590	1,020,598	1,746,060	636,538	1,971,914

Timing of revenue recognition

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
At a point in time	1,576,590	1,020,598	1,746,060	636,538	1,971,914

The following table shows the amounts of revenue recognised in the Relevant Periods, that were included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting year/period:					
Sale of electrolytes	6,638	273	8,509	1,388	12,546

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon control of the asset is transferred to the customer, generally on customers' acceptance of the products upon delivery. The payment is generally due within 180 days from delivery.

6. OTHER INCOME AND GAINS

	Note	As at 31 December			As at 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other income						
Government grants	(a)	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
Dividends income from equity investments designated at fair value through other comprehensive income		625	–	–	–	–
Gains						
Gains from changes in fair value of financial assets measured at fair value through profit or loss		274	676	435	28	6
Gain on early termination of leases		–	54	27	–	–
(Loss)/gain on disposal of items of property, plant and equipment		(41)	4	(18)	7	(333)
Gains on foreign exchanges		–	–	337	–	2,675
Others, net		412	899	248	3	383
Total other income and gains		12,602	12,289	6,217	2,476	5,171

Note:

(a) The government grants related to income are rewards for the contribution to the local economic growth. These grants related to income are recognised in the statement of profit or loss upon receipt or grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

The Group has also received certain government grants related to assets, which were recognised as deferred income upon receipt and released to profit or loss over the expected useful life of the relevant asset, when all attaching conditions and requirements are compliant with.

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories sold*		1,403,744	975,760	1,582,339	599,045	1,692,194
Depreciation of property, plant and equipment	*14*	35,145	48,483	53,215	25,015	43,477
Depreciation of right-of-use assets	*15*	2,632	2,742	2,639	1,312	2,016
Amortisation of intangible assets	*16*	584	1,052	785	412	530
Research and development costs		19,662	24,094	30,175	11,272	25,812

	Notes	Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration as set out in note 9)*:						
Salaries, bonuses, allowances and benefits in kind		46,810	51,950	52,624	23,623	39,713
Pension scheme contributions, social welfare and other welfare**		8,086	7,564	9,767	4,119	4,332
Share-based compensation expense		–	527	279	–	1,668
Expense relating to short-term leases	15	1,012	285	126	46	161
Government grants	6	(10,560)	(9,324)	(2,231)	(783)	(1,182)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dividends income from equity investments designated at fair value through other comprehensive income	6	(625)	–	–	–	–
Gains from changes in fair value of financial assets measured at fair value through profit or loss	6	(274)	(676)	(435)	(28)	(6)
Bank interest income	6	(772)	(721)	(605)	(437)	(827)
Interest income from debt investments at fair value through other comprehensive income	6	–	(611)	(2,352)	(1,218)	(431)
Write-down/(Reversal of write-down) of inventories to net realisable value, net*		6,276	6,671	5,042	1,024	(1,282)
Impairment losses on financial assets, net		436	9,154	9,491	6,023	20,086
Loss/(gain) on disposal of items of property, plant, and equipment		41	(4)	18	(7)	333
Gain on early termination of leases		–	(54)	(27)	–	–

* Cost of inventories sold include costs relating to depreciation of property, plant and equipment, depreciation of right-of-use assets, and employee benefit expense, which are also included in the respective total amounts disclosed separately above for each of these types of expenses. Write-down or reversal of write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit and loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Discount interest on bills receivable	543	–	391	–	167
Interest on bank borrowings	6,483	6,403	7,913	2,750	5,551
Interest on lease liabilities	20	24	41	22	4
Total borrowing costs	7,046	6,427	8,345	2,772	5,722
less: Interest capitalised in properties under development and construction in progress	(3,621)	(1,726)	–	–	(165)
Total	3,425	4,701	8,345	2,772	5,557

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of the emoluments paid or payable to the directors, the chief executive and the supervisors of the Company for the services provided to the Group during the Relevant Periods and the six months ended 30 June 2025 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Fees	240	120	–	–	–
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	5,681	5,106	7,560	3,771	2,968
Pension scheme contributions, social welfare and other welfare	74	86	92	43	54
Share-based compensation expense	–	–	–	–	–
Total	5,995	5,312	7,652	3,814	3,022

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and the six months ended 30 June 2025 are as follows:

		Year ended 31 December			Six months ended 30 June	
		2023	2024	2025	2025	2026
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Mr. Ma Liqun	*(i)*	80	40	–	–	–
Mr. Zhang Longfei		80	40	–	–	60
Mr. Wu Hui	*(ii)*	80	40	–	–	–
Ms. Liang Chengfang	*(iii)*	–	–	–	–	60
Mr. Nie Xin	*(iv)*	–	–	–	–	–
Total		240	120	–	–	120

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(i) Mr. Ma Liqun resigned as an independent non-executive director from 12 January 2026.

(ii) Mr. Wu Hui resigned as an independent non-executive director from 17 April 2026.

(iii) Ms. Liang Chengfang was appointed as an independent non-executive director since 12 January 2026.

(iv) Mr. Nie Xin was appointed as an independent non-executive director since 23 June 2026.

(b) Executive directors and non-executive directors

		Year ended 31 December 2023			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Guo Yingjun	*(i)*	1,902	27	–	1,929
Ms. Li Xinli	*(ii)*	970	12	–	982
Mr. Guo Yingliang	*(iii)*	917	6	–	923
Mr. Wang Chuanshui	*(iv)*	933	9	–	942
Non-executive directors:					
Mr. Guan Bo	*(v)*	–	–	–	–
Mr. Dai Chenglong	*(vi)*	–	–	–	–
Total		4,722	54	–	4,776

		Year ended 31 December 2024			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Guo Yingjun	*(i)*	1,694	28	–	1,722
Ms. Li Xinli	*(ii)*	933	13	–	946
Mr. Guo Yingliang	*(iii)*	837	12	–	849
Mr. Wang Chuanshui	*(iv)*	876	12	–	888
Non–executive directors:					
Mr. Guan Bo	*(v)*	–	–	–	–
Mr. Dai Chenglong	*(vi)*	–	–	–	–
Total		4,340	65	–	4,405

		Year ended 31 December 2025			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Guo Yingjun	*(i)*	2,868	30	–	2,898
Ms. Li Xinli	*(ii)*	989	16	–	1,005
Mr. Guo Yingliang	*(iii)*	1,383	12	–	1,395
Mr. Wang Chuanshui	*(iv)*	1,414	12	–	1,426
Non-executive directors:					
Mr. Guan Bo	*(v)*	–	–	–	–
Mr. Dai Chenglong	*(vi)*	–	–	–	–
Total		6,654	70	–	6,724

		Six months ended 30 June 2025 (unaudited)			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Guo Yingjun	*(i)*	1,417	14	–	1,431
Ms. Li Xinli	*(ii)*	493	6	–	499
Mr. Guo Yingliang	*(iii)*	691	6	–	697
Mr. Wang Chuanshui	*(iv)*	709	6	–	715
Non-executive directors:					
Mr. Guan Bo	*(v)*	–	–	–	–
Mr. Dai Chenglong	*(vi)*	–	–	–	–
Total		3,310	32	–	3,342

		Six months ended 30 June 2026			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Mr. Guo Yingjun	*(i)*	1,434	29	–	1,463
Ms. Li Xinli	*(ii)*	–	–	–	–
Mr. Guo Yingliang	*(iii)*	706	19	–	725
Mr. Wang Chuanshui	*(iv)*	828	6	–	834
Non-executive directors:					
Mr. Guan Bo	*(v)*	–	–	–	–
Mr. Dai Chenglong	*(vi)*	–	–	–	–
Mr. Ming Jun	*(vii)*	–	–	–	–
Mr. Xiong Shengjiang	*(viii)*	–	–	–	–
Total		2,968	54	–	3,022

(i) Mr. Guo Yingjun was appointed as the chairman of the board, the chief executive and an executive director since April 2015.

(ii) Ms. Li Xinli was appointed as an executive director since December 2021 and ceased to act as an executive director with effect from January 2026.

(iii) Mr. Guo Yingliang was appointed as an executive director since December 2021.

(iv) Mr. Wang Chuanshui was appointed as an executive director since August 2022.

(v) Mr. Guan Bo was appointed as a non-executive director since June 2016.

(vi) Mr. Dai Chenglong was appointed as a non-executive director since August 2021 and resigned with effect from January 2026.

(vii) Mr. Ming Jun was appointed as a non-executive director since January 2026.

(viii) Mr. Xiong Shengjiang was appointed as a non-executive director since January 2026.

(c) Supervisors

		Year ended 31 December 2023			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:					
Mr. Sun Chunsheng	*(i)*	710	11	–	721
Ms. Du Yonghong	*(ii)*	249	9	–	258
Mr. Jiang Changchun	*(iii)*	–	–	–	–
Total		959	20	–	979

		Year ended 31 December 2024			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:					
Mr. Sun Chunsheng	*(i)*	532	12	–	544
Ms. Du Yonghong	*(ii)*	234	9	–	243
Mr. Jiang Changchun	*(iii)*	–	–	–	–
Total		766	21	–	787

		Year ended 31 December 2025			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:					
Mr. Sun Chunsheng	*(i)*	649	12	–	661
Ms. Du Yonghong	*(ii)*	257	10	–	267
Mr. Jiang Changchun	*(iii)*	–	–	–	–
Mr. Xu Chenwei	*(iv)*	–	–	–	–
Total		906	22	–	928

		Six months ended 30 June 2025 (unaudited)			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:					
Mr. Sun Chunsheng	*(i)*	338	6	–	344
Ms. Du Yonghong	*(ii)*	123	5	–	128
Mr. Jiang Changchun	*(iii)*	–	–	–	–
Mr. Xu Chenwei	*(iv)*	–	–	–	–
Total		461	11	–	472

		Six months ended 30 June 2026			
		Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:					
Mr. Sun Chunsheng	*(i)*	–	–	–	–
Ms. Du Yonghong	*(ii)*	–	–	–	–
Mr. Xu Chenwei	*(iv)*	–	–	–	–
Total		–	–	–	–

(i) Mr. Sun Chunsheng was appointed as the chairman of the board of supervisors since August 2022 and resigned with effect from January 2026.

(ii) Ms. Du Yonghong was appointed as a supervisor since November 2021 and resigned with effect from January 2026.

(iii) Mr. Jiang Changchun was appointed as a supervisor since December 2021 and resigned with effect from January 2025.

(iv) Mr. Xu Chenwei was appointed as a supervisor since January 2025 and resigned with effect from January 2026.

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026 did included four, four, four, four and three directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remaining one, one, one, one and two highest paid employees who were not directors of the Group during the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	617	679	761	381	778
Pension scheme contributions, social welfare and other welfare	11	11	12	6	18
Total	628	690	773	387	796

The numbers of non-director highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	
Nil to HK$1,000,000	1	1	1	1	2
Total	1	1	1	1	2

11. INCOME TAX

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

Chinese mainland

The provision for corporate income tax in Chinese mainland 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 1 January 2008, except for the Company and certain subsidiaries of the Group in Chinese mainland which are granted tax concession and is taxed at preferential tax rates.

Kunlun New Energy Materials Technology (Yichang) Co., Ltd. and Shandong Lizhong New Energy Materials Co., Ltd. is qualified as High and New Technology Enterprises and is subject to a preferential income tax rate of 15% during the Relevant Periods. In addition, Yibin Kunlun New Energy Co., Ltd. enjoys a 15% corporate income tax preferential policy under the strategy for Large-scale Development of Western China during the Relevant Periods.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to income tax under the two-tiered profits tax rates regime on the estimated assessable profits arising in Hong Kong during the Relevant Periods. 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.

The income tax charge/(credit) of the Group for the Relevant Periods and the six months ended 30 June 2025 is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Current income tax	22,147	1	10,339	–	20,862
Deferred income tax	443	(14,163)	(7,615)	(3,181)	(9,680)
Total tax charge/(credit) for the year/period	22,590	(14,162)	2,724	(3,181)	11,182

A reconciliation of the tax expense applicable to profit/loss before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Profit/(loss) before income tax	108,758	(41,771)	38,786	(12,556)	158,885
Tax at the income tax rate of 25%	27,190	(10,443)	9,697	(3,139)	39,721
Lower tax rates for some subsidiaries or different tax rates enacted by local authority of some subsidiaries	(1,170)	(1,257)	(7,331)	(430)	(15,263)
Expenses not deductible for tax	203	352	355	248	417
Tax loss and temporary differences not recognised	563	2,076	5,161	2,260	4,189
Utilisation of tax losses previously not recognised	–	–	–	–	(3,194)
Recognised of tax losses previously not recognised	–	–	–	–	(10,747)
Additional deductible allowance for research and development expenses	(4,196)	(4,891)	(5,157)	(2,120)	(3,941)
Total tax charge/(credit) for the year/period	22,590	(14,162)	2,724	(3,181)	11,182

According to the Corporate Income Tax Law, the Company and certain subsidiaries are entitled to additional deduction of qualified research and development expenses from the taxable income. The additional deduction percentage was 100% from 1 January 2022 to 31 December 2027.

12. DIVIDENDS

No dividend has been paid or declared by the Group during the Relevant Periods.

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit/(loss) attributable to ordinary equity holders of the parent. No adjustment has been made to the basic earnings/(loss) per share amounts presented in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the six months ended 30 June 2025.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Earnings/(loss)					
Profit/(loss) attributable to owners of the parent	74,575	(22,114)	36,560	(7,866)	127,863

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
				(unaudited)	
Shares					
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation ('000)	38,922	38,922	38,922	38,922	39,830

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings and freehold land	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	73,950	6,921	144,966	2,185	–	135,965	363,987
Accumulated depreciation and impairment	(6,959)	(3,059)	(33,584)	(354)	–	–	(43,956)
Net carrying amount	66,991	3,862	111,382	1,831	–	135,965	320,031
At 1 January 2023, net of accumulated depreciation and impairment	66,991	3,862	111,382	1,831	–	135,965	320,031
Additions	–	2,139	22,397	961	366	176,492	202,355
Disposals	–	(50)	(32)	–	–	–	(82)
Transfers from construction in progress	183,030	2,104	109,515	–	–	(294,649)	–
Depreciation provided during the year	(7,076)	(1,974)	(25,691)	(404)	–	–	(35,145)
At 31 December 2023, net of accumulated depreciation and impairment	242,945	6,081	217,571	2,388	366	17,808	487,159
At 31 December 2023:							
Cost	256,980	11,043	276,846	3,146	366	17,808	566,189
Accumulated depreciation and impairment	(14,035)	(4,962)	(59,275)	(758)	–	–	(79,030)
Net carrying amount	242,945	6,081	217,571	2,388	366	17,808	487,159

	Buildings and freehold land	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024							
At 1 January 2024:							
Cost	256,980	11,043	276,846	3,146	366	17,808	566,189
Accumulated depreciation and impairment	(14,035)	(4,962)	(59,275)	(758)	–	–	(79,030)
Net carrying amount	242,945	6,081	217,571	2,388	366	17,808	487,159

	Buildings and freehold land	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024, net of accumulated depreciation and impairment	242,945	6,081	217,571	2,388	366	17,808	487,159
Additions	–	221	2,937	–	–	24,824	27,982
Disposals	–	–	(33)	–	–	(217)	(250)
Transfers from construction in progress	18,200	549	5,915	–	–	(24,664)	–
Depreciation provided during the year	(12,651)	(2,328)	(32,912)	(506)	(86)	–	(48,483)
At 31 December 2024, net of accumulated depreciation and impairment	248,494	4,523	193,478	1,882	280	17,751	466,408
At 31 December 2024:							
Cost	275,180	11,813	285,665	3,146	366	17,751	593,921
Accumulated depreciation and impairment	(26,686)	(7,290)	(92,187)	(1,264)	(86)	–	(127,513)
Net carrying amount	248,494	4,523	193,478	1,882	280	17,751	466,408

	Buildings and freehold land and related improvements	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025							
At 1 January 2025:							
Cost	275,180	11,813	285,665	3,146	366	17,751	593,921
Accumulated depreciation and impairment	(26,686)	(7,290)	(92,187)	(1,264)	(86)	–	(127,513)
Net carrying amount	248,494	4,523	193,478	1,882	280	17,751	466,408
At 1 January 2025, net of accumulated depreciation and impairment	248,494	4,523	193,478	1,882	280	17,751	466,408
Additions	21,562	951	27,719	1,236	174	22,943	74,585
Acquisition of a subsidiary	114,077	1,743	229,323	270	–	3,758	349,171
Disposals	(108)	–	(1,243)	–	–	–	(1,351)
Transfers from construction in progress	1,090	4,063	6,789	–	–	(11,947)	(5)
Foreign exchange gains, net	–	–	–	–	–	23	23
Depreciation provided during the year	(13,429)	(2,652)	(36,273)	(643)	(218)	–	(53,215)
At 31 December 2025, net of accumulated depreciation and impairment	371,686	8,628	419,793	2,745	236	32,528	835,616
At 31 December 2025:							
Cost	411,801	18,564	547,301	4,652	540	32,528	1,015,386
Accumulated depreciation and impairment	(40,115)	(9,936)	(127,508)	(1,907)	(304)	–	(179,770)
Net carrying amount	371,686	8,628	419,793	2,745	236	32,528	835,616

	Buildings and freehold land and related improvements	Furniture and fixtures	Plant and machinery	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2026							
At 1 January 2026:							
Cost	411,801	18,564	547,301	4,652	540	32,528	1,015,386
Accumulated depreciation and impairment	(40,115)	(9,936)	(127,508)	(1,907)	(304)	–	(179,770)
Net carrying amount	371,686	8,628	419,793	2,745	236	32,528	835,616
At 1 January 2026, net of accumulated depreciation and impairment	371,686	8,628	419,793	2,745	236	32,528	835,616
Additions	–	906	14,978	1,129	34	86,872	103,919
Disposals	–	–	(331)	–	–	–	(331)
Transfers from construction in progress	1,372	2,761	6,140	–	–	(11,137)	(864)
Foreign exchange gains, net	–	–	–	13	–	106	119
Depreciation provided during the period	(9,060)	(1,476)	(32,331)	(490)	(120)	–	(43,477)
At 30 June 2026, net of accumulated depreciation and impairment	363,998	10,819	408,249	3,397	150	108,369	894,982
At 30 June 2026:							
Cost	413,173	22,230	567,788	5,794	574	108,369	1,117,928
Accumulated depreciation and impairment	(49,175)	(11,411)	(159,539)	(2,397)	(424)	–	(222,946)
Net carrying amount	363,998	10,819	408,249	3,397	150	108,369	894,982

The Company

	Furniture and fixtures	Plant and machinery	Vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023				
At 1 January 2023:				
Cost	244	9,073	97	9,414
Accumulated depreciation and impairment	(189)	(7,210)	(92)	(7,491)
Net carrying amount	55	1,863	5	1,923
At 1 January 2023, net of accumulated depreciation and impairment	55	1,863	5	1,923
Additions	178	596	–	774
Disposals	(3)	(86)	–	(89)
Reversal of Accumulated Depreciation on Asset Disposal	3	80	–	83
Depreciation provided during the year	(23)	(539)	–	(562)
At 31 December 2023, net of accumulated depreciation and impairment	210	1,914	5	2,129
At 31 December 2023:				
Cost	419	9,583	97	10,099
Accumulated depreciation and impairment	(209)	(7,669)	(92)	(7,970)
Net carrying amount	210	1,914	5	2,129

	Furniture and fixtures	Plant and machinery	Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024					
At 1 January 2024:					
Cost	419	9,583	97	–	10,099
Accumulated depreciation and impairment	(209)	(7,669)	(92)	–	(7,970)
Net carrying amount	210	1,914	5	–	2,129
At 1 January 2024, net of accumulated depreciation and impairment	210	1,914	5	–	2,129
Additions	25	652	–	1,096	1,773
Depreciation provided during the year	(46)	(448)	–	–	(494)
At 31 December 2024, net of accumulated depreciation and impairment	189	2,118	5	1,096	3,408
At 31 December 2024:					
Cost	444	10,235	97	1,096	11,872
Accumulated depreciation and impairment	(255)	(8,117)	(92)	–	(8,464)
Net carrying amount	189	2,118	5	1,096	3,408

	Furniture and fixtures	Plant and machinery	Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025					
At 1 January 2025:					
Cost	444	10,235	97	1,096	11,872
Accumulated depreciation and impairment	(255)	(8,117)	(92)	–	(8,464)
Net carrying amount	189	2,118	5	1,096	3,408
At 1 January 2025, net of accumulated depreciation and impairment	189	2,118	5	1,096	3,408
Additions	44	1,202	–	158	1,404
Disposal	–	(23)	–	–	(23)
Transfers from construction in progress	–	1,096	–	(1,096)	–
Depreciation provided during the year	(48)	(794)	–	–	(842)
At 31 December 2025, net of accumulated depreciation and impairment	185	3,599	5	158	3,947
At 31 December 2025:					
Cost	488	11,997	97	158	12,740
Accumulated depreciation and impairment	(303)	(8,398)	(92)	–	(8,793)
Net carrying amount	185	3,599	5	158	3,947

	Furniture and fixtures	Plant and machinery	Vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 June 2026					
At 1 January 2026:					
Cost	488	11,997	97	158	12,740
Accumulated depreciation and impairment	(303)	(8,398)	(92)	–	(8,793)
Net carrying amount	185	3,599	5	158	3,947
At 1 January 2026, net of accumulated depreciation and impairment	185	3,599	5	158	3,947
Additions	4	–	–	–	4
Depreciation provided during the period	(29)	(478)	–	–	(507)
At 30 June 2026, net of accumulated depreciation and impairment	160	3,121	5	158	3,444
At 30 June 2026:					
Cost	492	11,997	97	158	12,744
Accumulated depreciation and impairment	(332)	(8,876)	(92)	–	(9,300)
Net carrying amount	160	3,121	5	158	3,444

Certain of the Group's buildings with net carrying amounts of approximately RMB48,699,000, RMB83,758,000, RMB288,469,000 and RMB333,497,000 as at 31 December 2023, 2024 and 2025 and 30 June 2026, respectively, were pledged to secure interest-bearing bank borrowings (note 28).

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"), the following two CGUs are identified with impairment indicators and are tested for impairment:

- Huzhou Kunlun cash-generating unit
- Changxing Kunlun cash-generating unit

Huzhou Kunlun cash-generating unit incurred loss in 2024 and 2025 but was profitable as at 30 June 2026, and is subject to impairment test for the financial year ended 2024 and 2025, the following table sets out the information of key assumptions for the value in use calculation of Huzhou Kunlun cash-generating unit:

	31 December	
	2024	2025
Pre-tax discount rate	17.5%	17.3%
Average revenue growth rate	6.5%	7.9%
Average gross profit margin	9.5%	8.9%

Changxing Kunlun cash-generating unit is new producing centre, the construction of Changxing Kunlun cash-generating unit commenced in December 2024 and incurred the delay of construction in mid-2025, accordingly, Changxing Kunlun cash-generating unit is subject to impairment test as at 31 December 2025 and 30 June 2026, the following table sets out the information of key assumptions for the value in use calculation of Changxing Kunlun cash-generating unit:

	31 December	30 June
	2025	2026
Pre-tax discount rate	17.3%	17.4%
Average revenue growth rate	13.2%	13.2%
Average gross profit margin	10.0%	10.0%

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

The recoverable amount and carrying amount of Huzhou Kunlun Yienke Battery Materials Co., Ltd. are presented below, based on the results of the impairment testing, and no impairment of non-financial assets was provided at the end 2024 and 2025.

	31 December	
	2024	2025
	RMB'000	*RMB'000*
Recoverable amount	202,236	169,478
Carrying amount	161,958	162,875
Headroom	40,278	6,604

The recoverable amount and carrying amount of Changxing Kunlun New Materials Co., Ltd. are presented below, based on the results of the impairment testing, and no impairment of non-financial assets was provided as at 31 December 2025 and 30 June 2026.

	31 December	30 June
	2025	2026
	RMB'000	*RMB'000*
Recoverable amount	134,957	162,525
Carrying amount	61,667	63,058
Headroom	73,290	99,467

15. LEASES

The Group as a lessee

The Group as a lessee has lease contracts for items of office premises and plant used in its operations. Leases of office premises generally have lease terms between 1.5 to 5 years. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years. Generally, the Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Leasehold land	Office premises	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
As at 1 January 2023	68,328	1,125	69,453
Additions	–	1,668	1,668
Depreciation charge	(1,402)	(1,230)	(2,632)
As at 31 December 2023	66,926	1,563	68,489

	Leasehold land	Office premises	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2024			
As at 1 January 2024	66,926	1,563	68,489
Additions	–	710	710
Termination	–	(260)	(260)
Depreciation charge	(1,402)	(1,340)	(2,742)
As at 31 December 2024	65,524	673	66,197

	Leasehold land	Office premises	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2025			
As at 1 January 2025	65,524	673	66,197
Additions	–	1,810	1,810
Acquisition of a subsidiary	38,728	–	38,728
Termination	–	(114)	(114)
Depreciation charge	(1,454)	(1,185)	(2,639)
As at 31 December 2025	102,798	1,184	103,982

	Leasehold land	Office premises	Total
	RMB'000	*RMB'000*	*RMB'000*
30 June 2026			
As at 1 January 2026	102,798	1,184	103,982
Additions	39,016	–	39,016
Acquisition of a subsidiary	–	–	–
Termination	–	–	–
Depreciation charge	(1,335)	(681)	(2,016)
As at 30 June 2026	140,479	503	140,982

The Company

	Office premises
	RMB'000
31 December 2023	
As at 1 January 2023	440
New leases	1,382
Depreciation charge	(901)
As at 31 December 2023	921

	Office premises
	RMB'000
31 December 2024	
As at 1 January 2024	921
Depreciation charge	(921)
As at 31 December 2024	–

	Office premises
	RMB'000
31 December 2025	
As at 1 January 2025	–
Additions	1,574
Termination	(787)*
Depreciation charge	(787)
As at 31 December 2025	–

* The lease is terminated by the Company due to the reschedule of the lease contract to be entered by another entity of the Group as at the end of 2025.

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of year/period	585	560	541	328
New leases	1,668	710	1,810	–
Termination	–	(312)	(141)	–
Accretion of interest recognised during the year/period	20	24	41	4
Lease payments	(1,713)	(441)	(1,923)	(165)
Carrying amount at the end of year/period	560	541	328	167
Current portion	386	436	184	163
Non-current portion	174	105	144	4

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of year/period	–	–	–	–
New leases	1,382	–	1,574	–
Termination	–	–	(800)	–
Accretion of interest recognized during the year/period	13	–	26	–
Lease payments	(1,395)	–	(800)	–
Carrying amount at the end of year/period	–	–	–	–
Current portion	–	–	–	–
Non-current portion	–	–	–	–

The maturity analysis of lease liabilities is disclosed in note 42 to the Historical Financial Information.

Certain of the Group's right-of-use assets with net carrying amounts of approximately RMB22,790,000, RMB22,320,000, RMB66,705,000 and RMB129,655,000 as at 31 December 2023, 2024 and 2025 and 30 June 2026, respectively, were pledged to secure interest-bearing bank borrowings (note 28).

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Gain on early termination of leases	–	(54)	(27)	–	–
Expense relating to short-term leases	1,012	285	126	46	161
Interest on lease liabilities	20	24	41	22	4
Depreciation charge of right-of-use assets	2,632	2,742	2,639	1,312	2,016
Total amount recognised in profit or loss	3,664	2,997	2,779	1,380	2,181

The Company

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Expense relating to short-term leases	32	2	–	–	–
Interest on lease liabilities	13	–	26	12	–
Depreciation charge of right-of-use assets	901	921	787	392	–
Total amount recognised in profit or loss	946	923	813	404	–

(d) The total cash outflow for leases is disclosed in note 34(c) to the Historical Financial Information.

16. INTANGIBLE ASSETS

The Group

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
At 1 January 2023:			
Cost	1,390	–	1,390
Accumulated amortisation	(418)	–	(418)
Net carrying amount	972	–	972
Cost at 1 January 2023, net of accumulated amortisation	972	–	972
Additions	2,162	–	2,162
Amortisation provided during the year	(584)	–	(584)
At 31 December 2023	2,550	–	2,550

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2024			
At 1 January 2024:			
Cost	3,552	–	3,552
Accumulated amortisation	(1,002)	–	(1,002)
Net carrying amount	2,550	–	2,550
Cost at 1 January 2024, net of accumulated amortisation	2,550	–	2,550
Additions	655	–	655
Amortisation provided during the year	(1,052)	–	(1,052)
At 31 December 2024	2,153	–	2,153

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2025			
At 1 January 2025:			
Cost	4,207	–	4,207
Accumulated amortisation	(2,054)	–	(2,054)
Net carrying amount	2,153	–	2,153
Cost at 1 January 2025, net of accumulated amortisation	2,153	–	2,153
Additions	945	–	945
Acquisition of a subsidiary	–	606	606
Amortisation provided during the year	(783)	(2)	(785)
At 31 December 2025	2,315	604	2,919

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
30 June 2026			
At 1 January 2026:			
Cost	5,152	606	5,758
Accumulated amortisation	(2,837)	(2)	(2,839)
Net carrying amount	2,315	604	2,919
Cost at 1 January 2026, net of accumulated amortisation	2,315	604	2,919
Additions	517	17	534
Amortisation provided during the period	(498)	(32)	(530)
At 30 June 2026	2,334	589	2,923

The Company

	Software
	RMB'000
31 December 2023	
At 1 January 2023:	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
Cost at 1 January 2023, net of accumulated amortisation	–
Additions	23
Amortisation provided during the year	(1)
At 31 December 2023	22

	Software
	RMB'000
31 December 2024	
At 1 January 2024:	
Cost	23
Accumulated amortisation	(1)
Net carrying amount	22
Cost at 1 January 2024, net of accumulated amortisation	22
Amortisation provided during the year	(5)
At 31 December 2024	17

	Software
	RMB'000
31 December 2025	
At 1 January 2025:	
Cost	22
Accumulated amortisation	(5)
Net carrying amount	17
Cost at 1 January 2025, net of accumulated amortisation	17
Additions	111
Amortisation provided during the year	(8)
At 31 December 2025	120

	Software
	RMB'000
30 June 2026	
At 1 January 2026:	
Cost	133
Accumulated amortisation	(13)
Net carrying amount	120
Cost at 1 January 2026, net of accumulated amortisation	120
Amortisation provided during the period	(20)
At 30 June 2026	100

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group and Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income				
Unlisted equity investments, at fair value	53,437	68,437	67,542	68,582

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. The Group received dividends of RMB625,000, nil, nil, nil and nil during the years ended 31 December 2023, 2024 and 2025 and six months ended 30 June 2025 and 2026, respectively.

18. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Transferable certificate of deposit	–	72,258	–	–
Current				
Transferable certificate of deposit	–	21,239	32,036	32,467
Total	–	93,497	32,036	32,467

The above certificate deposits are issued by banks in Chinese mainland.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Convertible Bond	–	–	30,276	30,722
Current				
Wealth Management Products, at fair value	36,914	41,890	53,136	84,533
Total	36,914	41,890	83,412	115,255

The above unlisted investments represented wealth management products issued by banks in Chinese mainland. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Convertible Bond	–	–	30,276	30,722

20. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

The Group

	As at 31 December 2023					
	Deferred government grants	Impairment losses on financial assets, net	Provision for impairment of inventories	Tax losses	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	455	1,633	2,534	–	146	4,768
Deferred tax credited/ (charged) to profit or loss during the year	(64)	91	(1,399)	6,651	(38)	5,241
Gross deferred tax assets at 31 December 2023	391	1,724	1,135	6,651	108	10,009

	As at 31 December 2024					
	Deferred government grants	Impairment losses on financial assets, net	Provision for impairment of inventories	Tax losses	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	391	1,724	1,135	6,651	108	10,009
Deferred tax credited/ (charged) to profit or loss during the year	134	1,553	423	11,043	(52)	13,101
Gross deferred tax assets at 31 December 2024	525	3,277	1,558	17,694	56	23,110

	As at 31 December 2025					
	Deferred government grants	Impairment losses on financial assets, net	Provision for impairment of inventories	Tax losses	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	525	3,277	1,558	17,694	56	23,110
Deferred tax credited/ (charged) to profit or loss during the year	1,146	652	(870)	5,425	(26)	6,327
Gross deferred tax assets at 31 December 2025	1,671	3,929	688	23,119	30	29,437

	As at 30 June 2026						
	Deferred government grants	Impairment losses on financial assets, net	Provision for impairment of inventories	Tax losses	Lease liabilities	Fair value adjustments of investments at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2026	1,671	3,929	688	23,119	30	–	29,437
Deferred tax credited/(charged) to profit or loss during the period	2	5,432	(389)	2,586	6	805	8,442
Gross deferred tax assets at 30 June 2026	1,673	9,361	299	25,705	36	805	37,879

The movements in deferred tax liabilities during the Relevant Periods are as follows:

The Group

	As at 31 December 2023				
	Accelerated tax depreciation	Fair value adjustments of equity investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	(5,850)	(969)	(198)	–	(7,017)
Deferred tax (credited)/ charged to profit or loss during the year	(5,685)	–	56	(55)	(5,684)
Deferred tax credited to other comprehensive income during the year	–	(1)	–	–	(1)
Deferred tax liabilities at 31 December 2023	(11,535)	(970)	(142)	(55)	(12,702)

	As at 31 December 2024				
	Accelerated tax depreciation	Fair value adjustments of equity investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	(11,535)	(970)	(142)	(55)	(12,702)
Deferred tax charge/(credited) to profit or loss during the year	1,358	–	(12)	(284)	1,062
Deferred tax credited to other comprehensive income during the year	–	(750)	–	–	(750)
Deferred tax liabilities at 31 December 2024	(10,177)	(1,720)	(154)	(339)	(12,390)

	As at 31 December 2025					
	Accelerated tax depreciation	Fair value adjustments of equity investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Debt investments at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	(10,177)	(1,720)	(154)	(339)	–	(12,390)
Deferred tax charge/(credited) to profit or loss during the year	1,087	–	(132)	333	–	1,288
Deferred tax credited to other comprehensive income during the year	–	135	–	–	(4)	131
Deferred tax liabilities at 31 December 2025	(9,090)	(1,585)	(286)	(6)	(4)	(10,971)

	As at 30 June 2026					
	Accelerated tax depreciation	Fair value adjustments of equity investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Debt investments at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2026	(9,090)	(1,585)	(286)	(6)	(4)	(10,971)
Deferred tax charge to profit or loss during the period	1,306	–	35	(105)	–	1,236
Deferred tax credited to other comprehensive income during the period	–	(156)	–	–	(10)	(166)
Deferred tax liabilities at 30 June 2026	(7,784)	(1,741)	(251)	(111)	(14)	(9,901)

The movements in deferred tax liabilities during the Relevant Periods are as follows:

The Company

	As at 31 December 2023	
	Fair value adjustments of equity investments at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*
At 1 January 2023	(970)	(970)
Deferred tax (credited)/charged to profit or loss during the year	–	–
Deferred tax credited to other comprehensive income during the year	–	–
Deferred tax liabilities at 31 December 2023	(970)	(970)

	As at 31 December 2024	
	Fair value adjustments of equity investments at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*
At 1 January 2024	(970)	(970)
Deferred tax charged/(credited) to profit or loss during the year	–	–
Deferred tax credited to other comprehensive income during the year	(750)	(750)
Deferred tax liabilities at 31 December 2024	(1,720)	(1,720)

	As at 31 December 2025		
	Fair value adjustments of equity investments at fair value through other comprehensive income	Debt investments at fair value through other comprehensive income	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2025	(1,720)	–	(1,720)
Deferred tax charged/(credited) to profit or loss during the year	–	–	–
Deferred tax credited to other comprehensive income during the year	135	(1)	134
Deferred tax liabilities at 31 December 2025	(1,585)	(1)	(1,586)

	As at 30 June 2026				
	Fair value adjustments of equity investments at fair value through other comprehensive income	Debt investments at fair value through other comprehensive income	Right-of-use assets	Fair value adjustments of investments at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2026	(1,585)	(1)	–	–	(1,586)
Deferred tax charged/(credited) to profit or loss during the period	–	–	(3)	(111)	(114)
Deferred tax credited to other comprehensive income during the period	(156)	–	–	–	(156)
Deferred tax liabilities at 30 June 2026	(1,741)	(1)	(3)	(111)	(1,856)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Group and the Company for financial reporting purposes:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	–	14,947	29,437	35,004
Net deferred tax liabilities recognised in the consolidated statement of financial position	(2,693)	(4,227)	(10,971)	(7,026)

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	–	–	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	(970)	(1,720)	(1,586)	(1,856)

As at 31 December 2023, 2024 and 2025 and 30 June 2026, the Group has accumulated tax losses and deductible temporary differences not recognized in Chinese Mainland and other regions of RMB78,760,000, RMB91,326,000, RMB202,875,000 and RMB122,202,000.

The accumulated tax losses will expire in ten years for offsetting against future taxable profits of the companies in which losses are incurred. Deferred tax assets have not been recognised in respect of these unused tax losses as they have arisen in the Company and subsidiaries that have been loss-making for some time, and it is not considered probable that taxable profits will be available against which the tax losses can be utilized in the foreseeable future.

21. INVENTORIES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	113	5,889	–	–
Finished goods	4	18	18	–
Total	117	5,907	18	–

22. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
Trade receivables from third parties	825,337	547,740	1,009,496	1,353,598
Trade receivables from a related party *(Note 38)*	26,633	20,000	41,624	35,024
Financial assets at fair value through other comprehensive income				
Receivable vouchers	48,902	69,259	258	–
Impairment	(81,270)	(88,463)	(95,068)	(114,944)
Total trade receivables	819,602	548,536	956,310	1,273,678
Financial assets at amortised cost				
Bills receivable – commercial	200	–	–	2,747
Bills receivable – bank	40,286	32,203	139,702	205,261
Financial assets at fair value through other comprehensive income				
Bills receivable – bank	100,978	24,646	63,185	80,413
Impairment	–	–	(473)	(621)
Total bills receivables	141,464	56,849	202,414	287,800
Trade and bills receivables	961,066	605,385	1,158,724	1,561,478

Receivable vouchers are standardized digital debt certificates issued by a customer, a reputable third-party entity to its suppliers on its production-finance service platform. They reflect the creditor-debtor relationship under the basic trade contracts between the trading parties and promise payment upon maturity. These vouchers can be used for financing, splitting, transfer, or holding until maturity for collecting cashflows or selling, or both. Certain bills receivables are issued by reputable banks in Chinese mainland. The receivable vouchers issued by customer and bills receivables issued by reputable banks are classified and measured at fair value through other comprehensive income as they are held within a business model with the objective of both collecting contractual cashflows and selling. The fair value as at the end of each of the Relevant Periods approximates to the carrying value due to the short Maturity. The receivable vouchers and certain bills receivables issued by reputable banks in Chinese mainland are subject to impairment under the general approach and the impairment is considered to be minimal.

The Group's trade terms with its customers are mainly on credit. The credit period is generally 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the

Group's trade and bills receivables relate to diversified customers, the Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing. As at the end of the Relevant Periods, the Group had certain concentration of credit risk. As at 31 December 2023, 2024 and 2025 and 30 June 2026, 65.6%, 41.4%, 34.9% and 37.6% were due from the Group's largest debtor, and 77.7%, 58.5%, 62.8% and 65.0% were due from the Group's five largest debtors.

As at 31 December 2023, trade receivables of RMB149,414,000 have been pledged for issuance bills acceptance note as disclosed in note 25 to the Historical Financial Information.

An ageing analysis of the Group's trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	819,574	541,964	935,536	1,250,456
1 to 2 years	28	6,572	20,774	9,336
Over 2 years	–	–	–	13,886
Total	819,602	548,536	956,310	1,273,678

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	81,045	81,270	88,463	95,068
Impairment losses, net	225	9,185	8,901	19,876
Amount written off as uncollectible	–	(1,992)	(2,296)	–
At end of year	81,270	88,463	95,068	114,944

	As at 31 December 2023			
	Carrying amount		Impairment losses	
	RMB'000	*Rate %*	*RMB'000*	*Rate %*
On an individual basis				
– due from customers with significant increase in credit risk	74,944	8.3	(74,944)	100.0
– due from a reputable customer with long-term cooperation	605,401	67.2	(376)	0.1
– due from a related party	26,633	3.0	(993)	3.7
On a collective basis	193,894	21.5	(4,957)	2.6
Total	900,872	100.0	(81,270)	9.0

	As at 31 December 2024			
	Carrying amount		Impairment losses	
	RMB'000	*Rate %*	*RMB'000*	*Rate %*
On an individual basis				
– due from customers with significant increase in credit risk	74,061	11.6	(74,061)	100.0
– due from a reputable customer with long-term cooperation	290,978	45.7	(220)	0.1
– due from a related party	20,000	3.1	(860)	4.3
On a collective basis	251,960	39.6	(13,322)	5.3
Total	636,999	100.0	(88,463)	13.9

	As at 31 December 2025			
	Carrying amount		Impairment losses	
	RMB'000	*Rate %*	*RMB'000*	*Rate %*
On an individual basis				
– due from customers with significant increase in credit risk	75,244	7.1	(75,244)	100.0
– due from a reputable customer with long-term cooperation	366,927	34.9	(186)	0.1
– due from a related party	41,624	4.0	(1,490)	3.6
On a collective basis	567,583	54.0	(18,148)	3.2
Total	1,051,378	100.0	(95,068)	9.0

	As at 30 June 2026			
	Carrying amount		Impairment losses	
	RMB'000	*Rate %*	*RMB'000*	*Rate %*
On an individual basis				
– due from customers with significant increase in credit risk	116,170	8.4	(90,504)	77.9
– due from a reputable customer with long-term cooperation	446,700	32.2	(286)	0.1
– due from a related party	35,024	2.5	(1,261)	3.6
On a collective basis	790,728	56.9	(22,893)	2.9
Total	1,388,622	100.0	(114,944)	8.3

The Group applies the simplified approach in calculating ECLs for trade receivables. Trade receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known outstanding credit standing or financial difficulties. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed as at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the age of the balance, existence of disputes, recent historical payment patterns, and any other available information concerning the creditworthiness of counterparties and influence from macro economy.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

The Group

As at 31 December 2023

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.9%	56.9%	100.0%	2.6%
Gross carrying amount (RMB'000)	192,616	65	1,213	193,894
Expected credit losses (RMB'000)	3,707	37	1,213	4,957

As at 31 December 2024

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	2.5%	52.6%	100.0%	5.3%
Gross carrying amount (RMB'000)	237,956	13,860	144	251,960
Expected credit losses (RMB'000)	5,889	7,289	144	13,322

As at 31 December 2025

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	2.2%	67.9%	100%	3.2%
Gross carrying amount (RMB'000)	559,452	7,045	1,086	567,583
Expected credit losses (RMB'000)	12,281	4,781	1,086	18,148

As at 30 June 2026

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.9%	67.0%	100%	2.9%
Gross carrying amount (RMB'000)	779,458	10,430	840	790,728
Expected credit losses (RMB'000)	15,065	6,988	840	22,893

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at amortised cost				
Trade receivables from third parties	94,772	136,101	107,875	81,474
Trade receivables from subsidiaries	28,659	2,315	3	14,288
Impairment	(74,337)	(75,272)	(78,219)	(76,787)
Total trade receivables	49,094	63,144	29,659	18,975
Financial assets at amortised cost				
Bills receivable – bank	4,054	5,101	38,597	2,247
Financial assets at fair value through other comprehensive income				
Bills receivable – bank	787	5,360	6,336	202
Impairment	–	–	(131)	(134)
Total bills receivables	4,841	10,461	44,802	2,315
Trade and bills receivables	53,935	73,605	74,461	21,290

An ageing analysis of the Company's trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	49,067	61,933	28,597	18,064
1 to 2 years	27	1,211	1,062	911
Total	49,094	63,144	29,659	18,975

The Company estimated that the expected loss rate for its trade receivables due from subsidiaries is minimal.

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	74,517	74,337	75,272	78,219
Impairment losses, net	(180)	2,174	2,947	(1,432)
Amount written off as uncollectible	–	(1,239)	–	–
At end of year/period	74,337	75,272	78,219	76,787

The Company

	As at 31 December 2023			
	Carrying amount		Impairment losses	
	RMB'000	*Rate %*	*RMB'000*	*Rate %*
On an individual basis				
– due from customers with significant increase in credit risk	72,709	76.7	(72,710)	100.0
On a collective basis	22,063	23.3	(1,627)	7.4
Total	94,772	100.0	(74,337)	78.4

	As at 31 December 2024			
	Carrying amount		Impairment losses	
	RMB'000	*Rate %*	*RMB'000*	*Rate %*
On an individual basis				
– due from customers with significant increase in credit risk	72,565	53.3	(72,566)	100.0
– due from a reputable customer with long-term cooperation	1,098	0.8	(1)	0.1
On a collective basis	62,438	45.9	(2,705)	4.3
Total	136,101	100.0	(75,272)	55.3

	As at 31 December 2025			
	Carrying amount		Impairment losses	
	RMB'000	*Rate %*	*RMB'000*	*Rate %*
On an individual basis				
– due from customers with significant increase in credit risk	73,749	68.4	(73,749)	100.0
– due from a reputable customer with long-term cooperation	–	–	–	–
On a collective basis	34,126	31.6	(4,470)	13.1
Total	107,875	100.0	(78,219)	72.5

	As at 30 June 2026			
	Carrying amount		Impairment losses	
	RMB'000	*Rate %*	*RMB'000*	*Rate %*
On an individual basis				
– due from customers with significant increase in credit risk	72,357	88.81	(72,357)	100.00
– due from a reputable customer with long-term cooperation	–	–	–	–
On a collective basis	9,117	11.19	(4,430)	48.60
Total	81,474	100	(76,787)	94.25

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at 31 December 2023

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.9%	52.6%	100.0%	7.4%
Gross carrying amount (RMB'000)	20,796	58	1,209	22,063
Expected credit losses (RMB'000)	388	30	1,209	1,627

As at 31 December 2024

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	2.2%	52.6%	100.0%	4.3%
Gross carrying amount (RMB'000)	59,898	2,396	144	62,438
Expected credit losses (RMB'000)	1,301	1,260	144	2,705

As at 31 December 2025

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	5.0%	67.9%	100.0%	13.1%
Gross carrying amount (RMB'000)	30,100	3,304	722	34,126
Expected credit losses (RMB'000)	1,505	2,243	722	4,470

As at 30 June 2026

	Less than 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	22.7%	67.2%	100.0%	48.6%
Gross carrying amount (RMB'000)	4,888	2,778	1,451	9,117
Expected credit losses (RMB'000)	1,112	1,868	1,451	4,431

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
Deposits and other receivables	10,467	10,467	10,019	10,449
Deductible input value-added tax	–	–	1,603	1,612
Prepayment for purchase of land use right	–	–	37,880	–
Prepaid rent	–	800	–	–
Prepayments	–	–	20,000	25,000
Prepayment for property, plant and equipment	4,738	539	13,824	24,174
Total	15,205	11,806	83,326	61,235
Current:				
Prepayments	20,018	41,917	20,408	25,526
Deposit for futures	–	–	2,000	1,522
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deposits and other receivables	3,653	529	1,643	656
Deductible input value-added tax	23,770	23,506	17,217	13,333
Prepaid corporate income tax	–	706	–	5,087
Others	306	19	191	1,020
Impairment allowance	(142)	(110)	(115)	(118)
Total	47,605	66,567	45,090	54,508

Other receivables are unsecured and non-interest-bearing.

As of 31 December 2023, 2024 and 2025 and 30 June 2026, the impairment of the other receivables and deposits were measured based on 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

The movements in the loss allowance for other receivables are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	123	142	110	115
Impairment losses, net	211	(31)	94	3
Amount written off as uncollectible	(192)	(1)	(89)	–
At end of year/period	142	110	115	118

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
Deposits and other receivables	8,660	8,660	8,660	8,660
Prepaid rent	–	800	–	–
Prepayments	–	–	20,000	25,000
Prepayment for PPE	4	4	4	–
Total	8,664	9,464	28,664	33,660
Current:				
Amount due from subsidiaries	388,042	374,468	112,754	118,548
Prepayments	3,578	3,532	13,929	7,851
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deposits and other receivables	3,051	78	1,046	36
Deductible input value-added tax	–	671	587	1,123
Others	27	–	21	25
Impairment allowance	(117)	(87)	(87)	(87)
Total	394,581	378,662	131,996	134,975

The Company estimated that the expected loss rate for its other receivables due from subsidiaries is minimal.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	81,393	88,140	114,955	278,424
Cash held by other financial institution*	–	130	235	262
Less: pledged deposits	(57,854)	(46,786)	(68,255)	(81,493)
Total	23,539	41,484	46,935	197,193

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Denominated in				
RMB	23,539	39,229	43,156	189,446
EUR	–	2,225	3,191	1,409
HUF	–	30	213	5,524
USD	–	–	375	772
HKD	–	–	–	42
Total	23,539	41,484	46,935	197,193

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	948	7,288	2,766	41,025

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents and deposits denominated in RMB	948	7,288	2,766	41,025

* As at 31 December 2024, 2025 and 30 June 2026, the Group had certain amounts of cash held in accounts managed by other financial institutions such as Alipay in connection with the provision of online and mobile payment services which have been classified as cash and cash equivalents.

The RMB is not freely convertible into other currencies, however, under the Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2023, 2024 and 2025 and 30 June 2026, restricted cash of RMB57,850,000, RMB39,709,000, RMB56,021,000 and RMB45,985,000, have been pledged for issuance of bank acceptance notes as disclosed in note 25 to the Historical Financial Information. The remaining restricted cash mainly represented deposits for bank guarantee.

25. TRADE AND BILLS PAYABLES

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	237,754	229,304	741,381	1,023,138
Bills payable	232,145	110,762	196,430	215,877
Total	469,899	340,066	937,811	1,239,015

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	33,019	82,430	137,261	50,686

As of the end of each of the Relevant Periods, the ageing analysis of trade payables and bills payables, based on the invoice date, is as follows:

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within a year	469,899	340,056	937,546	1,238,794
1 to 2 years	–	10	264	128
Over 2 years	–	–	1	93
Total	469,899	340,066	937,811	1,239,015

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within a year	33,019	82,430	137,261	50,686

The trade and bills payables are non-interest-bearing and are normally settled on 30 to 90 days after receiving invoice.

The Group pledged trade receivables in the form of letters of credit of RMB149,414,000 as at 31 December 2023 to financial institutions as collateral, to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers.

As at 31 December 2023, the Group pledged deposits to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers amounting to RMB36,923,000 and were guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in note 38 to the Historical Financial Information.

As at 31 December 2024, the Group pledged deposits to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers amounting to RMB110,762,000 and were guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in note 38 to the Historical Financial Information.

As at 31 December 2025, the Group pledged deposits to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers amounting to RMB186,052,000 and were guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in note 38 to the Historical Financial Information.

As at 30 June 2026, the Group pledged deposits to issue bills acceptance notes to settle outstanding trade payables owed to certain suppliers amounting to RMB187,770,000 and were guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in note 38 to the Historical Financial Information.

26. OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

The Group

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

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payable for purchase of property, plant and equipment	702	746	784	77
Amount due to related parties	143	–	710	812
Accrued expenses	2,236	2,242	2,206	2,809
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deposits	20	24	24	24
Value-added tax and other tax payables	832	47	28	47
Payroll payable	2,041	684	201	483
Advances from an investor	–	–	50,000	–
Others	162	135	–	–
Total	6,136	3,878	60,343	7,703

Other payables, accruals and other current liabilities are non-interest-bearing and repayable on demand.

27. DEFERRED GOVERNMENT GRANTS

The Group

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants:				
– related to assets	1,564	2,830	9,613	9,704
– related to expenses	4,300	300	1,400	2,900
Total	5,864	3,130	11,013	12,604

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1,	6,571	5,864	3,130	11,013
Government grants received:				
– related to assets	–	1,569	7,990	500
– related to expenses	–	–	1,400	1,500
Government grants released:				
– related to assets	(257)	(303)	(1,207)	(409)
– related to expenses	(450)	(4,000)	(300)	–
At December 31	5,864	3,130	11,013	12,604

The Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants:				
– related to assets	–	–	–	–
– related to expenses	4,300	300	–	–
Total	4,300	300	–	–

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1,	4,750	4,300	300	–
Government grants received:				
– related to assets	–	–	–	–
– related to expenses	–	–	–	–
Government grants released:				
– related to assets	–	–	–	–
– related to expenses	(450)	(4,000)	(300)	–
At December 31	4,300	300	–	–

28. INTEREST-BEARING BANK BORROWINGS

The Group

	As at 31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – unsecured	3.50-3.65	2024	10,011
Bank borrowings – secured	3.50	2024	9,599
Current portion of long term bank borrowings – secured	3.40-3.90	2024	54,873
Total – current			74,483
Non-current			
Bank borrowings – unsecured	4.05	2025	3,500
Bank borrowings – secured	3.40-3.50	2025-2027	91,449
Total – non-current			94,949
Total			169,432

	As at 31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – secured	3.20-3.65	2025	10,010
Current portion of long term bank borrowings – unsecured	4.05	2025	3,504
Current portion of long term bank borrowings – secured	3.50-3.60	2025	41,924
Total – current			55,438
Non-current			
Bank borrowings – secured	3.20-3.60	2025-2027	88,337
Total – non-current			88,337
Total			143,775

	As at 31 December 2025		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – unsecured	2.50-3.65	2026	86,805
Current portion of long term bank borrowings – secured	2.50-3.30	2026	183,534
Current portion of long term bank borrowings – unsecured	2.50-3.30	2026	13,568
Total – current			283,907
Non-current			
Bank borrowings – secured	2.50-3.15	2027-2029	119,944
Bank borrowings – unsecured	2.50-3.15	2027-2029	30,445
Total – non-current			150,389

	As at 30 June 2026		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings – secured	2.50-3.65	2026-2027	20,000
Bank borrowings – unsecured	2.50-3.65	2026-2027	182,715
Current portion of long term bank borrowings – secured	2.50-3.30	2026-2027	181,992
Current portion of long term bank borrowings – unsecured	2.50-3.30	2026-2027	63,495
Total – current			448,202

	As at 30 June 2026		
	Effective interest rate (%)	Maturity	RMB'000
Non-current			
Bank borrowings – secured	2.50-3.15	2027-2032	101,970
Bank borrowings – unsecured	2.50-3.15	2027-2032	153,840
Total – non-current			255,810
Total			704,012

All bank borrowings were denominated in RMB and the carrying amounts approximate to their fair values as at 31 December 2023, 2024 and 2025 and 30 June 2026.

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Within one year	74,483	55,438	283,907	448,202
Year 1 to Year 3	80,973	88,337	140,187	124,402
Over 3 Years	13,976	–	10,202	131,408
Total	169,432	143,775	434,296	704,012

Notes:

(i) As at 31 December 2023, the Group's bank borrowings of RMB111,953,000 were secured by property, plant and equipment of RMB48,699,000, right-of-use assets of RMB22,790,000, and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2023, certain subsidiaries' bank borrowings of RMB38,566,000 were guaranteed by controlling shareholder Mr. Guo Yingjun and the Company, details of which are set out in note 38 to the Historical Financial Information.

As at 31 December 2023, certain subsidiaries' bank borrowings of RMB5,402,000 were guaranteed by the Company.

(ii) As at 31 December 2024, the Group's bank borrowings of RMB10,010,000 were secured by property, plant and equipment of RMB31,203,000, right-of-use assets of RMB4,267,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2024, the Group's bank borrowings of RMB99,794,000 were secured by property, plant and equipment of RMB52,555,000, right-of-use assets of RMB18,053,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2024, certain subsidiaries' bank borrowings of RMB30,467,000 were guaranteed by controlling shareholder Mr. Guo Yingjun and the Company, details of which are set out in note 38 to the Historical Financial Information.

(iii) As at 31 December 2025, the Group's bank borrowings of RMB82,397,000 were secured by property, plant and equipment of RMB21,687,000, right-of-use assets of RMB6,180,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2025, the Group's bank borrowings of RMB104,957,000 were secured by property, plant and equipment of RMB179,750,000, right-of-use assets of RMB21,849,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2025, the Group's bank borrowings of RMB125,708,400 were secured by property, plant and equipment of RMB87,032,000, right-of-use assets of RMB38,676,000, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 31 December 2025, certain subsidiaries' bank borrowings of RMB68,931,000 were guaranteed by controlling shareholder Mr. Guo Yingjun and the Company, details of which are set out in note 38 to the Historical Financial Information.

The increase in interest-bearing bank borrowings in 2025 was partly due to the acquisition of a subsidiary in 2025 as set out in note 33 to the Historical Financial Information.

As at 31 December 2025, the Group's bank borrowings of RMB89,355,000 were secured by a non-controlling shareholder of a subsidiary, the subsidiary is newly acquired in November 2025 as set out in note 33 to the Historical Financial Information. Pursuant to the Equity Transfer and Capital Injection Agreement, the Company is obligated to provide counter-guarantee to the non-controlling shareholder as a security for the bank loan at a ratio of 55%, which is equivalent to the guarantee amount to RMB49,145,000.

(iv) As at 30 June 2026, the Group's bank borrowings of RMB78,047,000 were secured by property, plant and equipment of RMB20,927,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 30 June 2026, the Group's bank borrowings of RMB76,666,000 were secured by property, plant and equipment of RMB176,342,000, right-of-use assets of RMB23,536,000 and guaranteed by controlling shareholder Mr. Guo Yingjun, details of which are set out in notes 14, 15 and 38 to the Historical Financial Information.

As at 30 June 2026, the Group's bank borrowings of RMB75,017,000 were secured by property, plant and equipment of RMB107,313,000, right-of-use assets of RMB28,737,000, details of which are set out in notes 14 and 15 to the Historical Financial Information.

As at 30 June 2026, the Group's bank borrowings of RMB54,233,000 were secured by right-of-use assets of RMB 38,691,000, details of which are set out in notes 14 and 15 to the Historical Financial Information.

As at 30 June 2026, the Group's bank borrowings of RMB20,000,000 were secured by property, plant and equipment of RMB28,916,000, details of which are set out in notes 14 and 15 to the Historical Financial Information.

As at 30 June 2026, certain subsidiaries' bank borrowings of RMB245,609,000 were guaranteed by controlling shareholder Mr. Guo Yingjun and the Company, details of which are set out in note 38 to the Historical Financial Information.

29. SHARE CAPITAL

The Group and the Company

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
Ordinary shares of RMB1.00 each	38,922	38,922	38,922	40,216

	Number of shares in issue	Share capital
		RMB'000
As at 1 January 2023, 31 December 2023, 2024, and 2025	38,922,414	38,922
Issued and fully paid:		
Ordinary shares of RMB1.00 each *(note a)*	1,293,103	1,294
As at 30 June 2026	40,215,517	40,216

(a) Pursuant to the approval in the shareholders' meeting in 2025, 1,293,103 shares of RMB1.00 each were issued to certain investors at a total consideration of RMB100,000,000 of which RMB50,000,000 and RMB50,000,000 has been paid during the year ended 31 December 2025 and during the period ended 30 June 2026, respectively. The capital contribution has increased the share capital and capital reserve by RMB1,294,000 and RMB98,706,000, respectively.

30. CONTRACT LIABILITIES

The Group

	As at 1 January	As at 31 December			As at 30 June
	2023	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advances received from customers	7,196	836	33,697	26,661	45,531

The Company

	As at 1 January	As at 31 December			As at 30 June
	2023	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advances received from customers	1,410	555	573	5,606	593

Contract liabilities include advances received to deliver electrolytes and other products. The changes in contract liabilities in 2023, 2024 and 2025 and 30 June 2026 was mainly due to the changes in advances received from customers in relation to the provision of electrolyte products.

31. SHARE-BASED PAYMENT

The Group operates share incentive schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the scheme include Company's directors, senior management, core technical personnel, core business personnel, consultant and other employees as they have a direct impact on the Company's operational performance and future development.

In order to implement the Share Award Scheme, Tianjin Kunyu Corporate Management Consulting Partnership (Limited Partnership) ("Tianjin Kunyu") was designated as share incentive platforms to hold shares specially awarded to the eligible participants as the ultimate beneficial owners. The Group has no control over the share incentive platform.

On 9 October 2021, the Company granted 976,149 restricted share units ("RSUs") (equivalent to RMB69,099 registered capital of the Company) under the share incentive scheme through Tianjin Kunyu to 27 eligible employees with exercise price of RMB 104.85 per RMB 1.00 registered capital ("[**REDACTED**] Share Incentive Scheme"). The fair value of the granted shares amounted to RMB 8,250,000, which was estimated as at the date of grant using the fair value provided by external valuers.

On 23 December 2021, the Company was converted into a joint stock company, with share capital of RMB30,000,000, the RSUs granted by the Company are equivalent to 543,373 shares of the Company.

In July 2024, a resigned employee transferred 26,947 RSUs (equivalent to 15,000 shares of the Company) through Tianjin Kunyu to an eligible employee with the transferred price of RMB35.06 per share, the fair value of RSUs granted was estimated at the date of grant by applying a discounting cashflow method and adjust for any applicable discount for lack of marketability (DLOM), taking into account the terms and conditions upon which the RSUs were granted. The following table lists the inputs to the model used:

	July 2024
Risk-free interest rate (%)	2.2
WACC (%)	15.0
Perpetual Growth Rate (%)	2.0
Discount for Lack of Marketability (%)	15.5

The RSUs granted were not subjected to service conditions, the Group recognised share award expense at grant date with an amount of RMB527,000 in full.

In December 2025, seven resigned employees transferred a total of 232,417 RSUs, equivalent to 129,374 shares of the Company, to five eligible employees at a transfer price of RMB64.00 per share. The fair value of these RSUs was determined as of the grant date, based on the Group's capital injection agreement with Yichang Innovation and Mr. Guo Yingjun in September 2025.

The RSUs granted are subject to a three-year service period condition, and the total share award expense recognized was RMB279,000 for the year ended December 31, 2025 and RMB1,668,000 for the six months ended 30 June 2026.

32. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Capital reserve

a. Share premium

The share premium of the Group represents the difference between the par value of the shares issued and the consideration received.

b. Share-based payment reserve

The share-based payment reserve represents the share-based compensation reserve due to equity-settled share award, details of which are set out in note 31 to the Historical Financial Information.

c. Equity transaction with a non-controlling shareholder

Equity transaction with a non-controlling shareholder represents the difference between the consideration received upon the capital contribution from a non-controlling interest shareholder with the proportion of its respective equity interest in net assets of the subsidiary.

Other reserve

Other reserve includes: a) reserve resulted from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax; b) exchange fluctuation reserve*.

* The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations with a functional currency other than RMB. The reserve is dealt with in accordance with the accounting policies set out in note 2.3 to the Historical Financial Information.

Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China, each company in the PRC is required to allocate 10% of its statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the company's registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or to increase the registered capital of the company. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

Safety production reserve

The Group has appropriated a certain amount of profit to the safety production reserve fund for the purposes of safety production expense as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time an equal amount of special reserve fund was utilised and transferred back to retained profits. The Company transferred its safety production expenses from the special reserve fund to retained earnings, as it no longer holds the requisite regulatory qualification for the handling or trading of hazardous materials.

The Company

	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	718,135	1,170	7,259	5,493	10,818	742,875
Profit for the year	–	–	–	–	7,325	7,325
Other comprehensive income for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	3	–	3
Total comprehensive income for the year	–	–	–	3	7,325	7,328
Equity-settled share award expense	–	–	–	–	–	–
Transfer to statutory surplus reserve	–	629	–	–	(629)	–
At 31 December 2023	718,135	1,799	7,259	5,496	17,514	750,203
At 1 January 2024	718,135	1,799	7,259	5,496	17,514	750,203
Loss for the year	–	–	–	–	(3,915)	(3,915)

	Capital reserve	Statutory surplus reserve	Safety production reserve	Investments revaluation reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other comprehensive loss for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	4,249	–	4,249
Total comprehensive income for the year	–	–	–	4,249	(3,915)	334
Equity-settled share award expense	527	–	–	–	–	527
At 31 December 2024	718,662	1,799	7,259	9,745	13,599	751,064
At 1 January 2025	718,662	1,799	7,259	9,745	13,599	751,064
Loss for the year	–	–	–	–	(22,942)	(22,942)
Other comprehensive loss for the year:						
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	(760)	–	(760)
Changes in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	2	–	2
Total comprehensive loss for the year	–	–	–	(758)	(22,942)	(23,700)
Safety production reserve	–	–	(7,259)	–	7,259	–
Equity-settled share award expense	279	–	–	–	–	279
At 31 December 2025	718,941	1,799	–	8,987	(2,084)	727,643

	Capital reserve	Statutory surplus reserve	Investments revaluation reserve	Retained profits/ (Accumulated loss)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2026	718,941	1,799	8,987	(2,084)	727,643
Loss for the year/period	–	–	–	(10,049)	(10,049)
Other comprehensive loss for the year/period:					
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	884	–	884
Total comprehensive loss for the year/period	–	–	884	(10,049)	(9,165)
Issue of shares	98,707	–	–	–	98,707
Equity-settled share award expense	1,664	–	–	–	1,664
At 30 June 2026	819,312	1,799	9,871	(12,133)	818,849

33. BUSINESS COMBINATION

Lizhong Sitong Light Alloys Group Co., Ltd. ("Lizhong Group") is a listed company on the Growth Enterprises Market of Shenzhen Stock Exchange. Mrs. Gong is an individual shareholder. Lizhong Group and Mrs. Gong jointly own 100% equity interests in Shandong Lizhong New Energy Materials Co., Ltd. ("Shandong Lizhong") before the commence of the business combination in November 2025.

On 6 November 2025, the Company entered into an equity transfer and capital injection agreement with Lizhong Group, Mrs. Gong, two individual investors Mr. Liu and Mr. Zhang ("Equity Transfer and Capital Injection Agreement") targeting to acquire 51% equity interests of Shandong Lizhong at a cash consideration. Pursuant to a series of shareholder equity transfer and capital injection arrangements between the existing and new shareholders of Shandong Lizhong as elaborated in the Equity Transfer and Capital Injection Agreement, which involved:

i) the Company agreed to acquire 51% equity interest in Shandong Lizhong through equity transfer and capital injection at a total cash consideration of RMB146,407,000;

ii) Lizhong Group agreed to make additional capital injection to Shandong Lizhong at a consideration of RMB78,094,000, and in conjunction with the paying up the previously registered share capital but not paid in Shandong Lizhong amounted to RMB33,000,000, Lizhong Group would achieve to own around 45.2% equity interest in Shandong Lizhong;

iii) Mr. Liu agreed to make additional capital injection to Shandong Lizhong at a consideration of RMB2,200,000 and in conjunction with the acquisition of certain share interests from Mrs. Gong, Mr. Liu would achieve to own around 1.3% equity interest in Shandong Lizhong;

iv) Mr. Zhang agreed to make additional capital injection to Shandong Lizhong at a consideration of RMB2,000,000 and achieve to own around 0.5% equity interest in Shandong Lizhong;

v) Mrs. Gong agreed to conduct the series share transfer arrangements and achieve to own around 2.0% equity interest in Shandong Lizhong.

The capital injections from the Company, Lizhong Group, Mr. Liu and Mr. Zhang were agreed to be paid in two phases, with the first phase to pay up to 90% of the capital injections, and the remaining 10% of capital injections that are expected to be paid within 5 business days when certain predetermine conditions are met, respectively. These conditions mainly included the obtain of the approval from the shareholders and the board of directors of both the Company and Lizhong Group, the completion of the official register of the shares with respective shareholders, and the assignment of directors and management to Shandong Lizhong by the Company.

The above equity transactions and capital injections involve series of transactions among the shareholders to achieve the overall commercial effects, these arrangements constituted an integrated part of the Equity Transfer and Capital Injection Agreement, accordingly the above transactions are accounted for as a single transaction.

The acquisition was made as part of the Group's strategy to advance the technological upgrading, commercial scaling, and cost optimization of key electrolyte materials for liquid-state batteries. On 30 November 2025, all the conditions in the Equity Transfer and Capital Injections Agreement are met and fulfilled, the Company completed the acquisition of Shandong Lizhong, the Company obtained the control of the operating and financing activities of Shandong Lizhong, and Shandong Lizhong became an direct non-wholly-owned subsidiary of the Company.

By the end of 30 November 2025, the cash consideration paid by the Company was amounted to RMB134,407,000, the remaining consideration in percentage of 10% of the agreed capital injection amount of RMB12,000,000 is outstanding at acquisition date and recorded as consideration payables.

By the end of 30 November 2025, the non-controlling shareholders had made capital injection to Shandong Lizhong amounted to RMB74,065,000, and Lizhong Group had fully paid-up the previously registered but not paid share capital in Shandong Lizhong amounted to RMB33,000,000.

The fair values of the identifiable assets and liabilities of Shandong Lizhong as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition**
		RMB'000
Property, plant and equipment	*14*	349,171
Intangible assets	*16*	606
Right-of-use assets	*15(a)*	38,728
Cash and bank balances		6,511
Pledged deposits		1,019
Financial assets at fair value through profit or loss		20,000
Trade and bills receivables		43,613
Prepayments and other receivables		8,373
Capital injection receivable from non-controlling shareholders*		8,229
Capital injection receivable from the Company*		12,000
Inventories		20,706
Trade and bills payables		(26,023)
Other payables and accruals		(16,886)
Contract liabilities		(812)
Interest-bearing bank borrowings		(178,162)
Total identifiable net assets at fair value		287,073
Non-controlling interests		(140,666)
Goodwill on acquisition		–
Satisfied by:		
Cash		26,407
Capital injection paid		108,000
Consideration payable		12,000
Total		146,407

* The capital injection were received in December 2025 pursuant to the payment terms in the Equity Transfer and Capital Injection Agreement.

The fair values of the trade and bills receivables and prepayments and other receivables as at the date of acquisition amounted to RMB43,613,000 and RMB8,373,000, respectively. The gross contractual amounts of trade and bills receivables and prepayments and other receivables were RMB43,880,000 and RMB8,380,000, respectively, of which trade receivables of RMB267,000 and other receivables of RMB7,000 are expected to be uncollectible.

No goodwill recognised upon the acquisition.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(134,407)
Cash and bank balances acquired	6,511
Net outflow of cash and cash equivalents included in cash flows from investing activities	(127,896)
Total net cash outflow	(127,896)

Since the acquisition, Shandong Lizhong has contributed RMB30,085,000 to the Group's revenue and RMB6,527,000 to the consolidated profit for the year ended 31 December 2025.

Had the combination taken place at the beginning of the year ended 31 December 2025, the revenue of the Group and the loss of the Group for the year would have been RMB1,806,672,000 and RMB5,224,000, respectively.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group endorsed certain bills receivables of RMB867,027,000, RMB1,059,368,000, RMB1,001,538,000 and RMB1,823,808,000 accepted by banks in Chinese mainland to certain of its suppliers in order to settle the trade payables and other payables due to such suppliers.

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,668,000, RMB710,000, RMB1,810,000 and RMB nil respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank loans	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	79,129	585	79,714
Changes from financing cash flows	83,276	(1,713)	81,563
Interest expense	7,027	20	7,047
New leases	–	1,668	1,668
At 31 December 2023 and 1 January 2024	169,432	560	169,992
Changes from financing cash flows	(32,060)	(441)	(32,501)
Interest expense	6,403	24	6,427
New leases	–	710	710
Termination/modification	–	(312)	(312)
At 31 December 2024 and 1 January 2025	143,775	541	144,316
Changes from financing cash flows	104,055	(1,923)	102,132
Acquisition of a subsidiary	178,162	–	178,162
Interest expense	8,304	41	8,345
New leases	–	1,810	1,810
Termination/modification	–	(141)	(141)
At 31 December 2025 and 1 January 2026	434,296	328	434,624
Changes from financing cash flows	264,165	(165)	264,000
Interest expense	5,552	4	5,556
New leases	–	–	–
Termination/modification	–	–	–
At 30 June 2026	704,013	167	704,180

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Within operating activities	1,012	285	126	46	161
Within financing activities	1,713	441	1,923	820	165
Total	2,725	726	2,049	866	326

35. CONTINGENT LIABILITIES

In December 2025, a subsidiary of the Group is indicated as a defendant in a litigation matter raised by a customer of the Group alleging for compensation in connection with the quality defects in the electrolytes supplied by the subsidiary to the customer during the period from June 2024 to January 2025. The subsidiary of the Group is requested to compensate an amount of RMB15 million. The first court hearing was held on March 12, 2026, the litigation matter is in process and currently in the stage of collecting supporting evidence by both parties, including third-party professional entity to provide verification report on the product quality. Based on the foregoing, and taking into consideration the advice from the Company's legal counsel as well as the progress of the case, the directors of the Company believe that the ultimate outcome of this litigation cannot be reliably estimated.

In June 2026, the subsidiary of the Group had agreed to enter into an agreement with the customer, pursuant to the agreement, the subsidiary of the Group agreed to make a one-time settlement payment of RMB1.0 million to the customer to settle the dispute between the customer and the Group. The payment of RMB1.0 million is included in "other expense" in the consolidated statement of profit and loss.

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for trade and bills payables and secured bank borrowings are included in notes 14, 15, 22, 25, 28, respectively, to the Historical Financial Information.

37. COMMITMENTS

The Group had commitments for the construction in process project and commitments for the purchase of items of property, plant and equipment with aggregate amounts of RMB81,559,145, RMB69,739,495, RMB222,248,561 and RMB225,575,979 at the end of each of the Relevant Periods, respectively.

38. RELATED PARTY TRANSACTIONS

(a) Related party transactions

The Group had the following material transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
A subsidiary's non-controlling shareholder					
Purchases of products	176,956	24,448	–	–	–
Lease payments made for raw material containers	932	158	–	–	–
Sales of products	198,388	32,948	10,704	–	10,556

In the opinion of the directors of the Company, the above transactions were carried out in the normal course of business and on terms negotiated between the Group and the related party.

(b) Outstanding balances with related parties

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade:				
A subsidiary's non-controlling shareholder				
Trade receivables	25,640	19,140	40,134	33,763

The trade receivables from the related party represents the net carrying amount of receivables. The trade receivables from the related party were unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group

	Year ended 31 December			Six months ended 30 June	
	2023	2024	2025	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	5,579	4,953	7,385	3,693	3,746
Pension scheme contributions	65	76	82	41	72
Total	5,644	5,029	7,467	3,734	3,818

Further details of directors' and the chief executive's remuneration are included in note 9 to the Historical Financial Information.

(d) Guarantees provided by related parties

As at 31 December 2023:

Guarantees provided by:	Carrying amount of interest-bearing bank borrowings	Duration
	RMB'000	
Mr. Guo Yingjun	28,967	2024
Mr. Guo Yingjun	9,599	2024
Mr. Guo Yingjun	111,953	2024-2027

As at 31 December 2024:

Guarantees provided by:	Carrying amount of interest-bearing bank borrowings	Duration
	RMB'000	
Mr. Guo Yingjun	10,010	2025
Mr. Guo Yingjun	30,467	2026
Mr. Guo Yingjun	99,794	2025-2027

As at 31 December 2025:

Guarantees provided by:	Carrying amount of interest-bearing bank borrowings	Duration
	RMB'000	
Mr. Guo Yingjun	68,931	2026
Mr. Guo Yingjun	82,397	2026-2027
Mr. Guo Yingjun	104,957	2026-2027

As at 30 June 2026:

Guarantees provided by:	Carrying amount of interest-bearing bank borrowings	Duration
	RMB'000	
Mr. Guo Yingjun	78,047	2026-2027
Mr. Guo Yingjun	115,666	2026-2027
Mr. Guo Yingjun	51,896	2027

As at 31 December 2023, certain of bills payables of RMB36,923,000 were guaranteed by Mr. Guo Yingjun.

As at 31 December 2024, certain of bills payables of RMB110,762,000 were guaranteed by Mr. Guo Yingjun.

As at 31 December 2025, certain of bills payables of RMB186,052,000 were guaranteed by Mr. Guo Yingjun.

As at 30 June 2026, certain of bills payables of RMB187,770,000 were guaranteed by Mr. Guo Yingjun.

The above guarantees by related parties are expected to be released before [**REDACTED**].

(e) Pursuant to the investment agreements, certain [**REDACTED**] Investors had been granted special rights by Mr. Guo Yingjun. The Company has not provided any form of guarantee in connection with any potential failure of the controlling shareholders to fulfill their obligations relating to the divestment rights granted by controlling shareholders. Accordingly, as the Company was not a party to the arrangements relating to such divestment rights, no financial liability regarding divestment rights granted by controlling shareholders was recorded by the Company during the Track Record Period.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at fair value through profit or loss:				
Financial assets at fair value through profit or loss	36,914	41,890	83,412	115,255
Financial assets at amortised cost:				
Trade receivables	770,700	479,277	956,052	1,273,678
Bills receivables – commercial	200	–	–	2,747
Bills receivables – bank	40,286	32,203	139,229	204,640
Financial assets included in prepayments, other receivables and other assets	14,120	10,996	13,547	13,647
Cash and cash equivalents	23,539	41,484	46,935	197,193
Pledged deposits	57,854	46,786	68,255	81,493
Financial assets at fair value through other comprehensive income:				
Bills receivable – bank	100,978	24,646	63,185	80,413
Receivable vouchers	48,902	69,259	258	–
Unlisted equity investments, at fair value	53,437	68,437	67,542	68,582
Transferable certificate of bank deposit	–	93,497	32,036	32,467
Total	1,146,930	908,475	1,470,451	2,070,115

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	237,754	229,304	741,381	1,023,138
Bills payable	232,145	110,762	196,430	215,877
Financial liabilities included in other payables and accruals	79,856	26,620	84,778	23,765
Interest-bearing bank borrowings	169,432	143,775	434,296	704,012
Total	719,187	510,461	1,456,885	1,966,792
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments	–	–	–	661
Total	–	–	–	661

40. TRANSFER OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, 2024, 2025 and 30 June 2026, the Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the "Endorsed Bills") with a carrying amount of RMB33,537,000, RMB33,569,000, RMB100,378,000 and RMB182,140,000 to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024, 2025 and 30 June 2026, the Group, endorsed certain bills receivable accepted by banks in the Chinese mainland to certain of its suppliers in order to settle the bills payables due to such suppliers with a carrying amount in aggregate of RMB 397,078,000, RMB177,168,000, RMB 245,600,000 and RMB718,577,000. At 30 June 2026, the Group discounted certain bills receivable to bank for cash with a carrying amount of RMB58,257,000. The endorsed bills and discounted bills receivables are collectively named as "Derecognised Bills". The Derecognised Bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

At 31 December 2025, the Group, transferred certain receivable vouchers to banks in the Chinese mainland (the "Derecognised Receivable Vouchers") with a carrying amount in aggregate of RMB87,747,000. The Derecognised Receivable Vouchers had a maturity of six months at the end of the reporting period. In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Receivable Vouchers is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Receivable Vouchers. Accordingly, it has derecognised the full carrying amounts of the Derecognised Vouchers. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Vouchers are not significant.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables at amortised cost, financial assets included in prepayments, other receivables and other assets, trade and bills payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the fact that such borrowings were made between the Group and an independent third party financial institution based on prevailing market interest rates. Management has assessed that the fair values of short-term interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the transferable certificate of deposit classified as financial assets at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, and the fair values approximate to their carrying values.

The fair values of the accounts receivables and bills receivable classified as financial assets at fair value through other comprehensive income have been calculated by discounting the expected future cash flows, which will mature within one year, and thus their fair values approximate to their carrying values.

The fair value of the unlisted equity investments at fair value through other comprehensive income have been estimated with reference to recent share transfer or capital injection transaction price of the underlying investments (Level 2) and market approach (Level 3). The management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group invests in unlisted investments, which represent wealth management products issued by banks and securities companies and an unlisted company in Chinese Mainland. Fair value of the wealth management products was determined by the quoted price of the net asset value by financial institutions as at the end of each of the Relevant Periods. The Group also invested in convertible bond issued by certain unlisted company, the fair value of the convertible bond was determined by Binomial model as at 31 December 2025 and 30 June 2026.

The Group's derivative financial instruments mainly include commodity derivatives. As at 30 June 2026, the fair value of the commodity derivative futures represents the difference between the quoted market price of commodity derivative contracts at period end and the quoted price at inception of the contracts.

Below is a summary of significant unobservable inputs to the valuation of unlisted equity investments at fair value through other comprehensive income together with a quantitative sensitivity analysis as at 31 December 2025 and 30 June 2026:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments . . .	Market Approach	Average PB multiple of peers	31 December 2025: 2.42	1% increase/(decrease) in the average PB multiple of peers would result in an increase/(decrease) in fair value by RMB137,000/ RMB(137,000)
Unlisted equity investments . . .	Market Approach	Average PB multiple of peers	30 June 2026: 1.99	1% increase/(decrease) in the average PB multiple of peers would result in an increase/(decrease) in fair value by RMB567,000/ RMB(567,000)
Unlisted equity investments . . .	Market Approach	Average PB multiple of peers	30 June 2026: 1.99	1% increase/(decrease) in the average PB multiple of peers would result in an increase/(decrease) in fair value by RMB123,000/ RMB(123,000)

Unlisted equity investments measured at fair value were classified within Level 2 as at 31 December 2023 and 2024, as the valuation inputs were observable at that time. As at 31 December 2025, due to the loss of observability in the key valuation inputs utilized in the prior year, the investment was valued with market approach and have been transferred to Level 3.

Unlisted equity investments measured at fair value were classified within Level 2 as at 31 December 2023, 2024 and 2025, as the valuation inputs were observable at that time. As at 30 June 2026, due to the loss of observability in the key valuation inputs, the investment was valued with market approach and have been transferred to Level 3.

The following table lists the significant inputs to the Binomial model used to the valuation of convertible bond issued by certain unlisted company together with a quantitative sensitivity analysis as at 31 December 2025 and 30 June 2026:

Significant unobservable input	Range	Sensitivity of fair value to the input
Risk-free interest rate (%)	30 June 2026: 0.8	1% increase/(decrease) in the risk-free interest rate would result in a (decrease)/increase in fair value by RMB(123,405)/RMB123,405
Coupon rate (%)	30 June 2026: 3	1% increase/(decrease) in the coupon rate would result in an increase/(decrease) in fair value by RMB137,465/RMB(137,465)
Risk-free interest rate (%)	31 December 2025: 1.6	1% increase/(decrease) in the risk-free interest rate would result in a (decrease)/increase in fair value by RMB(3,028)/RMB3,028
Coupon rate (%)	31 December 2025: 3	1% increase/(decrease) in the coupon rate would result in an increase/(decrease) in fair value by RMB8,819/RMB(8,819)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023				
Financial assets at fair value through profit or loss	–	36,914	–	36,914
Bills receivables – bank	–	100,978	–	100,978
Receivable vouchers	–	48,902	–	48,902
Unlisted equity investments, at fair value	–	53,437	–	53,437
Total	–	240,231	–	240,231

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024				
Financial assets at fair value through profit or loss	–	41,890	–	41,890
Bills receivables — bank	–	24,646	–	24,646
Receivable vouchers	–	69,259	–	69,259
Unlisted equity investments, at fair value	–	68,437	–	68,437
Transferable certificate of deposit	–	93,497	–	93,497
Total	–	297,729	–	297,729

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2025				
Wealth Management Products, at fair value	–	53,136	–	53,136
Bills receivables – bank	–	63,185	–	63,185
Receivable vouchers	–	258	–	258
Unlisted equity investments, at fair value	–	53,807	13,735	67,542
Convertible Bond	–	–	30,276	30,276
Transferable certificate of deposit	–	32,036	–	32,036
Total	–	202,422	44,011	246,433

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2026				
Wealth Management Products, at fair value	–	84,533	–	84,533
Bills receivables-bank	–	80,413	–	80,413
Unlisted equity investments, at fair value	–	10,056	58,526	68,582
Convertible Bond	–	–	30,722	30,722
Transferable certificate of deposit	–	32,467	–	32,467
Total	–	207,469	89,248	296,717

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2026				
Derivative financial instruments	661	–	–	661
Total	661	–	–	661

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade and bills receivables, financial assets measured at fair value through other comprehensive income, other receivables, financial assets at fair value through profit or loss, pledged deposits, trade and bills payables, other payables and accruals, derivative financial instruments and interest-bearing borrowings. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	900,872	900,872
Bills receivables**	141,464	–	–	–	141,464
Financial assets included in prepayments, other receivables and other assets					
– Normal**	14,120	–	–	–	14,120
Pledged deposits	57,854	–	–	–	57,854
Cash and cash equivalents	23,539	–	–	–	23,539
Total	236,977	–	–	900,872	1,137,849

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	636,999	636,999
Bills receivables**	56,849	–	–	–	56,849
Financial assets included in prepayments, other receivables and other assets					
– Normal**	10,996	–	–	–	10,996
Pledged deposits	46,786	–	–	–	46,786
Cash and cash equivalents	41,484	–	–	–	41,484
Transferable certificate of deposit	93,497	–	–	–	93,497
Total	249,612	–	–	636,999	886,611

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	1,051,378	1,051,378
Bills receivables**	202,887	–	–	–	202,887
Financial assets included in prepayments, other receivables and other assets					
– Normal**	13,547	–	–	–	13,547
Pledged deposits	68,255	–	–	–	68,255
Cash and cash equivalents	46,935	–	–	–	46,935
Transferable certificate of deposit	32,036	–	–	–	32,036
Total	363,660	–	–	1,051,378	1,415,038

As at 30 June 2026

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	1,388,622	1,388,622
Bills receivables**	288,421	–	–	–	288,421
Financial assets included in prepayments, other receivables and other assets					
– Normal**	13,647	–	–	–	13,647
Pledged deposits	81,493	–	–	–	81,493
Cash and cash equivalents	197,193	–	–	–	197,193
Transferable certificate of deposit	32,467	–	–	–	32,467
Total	613,221	–	–	1,388,622	2,001,843

* For trade receivables to which the Group applies the simplified approach for impairment, further summary details of which are included in note 22 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 22 to the Historical Financial Information.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's objective is to maintain a balance between continuity of funding and flexibility through equity and debt financing.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2023

	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	469,899	–	–	469,899
Financial liabilities included in other payables and accruals	79,856	–	–	79,856
Interest-bearing bank borrowings	75,449	82,181	15,569	173,199
Lease liabilities	492	245	55	792
Total	625,696	82,426	15,624	723,746

As at 31 December 2024

	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	340,066	–	–	340,066
Financial liabilities included in other payables and accruals	26,620	–	–	26,620
Interest-bearing bank borrowings	56,267	93,114	–	149,381
Lease liabilities	459	107	–	566
Total	423,412	93,221	–	516,633

As at 31 December 2025

	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	937,811	–	–	937,811
Financial liabilities included in other payables and accruals	84,778	–	–	84,778
Interest-bearing bank borrowings	289,615	141,319	11,121	442,055
Lease liabilities	203	145	–	348
Total	1,312,407	141,464	11,121	1,464,992

As at 30 June 2026

	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	1,239,015	–	–	1,239,015
Financial liabilities included in other payables and accruals	23,765	–	–	23,765
Interest-bearing bank borrowings	459,453	170,089	101,447	730,989
Lease liabilities	189	4	–	193
Total	1,722,422	170,093	101,447	1,993,962

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group does not use any derivative contracts to hedge against its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before (Or after) tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/(decrease) in basis points	Effect on profit before tax
		RMB'000
Year ended 31 December 2023		
RMB	100	(496)
RMB	(100)	496
Year ended 31 December 2024		
RMB	100	(462)
RMB	(100)	462
Year ended 31 December 2025		
RMB	100	(985)
RMB	(100)	985
Six months ended 30 June 2025 (unaudited)		
RMB	100	(744)
RMB	(100)	744
Six months ended 30 June 2026		
RMB	100	(1,976)
RMB	(100)	1,976

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. Total debt includes current liabilities and non-current liabilities. Total assets include current assets and non-current assets.

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total debt	753,686	571,653	1,547,608	2,092,896
Total assets	1,784,116	1,579,228	2,734,288	3,527,198
Net gearing ratio	42.24%	36.20%	56.60%	59.34%

43. EVENTS AFTER THE RELEVANT PERIODS

On July 31, 2026, the Company and Enchem Co., Ltd. entered into an equity transfer agreement, pursuant to which our Company agreed to acquire the remaining 15.00% equity interest in Huzhou Kunlun. Upon completion of the transfer, Huzhou Kunlun will become a wholly-owned subsidiary of the Company.

On September 14, 2026, the registration procedures in relation to the equity transfer were completed with the relevant competent authority.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2026.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

This appendix contains a summary of the principal provisions of the Articles of Association of the Company adopted on January 12, 2026, which will take effect upon the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange. The primary purpose of this appendix is to provide [**REDACTED**] with an overview of the Articles of Association of the Company. Accordingly, it may not contain all the information that may be considered material or relevant by [**REDACTED**].

The Articles of Association also provides for the [**REDACTED**] applicable to H Shares in Hong Kong (the "[**REDACTED**]"), which governs the form, holding, evidence of title, transfer and registration of H Shares and related corporate actions. It further provides that for matters not covered by the Articles of Association, taking into account the actual circumstances of the Company, the relevant provisions of laws, administrative regulations, other securities regulatory rules in the jurisdiction(s) where the Company's shares are [**REDACTED**], the Listing Rules, [**REDACTED**] and the [**REDACTED**] or the regulations governing the [**REDACTED**] shall apply, which shall also prevail in the event that they conflict with the Articles of Association.

SHARES AND REGISTERED CAPITAL

The issuance of shares by the Company shall follow the principles of openness, fairness, and impartiality. Each share of the same class shall carry equal rights. Shares of the same class issued at the same time shall be issued under the same conditions and at the same price. All entities or individuals subscribing for such shares shall pay the same consideration for each share.

The H Shares issued by the Company are maintained with a register of holders by an [**REDACTED**] in Hong Kong in accordance with the laws of the jurisdiction where the Company's H Shares are [**REDACTED**] and the relevant provisions of the [**REDACTED**]. The Company shall at all times appoint an [**REDACTED**] to maintain the register of holders of H Shares in Hong Kong, and provide and operate an [**REDACTED**] after the H Shares become [**REDACTED**]. For so long as the H Shares are [**REDACTED**], and the H Shares are not in the process of being [**REDACTED**], unless otherwise permitted or required under the [**REDACTED**] or exempted by the SFC, the H Shares are issued, transferred and held in [**REDACTED**]:

(I) the H Shares [**REDACTED**] by the Company are only issued in [**REDACTED**], and [**REDACTED**];

(II) the Company does not [**REDACTED**] Share certificates for the allotment, transfer, statutory succession, consolidation or subdivision of H Shares. Once any H Shares become a [**REDACTED**], any new unit of such securities issued thereafter may only be in [**REDACTED**], and no title instruments (including Share certificates) will be [**REDACTED**] therefor. For the avoidance of doubt, the Company's H Shares shall not constitute a separate class solely by virtue of being held in [**REDACTED**] or [**REDACTED**].

INCREASE, REDUCTION AND REPURCHASE OF SHARE CAPITAL

Increase of Share Capital

The Company may, in accordance with applicable laws and regulations and subject to a resolution adopted by the Shareholders' general meeting, increase its share capital as required for its business operations and development by one or more of the following means:

(i) issuing shares to unspecified investors;

(ii) issuing shares to specific investors;

(iii) distributing bonus shares to existing shareholders;

(iv) converting capital reserves into share capital;

(v) other methods prescribed by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are [**REDACTED**], or approved by the relevant regulatory authorities.

Reduction of Capital

The Company may reduce its registered capital. Any reduction of registered capital shall be carried out in accordance with the procedures prescribed by the PRC Company Law, other applicable laws and regulations, and the Articles of Association.

The Company shall notify its creditors within ten (10) days from the date on which the resolution for the reduction of registered capital is passed by the Shareholders' general meeting, and shall make a public announcement within thirty (30) days after the resolution approving the reduction has been adopted. The creditors shall have the right, within thirty (30) days from the date of receipt of the notice or, if no such notice is received, within forty-five (45) days from the date of the public announcement, to require the Company to settle its debts or provide a corresponding guarantee.

Repurchase of Shares

The Company may repurchase its own shares in accordance with applicable laws, administrative regulations, departmental rules and the Articles of Association under any of the following circumstances:

(i) for the purpose of reducing the Company's registered capital;

(ii) in connection with a merge with another company that holds shares in the Company;

(iii) for use in employee stock ownership plans or equity incentive schemes;

(iv) upon request by shareholders who object to resolutions adopted at a general meeting regarding the merger or division of the Company, requiring the Company to repurchase their shares;

(v) for conversion into shares of the Company of convertible corporate bonds issued by the Company;

(vi) where necessary for the Company to protect its value and the shareholders' equity interest.

The Company shall not engage in the trading of its own shares except in the circumstances set out above.

Where the Company repurchases its own shares pursuant to items (i) and (ii) of paragraph 1, such repurchase shall be subject to a resolution of the general meeting. Where the repurchase is conducted pursuant to items (iii), (v) and (vi) of paragraph 1, it shall be approved by a resolution of the Board of Directors passed at a meeting attended by two-thirds (2/3) or more of the directors.

Where the Company repurchases its own shares in accordance with the provisions of paragraph 1, the following requirements shall apply: in the case of a repurchase under item (i), the shares shall be cancelled within ten (10) days from the date of repurchase; in the case of a repurchase under items (ii) or (iv), the shares shall be transferred or cancelled within six (6) months from the date of repurchase; and in the case of a repurchase under items (iii), (v), or (vi), the aggregate number of shares held by the Company shall not exceed ten percent (10%) of the total issued share capital of the Company, and such shares shall be transferred or cancelled within three (3) years from the date of repurchase.

TRANSFER OF SHARES

The Company's shares shall be transferred in accordance with the law. The transfer of the H Shares which are [**REDACTED**] shall be subject to the [**REDACTED**]. Shares issued before the Company's [**REDACTED**] shall not be transferred within one (1) year from the date the Company's shares are [**REDACTED**] and [**REDACTED**] on the stock exchange.

Directors and senior management personnel shall declare to the Company their shareholdings in the Company and any changes thereto. During their term of office, the annual transfer of their shares of the same class shall not exceed 25% of their total holdings of such class of shares in the Company. The shares held by such persons shall not be transferred within one (1) year from the date on which the Company's shares are [**REDACTED**] and [**REDACTED**]. Within six (6) months after their resignation, such persons shall not transfer the shares they hold in the Company.

Where laws, administrative regulations or the listing rules of the stock exchange(s) at the place where the Company's shares are [**REDACTED**] impose additional restrictions on the transfer of the Company's shares, such provisions shall prevail.

The Company shall not accept its shares as the subject matter of a pledge.

H Shares held in [**REDACTED**] shall be transferred by specified requests made by the transferor and transferee in accordance with the [**REDACTED**] and by the Company's [**REDACTED**] through the [**REDACTED**], without the need for a physical instrument of transfer. Where the Board reasonably considers that the use of specified requests is not reasonably practicable, the Company may accept an instrument of transfer.

The Board may refuse to register a transfer or transmission of H Shares, unless otherwise permitted or required under the [**REDACTED**], on the grounds including non-compliance with the operational requirements for specified requests, the submission of an instrument of transfer other than in a permitted exceptional case, or the failure of a relevant person to satisfy applicable system membership requirements. If registration is refused, the Company shall notify the transferor and the transferee within the time limit prescribed by the regulations applicable to the [**REDACTED**].

The Company's [**REDACTED**] may charge reasonable [**REDACTED**] fees for instruments of transfer, specified requests and other documents in connection with the title of H Shares.

RIGHTS AND OBLIGATIONS OF SHAREHOLDERS

Shareholders

The Company shall establish a register of shareholders based on the records provided by the securities registration and clearing institution. The register of members shall be sufficient evidence of title, save where contrary evidence is established. For H Shares, entries in the register have the evidential value prescribed by the [**REDACTED**]. Shareholders shall enjoy rights and assume obligations in accordance with the class of shares they hold. Shareholders holding the same class of shares shall be entitled to the same rights and assume the same obligations.

Rights and Obligations of Shareholders

The shareholders of the Company shall be entitled to the following rights:

(i) to receive dividends and other forms of distribution in proportion to their shareholdings;

(ii) to request the convening of, convene, preside over, attend, or appoint proxies to attend Shareholders' general meetings in person or by electronic means and exercise voting rights accordingly;

(iii) to supervise the Company's operations and submit suggestions or inquiries;

(iv) to transfer, donate, or pledge their shares in accordance with laws, administrative regulations, and the Articles of Association;

(v) shareholders shall have the right to inspect and make copies of Articles of Association, the register of shareholders, minutes of general meetings, resolutions of the Board of Directors, and financial accounting reports. Shareholders who meet the prescribed requirements may also inspect the Company's accounting books and accounting vouchers;

(vi) to participate in the distribution of the Company's remaining assets in proportion to their shareholdings upon termination or liquidation of the Company;

(vii) to request the Company to repurchase their shares if they object to resolutions of the shareholders' general meeting regarding mergers or divisions of the Company;

(viii) other rights provided by laws, administrative regulations, departmental rules, securities regulatory rules at the place where the Company's shares are [**REDACTED**], or the Articles of Association.

Shareholders requesting to inspect or make copies of relevant documents of the Company shall comply with the PRC Company Law, PRC Securities Law, and other applicable laws, administrative regulations, and securities regulatory rules where the Company's shares are [**REDACTED**].

The shareholders of the Company shall undertake the following obligations:

(i) to comply with laws, administrative regulations, securities regulatory rules where the Company's shares are [**REDACTED**] and the Articles of Association;

(ii) to pay subscription monies for the shares they have subscribed for, according to the agreed subscription terms and method;

(iii) not to withdraw their capital contributions except as otherwise permitted by laws or regulations;

(iv) not to abuse shareholder rights to harm interests of the Company or other shareholders; not to abuse the Company's independent legal personality or the limited liability of shareholders to harm the interests of the Company's creditors;

(v) such other obligations as may be required under laws, administrative regulations and the Articles of Association.

Shareholders who abuse their rights and thereby cause losses to the Company or other shareholders shall be liable for compensation in accordance with the law. Shareholders who abuse the Company's status as an independent legal entity and the limited liability of shareholders to evade debts and thereby materially prejudice the interests of the Company's creditors shall bear joint and several liability for the Company's debts.

SHAREHOLDERS' GENERAL MEETING

General rules of the Shareholders' General Meeting

The Shareholders' general meeting is the organ of authority of the Company and shall, in accordance with the law, exercise the following powers:

(i) to elect and replace directors who are not employee representatives and determine matters relating to the remuneration of such directors;

(ii) to consider and approve the reports of the Board of Directors;

(iii) to consider and approve the Company's profit distribution plan and plan for making up losses;

(iv) to adopt resolutions on the increase or reduction of the registered capital of the Company;

(v) to adopt resolutions on the issuance of bonds by the Company;

(vi) to adopt resolutions on the merger, division, dissolution, liquidation or change of corporate form of the Company;

(vii) to amend the Articles of Association;

(viii) to adopt resolutions on the appointment or dismissal of the accounting firm responsible for the audit of the Company;

(ix) to consider and approve the guarantees as set out in Article 58 of the Articles of Association;

(x) to consider and approve any proposed purchase or sale of significant assets by the Company within one (1) year that exceeds thirty percent (30%) of the Company's total audited assets as of the most recent accounting period;

(xi) to consider and approve any proposed changes to the use of proceeds raised from financing activities;

(xii) to consider and approve equity incentive plans and employee stock ownership plans;

(xiii) to consider and approve other matters that are required by laws, administrative regulations, departmental rules, the securities regulatory rules of the stock exchange(s) where the Company's shares are [**REDACTED**], or the Articles of Association to be decided by the Shareholders' general meeting.

The Company shall convene an extraordinary general meeting within two (2) months from the date of occurrence of any of the following circumstances:

(i) the number of directors falls below the statutory minimum required by the PRC Company Law or less than two-thirds (2/3) of the number of directors as specified in the Articles of Association;

(ii) the Company's uncovered losses amount to one-third (1/3) of its total share capital;

(iii) a shareholder or shareholders holding individually or in aggregate ten percent (10%) or more of the Company's shares so request;

(iv) the Board of Directors considers it necessary;

(v) the Audit Committee proposes to convene such a meeting;

(vi) Other circumstances as stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange(s) where the Company's shares are [**REDACTED**], or the Articles of Association.

Convening of the General Meeting

Independent non-executive directors shall have the right to propose to the Board of Directors to convene an extraordinary general meeting upon the approval of majority of all independent non-executive directors. The Board of Directors shall, in accordance with laws, administrative regulations, the securities regulatory rules of the place(s) where the Company's shares are [**REDACTED**], and the Articles of Association, provide written feedback indicating whether it agrees to convene the extraordinary general meeting within ten (10) days of receiving such a proposal. If the Board of Directors agrees to convene the extraordinary general meeting, it shall issue a notice of the general meeting within five (5) days after the resolution of the Board is made.

The Audit Committee shall have the right to propose to the Board of Directors to convene an extraordinary general meeting and shall submit such proposal in writing. The Board of Directors shall, in accordance with laws, administrative regulations, the securities regulatory rules of the place(s) where the Company's shares are [**REDACTED**], and the Articles of Association, provide written feedback indicating whether it agrees to convene the extraordinary general meeting within ten (10) days of receiving such a proposal. If the Board of Directors agrees to convene the extraordinary general meeting, it shall issue a notice of the general meeting within five (5) days after the resolution of the Board is made.

Shareholder(s) individually or jointly holding ten percent (10%) or more of the Company's shares may request the Board of Directors to convene an extraordinary general meeting by submitting such request in writing. The Board of Directors shall, in accordance with laws, administrative regulations, the listing rules of the stock exchange(s) where the Company's shares are [**REDACTED**], and the Articles of Association, provide written feedback indicating whether it agrees to convene the extraordinary general meeting within ten (10) days of receiving such a request. If the Board of Directors agrees, it shall issue a notice of the general meeting within five (5) days after the Board resolution is made.

Where the Board of Directors refuses to convene the meeting or fails to provide feedback within ten (10) days of receiving the request, the shareholder(s), individually or jointly holding ten percent (10%) or more of the Company's shares shall have the right to submit a written proposal to the Audit Committee to convene the extraordinary general meeting.

If the Audit Committee agrees to convene the extraordinary general meeting, it shall issue a notice of the general meeting within five (5) days of receiving the request. Any changes to the original proposal in the notice shall be subject to the consent of the relevant shareholder(s).

If the Audit Committee fails to issue such notice within the prescribed period, it shall be deemed as having refused to convene and preside over the meeting. Shareholder(s) who have individually or jointly held ten percent (10%) or more of the Company's shares for ninety (90) consecutive days or more may convene and preside over the general meeting themselves. Prior to the announcement of the resolutions passed at the general meeting, the shareholding ratio of the convening shareholders shall not be less than ten percent (10%).

Notices of General Meeting

The convener shall notify all shareholders of an annual general meeting by way of announcement at least twenty-one (21) days prior to the date of the meeting and shall notify all shareholders of an extraordinary general meeting by way of announcement at least fifteen (15) days prior to the date of the meeting.

The notice of a general meeting shall include the following particulars:

(i) the date, venue and duration of the meeting;

(ii) the matters and proposals to be submitted for consideration at the meeting;

(iii) a prominent statement that all shareholders are entitled to attend the general meeting, and may appoint a proxy in writing to attend and vote at the meeting on their behalf, and that such proxy need not be a shareholder of the Company; where the shareholder is a natural person, the notice shall also state that such shareholder may not appoint more than two proxies;

(iv) the record date for determining the shareholders entitled to attend the meetings;

(v) the name and telephone number of the permanent contact person for the meeting; and

(vi) the time and procedures for voting by way of online or other means;

(vii) other requirements stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange(s) where the Company's shares are [**REDACTED**].

Resolutions of the Shareholders' General Meeting

Resolutions of the Shareholders' general meeting shall be classified into ordinary resolutions and special resolutions.

A special resolution shall be passed by two-thirds (2/3) or more of the voting rights represented by shareholders (including proxies) attending the general meeting.

The following matters shall be approved by way of ordinary resolution at a general meeting:

(i) the report of the Board of Directors on its work;

(ii) the profit distribution plan and the plan for making up losses as proposed by the Board of Directors;

(iii) the appointment and removal of members of the Board of Directors, as well as their remuneration and the method of payment;

(iv) all matters other than those required by laws, administrative regulations, the securities regulatory rules of the place(s) where the Company's shares are [**REDACTED**], or the Articles of Association to be passed by way of special resolution.

The following matters shall be approved by way of special resolution at a general meeting:

(i) the increase or reduction of the registered capital of the Company;

(ii) the division, spin-off, merger, dissolution, or liquidation of the Company;

(iii) amendments to the Articles of Association;

(iv) the purchase or sale of significant assets, or provision of guarantees to others within one year, the value of which exceeds thirty percent (30%) of the Company's latest audited total assets;

(v) equity incentive plans;

(vi) other matters required to be approved by special resolution under laws, administrative regulations, the securities regulatory rules of the place(s) where the Company's shares are [**REDACTED**], or the Articles of Association, or other matters that may have a material impact on the Company as determined by an ordinary resolution of the general meeting.

Shareholders (including those attending by proxy) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share.

Shares held by the Company shall not carry voting rights and shall not be counted in the total number of voting shares represented at the general meeting.

In respect of matters concerning connected transactions to be considered at a general meeting, connected shareholders shall abstain from voting, and the voting rights represented by such connected shareholders shall not be counted in the total number of valid votes.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced by the Shareholders' general meeting and shall serve a term of three (3) years. Upon expiration of their term, Directors may be re-elected and re-appointed.

Directors may concurrently serve as senior management personnel; however, the number of Directors concurrently holding senior management positions and those serving as employee representatives shall not in aggregate exceed one-half (1/2) of the total number of Directors of the Company.

Board of Directors

Directors of the Company shall be natural persons and may include executive directors, non-executive directors, and independent non-executive Directors, including at least one with appropriate professional, accounting or related financial management expertise.

The Board of Directors of the Company shall consist of nine (9) directors, including at least three (3) independent non-executive Directors representing at least one-third of the Board, at least one of whom shall ordinarily reside in Hong Kong. The Board shall have one (1) Chairman.

The Board of Directors shall exercise the following powers in accordance with the law and the provisions of the Articles of Association:

(i) to convene general meetings and report to the general meeting on its work;

(ii) to implement resolutions passed by the general meeting;

(iii) to determine the Company's business plans and investment proposals;

(iv) to formulate the Company's profit distribution plans and plans for making up losses;

(v) to formulate plans for increasing or reducing the registered capital of the Company, and for the issuance of bonds or other securities and listing thereof;

(vi) to formulate significant acquisition, share repurchase, merger, division, dissolution, or change of corporate form proposals of the Company;

(vii) to decide on matters including external investment, acquisition or disposal of assets, asset pledges, external guarantees, entrusted wealth management, connected transactions, and donations to external parties within the scope authorized by the general meeting;

(viii) to determine the organizational structure of the Company's internal management;

(ix) to appoint or dismiss the general manager, the secretary to the Board of Directors, and other senior management personnel of the Company and to determine their remuneration and disciplinary or reward measures; to appoint or dismiss deputy general managers, the chief financial officer (financial director), and other senior management personnel based on the nomination by the general manager, and to determine their remuneration and disciplinary or reward measures;

(x) to formulate the fundamental management systems of the Company;

(xi) to formulate proposals for amendments to the Articles of Association;

(xii) to manage the Company's information disclosure affairs;

(xiii) to propose to the general meeting the engagement or replacement of the accounting firm responsible for auditing the Company;

(xiv) to hear the general manager's work reports and evaluate the general manager's performance;

(xv) to formulate equity incentive plans and implement them after approval by the Shareholders' general meeting;

(xvi) to exercise other powers as provided by laws, administrative regulations, departmental rules, the securities regulatory rules of the stock exchange(s) where the Company's shares are [**REDACTED**], the Articles of Association, or as authorized by the general meeting.

The Board of Directors shall convene no fewer than four (4) meetings each year, which shall be convened by the Chairman. Written notice shall be given to all Directors at least fourteen (14) days prior to the date of the meeting.

An extraordinary meeting of the Board of Directors shall be convened and presided over by the Chairman within ten (10) days under any of the following circumstances:

(i) when proposed by shareholders representing one-tenth (1/10) or more of the voting rights;

(ii) when jointly proposed by one-third (1/3) or more of the Directors;

(iii) when proposed by the Audit Committee.

Notice of an extraordinary Board meeting shall be given to all Directors at least three (3) days before the meeting is held. In cases of emergency where the meeting must be convened urgently, notice may be given at any time by telephone or other oral means, and the time limit for giving notice may be waived. However, the convener shall provide an explanation at the meeting.

A meeting of the Board of Directors shall be held only when more than one-half of the Directors are present. A resolution of the Board shall be adopted only by the affirmative vote of more than one-half of all Directors. Voting on Board resolutions shall follow the principle of one person, one vote.

AUDIT COMMITTEE

The Board of Directors shall establish an Audit Committee, which shall exercise the functions and powers of the supervisory board as stipulated under the PRC Company Law.

The Audit Committee shall consist of three (3) members, all of whom shall be non-executive directors, of whom two (2) must be independent non-executive directors, at least one (1) of whom must be an independent non-executive director with appropriate professional qualifications or appropriate accounting or related financial management expertise as required by the Hong Kong Listing Rules, with the chairperson (convener) being an independent Director with accounting expertise.

The Audit Committee shall be responsible for reviewing the Company's financial information and its disclosure, supervising and assessing internal and external audit activities, and overseeing internal control. The following matters shall be submitted to the Board of Directors for consideration only after receiving the approval of more than half of all members of the Audit Committee:

(i) disclosure of financial information in financial reports and periodic reports, and reports on the evaluation of internal controls;

(ii) engagement or dismissal of the accounting firm responsible for the Company's audit;

(iii) appointment or dismissal of the Company's chief financial officer;

(iv) changes in accounting policies or accounting estimates, or correction of material accounting errors, except where such changes result from amendments to accounting standards;

(v) other matters as prescribed by laws, administrative regulations, the CSRC, the securities regulatory rules of the stock exchange(s) where the Company's shares are [**REDACTED**], and the Articles of Association.

Resolutions of the Audit Committee shall be adopted by a majority vote of its members.

GENERAL MANAGER

The Company shall have one (1) general manager, who shall be appointed or dismissed by resolution of the Board of Directors.

The Company may have several deputy general managers, who shall also be appointed or dismissed by resolution of the Board of Directors.

SECRETARY TO THE BOARD

The Company shall appoint a board secretary, who shall be responsible for organizing the Shareholders' general meeting and the Board meeting, keeping relevant documentation, managing the Company's shareholder information, and handling matters related to information disclosure.

The board secretary shall comply with the relevant provisions of laws, administrative regulations, departmental rules, the securities regulatory rules of the place(s) where the Company's shares are [**REDACTED**], and the Articles of Association.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall formulate its financial and accounting systems in accordance with applicable laws, administrative regulations, and the requirements of relevant state authorities.

The Company shall submit and disclose its annual reports to the local office of the CSRC (if applicable) and the stock exchange (if applicable) within four (4) months after the end of each fiscal year. The Company shall submit and disclose its interim report to the local office of the CSRC (if applicable) and the stock exchange (if applicable) within three (3) months after the end of the first half of each fiscal year.

The aforementioned annual and interim reports shall be prepared in accordance with the relevant laws, administrative regulations, rules of the CSRC, and the regulations of the stock exchange(s) where the Company's shares are [**REDACTED**].

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company may be dissolved for any of the following reasons:

(i) the expiry of the operation term specified in the Articles of Association or the occurrence of any other dissolution event as stipulated therein;

(ii) a resolution on dissolution adopted by the Shareholders' general meeting;

(iii) dissolution required due to merger or division of the Company;

(iv) revocation of the Company's business license, an order for closure, or the Company being deregistered in accordance with the law;

(v) Where the Company experiences significant difficulties in its operation and management, and continuation would cause substantial loss to shareholders' interests, and such issues cannot be resolved by other means, shareholders holding ten percent (10%) or more of the total voting rights may petition the People's Court to dissolve the Company.

If the Company is dissolved pursuant to items (i), (ii), (iv), or (v) above, it shall proceed with liquidation. The liquidation committee shall be composed of the directors unless otherwise stipulated by the Articles of Association or resolved by the Shareholders' general meeting to appoint other persons.

The liquidation committee shall notify the creditors within ten (10) days from the date of its formation and shall publish an announcement in newspaper or through the National Enterprise Credit Information Publicity System within sixty (60) days. Creditors shall declare their claims to the liquidation committee within thirty (30) days from receipt of the notice, or within forty-five (45) days from the date of announcement if they did not receive notice.

If, after verifying the Company's assets, balance sheet, and asset inventory, the liquidation committee discovers that the Company's assets are insufficient to cover its debts, it shall apply to the People's Court for bankruptcy liquidation in accordance with the law.

Upon acceptance of the bankruptcy application by the Court, the liquidation committee shall transfer the liquidation matters to the bankruptcy trustee appointed by the Court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report for confirmation by the Shareholders' general meeting or the Court and submit it to the Company's registration authority to apply for deregistration.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend its Articles of Association under any of the following circumstances:

(i) where, following an amendment to the PRC Company Law or relevant laws and administrative regulations, any provisions of the Articles of Association conflicts with such amended laws or regulations;

(ii) where changes occur in the Company's circumstances, rendering any provision of the Articles of Association inconsistent with the actual situation;

(iii) where the Shareholders' general meeting resolves to make an amendment.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was established in the PRC under the Company Law as a limited liability company on November 15, 2004 and then converted into a joint stock limited company on December 23, 2021. Our registered office is at Room 407, Building 10, No. 519 Juxiang Road, Gaoxin District, Yichang, Hubei Province, PRC. We have established a place of business in Hong Kong at 46/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong. Our Company was registered with the Companies Registry in Hong Kong as a non-Hong Kong company under Part 16 of Companies Ordinance of Hong Kong on February 5, 2026. Ms. Chan Ching Nga has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong set out above.

As our Company was established in the PRC, our operation, corporate structure and the Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain aspects of the relevant laws and regulations of the PRC, and a summary of certain aspect of our Articles of Association are set out, respectively, in the section headed "Regulatory Overview" and "Appendix III — Summary of Articles of Association" to this document.

2. Change in Share Capital of Our Company

Save as disclosed in the section headed "History and Corporate Structure" in this document, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this document.

3. Changes in Share Capital of Our Subsidiaries

Our Company's subsidiaries are referred to in the accountants' report, the text of which is set out in Appendix I to this document.

In March 2025, Yibin Kunlun increased its registered capital from RMB200 million to RMB300 million and completed the Industrial and Commercial Registration Change on March 17, 2025.

In April 2026, Hubei Kunlun increased its registered capital from RMB50 million to RMB100 million and completed the Industrial and Commercial Registration Change on April 22, 2026.

Save for the above, there had been no alterations of share capital in our subsidiaries within the two years immediately preceding the date of this document.

4. Resolutions Passed by Our Shareholders' General Meeting in Relation to the [**REDACTED**]

At the extraordinary general meeting of the Shareholders held on January 12, 2026, the following resolutions, among other things, were duly passed:

(i) in connection with [**REDACTED**] and the [**REDACTED**], the Share Split was approved;

(ii) the issuance by our Company of the H Shares of nominal value of RMB[**REDACTED**] each and such H Shares being [**REDACTED**] on the Stock Exchange;

(iii) the number of H Shares to be issued shall not be less than [**REDACTED**]% of the total issued share capital of our Company as enlarged by the [**REDACTED**];

(iv) subject to the filing procedure with the CSRC, upon completion of the [**REDACTED**] (assuming the Share Split is completed), [**REDACTED**] Domestic [**REDACTED**] Shares in aggregate will be converted into H Shares on a one-for-one basis being [**REDACTED**] on the Stock Exchange;

(v) subject to the completion of the [**REDACTED**], the conditional adoption of the Articles of Association which shall become effective on the [**REDACTED**], and authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities;

(vi) authorization of the Board to handle matters relating to, among other things, the [**REDACTED**], the issue and [**REDACTED**] of the H Shares;

(vii) subject to the completion of the [**REDACTED**] (assuming the Share Split is completed), the granting of a general mandate to the Board to repurchase H Shares issued on the Stock Exchange at any time within a period commencing from the [**REDACTED**] Date and up to the date of the conclusion of the next annual general meeting of the Shareholders to be held after the [**REDACTED**] or the date on which the Shareholders pass a resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes as the Board in its absolute discretion deems fit, and to make necessary amendments to the Articles of Association, provided that, the number of Shares to be repurchased shall not exceed 10% of the number of the total issued H Shares (excluding any treasury shares and assuming that the [**REDACTED**] is not exercised) as at the [**REDACTED**] Date; and

(viii) subject to the completion of the [**REDACTED**] (assuming the Share Split is completed), the granting of a general mandate to the Board to allot, issue Shares, or sell and/or transfer Shares out of treasury that are held as treasury shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders to be held after the [**REDACTED**] or the date on which the Shareholders pass a resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes as the Board in its absolute discretion deems fit, and to make necessary amendments to the Articles of Association, provided that, the number of Shares to be issued shall not exceed 20% of the number of the Shares in issue (excluding any treasury shares and assuming that the [**REDACTED**] is not exercised) as at the [**REDACTED**] Date.

5. Restrictions of Share Buyback

For details of the restrictions on the share buyback by our Company, please refer to the sections headed "Regulatory Overview" and "Appendix III — Summary of Articles of Association" to this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business) were entered into by us or any of our subsidiaries within the two years preceding the date of this document and are or may be material:

(a) a capital injection agreement dated September 30, 2025 entered into among Yichang Innovation, our Company and Mr. Guo, pursuant to which Yichang Innovation agreed to subscribe for 1,293,103 Shares at a total consideration of RMB100 million;

(b) the shareholders' agreement dated September 30, 2025, entered into among our Company and (1) Yichang Innovation, (2) Mr. Guo, (3) Tianjin Tongde, (4) Tianjin Kunyuan, (5) Tianjin Kunyu, (6) Shenzhen Tongchuang, (7) Guan Bo, (8) Rizhao Chenrui, (9) Qianhai Fund, (10) Hangzhou Nanhai, (11) Huzhou Qixing, (12) Ruihua Capital, (13) Lishui Zhepu, (14) Zhengzhou Tongchuang, (15) Shanghai Zhepu, (16)

Pinghu Huarui, (17) Suzhou Tongchuang, (18) SAIC Yangtze Delta, (19) Qingdao SAIC, (20) Suzhou Zhongjin, (21) Xuzhou Boda, (22) Zhongjin Zhixing, (23) Donghu Guolong, (24) Changzhou Ruiliang, (25) Yibin Green Investment, (26) Jiang'An New Energy, (27) Jiaxing Waniu, (28) Yichang High-tech and (29) Mr. Xu Qiang, pursuant to which parties agreed on certain matters regarding corporate governance and the employment of key personnel;

(c) an equity transfer and capital injection agreement dated November 6, 2025 entered into among our Company, Shandong Lizhong and the then shareholders of Shandong Lizhong, pursuant to which Ms. Gong Zhiwen (龔之雯) agreed to sell, and our Company agreed to acquire, a 5.87% equity interest in Shandong Lizhong for a consideration of approximately RMB3.64 million; (ii) Lizhong Group, agreed to sell, and our Company agreed to acquire, a 36.72% equity interest in Shandong Lizhong for a consideration of approximately RMB22.77 million; and (iii) our Company agreed to subscribe for RMB120 million of the registered capital of Shandong Lizhong at a consideration of RMB120 million;

(d) a supplemental agreement dated January 23, 2026 entered into between our Company and Yichang Innovation, pursuant to which the right of Yichang Innovation to appoint board observers under the shareholders' agreement dated September 30, 2025 (as referred to in item (b) above) shall terminate one day prior to the [**REDACTED**];

(e) an equity transfer agreement dated July 31, 2026 entered into between our Company and Enchem Co., Ltd. ("**Enchem**"), pursuant to which Enchem agreed to sell, and our Company agreed to acquire, a 15.00% equity interest in Huzhou Kunlun at a consideration of RMB20 million;

(f) an equity transfer agreement dated August 27, 2026 entered into between Mr. Hu Zhisong (胡志松) ("**Mr. Hu**") and our Company, pursuant to which Mr. Hu agreed to sell, and our Company agreed to acquire, a 30% equity interest in Advanced Technology at nil consideration; and

(g) the [**REDACTED**].

2. Intellectual Property Rights

(a). Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which are material to our Group's business:

No.	Trademark	Registration number	Registered owner	Place of registration	class	Registration date	Expiration date
1. .	KINGTROLYTE	73379307	Company	PRC	1	February 28, 2024	February 27, 2034
2. .	KING-TROLYTE	73379448	Company	PRC	42	February 28, 2024	February 27, 2034
3. .	K-TROLYTE	73362160	Company	PRC	9	February 28, 2024	February 27, 2034
4. .	KINGTROLYTE	73362517	Company	PRC	42	February 28, 2024	February 27, 2034
5. .	K-TROLYTE	73373384	Company	PRC	1	February 28, 2024	February 27, 2034
6. .	KINGTROLYTE	73368129	Company	PRC	9	February 28, 2024	February 27, 2034
7. .	K-TROLYTE	73376787	Company	PRC	42	February 28, 2024	February 27, 2034
8. .	玉出昆侖	66539018	Company	PRC	42	June 14, 2023	June 13, 2033

No.	Trademark	Registration number	Registered owner	Place of registration	class	Registration date	Expiration date
9. .	KING-TROLYTE	73370960	Company	PRC	9	February 28, 2024	February 27, 2034
10.	KING-TROLYTE	73369913	Company	PRC	1	February 28, 2024	February 27, 2034
11. .		307144100	Company	Hong Kong	1, 35, 36, 39, 40, 42	December 29, 2025	December 28, 2035

(b). Patents

As at the Latest Practicable Date, we have registered the following patents which are material to our Group's business:

No.	Patents name	Grant publication number	Patentee	Type	Grant publication date	Expiration date
1. .	A Non-Aqueous Electrolyte and Secondary Battery (一種非水電解液及二次電池)	CN119181855B	Company	Invention	October 3, 2025	September 20, 2044
2. .	A Lithium-ion Battery Electrolyte and Lithium-ion Battery (一種鋰離子電池電解液及鋰離子電池)	CN117423903B	Company	Invention	May 6, 2025	November 30, 2043
3. .	A Battery Electrolyte with Excellent High-Temperature Performance and Lithium-Ion Battery (一種高溫性能優異的電池電解液及鋰離子電池)	CN116864811B	Company	Invention	November 28, 2023	August 30, 2043
4. .	A Method for Preparing High-Purity Phosphorus Pentafluoride Gas Using a Non-Aqueous Hexafluorophosphate Ionic Liquid (一種非水六氟磷酸離子液體製備高純五氟化磷氣體的方法)	CN117003209B	Company	Invention	September 23, 2025	August 29, 2043
5. .	A Non-Aqueous Electrolyte for Lithium-ion Batteries and Lithium-ion Battery (一種鋰離子電池非水電解液及鋰離子電池)	CN117039154B	Company	Invention	March 11, 2025	August 23, 2043
6. .	A Double-Coated Nickel-Iron-Manganese Sodium Cathode Material and Its Preparation Method (一種雙包覆鎳鐵錳酸鈉正極材料及其製備方法)	CN115799470B	Company	Invention	July 30, 2024	December 5, 2042

No.	Patents name	Grant publication number	Patentee	Type	Grant publication date	Expiration date
7. .	A Method for Preparing Ethylene Sulfite (一種亞硫酸乙烯酯的製備方法)	CN115745952B	Company	Invention	May 31, 2024	November 29, 2042
8. .	An Electrolyte and a Lithium-ion Battery Thereof (一種電解液及包含其的鋰離子電池)	CN115458809B	Huzhou Kunlun	Invention	December 13, 2024	October 25, 2042
9. .	An Electrolyte for Enhancing the Cycle Performance and Low-Temperature Discharge Performance of Lithium-Ion Batteries (一種提升鋰離子電池循環性能和低溫放電性能的電解液)	CN115528306B	Company	Invention	December 30, 2025	October 9, 2042
10.	A High-Lithium-Salt-Concentration Electrolyte and Its Method of Use in Lithium-Ion Batteries (一種高鋰鹽濃度電解液及其在鋰離子電池中的使用方法)	CN115332637B	Advanced Technology	Invention	March 26, 2024	September 6, 2042

(c). Software copyrights

As at the Latest Practicable Date, we have registered the following software copyright which is material to our Group's business:

No.	Software name	Registered owner	Registration date	Expiration date
1. .	Precision Dosing Control System for Automatic Filling in Lithium Battery Electrolyte Production (鋰電池電解液生產中的自動加注的精確定量控制系統)	Huzhou Kunlun	April 24, 2019	April 24, 2069

(d). Domain names

As at the Latest Practicable Date, we have registered the following domain name which is material to our Group's business:

No.	Domain name	Registered owner	Registration Date	Expiration date
1.	kunlunchem.com.cn	Company	February 24, 2006	February 24, 2030

C. FURTHER INFORMATION ABOUT DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' Contracts

Each of the Directors entered into a service contract or a letter of appointment with our Company. The principal particulars of these service contracts and letters of appointment comprise (i) the terms of the services and (ii) termination provisions in accordance with their respective terms. The service contracts and letters of appointment may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation other than statutory compensation).

2. Remuneration of Directors

Save as disclosed in the section headed "Directors and Senior Management — Compensation of Directors and Senior Management" in this document, none of our Directors received other remuneration from our Company for each of the three years ended December 31, 2025 and the six months ended June 30, 2026.

3. Agency Fees or Commissions Received

Save in connection with the [**REDACTED**], none of our Directors, promoters nor any of the persons whose names are listed in "— E. Other Information — 8. Qualification of Experts" in this appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years prior to the date of this document.

4. Disclosure of Interests of Directors and Chief Executive

Immediately following the completion of the [**REDACTED**] (assuming the Share Split is completed), save as disclosed in the following table, none of our Director or chief executive will have any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO): (a) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (b) which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are [**REDACTED**]:

				As of the Latest Practicable Date		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised and that the Share Split is completed)	
Name	Position	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in total issued share capital	Number of Shares[(1)]	Approximate percentage of shareholding in the total issued share capital[(1)]
					(%)		*(%)*
Mr. Guo . . .	Chairman, executive Director and general manager	Beneficial owner	Domestic [**REDACTED**] Shares	10,987,588	27.32	[**REDACTED**]	[**REDACTED**]
			H Shares	–	–	[**REDACTED**]	[**REDACTED**]

				As of the Latest Practicable Date		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised and that the Share Split is completed)	
Name	Position	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in total issued share capital	Number of Shares[(1)]	Approximate percentage of shareholding in the total issued share capital[(1)]
					(%)		(%)
		Interest in a controlled corporation	Domestic [REDACTED] Shares	4,488,510	11.16	[REDACTED]	[REDACTED]
			H Shares	–	–	[REDACTED]	[REDACTED]
Mr. Guan Bo	Non-executive Director	Beneficial owner	Domestic [REDACTED] Shares	314,550	0.78	[REDACTED]	[REDACTED]
			H Shares	–	–	[REDACTED]	[REDACTED]

Note:

(1) Mr. Guo, together with Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu, constitute the Single Largest Shareholder Group. Upon completion of the [**REDACTED**] and the relevant filing procedures with the CSRC for the conversion of Domestic [**REDACTED**] Shares into H Shares, Mr. Guo will (i) be the beneficial owner of [**REDACTED**] Domestic [**REDACTED**] Shares and [**REDACTED**] H Shares in our Company; and (ii) be deemed to be interested in the [**REDACTED**] H Shares held by Tianjin Tongde, the [**REDACTED**] H Shares held by Tianjin Kunyuan, and the [**REDACTED**] H Shares held by Tianjin Kunyu in our Company, by virtue of his capacity as general partner of each of these entities. Accordingly, Mr. Guo will be deemed to be interested in all H Shares held by Tianjin Tongde, Tianjin Kunyuan and Tianjin Kunyu in our Company under the SFO.

5. Disclosure of Interests of Substantial Shareholders

(a). Interest in the Shares of our Company

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors are not aware of any person who will, immediately following completion of the [**REDACTED**], have an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

(b). Interest in our Company's subsidiaries

Save as disclosed in the following table, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**], be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the members of our Group (other than our Company):

Our Subsidiary	Parties with 10% or more equity interest	Approximate percentage of shareholding
		(%)
Huzhou Kunlun	Enchem Co., Ltd.	15.00[(1)]
Shandong Lizhong	Lizhong Group	45.15

Note:

1. On July 31, 2026, our Company and Enchem Co., Ltd. entered into an equity transfer agreement, pursuant to which our Company agreed to acquire the remaining 15.00% equity interest in Huzhou Kunlun. Upon completion of the transfer, Huzhou Kunlun will become a wholly-owned subsidiary of our Company. For details of the transfer, please refer to the section headed "History and Corporate Structure — Acquisitions and Disposals — Acquisition of Minority Interests in Huzhou Kunlun" in the document.

6. Disclaimers

Save as disclosed in this document:

(a). none of our Directors nor any of the parties listed in the section headed "— E. Other Information — 8. Qualification of Experts" of this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(b). none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Company taken as a whole;

(c). without taking into account any H Shares which may be taken up under the [**REDACTED**], none of our Directors is aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [**REDACTED**], have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO;

(d). so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or the Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Company;

(e). save as disclosed in this appendix and the section headed "Directors and Senior Management" in this document, none of our Directors is a director or employee of a company that has an interest in the share capital of our Company which would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

D. [REDACTED] SHARE INCENTIVE SCHEME

The following is a summary of the principal terms of the [**REDACTED**] Share Incentive Scheme (the "**Scheme**") approved and adopted by our Company on October 9, 2021. The terms of the Scheme are not subject to Chapter 17 of the Listing Rules, as it does not involve the grant of share options or awards by our Company after the [**REDACTED**]. Given the Shares underlying all the Awards (as defined below) under the Scheme have already been issued to Tianjin Kunyu as of the Latest Practicable Date, there will be no dilutive effect on the issued Shares from the operation of the Scheme.

Under the Scheme, eligible participants are granted partnership interests in Tianjin Kunyu (the "**Awards**"). As of the Latest Practicable Date, Tianjin Kunyu held 5,566,500 Shares (adjusted after the Share Split), representing 1.38% of the total issued share capital of our Company. Tianjin Kunyu has 25 grantees holding an aggregate of 4,966,498 Shares (adjusted after the Share Split) underlying the Awards. The remaining 600,002 Shares (adjusted after the Share Split) are held by Ms. Guo Xifeng, an external consultant of our Company, through Tianjin Kunyu. These Shares were not granted under the Scheme and are not part of the Awards. Ms. Guo's partnership interest in Tianjin Kunyu was transferred from a former employee of our Company, as designated by Mr. Guo, the general partner of Tianjin Kunyu, in accordance with the relevant terms of the grant letter.

a. Purpose

The purpose of the Scheme is to enhance our employee's sense of ownership and corporate belonging, and to incentivize our core employees.

b. Eligible Incentive Recipients

Participants of the Scheme include core employees of our Group.

c. Maximum Number of Shares

The maximum number of Shares underlying the Scheme is 4,966,498 Shares (adjusted after the Share Split, without taking into account Shares issued under the [**REDACTED**]), representing approximately 1.23% of the total issued share capital of the Company as of the Latest Practicable Date, and [**REDACTED**]% upon the [**REDACTED**] (assuming no exercise of the [**REDACTED**]). No further Shares will be issued and no further Awards will be granted under the Scheme after the [**REDACTED**].

d. Rights and Restrictions

The grantee's service period shall be three years from the date of the grant of the Awards. During the service period, the grantee shall not resign and shall not voluntarily request to withdraw from the partnership, transfer, sell, gift, pledge, mortgage, or otherwise dispose of all or any part of the partnership interest held.

e. Withdrawal Mechanism

In the event of retirement, death, disability, or other non-negative circumstances specified in the relevant grant letter, the grantee shall transfer the Awards to a third party designated by the general partner of Tianjin Kunyu. In the case of any negative circumstances specified in the relevant grant letter, the general partner of Tianjin Kunyu shall have the right to buy back all or part of the Awards, or require the grantee to transfer all or part of the Awards to a designated third party, in accordance with the terms of the grant letter.

f. Details of the Incentive Awards granted

Below is the list of the eligible participants under the Scheme that are granted with Awards:

		As of the Latest Practicable Date and immediately prior to the [REDACTED] (assuming that the Share Split is completed)	
Name	**Position or Connected Relationship**	**Approximate number of Shares underlying the Awards**	**Percentage underlying the Awards to the Total Number of Shares**
			(%)
Directors and Senior Managements			
Mr. Guo	Chairman, executive Director and general manager	543,185	0.14
Mr. Guo Yingliang (郭迎亮)	Executive Director, Board secretary, deputy general manager and Joint Company Secretary	152,082	0.04

Name	Position or Connected Relationship	As of the Latest Practicable Date and immediately prior to the [REDACTED] (assuming that the Share Split is completed)	
		Approximate number of Shares underlying the Awards	Percentage underlying the Awards to the Total Number of Shares
			(%)
Mr. Wang Chuanshui (王傳水)	Executive Director and deputy general manager	374,998	0.09
Subtotal	**–**	**1,070,265**	**0.27**
Other Employees			
22 individuals	Employees of our Group	3,896,233	0.96
Total	**–**	**4,966,498**	**1.23**

Note:

(1) For illustrating the indirect interests of incentive recipients in our Company, the number of Shares are presented and calculated by multiplying their respective percentage of limited partnership interests in each by the total number of Shares held by Tianjin Kunyu.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty that is likely to be imposed on our Company.

2. Litigation

Save as disclosed in the section headed "Business — Legal Proceedings and Compliance — Litigation" of the document, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Group that could have a material adverse effect on our business, financial condition and results of operations as at the Latest Practicable Date.

3. Joint Sponsors

Each of the Joint Sponsors satisfies the criteria of independence applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors have made an [**REDACTED**] on our behalf to the Stock Exchange for a [**REDACTED**] of, and permission to [**REDACTED**] in, the H Shares to be issued and to be converted from the Domestic [**REDACTED**] Shares as mentioned in this document. Our Company has agreed to pay the Joint Sponsors a total fee of approximately US$[**REDACTED**] to act as the Joint Sponsors in connection with the [**REDACTED**].

4. Promoters

The information of our promoters when we were established as a joint stock limited company is as follows:

No.	Name of Promoter	Number of Shares held upon our establishment	Shareholding upon our establishment
1.	Mr. Guo	11,182,200	37.27%
2.	Shenzhen Tongchuang	2,830,950	9.44%
3.	Qianhai Fund	2,478,270	8.26%
4.	Tianjin Tongde	2,359,110	7.86%
5.	Rizhao Chenrui	1,852,500	6.18%
6.	Tianjin Kunyuan	1,572,750	5.24%
7.	Ruihua Capital	1,524,120	5.08%
8.	Huzhou Qixing	1,524,120	5.08%
9.	Hangzhou Nanhai	1,239,120	4.13%
10. . . .	Zhengzhou Tongchuang	1,016,100	3.39%
11. . . .	Shanghai Zhepu	1,016,100	3.39%
12. . . .	Tianjin Kunyu	556,650	1.86%
13. . . .	Pinghu Huarui	508,050	1.69%
14. . . .	Mr. Guan Bo	314,550	1.05%
15. . . .	Lishui Zhepu	25,410	0.08%
	Total	**30,000,000**	**100.00%**

Save as disclosed in the section headed "History and Corporate Structure" in this document, within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

5. Compliance Advisor

Our Company has appointed Altus Capital Limited as the compliance advisor upon [**REDACTED**] in compliance with Rule 3A.19 of the Listing Rules.

6. Preliminary Expenses

We have not incurred any material preliminary expenses.

7. Taxation of Holder of H Shares

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of holders will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the H Shares being sold or transferred. For further details in relation to taxation, please refer to "Regulatory Overview" in this document.

8. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this document, are as follows:

Name	Qualification
China Securities (International) Corporate Finance Company Limited	A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ping An Securities (Hong Kong) Capital Company Limited	A licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
King & Wood	Legal advisors to our Company as to PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co	Independent industry consultant

9. Consents of Experts

Each of the experts as referred to in the paragraph headed "— E. Other Information — 8. Qualification of Experts" in this appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.

10. Binding Effect

This document shall have the effect, if an [**REDACTED**] is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. No Material Adverse Change

Save as disclosed in this document, our Directors confirm that there has been no material adverse change in the financial or trading position of our Company since June 30, 2026 (being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report).

12. Miscellaneous

Save as disclosed in this document:

(a). within the two years immediately preceding the date of this document:

(i). no share or loan capital of our Company has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii). no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option; and

(iii). no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b). there are no founder, management or deferred shares or any debentures in our Company;

(c). there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this document;

(d). our Company has no outstanding convertible debt securities or debentures;

(e). there is no arrangement under which future dividends are waived or agreed to be waived;

(f). no part of the equity or debt securities of our Company, if any, is currently [**REDACTED**] on or [**REDACTED**] in on any stock exchange or [**REDACTED**] system, and no such [**REDACTED**] or permission to [**REDACTED**] on any stock exchange other than the Stock Exchange is currently being or agreed to be sought;

(g). our Company is a joint stock limited liability company and subject to the PRC Company Law.

13. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the material contracts referred to in the paragraph headed "B. Further Information about Our Business — 1. Summary of Material Contracts" of Appendix IV to this document; and

(b) the written consents referred to in the paragraph headed "E. Other Information — 9. Consents of Experts" of Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.kunlunchem.com.cn** during a period of 14 days from the date of this document:

(1) the Articles of Association;

(2) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this document;

(3) the audited financial statements of the Group for each of the years ended December 31, 2023, 2024 and 2025 and the six months ended June 30, 2026;

(4) the report on unaudited [**REDACTED**] financial information from Ernst & Young, the text of which is set out in Appendix II to this document;

(5) the PRC legal opinions prepared by King & Wood, our PRC Legal Advisor, in respect of general corporate matters and property interests of our Group;

(6) the PRC Company Law, the Securities Law of the PRC, and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations;

(7) the material contracts referred to in the paragraph headed "B. Further Information about Our Business — 1. Summary of material contracts" of Appendix IV to this document;

(8) the written consents referred to in the paragraph headed "E. Other Information — 9. Consents of Experts" of Appendix IV to this document;

(9) the service contracts and letters of appointment with Directors, referred to in the paragraph headed "C. Further Information about Directors, Chief Executive and Substantial Shareholders — 1. Particulars of Directors' Contracts" of Appendix IV to this document; and

(10) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed "Industry Overview" in this document.