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The following discussion and our analysis should be read in conjunction with our consolidated financial information included in “Appendix I — Accountants’ Report,” together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRS.

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

OVERVIEW

We are a leading provider of integrated, high-performance, safety-enhanced mini-size lithium-ion battery products, dedicated to tackling the core challenges in mini-size battery materials and battery design and addressing the limitations of other currently available lithium-ion formulations and technologies.

We achieved significant growth during the Track Record Period. Our revenue increased by 51.7% from RMB351.2 million in 2023 to RMB532.9 million in 2024, and increased by 6.1% from RMB532.9 million in 2024 to RMB565.3 million in 2025. Our revenue increased by 18.0% from RMB285.9 million for the six months ended June 30, 2025 to RMB337.2 million for the same period in 2026. Our net profit remarkably increased by 755.0%, rising from RMB6.8 million in 2023 to RMB58.1 million in 2024, and remained at a high level of RMB31.5 million in 2025. Our net profit increased by 12.1% from RMB23.5 million for the six months ended June 30, 2025 to RMB26.3 million for the same period in 2026.

BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The historical financial information has been prepared in accordance with all applicable HKFRS Accounting Standards, a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. Further details of the material accounting policy information adopted are set out in Note 2 of the Accountants’ Report in Appendix I to this document. Our historical financial information also complies with the applicable disclosure provisions of the Hong Kong Listing Rules. The accounting policies set out in Note 2 of the Accountants’ Report in Appendix I to this document have been applied consistently to the Track Record Period presented in our historical financial information.

The preparation of the historical financial information in conformity with HKFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be 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. Judgments made by management in the application of HKFRS Accounting Standards that have a significant effect on the historical financial information and major sources of estimation uncertainty are disclosed in Note 3 of the Accountants’ Report in Appendix I to this document.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

General conditions and growth of the industries in which our batteries are used

Rapid advancements in smart terminals are driving demand for compact and lightweight designs, giving rise to broader applications of mini-size batteries. According to CIC, the global shipment volume of mini-size lithium-ion batteries for consumer smart terminals increased from approximately 2,255.3 million units in 2021 to approximately 2,914.8 million units in 2025, representing a CAGR of approximately 6.6%. It is expected to reach approximately 4,215.1 million units in 2030, representing a CAGR of approximately 7.7% from 2026 to 2030. As a major supplier of mini-size lithium-ion batteries for consumer smart terminals, we are in a strong position to capture the market opportunities arising from this development trend. However, our historical performance may not be indicative of our future growth, and our results of operations may be subject to general economic conditions and industry growth.

Our ability to attract new customers and deepen engagement with existing customers

Our long-term growth and operating results will depend in part on our ability to establish relationships with new customers and deepen engagement with our existing customers, hence increasing the adoption of our solutions in their products. We engage closely with end-customers at the early stages of their product development to gain a clear understanding of their specific requirements and create solutions tailored to their needs. We continuously introduce features that give our products a competitive edge in the market, such as improved safety and thermal management, fast-charging capability and long cycle and calendar life, to meet the evolving needs of end-customers. During the Track Record Period, we proactively expanded into overseas markets, aiming to open new growth avenues and strengthen our ability to acquire new customers. We further increased our efforts in customer engagement, sales and marketing to enhance brand awareness and expand our client base during the Track Record Period. We believe that these initiatives, aimed at both retaining existing customers and attracting new ones, will have a positive long-term impact on our business and results of operations.

Fluctuation in Raw Material Prices

The fluctuation in prices of raw materials is a critical factor that significantly impacts our industry, affecting the various application scenarios in which our mini-size lithium-ion batteries are used. In 2023, 2024, 2025 and the six months ended June 30, 2026, our direct material costs, as part of our cost of sales, amounted to RMB96.2 million, RMB136.3 million, RMB139.6 million and RMB100.0 million, representing 38.6%, 39.3%, 36.3% and 44.2% of our total cost of sales for the respective years/period, respectively. The prices of key raw materials, such as LCO, are subject to global market dynamics, including geopolitical developments, supply chain disruptions or realignments, and demand shifts across downstream industries. Effective management of such price volatility is essential to maintaining cost efficiency and ensuring stable production capacity utilization.

The average selling price of lithium-ion batteries is heavily impacted by the prices of key raw materials, including LCO and other ancillary materials. As consumer smart terminals have an increasing demand for high energy density, miniaturization, and long battery life, the penetration rate of ternary cathode materials in some mini-size lithium-ion batteries has gradually increased, forming a structural substitution relationship with LCO. The price of ternary materials rose significantly from 2021 to 2022, followed by a decrease through 2025 before showing signs of recovery toward the end of 2025, and continued to increase and remained volatile at elevated levels during the six months ended June 30, 2026. The price volatility mainly reflects the strong commodity

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attributes of battery materials, which are highly influenced by upstream supply expansion, inventory adjustments and changes in terminal demand expectations. For lithium-ion batteries, materials such as LCO are prone to price volatility. See “Industry Overview — Cost Composition and Price Trends of Mini-size Lithium-ion Batteries for Consumer Smart Terminals” for further information on the price fluctuations on LCO in recent years.

The cost of raw materials represented a substantial portion of our cost of sales during the Track Record Period, and fluctuations in raw material prices affected our cost structure. Such fluctuations will continue to affect our pricing competitiveness and profit margins. See “— Description of Major Components of Our Results of Operations — Cost of Sales — Sensitivity Analysis” for the impact of fluctuations in raw material prices on our profit.

Our ability to enhance technology capabilities and innovate product and solution offerings

Consistently innovating our product and solution offerings to meet dynamic market demands is critical to maintaining our competitive edge. Accordingly, our long-term growth and operating results will in part depend on our ability to make sustained investments in research and development. We offer a full spectrum of mini-size lithium-ion battery products that can be adapted to a wide variety of applications. We strive to further broaden our battery offerings to meet the evolving requirements of existing end-use applications and explore other potential application areas.

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development costs amounted to RMB38.1 million, RMB54.3 million, RMB93.5 million, RMB44.5 million and RMB47.9 million, respectively. We believe the further enhancement of our technologies is central to our future development. We will continue to invest in our research and development activities to improve performance of our products, introduce differentiated features and continuously launch innovative products. Through these enhancements, we aim to deliver products that reduce design constraints faced by our customers, which is expected to support our sustained growth and create long-term value for our business.

Expansion of Production Capacity and Optimization of Operational Efficiency

As part of our growth strategy, we plan to further enhance our overall production capacity to meet increasing customer demand. We experienced rapid capacity expansion during the Track Record Period, supported by the expansion and upgrade of our production facilities. See “Business — Our Business Model and Manufacturing Capabilities — Production Facilities.” As our scale continues to grow, we expect to benefit from greater economies of scale, allowing us to achieve higher utilization of our technology infrastructure, realize structural cost savings and improve overall cost efficiency. We believe the continued growth of our business and expansion of our market share can enable us to achieve greater economies of scale and strengthen our bargaining position with our customers and suppliers. We believe that these capacity and efficiency enhancements will support long-term revenue growth while strengthening profitability.

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years/periods indicated. This information should be read together with our consolidated financial information and related notes included in the Accountants’ Report set out in Appendix I to this document. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
<i>(unaudited)</i>										
<i>(in thousands, except for percentages)</i>										
Revenue	351,162	100.0	532,859	100.0	565,349	100.0	285,852	100.0	337,163	100.0
Cost of sales	(249,408)	(71.0)	(346,606)	(65.0)	(384,184)	(68.0)	(192,274)	(67.3)	(226,807)	(67.3)
Gross profit	101,754	29.0	186,253	35.0	181,165	32.0	93,578	32.7	110,356	32.7
Other income	13,068	3.7	26,060	4.9	18,294	3.2	10,665	3.7	4,004	1.2
Selling expenses	(15,367)	(4.4)	(22,991)	(4.3)	(22,488)	(4.0)	(12,602)	(4.4)	(11,193)	(3.3)
Administrative expenses . . .	(24,203)	(6.9)	(37,559)	(7.0)	(51,390)	(9.1)	(21,457)	(7.5)	(26,771)	(7.9)
Research and development costs	(38,095)	(10.8)	(54,339)	(10.2)	(93,504)	(16.5)	(44,522)	(15.5)	(47,862)	(14.2)
(Impairment loss)/reversal of impairment loss of trade and other receivables . . .	(398)	(0.1)	(444)	(0.1)	29	0.0	53	0.0	1	0.0
Profit from operations	36,759	10.5	96,980	18.2	32,106	5.7	25,715	9.0	28,535	8.5
Finance costs	(3,044)	(0.9)	(3,168)	(0.6)	(3,551)	(0.6)	(2,295)	(0.8)	(1,402)	(0.5)
Changes in the carrying amount of redemption liabilities	(26,185)	(7.5)	(26,201)	(4.9)	-	-	-	-	-	-
Profit before taxation	7,530	2.1	67,611	12.7	28,555	5.1	23,420	8.2	27,133	8.0
Income tax	(735)	(0.2)	(9,515)	(1.8)	2,901	0.5	73	0.0	(788)	(0.2)
Profit for the year/period . .	6,795	1.9	58,096	10.9	31,456	5.6	23,493	8.2	26,345	7.8
Profit for the year/period attributable to:										
Equity shareholders of the Company	6,949	2.0	58,093	10.9	33,007	5.8	24,345	8.5	26,446	7.8
Non-controlling interests . .	(154)	(0.1)	3	-	(1,551)	(0.2)	(852)	(0.3)	(101)	(0.0)

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Non-HKFRS Measure

To supplement our consolidated financial information, which is presented in accordance with HKFRS, we also use adjusted net profit (non-HKFRS measure) as an additional financial measure, which is not required by, or presented in accordance with HKFRS. We believe this non-HKFRS measure facilitates comparisons of operating performance from year to year or period to period by eliminating potential impacts of certain items. We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management. However, such non-HKFRS financial measure presented by us may not be directly comparable to similar measures presented by other companies. The use of this non-HKFRS measure should not be considered as a substitute for an analysis of our results of operations or financial condition as reported under HKFRS.

We define adjusted net profit (non-HKFRS measure) as profit for the year/period adjusted by adding back (i) equity-settled share-based payment expenses, (ii) changes in the carrying amount of redemption liabilities and (iii) [REDACTED], net of income tax. The following table reconciles our adjusted net profit (non-HKFRS measure) with the nearest measure presented in accordance with HKFRS for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
				<i>(unaudited)</i>	
				<i>(RMB in thousands)</i>	
Profit for the year/period . . .	<u>6,795</u>	<u>58,096</u>	<u>31,456</u>	<u>23,493</u>	<u>26,345</u>
Add:					
– Equity-settled share-based payment expenses ⁽¹⁾	3,971	1,304	845	396	445
– Changes in the carrying amount of redemption liabilities ⁽²⁾	26,185	26,201	–	–	–
– [REDACTED] ⁽³⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Income tax	<u>–</u>	<u>–</u>	<u>(1,494)</u>	<u>–</u>	<u>(402)</u>
Adjusted net profit for the year/period (non-HKFRS measure). . . .	<u><u>36,951</u></u>	<u><u>85,601</u></u>	<u><u>40,764</u></u>	<u><u>23,889</u></u>	<u><u>29,066</u></u>

Notes:

- (1) Equity-settled share-based payment expenses mainly represent the non-cash employee benefit expenses incurred in connection with our awards granted to management and key employees. Such expenses in any specific period are not expected to result in future cash payments.
- (2) Changes in the carrying amount of redemption liabilities relate to the redemption rights granted to investors in historical financings. Such redemption rights were terminated on January 1, 2025 and therefore the redemption liabilities recognized have been reclassified to equity since then. See Note 24 to “Appendix I — Accountants’ Report” to this document for details.
- (3) [REDACTED] relate to our [REDACTED].

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Revenue

The following table sets forth the breakdown of our revenue by main application scenarios, in absolute amounts and as percentages of total revenue, for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Wearable devices	268,772	76.5	417,937	78.4	427,099	75.5	211,506	74.1	227,218	67.4
Personal smart medical devices	28,275	8.1	46,813	8.8	61,138	10.8	28,986	10.1	39,960	11.9
Portable energy storage battery packs	27,881	7.9	33,383	6.3	25,473	4.5	16,392	5.7	13,438	4.0
Smart educational and entertainment devices . . .	–	–	410	0.1	2,168	0.4	353	0.1	1,147	0.3
Development services	4,200	1.2	1,672	0.3	12,325	2.2	5,341	1.9	38,071	11.3
Others ⁽¹⁾	22,034	6.3	32,644	6.1	37,146	6.6	23,274	8.1	17,329	5.1
Total	351,162	100.0	532,859	100.0	565,349	100.0	285,852	100.0	337,163	100.0

Note:

- (1) Mainly comprising revenue generated from large energy storage solutions, scrap material sales and batteries for atomizers.

During the Track Record Period, revenue derived from wearable devices formed our largest revenue segment, accounting for 76.5%, 78.4%, 75.5%, 74.1% and 67.4% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively. The continued increase in our revenue was primarily driven by (i) a surge in orders from our existing customers, and (ii) our enhanced technology, increased brand influence and expanded production capacity, which enabled us to attract new customers and fulfill their orders.

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The following table sets forth a breakdown of our revenue by geographical location, in absolute amounts and as percentages of our total revenue, for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)									
	(in thousands, except for percentages)									
Chinese Mainland	252,432	71.9	396,450	74.4	401,970	71.1	207,424	72.6	213,243	63.2
Asia (excluding Chinese Mainland)	91,646	26.1	128,428	24.1	145,655	25.8	70,149	24.5	81,756	24.2
Europe ⁽¹⁾	6,190	1.8	4,875	0.9	10,534	1.9	5,926	2.1	37,083	11.0
Others ⁽²⁾	894	0.2	3,106	0.6	7,190	1.2	2,353	0.8	5,081	1.6
Total	351,162	100.0	532,859	100.0	565,349	100.0	285,852	100.0	337,163	100.0

Notes:

- (1) Mainly comprising Finland, Denmark, Switzerland and the Netherlands. In particular, revenue generated from Finland accounted for 0.3%, 0%, 0.1%, 0.1% and 7.1% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.
- (2) Mainly comprising the United States of America and Tanzania. In particular, revenue generated from the United States of America accounted for 0.2%, 0.5%, 1.1%, 0.6% and 1.5% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

Our significant revenue growth in 2024 was primarily driven by increased shipment volume of our core mini-size lithium-ion battery products, rather than by increases in average selling prices. By application scenario, wearable devices remained the principal driver of our revenue growth, with revenue increasing from RMB268.8 million in 2023 to RMB417.9 million in 2024, accounting for 78.4% of our total revenue in 2024, while sales volume increased from 58,029 thousand units to 100,355 thousand units and average selling price decreased from RMB4.6 to RMB4.2. Such growth was mainly attributed to increased sales, in terms of both volume and range of models, catering to existing key end-customers, including Xiaomi, GN and Bose. Newer battery models also entered a greater production phase as the relevant technologies and production processes continued to mature. We also secured new end-customers and projects in 2024 and received increased orders for batteries used in hearing aids, smart watches and bracelets and portable medical devices. In addition, our gross margin increased from 29.0% in 2023 to 35.0% in 2024, primarily due to economies of scale, lower raw material prices and improved operational efficiency.

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Sales Volume and Average Selling Price

The following table sets forth the breakdown of the sales volume and average selling price of our products and services by main application scenarios for the years/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
		RMB		RMB		RMB		RMB		RMB
<i>(sales volume in thousands)</i>										
Wearable devices	58,029	4.6	100,355	4.2	114,534	3.7	55,707	3.8	53,140	4.3
Personal smart medical devices	1,655	17.1	3,070	15.2	4,208	14.5	2,001	14.5	2,876	13.9
Portable energy storage battery packs	403	69.2	619	53.9	394	64.7	277	59.1	456	29.4
Smart educational and entertainment devices	–	–	37	11.1	277	7.8	31	11.2	102	11.2
Development services ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Others ⁽²⁾	2,183	12.0	4,205	8.2	3,993	9.3	2,673	8.7	1,462	17.2

Note:

- (1) Due to differences in the scope, complexity and customization requirements of individual development projects, the sales volume and average selling price of development services are not indicative of any general volume or pricing trend. During the Track Record Period, the average revenue generated per development project generally ranged from RMB0.1 million to RMB6.3 million.
- (2) Mainly comprising large energy storage solutions, scrap material sales and batteries for atomizers.

The average selling price of our batteries used in wearable devices decreased from 2023 to 2025, mainly because of (i) a change in the battery mix sold within this segment, primarily due to increased sales volumes of the lower-priced products, despite overall pricing remaining relatively stable, and (ii) a decrease in raw material prices. It subsequently increased from RMB3.8 for the six months ended June 30, 2025 to RMB4.3 for the six months ended June 30, 2026, primarily due to upward pricing adjustments for certain customers and an increase in the sales contribution of certain higher-priced products, mainly pouch batteries used in earbud charging cases.

The average selling price of our batteries used in personal smart medical devices decreased during the Track Record Period, mainly because of a change in the battery mix sold within this segment, primarily due to increased sales volumes of the lower-priced products, despite overall pricing remaining relatively stable.

The average selling price of our batteries sold for portable energy storage battery packs fluctuated from 2023 to 2025, primarily due to the limited sales volume and small-batch orders during the initial development of this relatively new segment. In 2025, we increased sales of certain battery modules for home and outdoor energy storage, which generally commanded higher selling prices. The average selling price decreased from RMB59.1 for the six months ended June 30, 2025 to RMB29.4 for the six months ended June 30, 2026. As the selling prices of batteries sold for portable energy storage battery packs generally depend on the number of battery cells incorporated therein, such decrease was

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primarily attributable to a change in product mix following a strategic adjustment to our product portfolio in 2026, which resulted in increased sales volumes of energy storage modules for end products such as speakers, cameras and dashboard cameras that contained fewer battery cells than those for outdoor energy storage applications primarily sold in 2025.

The average selling price for our batteries sold for smart educational and entertainment devices fluctuated as this was also a relatively new segment. We will continue diversifying our offerings into further applications.

No clear trend could be identified in the average selling price of products classified under others, due to the diverse mix of products included in this category.

Cost of Sales

Our cost of sales primarily consisted of (i) costs of direct materials used for battery production, primarily comprising cathode materials, anode materials and electrolytes, (ii) direct labor costs, (iii) manufacturing costs, (iv) outsourced processing costs and (v) others.

The table below sets forth a breakdown of our cost of sales for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)									
	(in thousands, except for percentages)									
Direct materials	96,225	38.6	136,295	39.3	139,558	36.3	71,892	37.4	100,023	44.2
Direct labor costs	46,689	18.7	64,037	18.5	67,012	17.4	34,749	18.1	35,664	15.7
Manufacturing costs	85,061	34.1	105,396	30.4	127,188	33.1	63,456	33.0	65,643	28.9
Outsourced processing costs	15,535	6.2	28,042	8.1	43,900	11.4	19,084	9.9	22,995	10.1
Others ⁽¹⁾	5,898	2.4	12,836	3.7	6,526	1.7	3,093	1.6	2,482	1.1
Total	249,408	100.0	346,606	100.0	384,184	100.0	192,274	100.0	226,807	100.0

Note:

(1) Primarily comprising scrap costs.

Our cost of sales increased by 39.0% from RMB249.4 million in 2023 to RMB346.6 million in 2024, in line with the increase in sales volume. Our cost of sales increased by 10.8% from RMB346.6 million in 2024 to RMB384.2 million in 2025, mainly driven by increased customer orders and our expanded production scale and rising prices of key raw materials such as LCO. Our cost of sales increased by 18.0% from RMB192.3 million for the six months ended June 30, 2025 to RMB226.8 million for the six months ended June 30, 2026, primarily due to (i) higher prices of direct materials, particularly LCO, and (ii) increased sales volume of prismatic pouch batteries, which involved relatively higher raw material consumption.

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From 2023 to 2024, our direct material costs increased by 41.6% from RMB96.2 million to RMB136.3 million, mainly attributable to the increased sales volume, partially offset by reduced raw material purchase prices. Our direct labor costs increased by 37.2% from RMB46.7 million to RMB64.0 million, primarily attributable to our expanded production scale. Our manufacturing costs increased by 23.9% from RMB85.1 million to RMB105.4 million, driven by higher depreciation, higher wages of manufacturing management personnel and increased utility usage mainly due to our facility expansion. Our outsourced processing costs increased by 80.5% from RMB15.5 million to RMB28.0 million, largely in line with the growth in our sales volume. Our other costs increased by 117.6% from RMB5.9 million to RMB12.8 million.

From 2024 to 2025, our direct material costs increased by 2.4% from RMB136.3 million to RMB139.6 million, mainly attributable to the increase in raw material prices and sales volume. Our direct labor costs increased by 4.6% from RMB64.0 million to RMB67.0 million, primarily attributable to the increase in sales volume, which resulted in cost growth generally in line with our revenue growth. Our manufacturing costs increased by 20.7% from RMB105.4 million to RMB127.2 million, mainly due to depreciation of manufacturing facilities and production equipment, wages of manufacturing management personnel and increased utility consumption. Our outsourced processing costs increased by 56.5% from RMB28.0 million to RMB43.9 million, mainly due to the increased sales volume. Our other costs decreased by 49.2% from RMB12.8 million to RMB6.5 million.

For the six months ended June 30, 2026 compared with the six months ended June 30, 2025, our direct material costs increased by 39.1% from RMB71.9 million to RMB100.0 million, primarily due to the increase in the purchase prices of key raw materials, including LCO and graphite, as well as higher material consumption resulting from the increase in sales volume of prismatic batteries. Our manufacturing costs increased by 3.4% from RMB63.5 million to RMB65.6 million. Our outsourced processing costs increased by 20.5% from RMB19.1 million to RMB23.0 million, primarily due to the increased outsourcing of certain non-core production processes for mature products as part of our lean management initiatives, thereby optimizing our resource allocation and enhancing our capacity for the rapid ramp-up and mass production of new product categories. Our direct labor costs remained relatively stable at RMB34.7 million and RMB35.7 million, respectively, while our other costs decreased by 19.8% from RMB3.1 million to RMB2.5 million.

In general, the prices of certain key raw materials, particularly LCO, decreased from 2023 to 2024, began to increase in early 2025 and continued to increase and remained volatile at elevated levels during the six months ended June 30, 2026. Changes in raw material prices generally affect our cost of sales and profitability and may also affect our average selling prices, depending on whether and to what extent such changes can be passed on to our customers. Our direct material costs were also affected by multiple other factors, including continuous supply chain optimization and technological innovation, which helped mitigate the adverse impact of raw material price fluctuations on our gross margin.

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The table below sets forth a breakdown of our cost of sales by application scenarios for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)									
	(in thousands, except for percentages)									
Wearable devices	192,623	77.2	281,666	81.3	311,799	81.2	151,450	78.8	173,351	76.5
Personal smart medical devices	17,783	7.1	17,494	5.0	29,245	7.6	14,540	7.6	19,109	8.4
Portable energy storage battery packs	28,139	11.3	32,301	9.3	24,690	6.4	16,183	8.4	14,024	6.2
Smart educational and entertainment devices . . .	–	–	318	0.1	2,649	0.7	234	0.1	1,429	0.6
Development services	50	0.1	127	0.1	189	0.1	67	0.1	8,719	3.8
Others ⁽¹⁾	10,813	4.3	14,700	4.2	15,612	4.0	9,800	5.0	10,175	4.5
Total	249,408	100.0	346,606	100.0	384,184	100.0	192,274	100.0	226,807	100.0

Note:

- (1) Primarily comprising costs associated with large energy storage solutions, scrap material sales and batteries for atomizers, including raw material costs, labor costs and other directly attributable costs, where applicable.

Sales Volume and Unit Cost

The following table sets forth the breakdown of the sales volume and unit cost of our products and services by application scenarios for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Sales Volume	Unit Cost	Sales Volume	Unit Cost	Sales Volume	Unit Cost	Sales Volume	Unit Cost	Sales Volume	Unit Cost
	RMB									
	(sales volume in thousands)									
Wearable devices	58,029	3.3	100,355	2.8	114,534	2.7	55,707	2.7	53,140	3.3
Personal smart medical devices	1,655	10.7	3,070	5.7	4,208	6.9	2,001	7.3	2,876	6.6
Portable energy storage battery packs	403	69.8	619	52.2	394	62.7	277	58.4	456	30.7
Smart educational and entertainment devices	–	–	37	8.6	277	9.5	31	7.4	102	14.0
Development services ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Others ⁽²⁾	2,183	5.0	4,205	3.5	3,993	3.9	2,673	3.7	1,462	7.0

Notes:

- (1) Due to differences in the scope, complexity and customization requirements of individual development projects, the sales volume and unit cost of development services are not indicative of any general volume or cost trend. During the Track Record Period, the unit cost per development project generally ranged from RMB2 thousand to RMB1.5 million.

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- (2) Mainly comprising large energy storage solutions, scrap material sales and batteries for atomizers.

Sensitivity Analysis

In 2023, 2024, 2025 and the six months ended June 30, 2026, our direct material costs (as part of cost of sales) were RMB96.2 million, RMB136.3 million, RMB139.6 million and RMB100.0 million, respectively. For illustrative purposes only, assuming that all other factors affecting our financial performance remain constant and that fluctuations in direct material prices cannot be passed on to customers through price adjustment mechanisms, the following table sets forth the impact of 1% and 5% increases or decreases in the average prices of direct materials on our profit before taxation during the Track Record Period:

	As of December 31,			As of
	2023	2024	2025	June 30,
	RMB	RMB	RMB	2026
	(in thousands)			RMB

Fluctuations in the average price of direct materials

-/+1%	+/-962.2	+/-1,362.9	+/-1,395.6	+/-1,000.2
-/+5%	+/-4,811.3	+/-6,814.7	+/-6,977.9	+/-5,001.1

The average price fluctuations of direct materials illustrated above only account for variations in a single factor. Our operating performance is influenced by the interplay of multiple factors, including our procurement and inventory management practices, production efficiency, and automation. To address material price fluctuations and supply risks, we take measures such as long-term procurement arrangements, while continuously strengthening our supply chain network and improving our supply chain management system. We also manage our direct material inventory with a typical cycle of 9-10 weeks and monitor inventory levels in real time via our ERP system, which integrates with production schedules to trigger procurement orders automatically when stock falls below certain thresholds.

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Gross Profit and Gross Margin

The following table sets forth the breakdown of our gross profit and gross margin by main application scenarios for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross profit/(loss)	Gross margin	Gross profit/(loss)	Gross margin	Gross profit/(loss)	Gross margin	Gross profit/(loss)	Gross margin	Gross profit/(loss)	Gross margin
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)										
Wearable devices	76,149	28.3	136,271	32.6	115,300	27.0	60,056	28.4	53,867	23.7
Personal smart medical devices	10,492	37.1	29,319	62.6	31,892	52.2	14,446	49.8	20,851	52.2
Portable energy storage battery packs	(258)	(0.9)	1,082	3.2	783	3.1	209	1.3	(586)	(4.4)
Smart educational and entertainment devices	–	–	92	22.4	(481)	(22.2)	119	33.7	(282)	(24.6)
Development services . .	4,150	98.8	1,545	92.4	12,136	98.5	5,274	98.7	29,352	77.1
Others ⁽¹⁾	11,221	50.9	17,944	55.0	21,535	58.0	13,474	57.9	7,154	41.3
Total/Overall	101,754	29.0	186,253	35.0	181,165	32.0	93,578	32.7	110,356	32.7

Note:

- (1) Mainly comprising large energy storage solutions, scrap material sales and batteries for atomizers.

For products used in wearable devices, we recorded gross profit of RMB76.1 million, RMB136.3 million, RMB115.3 million, RMB60.1 million and RMB53.9 million, and gross margin of 28.3%, 32.6%, 27.0%, 28.4% and 23.7% in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

For products used in personal smart medical devices, we recorded gross profit of RMB10.5 million, RMB29.3 million, RMB31.9 million, RMB14.5 million and RMB20.9 million, and gross margin of 37.1%, 62.6%, 52.2%, 49.8% and 52.2% in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

For products used in portable energy storage battery packs, we turned from a gross loss of RMB0.3 million, representing a negative gross margin of 0.9%, in 2023 to a gross profit of RMB1.1 million, representing a gross margin of 3.2%, in 2024. In 2025, we recorded a gross profit of RMB0.8 million, representing a gross margin of 3.1%. In the six months ended June 30, 2025, we recorded a gross profit of RMB0.2 million, representing a gross margin of 1.3%. In the six months ended June 30, 2026, we recorded a gross loss of RMB0.6 million, representing a negative gross margin of 4.4%.

For products used in smart educational and entertainment devices, we recorded a gross profit of RMB92 thousand, representing a gross margin of 22.4%, in 2024. In 2025, we recorded a gross loss of RMB0.5 million, representing a negative gross margin of 22.2%, as such products remained at an early stage of commercialization. In the six months ended June 30, 2025, we recorded a gross profit of RMB0.1 million, representing a gross margin of 33.7%. In the six months ended June 30, 2026, we recorded a gross loss of RMB0.3 million, representing a negative gross margin of 24.6%.

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For development services, we recorded gross profit of RMB4.2 million, RMB1.5 million, RMB12.1 million, RMB5.3 million and RMB29.4 million, and gross margin of 98.8%, 92.4%, 98.5%, 98.7% and 77.1% in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

For others, we recorded gross profit of RMB11.2 million, RMB17.9 million, RMB21.5 million, RMB13.5 million and RMB7.2 million, and gross margin of 50.9%, 55.0%, 58.0%, 57.9% and 41.3% in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively.

As a result of the foregoing, our overall gross profit increased by 83.0% from RMB101.8 million in 2023 to RMB186.3 million in 2024, and gross margin increased from 29.0% in 2023 to 35.0% in 2024. Our overall gross profit decreased by 2.7% from RMB186.3 million in 2024 to RMB181.2 million in 2025, and gross margin decreased from 35.0% in 2024 to 32.0% in 2025. Our overall gross profit increased by 17.9% from RMB93.6 million for the six months ended June 30, 2025 to RMB110.4 million for the six months ended June 30, 2026, and our overall gross margin remained stable at 32.7% for both periods. Please refer to “— Period to Period Comparison of Results of Operations” for further information.

The following table sets forth a breakdown of our gross profit and gross profit margin by geographical location for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(unaudited)									
	(in thousands, except for percentages)									
Chinese Mainland . . .	45,645	18.1	104,581	26.4	93,575	23.3	49,524	23.9	46,904	22.0%
Asia (excluding										
Chinese Mainland) . .	52,275	57.0	78,326	61.0	74,966	51.5	37,968	54.1	33,870	41.4%
Europe ⁽¹⁾	3,402	54.9	1,852	38.0	7,220	68.5	4,372	73.8	25,606	69.1
Others ⁽²⁾	432	48.3	1,494	48.1	5,404	75.2	1,714	72.8	3,976	78.3
Total/Overall	<u>101,754</u>	29.0	<u>186,253</u>	35.0	<u>181,165</u>	32.0	<u>93,578</u>	32.7	<u>110,356</u>	32.7

Notes:

- (1) Mainly comprising Finland, Denmark, Switzerland and the Netherlands.
- (2) Mainly comprising the United States of America and Tanzania.

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Other Income

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

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(unaudited)</i>									
	<i>(in thousands, except for percentages)</i>									
Government grants ⁽¹⁾	6,709	51.3	13,448	51.6	9,907	54.2	5,365	50.3	6,272	156.6
Investment income	4,230	32.4	3,987	15.3	3,068	16.8	1,577	14.8	314	7.8
Interest income from bank deposits	2,147	16.4	4,909	18.8	4,388	24.0	1,889	17.7	2,832	70.7
Net (loss)/gains on disposal of property, plant and equipment and right-of-use assets	(24)	(0.2)	(85)	(0.3)	(7)	–	(12)	(0.1)	159	4.0
Net foreign exchange (loss)/gain	(720)	(5.5)	2,037	7.8	(3,229)	(17.7)	(374)	(3.5)	(6,234)	(155.7)
Net loss on disposal of a subsidiary	–	–	–	–	(59)	(0.3)	–	–	–	–
Additional value-added tax deduction	788	6.0	2,020	7.8	5,542	30.3	2,178	20.4	1,307	32.6
Others	(62)	(0.5)	(256)	(1.0)	(1,316)	(7.2)	42	0.4	(646)	(16.1)
Total	13,068	100.0	26,060	100.0	18,294	100.0	10,665	100.0	4,004	100.0

Note:

- (1) Government grants were primarily related to (i) manufacturing and technology upgrade subsidies, (ii) research and development and innovation support, (iii) employment-related subsidies, and (iv) local investment and business development incentives, including rental, utility and tax-related subsidies. The principal granting authorities included, among others, Anyuan County Government (安遠縣政府), Economic Development Bureau of Huizhou Zhongkai High-tech Industrial Development Zone (惠州仲愷高新技術產業開發區經濟發展局), Ganzhou Municipal Science and Technology Bureau (贛州市科學技術局), Anyuan County Administrative Approval Bureau (安遠縣行政審批局), and certain other Jiangxi provincial authorities. Such government grants were generally one-off in nature. However, certain asset-related government grants were recognized over multiple accounting periods through amortization as deferred income over the useful lives of the relevant assets. The eligibility criteria and conditions attached to such government grants varied by program, but generally included, without limitation, (1) making certain qualifying fixed asset investments; (2) procuring equipment; (3) obtaining certain innovation-related qualifications or recognitions, such as high-tech enterprise recognition or patent-related qualifications, (4) meeting prescribed research and development spending levels; and (5) satisfying the applicable project completion or acceptance requirements.

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, other income represented 3.7%, 4.9%, 3.2%, 3.7% and 1.2% of our total revenue, respectively.

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Selling expenses

Our selling expenses primarily consisted of (i) employee benefits expenses, (ii) consulting service fees primarily for our overseas distribution, (iii) business development expenses, (iv) equity-settled share-based payment expenses, (v) travel expenses, and (vi) others. The following table sets forth a breakdown of our selling expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Employee benefits expenses	6,428	41.8	10,230	44.5	8,792	39.1	6,060	48.1	5,392	48.2
Consulting service fees	4,921	32.0	7,940	34.5	9,739	43.3	4,711	37.4	2,523	22.5
Business development expenses	1,398	9.1	1,923	8.4	2,226	9.9	1,201	9.5	854	7.6
Equity-settled share-based payment expenses	792	5.2	484	2.1	—	—	—	—	—	—
Travel expenses	394	2.6	731	3.2	963	4.3	372	3.0	296	2.6
Others	1,434	9.3	1,683	7.3	768	3.4	258	2.0	2,128	19.0
Total	15,367	100.0	22,991	100.0	22,488	100.0	12,602	100.0	11,193	100.0

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our selling expenses represented 4.4%, 4.3%, 4.0%, 4.4% and 3.3% of our total revenue, respectively.

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefits expenses, (ii) equity-settled share-based payment expenses, (iii) taxes and surcharges, (iv) professional service fees, (v) lease expenses, (vi) office and utilities expenses, (vii) depreciation and amortization, (viii) business development expenses, (ix) travel expenses and (x) others. The following table sets forth a breakdown of our administrative expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
Employee benefits expenses	10,443	43.1	16,993	45.2	23,672	46.1	13,345	62.2	13,098	48.9
Equity-settled share-based payment expenses	808	3.3	398	1.1	77	0.1	36	0.2	40	0.1
Taxes and surcharges	2,589	10.7	4,399	11.7	3,397	6.6	1,219	5.7	2,158	8.1
Professional service fees	2,032	8.4	2,744	7.3	10,793	21.0	334	1.6	4,064	15.2
Lease expenses	600	2.5	947	2.5	1,142	2.2	783	3.6	622	2.3
Office and utilities expenses	1,077	4.4	1,939	5.2	2,118	4.1	1,173	5.5	1,129	4.2
Depreciation and amortization	3,030	12.5	4,091	10.9	3,844	7.5	1,703	7.9	2,056	7.7
Business development expenses	570	2.4	1,295	3.4	845	1.6	434	2.0	410	1.5
Travel expenses	777	3.2	1,000	2.7	1,013	2.0	535	2.5	450	1.7
Others	2,277	9.4	3,753	10.0	4,489	8.7	1,895	8.8	2,744	10.3
Total	24,203	100.0	37,559	100.0	51,390	100.0	21,457	100.0	26,771	100.0

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In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our administrative expenses represented 6.9%, 7.0%, 9.1%, 7.5% and 7.9% of our total revenue, respectively.

Research and Development Costs

Our research and development costs consisted primarily of (i) employee benefits expenses, (ii) materials, utilities and maintenance expenses, (iii) depreciation and amortization, (iv) equity-settled share-based payment expenses, and (v) others. The following table sets forth a breakdown of our research and development costs for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2023		2024		2025		2025		2026	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(unaudited)</i>									
	<i>(in thousands, except for percentages)</i>									
Employee benefits expenses	22,397	58.8	36,843	67.8	58,262	62.3	30,056	67.5	28,293	59.1
Materials, utilities and maintenance expenses	9,392	24.7	11,546	21.2	27,753	29.7	9,531	21.4	13,292	27.8
Depreciation and amortization	4,520	11.9	4,852	8.9	6,034	6.5	4,191	9.4	5,689	11.9
Equity-settled share-based payment expenses	1,425	3.7	467	0.9	664	0.7	310	0.7	348	0.7
Others	361	0.9	631	1.2	791	0.8	434	1.0	240	0.5
Total	38,095	100.0	54,339	100.0	93,504	100.0	44,522	100.0	47,862	100.0

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our research and development costs represented 10.8%, 10.2%, 16.5%, 15.6% and 14.2% of our total revenue, respectively.

(Impairment Loss)/Reversal of Impairment Loss of Trade and Other Receivables

Our impairment loss of trade and other receivables is primarily in relation to expected credit losses on trade receivables. In 2023 and 2024, we recognized impairment losses on trade and other receivables of RMB0.4 million and RMB0.4 million, respectively. In 2025, we recorded a reversal of impairment loss of RMB29 thousand, primarily due to a reduction in the previously estimated credit risks. In the six months ended June 30, 2025 and 2026, we recorded reversals of impairment loss of trade and other receivables of RMB53 thousand and RMB1 thousand, respectively.

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Finance Costs

Our finance costs primarily consist of (i) interest on lease liabilities, (ii) interest on bank loans and (iii) others. The following table sets forth a breakdown of our finance costs for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB	RMB	RMB	RMB	RMB
				<i>(unaudited)</i>	
				<i>(in thousands)</i>	
Interest on lease liabilities . . .	1,527	2,437	1,779	1,222	714
Interest on bank loans	618	349	839	339	604
Others	899	382	933	734	84
Total	3,044	3,168	3,551	2,295	1,402

In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, our finance costs represented 0.9%, 0.6%, 0.6%, 0.8% and 0.4% of our total revenue, respectively.

Changes in the Carrying Amount of Redemption Liabilities

We recorded changes in the carrying amounts of our redemption liabilities of RMB26.2 million, RMB26.2 million, nil and nil, in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. Such redemption rights were terminated in January 2025. Hence, the redemption liabilities were reclassified to equity thereafter.

Income Tax

Our income tax expenses primarily consist of current income tax and deferred income tax pursuant to the relevant income tax rules and regulations in the jurisdictions where we operate. In 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, we recorded income tax of RMB0.7 million, RMB9.5 million, negative RMB2.9 million, negative RMB0.1 million and RMB0.8 million, respectively.

Our Company and our subsidiaries in the PRC are generally subject to PRC corporate income tax at a rate of 25%, while our Company and a subsidiary qualified as high-tech enterprises were subject to a preferential tax rate of 15%. Our Hong Kong subsidiary is subject to a two-tiered profits tax regime of 8.25% for the first HKD2,000,000 of assessable profits and 16.5% on any excess. Our Vietnam subsidiary is subject to Vietnam corporate income tax at rates ranging from 15% to 20% of its annual taxable income.

Profit for the Year/Period

As a result, we recorded profits of RMB6.8 million, RMB58.1 million, RMB31.5 million, RMB23.5 million and RMB26.3 million in 2023, 2024, 2025 and the six months ended June 30, 2025 and 2026, respectively, representing 1.9%, 10.9%, 5.6%, 8.2% and 7.8% of our revenue in the respective periods. For details, see “— Period to Period Comparison of Results of Operations.”

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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 by 18.0% from RMB285.9 million for the six months ended June 30, 2025 to RMB337.2 million for the six months ended June 30, 2026, primarily due to increases in revenue from batteries used in wearable devices and personal smart medical devices, as well as revenue from development services, partially offset by a decrease in revenue from portable energy storage battery packs.

Our revenue derived from wearable devices increased by 7.4% from RMB211.5 million for the six months ended June 30, 2025 to RMB227.2 million for the six months ended June 30, 2026, primarily due to an increase in the average selling price of our products and increased orders for certain higher-value product models from existing customers, particularly Xiaomi and Shokz. The increased orders were primarily driven by the continued growth of our cooperation with Xiaomi and increased market demand for Shokz’s products, and the increase in average selling price was primarily attributable to a greater sales contribution from higher-priced pouch batteries used in charging cases.

Our revenue derived from personal smart medical devices increased by 37.9% from RMB29.0 million for the six months ended June 30, 2025 to RMB40.0 million for the six months ended June 30, 2026, primarily due to increased orders for batteries used in hearing aids from existing customers and the commencement of large-scale commercial orders from a new customer, being a leading global manufacturer of high-end hearing aids, following the sample supply stage, reflecting increased customer recognition and market penetration of our products in the global high-end medical device market.

Our revenue derived from portable energy storage battery packs decreased by 18.0% from RMB16.4 million for the six months ended June 30, 2025 to RMB13.4 million for the six months ended June 30, 2026, primarily due to (i) the strategic scaling back of our higher-priced outdoor energy storage battery pack product line, which resulted in a decrease in average selling price, and (ii) limited revenue contribution from new, higher-priced product categories, such as battery modules used in dashboard cameras, which were still in the production ramp-up phase.

Our revenue derived from development services increased by 612.8% from RMB5.3 million for the six months ended June 30, 2025 to RMB38.1 million for the six months ended June 30, 2026, primarily due to higher-value development projects undertaken for newly acquired leading customers. Such projects primarily involved bent batteries and replaceable batteries for smart ring and AI toys development projects, which were more technically sophisticated and had significantly higher energy density, thereby requiring substantial R&D resources from us. Given their critical role in enhancing the functionality, performance and market competitiveness of the relevant customers’ end products, these projects generally commanded higher development fees.

Our revenue derived from others decreased by 25.5% from RMB23.3 million for the six months ended June 30, 2025 to RMB17.3 million for the six months ended June 30, 2026, primarily due to a decrease of RMB6.0 million in revenue from batteries for atomizers.

Cost of Sales

Our cost of sales increased by 18.0% from RMB192.3 million for the six months ended June 30, 2025 to RMB226.8 million for the six months ended June 30, 2026, generally in line with the increase in our revenue during the same period.

Our direct material costs increased from RMB71.9 million for the six months ended June 30, 2025 to RMB100.0 million for the six months ended June 30, 2026, primarily due to

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increases in the prices of key raw materials, particularly LCO and graphite, and increased sales volume of prismatic batteries, which generally incurred higher material costs. Our direct labor costs increased slightly from RMB34.7 million to RMB35.7 million, primarily due to a general increase in employee compensation. Our manufacturing costs increased from RMB63.5 million to RMB65.6 million, primarily due to increased depreciation of manufacturing facilities and production equipment. Our outsourced processing costs increased from RMB19.1 million to RMB23.0 million, primarily due to the increased outsourcing of certain non-core production processes for mature products as part of our lean management initiatives, thereby optimizing our resource allocation and enhancing our capacity for the rapid ramp-up and mass production of new product categories.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 17.9% from RMB93.6 million for the six months ended June 30, 2025 to RMB110.4 million for the six months ended June 30, 2026. As the increase in our cost of sales was generally in line with the increase in our revenue, our overall gross margin remained stable at 32.7% for each of the six months ended June 30, 2025 and 2026.

The gross margin of our products used in wearable devices decreased from 28.4% for the six months ended June 30, 2025 to 23.7% for the six months ended June 30, 2026, primarily due to (i) increases in raw material prices, particularly LCO, (ii) increased sales volume of prismatic pouch batteries, the production of which involved relatively higher raw material consumption, and (iii) a lower export VAT refund rate applicable to the relevant products, partially offset by an increase in the average selling price of such products. The gross margin of our products used in personal smart medical devices increased from 49.8% to 52.2%, primarily due to economies of scale resulting from increased sales volume and an increased revenue contribution from higher-margin customers and products, including increased commercial orders from a new customer, being a leading global manufacturer of high-end hearing aids, following the sample supply stage. The gross margin of our products used in portable energy storage battery packs decreased from 1.3% to negative 4.4%, primarily due to (i) the strategic scaling back of our higher-priced outdoor energy storage battery pack product line, which resulted in a decrease in average selling price, and (ii) the substantial discontinuation of certain existing product lines while new products had yet to reach full-scale production, resulting in lower production capacity utilization and higher fixed costs per unit. The gross margin of our products used in smart educational and entertainment devices decreased from 33.7% for the six months ended June 30, 2025 to negative 24.6% for the six months ended June 30, 2026, primarily because certain newly developed products, including batteries used in gaming controllers, remained at the production ramp-up stage with relatively limited production volumes and had yet to achieve economies of scale, resulting in relatively higher fixed costs per unit. The gross profit generated from our development services increased by approximately 456.5% from RMB5.3 million for the six months ended June 30, 2025 to RMB29.4 million for the six months ended June 30, 2026, demonstrating our ability to commercialize our technological capabilities and our competitive strengths in providing technology-driven development services. The gross margin of our development services decreased from 98.7% to 77.1%, primarily due to higher research and development and trial production costs incurred for smart ring development projects. The increased contribution from our higher-margin businesses offset the impact of structural adjustments to certain lower-margin businesses, allowing our overall gross margin to remain stable during our business transformation.

Other Income

Our other income decreased by 62.5% from RMB10.7 million for the six months ended June 30, 2025 to RMB4.0 million for the six months ended June 30, 2026, primarily due to an increase in net foreign exchange loss from RMB0.4 million to RMB6.2 million, mainly attributable to the impact of fluctuations in the exchange rate between the U.S.

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dollar and Renminbi, as well as lower investment income and additional value-added tax deductions, partially offset by higher government grants and interest income from bank deposits.

Selling Expenses

Our selling expenses decreased by 11.2% from RMB12.6 million for the six months ended June 30, 2025 to RMB11.2 million for the six months ended June 30, 2026, primarily due to (i) a decrease in consulting service fees as a result of reduced commission rates for certain long-standing customers, and (ii) a decrease in employee benefits expenses primarily due to adjustments to the sales incentive policy for our sales personnel responsible for certain regions based on customer profitability, partially offset by an increase in after-sales service expenses.

Administrative Expenses

Our administrative expenses increased by 24.8% from RMB21.5 million for the six months ended June 30, 2025 to RMB26.8 million for the six months ended June 30, 2026, primarily due to an increase in professional service fees, including [REDACTED] incurred in connection with the [REDACTED].

Research and Development Costs

Our research and development costs increased by 7.5% from RMB44.5 million for the six months ended June 30, 2025 to RMB47.9 million for the six months ended June 30, 2026, primarily due to increases in materials, utilities and maintenance expenses and depreciation and amortization expenses as a result of increased research and development activities.

Reversal of Impairment Loss of Trade and Other Receivables

We recorded reversals of impairment loss of trade and other receivables of RMB53 thousand and RMB1 thousand for the six months ended June 30, 2025 and 2026, respectively.

Finance Costs

Our finance costs decreased by 38.9% from RMB2.3 million for the six months ended June 30, 2025 to RMB1.4 million for the six months ended June 30, 2026, primarily due to (i) a decrease in interest on lease liabilities from RMB1.2 million to RMB0.7 million and (ii) a decrease in other finance costs from RMB0.7 million to RMB0.1 million, partially offset by an increase in interest on bank loans from RMB0.3 million to RMB0.6 million.

Income Tax

We recorded an income tax credit of RMB0.1 million for the six months ended June 30, 2025 and an income tax expense of RMB0.8 million for the six months ended June 30, 2026, primarily due to an increase in current income tax arising from the increased taxable profit of the Company, partially offset by deferred tax credits recognized in respect of tax losses incurred by a subsidiary.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 12.1% from RMB23.5 million for the six months ended June 30, 2025 to RMB26.3 million for the six months ended June 30, 2026.

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

Revenue

Our revenue increased by 6.1% from RMB532.9 million in 2024 to RMB565.3 million in 2025. Specifically, our revenue derived from wearable devices increased by 2.2% from RMB417.9 million in 2024 to RMB427.1 million in 2025, mainly due to the growth in procurement by our major customers, particularly for batteries used in smart earphones, driven by the rising demand in the smart earphone industry.

Our revenue derived from personal smart medical devices increased by 30.6% from RMB46.8 million in 2024 to RMB61.1 million in 2025, mainly due to increased customer orders we secured from our existing customers, particularly for hearing aids, as such customers further increased their procurement from us in recognition of our product quality and performance.

Our revenue derived from portable energy storage battery packs decreased by 23.7% from RMB33.4 million in 2024 to RMB25.5 million in 2025, mainly due to our proactive adjustment of product strategy and focus on other business lines.

Our revenue derived from smart educational and entertainment devices increased from RMB0.4 million in 2024 to RMB2.2 million in 2025, mainly due to an increase in samples supplied to well-known industry players in connection with potential collaborations.

Our revenue from development services increased significantly from RMB1.7 million in 2024 to RMB12.3 million in 2025, mainly attributable to an increase in new product development services we provided. Our new product development services encourage further collaborations with certain customers by delivering tailored design solutions that fulfill customers’ material specifications and technical criteria.

Our revenue from others increased by 13.8% from RMB32.6 million in 2024 to RMB37.1 million in 2025, mainly attributable to an increase in scrap material sales.

Cost of sales

Our cost of sales increased by 10.8% from RMB346.6 million in 2024 to RMB384.2 million in 2025, primarily driven by (i) an increase in direct material costs of 2.4% from RMB136.3 million to RMB139.6 million, mainly attributable to the increase in raw material prices and sales volume, (ii) an increase in direct labor costs of 4.6% from RMB64.0 million to RMB67.0 million, primarily due to the increased headcount required to support our increased customer orders and expanded production scale, (iii) an increase in manufacturing costs of 20.7% from RMB105.4 million to RMB127.2 million, mainly due to depreciation of manufacturing facilities and production equipment, wages of manufacturing management personnel and increased utility consumption, and (iv) an increase in outsourced processing costs of 56.5% from RMB28.0 million to RMB43.9 million, mainly due to the increase in sales volume, partially offset by a decrease in other costs of 49.2% from RMB12.8 million to RMB6.5 million.

Gross profit and gross margin

As a result of the foregoing, our overall gross profit decreased by 2.7% from RMB186.3 million in 2024 to RMB181.2 million in 2025, and our overall gross margin slightly decreased from 35.0% in 2024 to 32.0% in 2025. Such decrease was mainly driven by (i) a slight price reduction of batteries used in wearable devices, to further secure our market share with certain end customers and expand our overall sales; (ii) the increased raw material prices; (iii) the decreased export VAT refund rate from 13.0% to 9.0% since December 2024, which had a negative impact on our gross margin of our export sales, and

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(iv) the expansion of our production capacity, which increased related fixed overhead costs. Despite the increase in raw material prices in 2025, our advanced process technology was able to ensure our relatively high product yield rate and low unit material wastage rate, which mitigated the adverse impact of higher raw material prices on our gross margin.

Other income

Our other income decreased by 29.8% from RMB26.1 million in 2024 to RMB18.3 million in 2025, primarily due to (i) a decrease in government grants from RMB13.4 million in 2024 to RMB9.9 million in 2025, as such grants are project-based and subject to government allocation, (ii) a decrease in investment income generated from structured deposits, wealth management products, fund investment, bonds and certificate of deposit, from RMB4.0 million to RMB3.1 million, (iii) a decrease in interest income from bank deposits from RMB4.9 million to RMB4.4 million, and (iv) a change from a net foreign exchange gain of RMB2.0 million in 2024 to a net foreign exchange loss of RMB3.2 million in 2025.

Selling expenses

Our selling expenses decreased by 2.2% from RMB23.0 million in 2024 to RMB22.5 million in 2025, primarily due to (i) a decrease in employee benefits expenses of 14.1% from RMB10.2 million to RMB8.8 million, primarily due to a reduction in the bonus rate payable to sales personnel in respect of sales to certain existing customers, as part of our incentive arrangements to encourage the development of new customers and (ii) a decrease in other expenses by 54.4% from RMB1.7 million in 2024 to RMB0.8 million in 2025, mainly due to fewer market expansion costs, partially offset by an increase in consulting service fees by 22.7% from RMB7.9 million to RMB9.7 million, due to higher commissions arising from increased sales in overseas markets.

Administrative expenses

Our administrative expenses increased by 36.8% from RMB37.6 million in 2024 to RMB51.4 million in 2025, primarily due to (i) a significant increase in employee benefits expenses of 39.3% from RMB17.0 million to RMB23.7 million, mainly attributable to the increase in our administrative headcount from 96 to 128 (including employees who have since left) to support our expanded business scale, including our operations in Vietnam, and (ii) an increase in professional service fees from RMB2.7 million in 2024 to RMB10.8 million in 2025, as a result of [REDACTED] incurred in 2025. This increase was partially offset by a decrease in taxes and surcharges of 22.8% from RMB4.4 million to RMB3.4 million, primarily due to an increase in value-added tax credits arising from equipment purchases.

Research and development costs

Our research and development costs increased by 72.1% from RMB54.3 million in 2024 to RMB93.5 million in 2025, primarily due to (i) an increase in employee benefits expenses of 58.1% from RMB36.8 million to RMB58.3 million, resulting from the expansion of our R&D team, from 235 persons in 2024 to 411 persons in 2025, to support new projects such as batteries for smart rings, reflecting a proactive expansion of R&D investment and optimization of our talent structure based on our strategic development needs, (ii) an increase in materials, utilities and maintenance expenses of 140.4% from RMB11.5 million to RMB27.8 million due to increased project activities, and (iii) an increase in depreciation and amortization of 24.4% from RMB4.9 million to RMB6.0 million.

(Impairment loss)/reversal of impairment loss of trade and other receivables

We recorded a reversal of impairment loss of trade and other receivables of RMB29 thousand in 2025, compared to an impairment loss of RMB444 thousand in 2024.

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Finance costs

Our finance costs increased by 12.1% from RMB3.2 million in 2024 to RMB3.6 million in 2025, primarily due to an increase in interest on bank loans from RMB0.3 million in 2024 to RMB0.8 million in 2025 as a result of increased bank loans.

Income tax

Our income tax decreased from RMB9.5 million in 2024 to negative RMB2.9 million in 2025, primarily due to the decrease in profit before taxation and the impact of additional tax deductions available for our increased research and development expenses.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 45.8% from RMB58.1 million in 2024 to RMB31.5 million in 2025.

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

Revenue

Our revenue significantly increased by 51.7% from RMB351.2 million in 2023 to RMB532.9 million in 2024. Specifically, our revenue derived from wearable devices significantly increased by 55.5% from RMB268.8 million in 2023 to RMB417.9 million in 2024 with sales volume increasing from 58,029 thousand units in 2023 to 100,355 thousand units in 2024, mainly driven by (i) a surge in orders by our existing customers, benefiting from the rebound in global TWS headphone demand in 2024, the shipment volume of certain of our end-customers increased significantly, and we have also successfully entered the newly launched noise-cancelling headphones supply chain of certain end-customers, (ii) enhanced technology, brand influence and increased production capacity resulting from the Ganzhou Production Base expansion to attract and fulfill orders from new customers during the period.

Our revenue derived from personal smart medical devices recorded an increase of 65.6% from RMB28.3 million in 2023 to RMB46.8 million in 2024, mainly attributable to (i) increased procurement by our existing customers in recognition of our product quality and our technological advantages, and (ii) orders from our new customers as we achieved enhanced brand recognition and influence.

Our revenue from portable energy storage battery packs increased by 19.7% from RMB27.9 million in 2023 to RMB33.4 million in 2024, primarily attributable to increased market demand for our energy storage products. Such market demand was in part driven by the growing popularity of outdoor-oriented lifestyles and related activities.

We launched batteries designed for smart educational and entertainment devices in 2024, which contributed RMB0.4 million to our total revenue in 2024.

Our revenue from development services decreased from RMB4.2 million in 2023 to RMB1.7 million in 2024, primarily due to a large-scale development project relating to atomizers undertaken in 2023, with no comparable project in 2024.

Our revenue from others increased by 48.2% from RMB22.0 million in 2023 to RMB32.6 million in 2024, primarily driven by the expansion of our product portfolio into new application scenarios.

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Cost of sales

Our cost of sales increased by 39.0% from RMB249.4 million in 2023 to RMB346.6 million in 2024, primarily driven by (i) an increase in direct material costs of 41.6% from RMB96.2 million to RMB136.3 million, mainly attributable to the increase in sales volume, partially offset by reduced raw material prices resulting from our expanded production scale and strengthened bargaining power, (ii) an increase in direct labor costs of 37.2% from RMB46.7 million to RMB64.0 million, primarily due to the increased headcount required to support our expanded production capacity, (iii) an increase in manufacturing costs of 23.9% from RMB85.1 million to RMB105.4 million, mainly due to increased depreciation of manufacturing facilities and production equipment associated with the development of our manufacturing processes and technologies, (iv) an increase in outsourced processing costs of 80.5% from RMB15.5 million to RMB28.0 million, generally in line with our business expansion and (v) an increase in other costs of 117.6% from RMB5.9 million to RMB12.8 million.

Gross profit and gross margin

As a result of the foregoing, our gross profit significantly increased by 83.0% from RMB101.8 million in 2023 to RMB186.3 million in 2024, reflecting the rapid growth of our sales during the year. Our gross margin increased from 29.0% in 2023 to 35.0% in 2024, primarily because our revenue increased by 51.7% from RMB351.2 million to RMB532.9 million, whereas our cost of sales increased by a slower 39.0% from RMB249.4 million to RMB346.6 million. In particular, in our principal application segment of wearable devices, which accounted for 78.4% of our revenue in 2024, unit cost decreased from RMB3.3 in 2023 to RMB2.8 in 2024, while average selling price decreased to a lesser extent from RMB4.6 to RMB4.2, resulting in the gross margin of such segment increasing from 28.3% to 32.6%. This improvement was also supported by a more favorable application mix. In 2023, wearable devices and personal smart medical devices together accounted for 84.6% of our total revenue, and these two application scenarios generated relatively higher gross margins of 28.3% and 37.1%, respectively, as compared with portable energy storage battery packs, which recorded a gross loss in 2023. In 2024, the contribution from these two higher-margin application scenarios increased by 2.6 percentage points, while portable energy storage battery packs accounted for a smaller portion of our revenue and continued to generate a much lower gross margin of 3.2%. A larger proportion of our 2024 revenue was derived from application scenarios that generated more gross profit, which helped lift our overall gross profit margin. Accordingly, the improvement in our gross profit margin in 2024 was primarily because of higher sales volume diluting fixed manufacturing costs, such as depreciation, factory overheads and other fixed production costs. The margin improvement was also attributed to improved production efficiency as mass production at Ganzhou Production Base became more stable, with less trial production, line adjustment and lower auxiliary material costs as a proportion to total cost. In addition, our revenue mix shifted towards higher-margin products with increased sales volumes. The reduction of raw material prices in 2024 also contributed to the improvement of our gross profit margin.

Other income

Our other income increased by 99.4% from RMB13.1 million in 2023 to RMB26.1 million in 2024, primarily due to (i) an increase in government grants from RMB6.7 million in 2023 to RMB13.4 million in 2024, mainly representing subsidies we received for leased properties, (ii) an increase in interest income from bank deposits from RMB2.1 million in 2023 to RMB4.9 million in 2024, and (iii) a change from a net foreign exchange loss of RMB0.7 million in 2023 to a net foreign exchange gain of RMB2.0 million in 2024.

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Selling expenses

Our selling expenses increased by 49.6% from RMB15.4 million in 2023 to RMB23.0 million in 2024, primarily due to (i) an increase in employee benefits expenses from RMB6.4 million in 2023 to RMB10.2 million in 2024, mainly attributable to higher sales volume-based bonus payments we provided to sales personnel, and (ii) an increase in consulting service fees from RMB4.9 million in 2023 to RMB7.9 million in 2024, arising from the increase in sales in overseas markets.

Administrative expenses

Our administrative expenses increased by 55.2% from RMB24.2 million in 2023 to RMB37.6 million in 2024, primarily due to (i) an increase in employee benefits expenses from RMB10.4 million in 2023 to RMB17.0 million in 2024, mainly attributable to our expanded administration team to match our expanded business, (ii) an increase in office and utilities expenses by 80% from RMB1.1 million in 2023 to RMB1.9 million in 2024, primarily due to a building we leased in 2024 for operational use, (iii) an increase in taxes and surcharges by 69.9% from RMB2.6 million in 2023 to RMB4.4 million in 2024, corresponding to our business expansion, and (iv) an increase in other expenses from RMB2.3 million in 2023 to RMB3.8 million in 2024.

Research and development costs

Our research and development costs increased by 42.6% from RMB38.1 million in 2023 to RMB54.3 million in 2024, primarily due to (i) an increase in employee benefits expenses from RMB22.4 million in 2023 to RMB36.8 million in 2024, resulting from an increase in R&D personnel to support our technology development, and (ii) an increase in materials used for R&D from RMB9.4 million in 2023 to RMB11.5 million in 2024 due to our increased R&D activities.

Impairment loss of trade and other receivables

Our impairment losses of trade and other receivables remained relatively stable at RMB0.4 million in 2023 and 2024, despite the increase in sales.

Finance costs

Our finance costs remained relatively stable at RMB3.0 million in 2023 and RMB3.2 million in 2024, primarily comprising our interest accrued on our lease liabilities and interest accrued on bank loans.

Income tax

Our income tax increased from RMB0.7 million in 2023 to RMB9.5 million in 2024, mainly due to our improved profitability.

Profit for the year

As a result of the foregoing, our profit for the year increased by 755.0% year-on-year, mainly due to (i) the low base of net profit in 2023, (ii) a substantial expansion of sales in 2024 and (iii) an increase in our gross profit margin, due to economies of scale and improvements in manufacturing process and technology.

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DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Current Liabilities

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

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>				<i>(unaudited)</i>
Current assets					
Inventories and other					
contract costs	53,435	62,664	81,803	107,925	112,378
Trade and other receivables	136,524	244,016	213,456	213,155	246,009
Other investments	24,074	88,043	92,629	–	–
Tax recoverable	960	–	–	–	–
Pledged bank deposits	1,461	16,793	25,198	47,353	55,046
Cash and cash equivalents	132,723	95,418	172,458	271,232	272,023
Total current assets	349,177	506,934	585,544	639,665	685,456
Current liabilities					
Contract liabilities	3,473	5,987	1,663	3,166	1,557
Trade and other payables	122,057	195,837	274,616	298,837	339,110
Bank loans	16,150	11,000	35,750	31,200	31,200
Lease liabilities	10,769	11,104	8,578	9,223	9,355
Redemption liabilities	409,097	435,298	–	–	–
Current taxation	833	6,615	665	4,063	2,372
Total current liabilities	562,379	665,841	321,272	346,489	383,594
Net current (liabilities)/					
assets	(213,202)	(158,907)	264,272	293,176	301,862

We had net current liabilities of RMB213.2 million and RMB158.9 million as of December 31, 2023 and 2024, respectively, and net current assets of RMB264.3 million and RMB293.2 million as of December 31, 2025 and June 30, 2026, respectively.

Our net current liabilities decreased from RMB213.2 million as of December 31, 2023 to RMB158.9 million as of December 31, 2024, mainly due to (i) an increase in trade and other receivables of RMB107.5 million, (ii) an increase in other investments of RMB64.0 million, and (iii) an increase in pledged bank deposits of RMB15.3 million, partially offset by (i) an increase in trade and other payables of RMB73.8 million, (ii) an increase in redemption liabilities of RMB26.2 million, and (iii) a decrease in cash and cash equivalents of RMB37.3 million.

Our net current position changed from net current liabilities of RMB158.9 million as of December 31, 2024 to net current assets of RMB264.3 million as of December 31, 2025, mainly due to (i) the termination of our investors’ redemption rights in 2025, following which our redemption liabilities were reclassified to equity and we no longer had any

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redemption liabilities as of December 31, 2025, and (ii) an increase in cash and cash equivalents of RMB77.0 million, partially offset by an increase in trade and other payables.

Our net current assets increased from RMB264.3 million as of December 31, 2025 to RMB293.2 million as of June 30, 2026, mainly due to (i) an increase in cash and cash equivalents of RMB98.8 million, (ii) an increase in inventories and other contract costs of RMB26.1 million and (iii) an increase in pledged bank deposits of RMB22.2 million, partially offset by (i) a decrease in other investments of RMB92.6 million, (ii) an increase in trade and other payables of RMB24.2 million and (iii) an increase in current taxation of RMB3.4 million.

Our net current assets increased from RMB293.2 million as of June 30, 2026 to RMB301.9 million as of July 31, 2026, mainly due to (i) an increase in trade and other receivables of RMB32.9 million, (ii) an increase in pledged bank deposits of RMB7.7 million, and (iii) an increase in inventories and other contract costs of RMB4.5 million, partially offset by an increase in current liabilities of RMB37.1 million.

Non-Current Assets and Non-Current Liabilities

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

	As of December 31,			As of
	2023	2024	2025	June 30,
	RMB	RMB	RMB	2026
		(in thousands)		RMB
Non-current assets				
Property, plant and equipment . .	182,935	269,579	332,326	350,472
Right-of-use assets	49,610	55,709	38,937	37,710
Intangible assets	2,002	2,006	3,510	3,272
Other investments	123,525	20,984	–	–
Deferred tax assets	3,802	3,665	6,618	8,930
Other non-current assets	6,587	30,979	22,852	25,868
Total non-current assets	368,461	382,922	404,243	426,252
Non-current liabilities				
Bank loans	–	4,250	3,500	32,800
Lease liabilities	40,530	45,438	31,456	30,085
Deferred income	9,941	9,030	17,580	15,438
Total non-current liabilities . . .	50,471	58,718	52,536	78,323

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Inventories and Other Contract Costs

Our inventories and other contract costs mainly include (i) raw materials, (ii) semi-finished products and work in progress, (iii) finished goods, (iv) contract fulfilment costs, and (v) right to recover returned goods. The following table sets forth details of our inventories and other contract costs as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>			
Raw materials	7,769	8,243	20,231	29,385
Semi-finished products and work in progress	30,190	38,060	42,582	60,816
Finished goods	14,143	15,476	18,099	12,910
Contract fulfilment costs	—	—	—	4,498
Right to recover return of goods .	1,333	885	891	316
Total	53,435	62,664	81,803	107,925

Our inventories and other contract costs increased from RMB53.4 million as of December 31, 2023 to RMB62.7 million as of December 31, 2024, mainly due to the increase in semi-finished products and work in progress and finished goods, resulting from our expansion of production in response to increased customer demand in 2024. Our inventories and other contract costs increased from RMB62.7 million as of December 31, 2024 to RMB81.8 million as of December 31, 2025, primarily due to increases in raw materials and semifinished products and work in progress to support our expanded production scale and growing sales orders. Our inventories and other contract costs further increased from RMB81.8 million as of December 31, 2025 to RMB107.9 million as of June 30, 2026, primarily due to (i) increases in raw materials and semi-finished products and work in progress to support growing orders for batteries used in wearable devices, coupled with higher purchase prices of key raw materials, and (ii) the recognition of contract fulfilment costs.

The following is an aging analysis of our inventories and other contract costs as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>			
Inventories and other contract costs				
Within 1 year	56,370	67,217	82,676	107,932
Over 1 year	1,354	330	2,229	3,220
Less: provision	(4,289)	(4,883)	(3,102)	(3,227)
Total	53,435	62,664	81,803	107,925

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The following table sets forth our inventory and other contract cost turnover days for the years/period indicated:

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Inventory and other contract cost turnover days ⁽¹⁾	73.4	61.1	68.6	75.7

Note:

- (1) Calculated as the average of beginning and ending balance of inventories and other contract costs for the year/period divided by cost of sales for that period and multiplied by 365 days or 181 days, as applicable.

Our inventory and other contract cost turnover days decreased from 73.4 days in 2023 to 61.1 days in 2024, primarily due to enhanced production efficiency and improved inventory management, which shortened our delivery cycle. Our inventory and other contract cost turnover days increased from 61.1 days in 2024 to 68.6 days in 2025, primarily due to strategic stocking of raw materials and an increase in semi-finished products and work in progress. Our inventory and other contract cost turnover days increased from 68.6 days in 2025 to 75.7 days in the six months ended June 30, 2026, primarily due to increased inventory stocking in anticipation of customer demand and planned production.

As of July 31, 2026, RMB38.3 million or 35.4% of our inventories and other contract costs as of June 30, 2026 had been subsequently utilized.

Trade and Other Receivables

The following table sets forth details of our trade and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Trade receivables, net of loss allowance				
– Related parties	4,295	14,470	4,990	5,875
– Third parties	105,639	197,243	178,821	179,797
Bills receivables – Third parties	8,831	3,005	7,270	8,699
Trade and bills receivables	118,765	214,718	191,081	194,371
Interest receivables	390	391	134	–
Prepayments	2,781	2,915	13,976	12,947
VAT recoverable	13,660	22,167	5,545	3,333
Other receivables and deposits, net of loss allowance	928	3,825	2,720	2,504
Total	136,524	244,016	213,456	213,155

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Our trade and other receivables increased from RMB136.5 million as of December 31, 2023 to RMB244.0 million as of December 31, 2024, primarily as a result of the growth of our revenue. Our trade and other receivables decreased from RMB244.0 million as of December 31, 2024 to RMB213.5 million as of December 31, 2025, primarily due to a decrease in trade and bills receivables and VAT recoverable, partially offset by an increase in prepayments. Our trade and other receivables remained relatively stable at RMB213.2 million as of June 30, 2026, as the increases in trade receivables and bills receivable were largely offset by the decreases in prepayments and VAT recoverable.

As of July 31, 2026, RMB56.5 million, or 29.0% of our trade and bills receivables as of June 30, 2026 had been settled.

The following is an aging analysis of our trade and bills receivables, based on the revenue recognition date and net of loss allowance, as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Trade and bills receivables				
Within one year	118,756	214,718	191,079	194,228
One to two years	9	–	2	143
Total	118,765	214,718	191,081	194,371

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Trade and bills receivables turnover days ⁽¹⁾	105.4	114.2	131.0	103.5

Note:

- (1) Calculated as the average of beginning and ending balance of trade and bills receivables for the year/period divided by revenue for that year/period and multiplied by 365 days or 181 days, as applicable.

Our trade and bills receivables turnover days increased from 105.4 days in 2023 to 114.2 days in 2024, mainly because of an increase in trade receivables. Our trade and bills receivables turnover days further increased from 114.2 days in 2024 to 131.0 days in 2025, primarily because the increase in the average balance of our trade and bills receivables outpaced our revenue growth during the year. Our trade and bills receivables turnover days decreased from 131.0 days in 2025 to 103.5 days in the six months ended June 30, 2026, primarily due to revenue growth outpacing the increase in trade and bills receivables, as well as optimized credit policies and customer mix and strengthened collection management.

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During 2023, 2024 and 2025, our trade and bills receivables turnover days were longer than our trade and bills payable turnover days, resulting in a mismatch between cash inflows and outflows. In 2025, we increased our use of bills payable with certain long-term suppliers, as reflected in the increase in our trade and bills payable turnover days, from 79.5 days in 2024 to 128.2 days in 2025. This arrangement significantly reduced the aforementioned mismatch. See “Trade and Other Payables” for further details. To manage such cash flow mismatch, we have adopted a number of measures, including (i) strengthening our trade receivables management through customer credit assessment, tighter credit control, regular follow-up on aging balances and collection of overdue receivables, (ii) optimizing payment arrangements with suppliers by negotiating stable and reasonable credit terms and flexibly using bill settlement and installment payments, (iii) enhancing our cash flow forecasting and treasury management through rolling cashflow forecasts and centralized fund management, (iv) maintaining sufficient liquidity by maintaining bank facilities and exploring financing tools such as working capital loans, bill discounting and supply chain finance, and (v) optimizing inventory planning and turnover to reduce working capital tied up in inventories.

Other Investments

During the Track Record Period, our financial assets were measured at fair value through profit or loss or at amortized cost. Our financial assets measured at fair value through profit or loss were current in nature, mainly consisting of structured deposits, wealth management products, fund investments and bonds. Our financial assets measured at fair value through profit or loss decreased from RMB24.1 million as of December 31, 2023 to RMB3.0 million as of December 31, 2024, primarily due to the maturity of certain financial instruments in 2024, and increased to RMB71.0 million as of December 31, 2025, primarily due to our purchase of structured deposits in December 2025. Our financial assets measured at fair value through profit or loss decreased from RMB71.0 million as of December 31, 2025 to nil as of June 30, 2026, primarily due to the redemption of our structured deposits and bond investment during the six months ended June 30, 2026.

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The following table sets forth details of our financial assets measured at FVPL as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	June 30,
	RMB'000	RMB'000	RMB'000	2026
				RMB'000
Current				
Wealth management products ⁽¹⁾	4,072	–	–	–
Structured deposits	20,002	–	70,007	–
Fund investment	–	3,003	–	–
Bonds	–	–	999	–
	<u>24,074</u>	<u>3,003</u>	<u>71,006</u>	<u>–</u>

Note:

- (1) Pursuant to our internal policy, we may only use idle funds to invest in low-risk and highly liquid wealth management products, including bank products, treasury reverse repurchase products, and other low-risk asset management products, and we are prohibited from investing in high-risk products such as equities and derivatives. The aggregate amount of our wealth management investments shall not exceed 50% of our cash balance and 10% of our net assets as of the end of the latest ended accounting period, and all such investments are subject to internal approval procedures. Prior to any purchase, the finance department is required to complete an internal application form, which is reviewed by our fund manager and approved by our chief financial officer, the general manager and the Chairman before execution.

Our other investments measured at amortized cost mainly represented our certificates of deposit, which decreased from RMB123.5 million as of December 31, 2023 to RMB106.0 million as of December 31, 2024, and further decreased to RMB21.6 million as of December 31, 2025, primarily attributable to the maturities of certain certificates of deposit during the relevant periods. Our other investments measured at amortized cost decreased from RMB21.6 million as of December 31, 2025 to nil as of June 30, 2026, primarily due to the maturity of the relevant certificates of deposit.

Financial Assets

The Group's investment in financial assets primarily comprises low-risk treasury products for cash management purposes. The Group's policy is to preserve principal, maintain liquidity and generate reasonable returns on temporarily idle funds. The Group does not engage in speculative investment activities.

The Group has adopted internal control procedures for such investments, including assessment of investment risk level, investment tenor and expected return. Investments exceeding designated thresholds require approval by senior management and/or the Board in accordance with the Group's internal policies. The Board monitors the Group's treasury management activities on a regular basis.

After [REDACTED], the Group's investments in financial assets will be subject to the applicable requirements under Chapter 14 of the Listing Rules where relevant.

Pledged Bank Deposits

Our pledged bank deposits increased from RMB1.5 million as of December 31, 2023, to RMB16.8 million as of December 31, 2024, and further increased to RMB25.2 million as of December 31, 2025, primarily due to an increase in deposits pledged for the issuance of acceptance bills. Our pledged bank deposits increased from RMB25.2 million as of December 31, 2025 to RMB47.4 million as of June 30, 2026, primarily due to increased deposits pledged for the issuance of bank acceptance bills used to settle payments with our suppliers.

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Property, Plant and Equipment

Our property, plant and equipment mainly consisted of equipment and machinery, leasehold improvements and construction in progress. The following table sets forth details of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>			
Plant and buildings	3,988	3,682	3,209	3,050
Equipment and machinery	141,269	204,450	270,323	292,846
Office equipment and furniture	2,479	4,087	6,156	6,109
Transportation equipment	361	1,056	748	595
Leasehold improvement	33,246	30,997	37,272	35,383
Construction in progress	1,592	25,307	14,618	12,489
Total	182,935	269,579	332,326	350,472

Our property, plant and equipment increased from RMB182.9 million as of December 31, 2023 to RMB269.6 million as of December 31, 2024, primarily due to (i) the acquisition of equipment and machinery to support the expansion of our production capacity, and (ii) an increase in construction in progress, mainly comprising equipment and machinery under testing and not yet ready for use. Our property, plant and equipment further increased to RMB332.3 million as of December 31, 2025, mainly due to our acquisition of additional equipment and machinery for technical upgrades and capacity expansion. Our property, plant and equipment increased from RMB332.3 million as of December 31, 2025 to RMB350.5 million as of June 30, 2026, primarily due to an increase in equipment and machinery to expand our production capacity and upgrade our equipment, particularly for the production of batteries used in smart rings.

Right-of-use Assets

Our right-of-use assets mainly consisted of ownership interests in leasehold land and properties leased for our own use. The following table sets forth details of our right-of-use assets as of the dates indicated:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	<i>(in thousands)</i>			
Ownership interests in leasehold land held for own use	4,918	4,739	4,477	4,382
Other properties leased for own use	44,692	50,970	34,460	33,328
Total	49,610	55,709	38,937	37,710

Our right-of-use assets increased from RMB49.6 million as of December 31, 2023 to RMB55.7 million as of December 31, 2024, mainly due to the lease of additional properties

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at our Huizhou production base to support the expansion of our production capacity. Our right-of-use assets decreased to RMB38.9 million as of December 31, 2025, mainly due to a lease modification in respect of the Ganzhou production base, which resulted in a reduction in lease payments and a corresponding decrease in the carrying amount of our right-of-use assets, as well as depreciation charges recognized during the year. Our right-of-use assets decreased from RMB38.9 million as of December 31, 2025 to RMB37.7 million as of June 30, 2026, primarily due to the depreciation of properties leased for our own use.

Intangible Assets

Our intangible assets primarily consist of software and patents. Our intangible assets remained relatively stable at RMB2.0 million as of December 31, 2023 and December 31, 2024, primarily as a result of the amortization of existing assets and acquisition of new software. Our intangible assets increased to RMB3.5 million as of December 31, 2025, primarily driven by the purchase of additional third-party software to support our business operations. Our intangible assets decreased from RMB3.5 million as of December 31, 2025 to RMB3.3 million as of June 30, 2026, primarily due to the amortization of intangible assets during the period.

Deferred tax assets

Our deferred tax assets decreased from RMB3.8 million as of December 31, 2023 to RMB3.7 million as of December 31, 2024, primarily due to the amortization of deferred government grants. Our deferred tax assets increased to RMB6.6 million as of December 31, 2025, mainly due to an increase in deferred tax assets recognized in respect of unused tax losses. Our deferred tax assets increased from RMB6.6 million as of December 31, 2025 to RMB8.9 million as of June 30, 2026, primarily due to the recognition of deferred tax assets in respect of unused tax losses.

Other Non-current Assets

Our other non-current assets primarily consist of prepayments for property, plant and equipment. The following table sets forth details of our other non-current assets as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	June 30,
	RMB	RMB	RMB	2026
	(in thousands)			RMB
Prepayments for property, plant and equipment	3,942	27,337	18,366	21,353
Deposits for rental of properties	2,645	3,642	4,486	4,515
Total	6,587	30,979	22,852	25,868

Our other non-current assets increased from RMB6.6 million as of December 31, 2023 to RMB31.0 million as of December 31, 2024, primarily due to prepayments for equipment to support capacity expansion. Our other non-current assets decreased to RMB22.9 million as of December 31, 2025, primarily due to the delivery of equipment, which was accordingly reclassified as property, plant and equipment. Our other non-current assets increased from RMB22.9 million as of December 31, 2025 to RMB25.9 million as of June 30, 2026, primarily attributable to prepayments for renovation works at our Vietnam production facility and bent battery production machinery.

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Contract Liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue. A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognized the related revenue. In the latter case, a corresponding receivable is also recognized. Contract liabilities are incurred when the payment schedule agreed under the contract is ahead of the performance of contract obligations. Our contract liabilities increased from RMB3.5 million as of December 31, 2023, to RMB6.0 million as of December 31, 2024, primarily driven by advance payments received from customers during the year, and decreased to RMB1.7 million as of December 31, 2025, mainly due to our fulfilment of performance obligations. Our contract liabilities increased from RMB1.7 million as of December 31, 2025 to RMB3.2 million as of June 30, 2026, primarily due to an increase in advance payments received from customers.

As of July 31, 2026, RMB2.1 million, or 66.4% of our outstanding contract liabilities as of June 30, 2026 had been subsequently recognized as revenue.

Trade and Other Payables

The following table sets forth details of our trade and other payables as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	June 30,
	RMB	RMB	RMB	2026
	<i>(in thousands)</i>			RMB
Trade payables	28,073	52,516	46,472	58,690
Bills payables	24,458	45,901	124,953	134,601
Trade and bills payables	52,531	98,417	171,425	193,291
Payables for purchase of property, plant and equipment	31,617	48,186	65,396	70,706
Accrued payroll	14,339	27,991	16,526	18,176
Other payables and accruals . . .	23,570	21,243	21,269	16,664
Total	122,057	195,837	274,616	298,837

Our trade and other payables increased from RMB122.1 million as of December 31, 2023 to RMB195.8 million as of December 31, 2024, and further increased to RMB274.6 million as of December 31, 2025, which largely aligned with the trend of our cost of sales, as we expanded our production scale in response to the growth in customer demand. Such increase was also attributable to our increased use of bank acceptance bills as a payment method. As of December 31, 2025, such bills had not yet matured. Our trade and other payables increased from RMB274.6 million as of December 31, 2025 to RMB298.8 million as of June 30, 2026, primarily due to increases in trade payables, bills payables and payables for the purchase of property, plant and equipment, partially offset by a decrease in other payables and accruals.

As of July 31, 2026, we have subsequently settled RMB31.1 million, or 16.1% of our outstanding trade and bills payables as of June 30, 2026.

The following is an aging analysis of our trade and bills payables, based on the invoice date, as of the dates indicated:

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	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Within one year	52,395	98,160	170,782	192,956
One to two years	111	184	412	89
Two to three years	25	51	169	82
Over three years	—	22	62	164
Total	52,531	98,417	171,425	193,291

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

	Year ended December 31,			Six months ended June 30,
	2023	2024	2025	2026
Trade and bills payables turnover days ⁽¹⁾	76.5	79.5	128.2	145.5

Note:

- (1) Calculated as the average of beginning and ending balances of trade and bills payables for the year/period divided by cost of sales for that year/period and multiplied by 365 days or 181 days, as applicable.

Our trade and bills payables turnover days increased slightly from 76.5 days in 2023 to 79.5 days in 2024, and further increased from 79.5 days in 2024 to 128.2 days in 2025. Our trade and bills payables turnover days increased from 128.2 days in 2025 to 145.5 days in the six months ended June 30, 2026 primarily due to optimized settlement arrangements with suppliers as part of our overall cash management, including the increased use of bank acceptance bills, which resulted in a higher average balance of trade and bills payables, while remaining at a reasonable level.

The aforesaid increases were primarily attributable to (i) the expansion of our production scale and improved bargaining power with major suppliers, which enabled us to negotiate longer credit periods for certain procurements, (ii) our increased use of bills settlement for purchases, the settlement cycle of which is generally longer than that of cash payments, and (iii) the growth in our procurement volume driven by business expansion and increasing downstream orders, which led to a corresponding increase in the balance of our trade and bills payables.

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KEY FINANCIAL RATIOS

	Year ended/as of December 31,			Six months ended/as of June 30,
	2023	2024	2025	2026
Gross margin ⁽¹⁾	29.0%	35.0%	32.0%	32.7%
Net profit margin ⁽²⁾	1.9%	10.9%	5.6%	7.8%
Current ratio ⁽³⁾	0.6	0.8	1.8	1.8
Inventory and other contract cost turnover ⁽⁴⁾	5.0	6.0	5.3	4.8
Debt ratio ⁽⁵⁾	28.4%	32.5%	37.8%	39.9%
Return on equity ⁽⁶⁾	7.0%	43.4%	8.5%	4.2%

Notes:

- (1) Gross margin is calculated using gross profit divided by revenue for the year/period and multiplied by 100%.
- (2) Net profit margin is calculated using net profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (3) Current ratio is calculated by dividing current assets by current liabilities as of the relevant date.
- (4) Inventory and other contract cost turnover is calculated as cost of sales divided by the average of the beginning and ending balance of inventories and other contract costs for the year/period.
- (5) Debt ratio is calculated by dividing total debt, defined as total liabilities minus redemption liabilities, by total assets as of the relevant date.
- (6) ROE is calculated by dividing profit for the year/period attributable to the owners of our Company by the average balance of equity attributable to equity shareholders of our Company.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, we have funded our working capital primarily from cash generated from our business operations and, to a lesser extent, external financing. We do not anticipate any material changes to the availability of financing to fund our operations in the future.

Our Directors are of the view that, taking into account the financial resources available to us, including cash and cash equivalents, bank facilities, cash flows from operating activities and the [REDACTED] from the [REDACTED], we have sufficient working capital for at least 12 months from the date of this document.

Our cash and cash equivalents primarily consist of cash at bank and cash at hand. We had cash and cash equivalents of RMB132.7 million, RMB95.4 million, RMB172.5 million and RMB271.2 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively.

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Cash Flow Analysis

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

	Year ended December 31			Six months ended June 30,	
	2023	2024	2025	2025	2026
	RMB	RMB	RMB	RMB	RMB
	(in thousands)			(unaudited)	
Net cash generated from operating activities	32,269	84,930	188,106	136,385	54,529
Net cash (used in)/generated from investing activities . .	(70,146)	(113,347)	(104,268)	(55,722)	31,955
Net cash generated from/(used in) financing activities	1,985	(9,795)	(4,757)	(11,939)	18,104
Net (decrease)/increase in cash and cash equivalents .	(35,892)	(38,212)	79,081	68,724	104,588
Cash and cash equivalents at the beginning of the year/period	167,587	132,723	95,418	95,418	172,458
Effect of foreign exchange rate changes	1,028	907	(2,041)	(428)	(5,814)
Cash and cash equivalents at the end of the year/period	132,723	95,418	172,458	163,714	271,232

Net cash generated from operating activities

Net cash generated from operating activities for the six months ended June 30, 2026 was RMB54.5 million, primarily attributable to profit before taxation of RMB27.1 million, as adjusted by (i) non-cash items, mainly including depreciation of RMB42.7 million and net foreign exchange losses of RMB6.2 million and (ii) movements in working capital. These working capital movements were mainly driven by (i) a decrease in trade and other receivables of RMB9.1 million, (ii) an increase in trade and other payables of RMB16.4 million and (iii) an increase in contract liabilities of RMB1.5 million, partially offset by (i) an increase in inventories and other contract costs of RMB26.1 million, (ii) an increase in pledged bank deposits of RMB22.2 million and (iii) a decrease in deferred income of RMB2.1 million.

Net cash generated from operating activities for the year ended December 31, 2025 was RMB188.1 million, primarily attributable to profit before taxation of RMB28.6 million, as adjusted by (i) non-cash items, mainly including depreciation of RMB75.0 million, and (ii) movements in working capital. These working capital movements were mainly driven by (i) a decrease in trade and other receivables of RMB19.9 million, (ii) an increase in trade and other payables of RMB89.0 million and (iii) an increase in deferred income of RMB8.6 million, partially offset by (i) an increase in inventories and other contract costs of RMB19.1 million, (ii) an increase in pledged bank deposits of RMB8.4 million and (iii) a decrease in contract liabilities of RMB4.3 million.

Net cash generated from operating activities for the year ended December 31, 2024 was RMB84.9 million, primarily attributable to profit before taxation of RMB67.6 million,

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as adjusted by (i) non-cash items, mainly including depreciation of RMB54.4 million and changes in the carrying amount of redemption liabilities of RMB26.2 million and (ii) movements in working capital. These working capital movements were mainly driven by (i) an increase in trade and other payables of RMB73.8 million and (ii) an increase in contract liabilities of RMB2.5 million, partially offset by (i) an increase in trade and other receivables of RMB110.7 million, (ii) an increase in pledged bank deposits of RMB15.3 million and (iii) an increase in inventories and other contract costs of RMB9.2 million.

Net cash generated from operating activities for the year ended December 31, 2023 was RMB32.3 million, primarily attributable to profit before taxation of RMB7.5 million, as adjusted by (i) non-cash items, mainly including depreciation of RMB44.2 million, changes in the carrying amount of redemption liabilities of RMB26.2 million and equity-settled share-based payment expenses of RMB4.0 million and (ii) movements in working capital. These working capital movements were mainly driven by an increase in trade and other payables of RMB16.7 million, partially offset by (i) an increase in trade and other receivables of RMB43.7 million, (ii) a decrease in contract liabilities of RMB12.1 million, (iii) an increase in inventories and other contract costs of RMB6.6 million and (iv) an increase in pledged bank deposits of RMB1.5 million.

Net Cash Generated from/(Used in) Investing Activities

Net cash generated from investing activities for the six months ended June 30, 2026 was RMB32.0 million, primarily attributable to (i) proceeds from the disposal of financial assets measured at FVPL of RMB161.0 million and (ii) proceeds from the disposal of financial assets measured at amortized cost of RMB21.9 million, partially offset by (i) payments for the purchase of financial assets measured at FVPL of RMB90.0 million, (ii) payments for the purchase of property, plant and equipment of RMB60.7 million and (iii) payments for the purchase of intangible assets of RMB1.1 million.

Net cash used in investing activities for the year ended December 31, 2025 was RMB104.3 million, primarily due to (i) payments for purchase of property, plant and equipment of RMB122.5 million, (ii) payments for purchase of financial assets measured at FVPL of RMB136.2 million, partially offset by (i) proceeds from disposal of financial assets measured at FVPL of RMB68.2 million and (ii) proceeds from disposal of financial assets measured at amortized cost of RMB85.0 million.

Net cash used in investing activities for the year ended December 31, 2024 was RMB113.3 million, primarily due to (i) payments for purchase of property, plant and equipment of RMB156.8 million, (ii) payments for purchase of financial assets measured at FVPL of RMB24.5 million, partially offset by (i) proceeds from disposal of financial assets measured at FVPL of RMB45.6 million and (ii) proceeds from disposal of financial assets measured at amortized cost of RMB30.0 million.

Net cash used in investing activities for the year ended December 31, 2023 was RMB70.1 million, primarily due to (i) payments for purchase of financial assets measured at FVPL of RMB69.0 million, (ii) payment for purchase of property, plant and equipment of RMB39.6 million, (iii) payments for purchase of financial assets measured at amortized cost of RMB20.0 million and (iv) payment for acquisition of a subsidiary of RMB16.3 million, partially offset by proceeds from disposal of financial assets measured at FVPL of RMB75.0 million.

Net cash generated from/(used in) financing activities

Net cash generated from financing activities for the six months ended June 30, 2026 was RMB18.1 million, primarily attributable to proceeds from bank loans of RMB35.0 million, partially offset by (i) repayments of bank loans of RMB10.3 million, (ii) payments of the capital and interest elements of lease rentals of RMB4.6 million, (iii) finance costs paid of RMB0.7 million, (iv) payment for the acquisition of non-controlling interests of RMB0.8 million and (v) [REDACTED] paid of RMB0.5 million.

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Net cash used in financing activities for the year ended December 31, 2025 was RMB4.8 million, mainly due to proceeds from bank loans of RMB35.0 million, partially offset by (i) repayment of bank loans of RMB11.0 million and (ii) dividends paid of RMB15.0 million.

Net cash used in financing activities for the year ended December 31, 2024 was RMB9.8 million, primarily due to (i) repayments of bank loans of RMB13.5 million, and (ii) payments of the capital and interest elements of lease rentals of RMB11.9 million, partially offset by proceeds from bank loans of RMB15.5 million.

Net cash generated from financing activities for the year ended December 31, 2023 was RMB2.0 million, primarily due to (i) proceeds from bank loans of RMB16.2 million, and (ii) capital contributions from shareholders of RMB13.0 million and (iii) capital contributions from non-controlling interests of RMB1.0 million, partially offset by (i) repayment of bank loans of RMB19.8 million, (ii) payments of the capital and interest elements of lease rentals of RMB6.9 million and (iii) finance costs paid of RMB1.5 million.

INDEBTEDNESS

Except as disclosed in the table below, which sets forth details of our indebtedness as of the dates indicated, we did not have any material indebtedness.

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB	RMB	RMB	RMB	RMB
	(in thousands)				
					(unaudited)
Current					
Bank loans	16,150	11,000	35,750	31,200	31,200
Redemption liabilities	409,097	435,298	–	–	–
Lease liabilities	10,769	11,104	8,578	9,223	9,355
Non-current					
Bank loans	–	4,250	3,500	32,800	32,500
Lease liabilities	40,530	45,438	31,456	30,085	29,965
Total	476,546	507,090	79,284	103,308	103,020

Redemption liabilities

Our redemption liabilities mainly represented redemption rights granted to certain Pre-[REDACTED] Investors. See “History and Corporate Structure — Pre-[REDACTED] — Rights of Pre-[REDACTED] Investors” and Note 24 to the Accountants’ Report set out in Appendix I to this document. Our redemption liabilities increased from RMB409.1 million as of December 31, 2023 to RMB435.3 million as of December 31, 2024, mainly due to accrued interest on the redemption liabilities. Following the termination of the redemption rights in January 2025, the redemption liabilities were reclassified to equity, and we had no redemption liabilities as of December 31, 2025 and June 30, 2026.

Bank Loans

Other than our operating cash flow, we also finance our working capital through borrowings. As of July 31, 2026, the latest date for determining our indebtedness, the aggregate balance of our bank loans was RMB63.7 million.

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The following table sets forth the breakdown of our bank loans as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB	RMB	RMB	RMB	RMB
					(unaudited)
					(in thousands)
Current	16,150	11,000	35,750	31,200	31,200
Non-current	–	4,250	3,500	32,800	32,500
Total	16,150	15,250	39,250	64,000	63,700

During the Track Record Period, our bank loans were obtained from commercial banks, bearing effective interest rates in the range of 2.3% to 3.5% per annum. Our bank loan agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of December 31, 2023, a loan of RMB9.8 million was guaranteed by our shareholders. As of December 31, 2025, our bank loans were all unsecured, and a loan of RMB10.0 million borrowed by a subsidiary was guaranteed by our Company, which was fully repaid in January 2026. As of June 30, 2026, our bank loans comprised unsecured and guaranteed bank loans of RMB5.0 million, unsecured and unguaranteed bank loans of RMB29.0 million and secured and unguaranteed bank loans of RMB30.0 million. As of July 31, 2026, the balance of our secured and unguaranteed bank loans decreased to RMB29.7 million as a result of repayment, while the balances of our other bank loans remained unchanged.

Our current bank loans decreased from RMB16.2 million as of December 31, 2023 to RMB11.0 million as of December 31, 2024, mainly due to our repayment of loans and settlement of discounted bills due within one year. Our current bank loans increased from RMB11.0 million as of December 31, 2024 to RMB35.8 million as of December 31, 2025, mainly due to new bank borrowings obtained during the period. Our current bank loans decreased from RMB35.8 million as of December 31, 2025 to RMB31.2 million as of June 30, 2026, mainly due to the repayment of bank loans during the period, and remained stable at RMB31.2 million as of July 31, 2026.

Our non-current bank loans increased from nil as of December 31, 2023 to RMB4.3 million as of December 31, 2024, mainly due to a new borrowing obtained in 2024 in the ordinary course of business. Our non-current bank loans decreased from RMB4.3 million as of December 31, 2024 to RMB3.5 million as of December 31, 2025. Our non-current bank loans increased from RMB3.5 million as of December 31, 2025 to RMB32.8 million as of June 30, 2026, mainly due to new term loans obtained during the period. Our non-current bank loans decreased slightly from RMB32.8 million as of June 30, 2026 to RMB32.5 million as of July 31, 2026, mainly due to the partial repayment of such bank loans.

As of July 31, 2026, we had bank facilities of approximately RMB470.0 million, of which RMB277.7 million remained unutilized.

Our Directors have confirmed that there has been no material change in the indebtedness of our Group since July 31, 2026, being the latest date for determining our indebtedness for the purpose of this document, and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, our bank loan agreements contained standard terms, conditions and covenants that are customary for commercial bank loans, we had not breached any covenants relating to our outstanding borrowings, and we had not encountered any additional financing difficulties as a result

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of the foregoing. Save as disclosed above, as of the Latest Practicable Date, we did not have any material contingent liabilities relating to our indebtedness.

Lease Liabilities

Our lease liabilities mainly related to the leasehold land and properties we leased. The following table sets forth the amounts of our lease liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of July 31,
	2023	2024	2025	2026	2026
	RMB	RMB	RMB	RMB	RMB
				(unaudited)	
	(in thousands)				
Current	10,769	11,104	8,578	9,223	9,355
Non-current	40,530	45,438	31,456	30,085	29,965
Total	51,299	56,542	40,034	39,308	39,320

Our current lease liabilities increased from RMB10.8 million as of December 31, 2023 to RMB11.1 million as of December 31, 2024, primarily due to new lease agreements entered into during the year for employee dormitories, which resulted in an increase in outstanding lease payments. Our current lease liabilities subsequently decreased from RMB11.1 million as of December 31, 2024 to RMB8.6 million as of December 31, 2025, primarily due to the lease modification in relation to the Ganzhou production base, under which the lease payments were reduced. Our current lease liabilities increased from RMB8.6 million as of December 31, 2025 to RMB9.2 million as of June 30, 2026, primarily due to a new lease entered into to support our business operations, and remained relatively stable at RMB9.4 million as of July 31, 2026.

Our non-current lease liabilities increased from RMB40.5 million as of December 31, 2023 to RMB45.4 million as of December 31, 2024, primarily due to an increase in leased assets in response to our expanded production. Our non-current lease liabilities subsequently decreased from RMB45.4 million as of December 31, 2024 to RMB31.5 million as of December 31, 2025 and further decreased to RMB30.1 million as of June 30, 2026, primarily due to lease modifications and the optimization of our leased asset portfolio, and remained relatively stable at RMB30.0 million as of July 31, 2026.

CAPITAL COMMITMENTS

Our capital commitments primarily related to the purchase of machinery and equipment. The details of our capital commitments as of the dates indicated are set forth below:

	As of December 31,			As of June 30,
	2023	2024	2025	2026
	RMB	RMB	RMB	RMB
	(in thousands)			
Contracted for acquisition of property, plant and equipment	65,046	106,724	106,493	132,139

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Our capital commitments contracted for acquisition of property, plant and equipment increased from RMB65.0 million as of December 31, 2023 to RMB106.7 million as of December 31, 2024, primarily representing contracted amounts for the purchase of facilities and machinery for our planned production capacity expansion. Our capital commitments contracted for acquisition of property, plant and equipment slightly decreased to RMB106.5 million as of December 31, 2025, primarily due to the payments made in respect of the contracted amounts. Our capital commitments for the acquisition of property, plant and equipment subsequently increased from RMB106.5 million as of December 31, 2025 to RMB132.1 million as of June 30, 2026, primarily due to the planned acquisition of machinery, equipment and other fixed assets for the technological upgrade and capacity expansion of our production lines.

CAPITAL EXPENDITURES

Our capital expenditures primarily related to (i) purchase of equipment and building renovation for our manufacturing facilities, and (ii) acquisition of our Vietnam subsidiary. In 2023, 2024, 2025 and the six months ended June 30, 2026, our payments for purchase of property, plant and equipment amounted to RMB39.6 million, RMB156.8 million, RMB122.5 million and RMB60.7 million, respectively. Our anticipated capital expenditures are subject to change from time to time, based on a variety of factors including our business strategy, prevailing market conditions, regulatory environment and the outlook for our results of operations.

We funded these expenditures primarily with our operating cash flow, and we expect to fund our capital expenditures with our operating cash flow and [REDACTED] from the [REDACTED].

RELATED PARTY TRANSACTIONS

We entered into transactions with our related parties in the ordinary course of our business from time to time, primarily for the purchase and sale of goods. For further details of our related party transactions, see Note 30 to the Accountants’ Report set out in Appendix I to this document. These related party transactions were conducted on an arm’s length basis and on normal commercial terms between the relevant parties. We expect to continue entering into contracts for related party transactions of the foregoing nature as part of our ordinary business from time to time.

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 they did not distort our results of operations or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

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

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our activities expose us to credit risk, liquidity risk, interest rate risk and currency risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management. For details, see Note 28 to the Accountants’ Report set out in Appendix I to this document.

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DIVIDEND POLICY

During the Track Record Period, we declared and paid dividends of RMB15.0 million in 2025 out of distributable profits. As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend payout ratio. Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and applicable laws and regulations. The declaration and payment of any dividends in the future will be determined by our shareholders' meeting, in its discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements, overall financial condition and contractual restrictions. We may by ordinary resolution resolve to declare dividends in any currency and authorize payment of the dividends out of the funds of our Company lawfully available. There is no assurance that dividends of any amount will be declared to be distributed in any year. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require us to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2026, our Company had retained profits of RMB160.3 million, which were available for distribution to our Shareholders.

[REDACTED]

Assuming the [REDACTED] is not exercised, an [REDACTED] of HK\$[REDACTED] per [REDACTED] (which is the mid-point of the [REDACTED]) and the full payment of the discretionary [REDACTED], if any, we expect to incur approximately RMB[REDACTED] (equivalent to HK\$[REDACTED]) of [REDACTED] (including (i) [REDACTED]-related expenses, including but not limited to commissions, fees, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, amounting to approximately RMB[REDACTED], and (ii) fees and expenses of legal advisors and accountants amounted to approximately RMB[REDACTED] and other fees and expenses relating to the [REDACTED], including but not limited to the [REDACTED] fees, amounting to approximately RMB[REDACTED]), accounting for approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED]. Approximately RMB[REDACTED] of our [REDACTED] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately RMB[REDACTED] is expected to be deducted from equity upon [REDACTED]. During the Track Record Period, we incurred [REDACTED] of approximately RMB14.7 million, of which (i) approximately RMB12.6 million was charged to the consolidated statements of profit or loss and other comprehensive income, and (ii) approximately RMB2.1 million was directly attributable to the [REDACTED] of our [REDACTED] and will be deducted from equity upon the [REDACTED]. The estimate of [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] ADJUSTED [REDACTED]

The following unaudited [REDACTED] statement of adjusted consolidated [REDACTED] which has been prepared in accordance with paragraph 4.29 of the [REDACTED] Rules is to illustrate the effect of the [REDACTED] on the consolidated [REDACTED] attributable to the equity shareholders of our Company as if the [REDACTED] had taken place on June 30, 2026.

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The unaudited [REDACTED] statement of adjusted consolidated [REDACTED] has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as of June 30, 2026 or any future dates.

[REDACTED]

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our business, financial condition and results of operations since June 30, 2026, which is the end date of the period reported on in the Accountants’ Report in Appendix I to this document, and there is no event since June 30, 2026 which would materially affect the information set out in the Accountants’ Report in Appendix I to this document. During the six months ended June 30, 2026, we have commenced mass production of bent batteries for smart rings and large-scale deliveries are expected to commence in the second half of 2026.

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DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Hong Kong Listing Rules.