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Application Proof of

JTPV

Hainan Drinda New Energy Technology Co., Ltd.

海南鈞達新能源科技股份有限公司

(the “Company”)

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

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Hainan Drinda New Energy Technology Co., Ltd.

海南鈞達新能源科技股份有限公司

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

[REDACTED]

Number of [REDACTED] : [REDACTED] H Shares (subject to under the [REDACTED] the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to reallocation)
Number of [REDACTED] : [REDACTED] H Shares (subject to reallocation and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : RMB[1.00] per H Share
[REDACTED] : [REDACTED]

Joint Sponsors, [REDACTED] and [REDACTED]



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Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, in particular, the risk factors set out in the section headed "Risk Factors."

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[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

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	<i>Page</i>
Expected Timetable	i
Contents	v
Summary	1
Definitions	19
Glossary of Technical Terms	33
Forward-looking Statements	38
Risk Factors	40
Waivers from Strict Compliance with Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance	84

CONTENTS

Information about this Document and the [REDACTED]	92
Directors, Supervisors and Parties Involved in the [REDACTED]	96
Corporate Information	103
Industry Overview	105
Regulatory Overview	123
History, Development and Corporate Structure	141
Business	159
Directors, Supervisors and Senior Management	236
Relationship with Our Single Largest Group of Shareholders	260
Substantial Shareholders	264
Share Capital	268
Financial Information	272
Future Plans and Use of [REDACTED]	338
[REDACTED]	342
The Structure of the [REDACTED]	354
How to Apply for [REDACTED]	365
Appendix I Accountants’ Report	I-1
Appendix IA Report on Review of Condensed Consolidated Financial Statements	IA-1
Appendix II Unaudited [REDACTED] Financial Information	II-1
Appendix III Taxation and Foreign Exchange	III-1
Appendix IV Summary of Principal Legal and Regulatory Provisions	IV-1
Appendix V Summary of Articles of Association	V-1
Appendix VI Statutory and General Information	VI-1
Appendix VII Documents Delivered to the Registrar of Companies and Available on Display	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. Since it is a summary, it does not contain all the information that may be important to you. You should read the document in its entirety before making your [REDACTED] decision. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in our [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in our [REDACTED]. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this document.

OVERVIEW

We are a globally leading specialized manufacturer of PV cells. We, together with our subsidiary, Jietai Technology, have been continuously focusing on the R&D, production, and sales of high-efficiency PV cells. Leveraging our R&D innovation and key technologies, we continue to rank at the forefront of the industry across different generations of mainstream PV cells, including both N-type TOPCon cells and P-type PERC cells. In particular, we have been leading the global PV cell industry transition from P-type PERC cells towards N-type cells, achieving cost-efficient large-scale mass production while implementing technology innovation. According to Frost & Sullivan, based on the shipment volume in the six months ended June 30, 2023, our N-type TOPCon cells’ market share reached approximately 57.4% and ranked first globally, and our PV cells’ market share reached approximately 10.8% and ranked fifth globally.

Our Industry

Given growing public concern on the trend of global climate change and increasing depletion of fossil energy, vigorous development of renewable energy has become a global consensus. Solar power generation, i.e., the conversion of solar radiation into electrical energy using PV cells, has become the fastest-developing renewable energy source because of its environmental friendliness, cost efficiency, widespread distribution, and high safety, according to Frost & Sullivan. Compared with other renewable energy sources, such as wind power and hydropower, solar power is more suitable for different scales, has widely available resources and minimal geographical limitations. Therefore, it is expected to become the largest source of global renewable energy in terms of cumulative installed capacity by 2027, according to Frost & Sullivan.

Our Development Milestones

The following table sets forth certain development milestones of our Group:

Year	Milestones
2003	Our Company was established

SUMMARY

Year	Milestones
2017	Our Company’s A Shares were listed on the Shenzhen Stock Exchange (stock code: 002865.SZ)
2021	We acquired Jietai Technology and entered into the PV cell industry
2022	We launched our Chuzhou Plant, one of the first production plants in the world to achieve large-scale mass production of N-type TOPCon cells We ranked first among specialized manufactures in terms of shipment volume of TOPCon cells
2023	We launched our Huai’an Plant which primary manufactures N-type TOPCon cells We were awarded as “Top 500 Global New Energy Enterprises” by China Energy Economics Research Institute We continued to rank first among specialized manufacturers in terms of shipment volume of TOPCon cells in the six months ended June 30, 2023

Our Products and Services

Leveraging our innovation capability and strong operational efficiency, we provide N-type TOPCon and P-type PERC cells to many world-leading customers. During the Track Record Period, we mainly offered the following three key products:

- ***N-type 210-N TOPCon Monocrystalline Cell.*** Launched in 2023, this cell features 18 busbars on both sides and a thickness of $130\mu\text{m} \pm 13\mu\text{m}$. Its dimensions are $210\text{mm} * 210\text{mm} \pm 0.5\text{mm}$. It has a front side efficiency of $\geq 26.0\%$ and a bifacial ratio of $\geq 80\%$.
- ***N-type 182N TOPCon Monocrystalline Cell.*** Released in 2022, it has 16 busbars on both sides and a thickness of $130\mu\text{m} \pm 13\mu\text{m}$. Its dimensions are $182\text{mm} * 182\text{mm} \pm 0.5\text{mm}$. It has a front side efficiency of $\geq 26.0\%$ and a bifacial ratio of $\geq 80\%$.
- ***P-type 182P PERC Monocrystalline Cell.*** Introduced in 2021, it features 10 busbars on both sides and a thickness of $170\mu\text{m} \pm 17\mu\text{m}$. Its dimensions are $182\text{mm} * 182\text{mm} \pm 0.5\text{mm}$. It has a front side efficiency of $\geq 23.8\%$ and a bifacial ratio of $\geq 70\%$.

SUMMARY

Based on these key products, we have been able to meet various market demands via customization, e.g., adjusting the number of busbars and size of the PV cells and tweaking other technical specifications to better serve customer needs. During the Track Record Period, we also generated revenue from offering manufacturing services to selected customers primarily for P-type PERC cells from time to time. We manufactured PV cells in accordance with customer needs utilizing the silicon wafers provided by them for a fee. For details, see “Business — Our Business — Others.”

	Year Ended December 31,				Nine Months Ended September 30,			
	2021*		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
				<i>(unaudited)</i>			<i>(unaudited)</i>	
Revenue								
N-type								
TOPCon . . .	–	–	2,057,893	18.6	495,914	7.2	9,750,695	68.0
P-type								
PERC	1,625,885	99.2	8,872,274	80.0	6,335,645	91.5	3,977,373	27.7
Others	13,495	0.8	155,546	1.4	94,750	1.3	614,152	4.3
Total	<u>1,639,380</u>	<u>100.0</u>	<u>11,085,713</u>	<u>100.0</u>	<u>6,926,309</u>	<u>100.0</u>	<u>14,342,220</u>	<u>100.0</u>

Note: In 2021, Jietai Technology generated RMB4,865.4 million in revenue, including RMB4,833.1 million from sale of P-type PERC cells and RMB32.3 million from manufacturing services. We only consolidated Jietai Technology’s financial performance subsequent to the First Acquisition, which was completed in September 2021.

Our R&D Capabilities and Technologies

We are a global leader in the innovation of PV cells, demonstrated by our and Jietai Technology’s leading positions both in the PV cell market and the rapid P-N transition.

In the era of polycrystalline PV cells, which lasted until 2017, Jietai Technology’s predecessor optimized production management and enhanced cost-efficiency through improvements in production line intelligence and automation, achieving industry-leading product efficiency and production cost savings. According to Frost & Sullivan, it was the first in the industry to launch high-efficiency black silicon PV cells with a conversion efficiency of over 19.1%, significantly higher than the industry average of around 18% at the time, making it one of the world’s largest supplier of black silicon PV cells at that time. In the era of monocrystalline cells, which started in 2018, we and Jietai Technology kept pace with industry technology upgrades and developed monocrystalline P-type PERC cells with a conversion efficiency of over 23.8%. Our product performance was at an internationally advanced level, and our non-silicon cost efficiency, i.e. cost efficiency of PV cells production excluding expenses on materials and processes related to silicon wafers, continued to lead the industry, according to Frost & Sullivan. We led the industry in promoting the industry upgrade from

SUMMARY

small to large-sized PV cells, and completing the upgrade of the production lines from 166mm PV cells to 182mm PV cells. In the era of N-type cells that dawned in 2022, we became the world’s first specialized PV cell manufacturer to achieve the R&D and large-scale mass production of N-type TOPCon cells, once again leading a technological revolution in the industry. In December 2023, our mass production conversion efficiency of TOPCon cells exceeded 26.0%, which, according to Frost & Sullivan, reached the highest large-scale mass production conversion efficiency in the current PV cell industry.

Our Production

We are the largest specialized manufacturer of TOPCon cells in the world based on the shipment volume in the six months ended June 30, 2023, according to Frost & Sullivan. During the Track Record Period, we experienced rapid and stable growth in production capacity. According to Frost & Sullivan, based on the shipment volume in the six months ended June 30, 2023, our PV cells’ market share reached approximately 10.8% and ranked fifth globally, and our TOPCon cells’ market share reached approximately 57.4% and ranked first globally. In December 2023, our annual production capacity for PV cells was approximately 50 GW. Around 40 GW of this annual production capacity was for N-type TOPCon cells. During the Track Record Period, we have production plants in Shangrao, Chuzhou, and Huai’an, respectively.

Our Performance

We have achieved impressive growth during the Track Record Period. Our revenue grew from RMB1,639.4 million in 2021 to RMB11,085.7 million in 2022, and from RMB6,926.3 million in the nine months ended September 30, 2022 to RMB14,342.2 million in the same period in 2023. Our net profit increased from RMB53.7 million in 2021 to RMB616.9 million in 2022, and from RMB314.8 million in the nine months ended September 30, 2022 to RMB1,638.2 million in the same period in 2023. This remarkable profitability highlights our effective cost optimization and successful growth strategies, underscoring our operational excellence.

Reflecting our operational efficiency and market demand, our PV cell sales volumes also grew from 1.8 GW in 2021 to 10.7 GW in 2022 and from 6.9 GW in the nine months ended September 30, 2022 to 19.6 GW in the same period of 2023. This significant increase in sales volume demonstrates our ability to scale operations effectively while meeting the evolving needs of the market.

SUMMARY

The tables below set out details on sales volume and average selling price (net of tax) of our PV cells during the Track Record Period:

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>GW</i>	%	<i>GW</i>	%	<i>GW</i>	%	<i>GW</i>	%
Sales Volume								
N-type								
TOPCon.	–	–	1.8	16.8	0.4	6.2	12.1	61.7
P-type								
PERC	1.7	96.1	8.3	77.7	6.1	88.2	5.0	25.7
Others*	<u>0.1</u>	<u>3.9</u>	<u>0.6</u>	<u>5.5</u>	<u>0.4</u>	<u>5.6</u>	<u>2.5</u>	<u>12.6</u>
Total	<u>1.8</u>	<u>100.0</u>	<u>10.7</u>	<u>100.0</u>	<u>6.9</u>	<u>100.0</u>	<u>19.6</u>	<u>100.0</u>

Note: Others mainly represented manufacturing services during the Track Record Period.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	<i>RMB/W</i>	<i>RMB/W</i>	<i>RMB/W</i>	<i>RMB/W</i>
Average Selling Price				
N-type TOPCon.	–	1.14	1.16	0.81
P-type PERC	0.96	1.06	1.04	0.79
Others*	0.20	0.26	0.24	0.25

Note: Represents our manufacturing service fee divided by our manufacturing service sales volume.

Discontinued Operation

Prior to June 2022, we used to engage in the research and development, manufacturing and sales of car plastic accessories (“**Discontinued Business**”). In line with our business development strategy, on March 12, 2022, we entered into a transfer agreement with Yang Family pursuant to which we agreed to sell and Yang Family agreed to acquire 100% equity interest of our principal subsidiaries that engaged in the Discontinued Business, as well as all assets relating to the Discontinued Business. For details, please see “History, Development and Corporate Structure.” Since the completion of the disposal in June 2022, we have been fully focusing on our PV cell business.

SUMMARY

In 2021 and for the period from January 1, 2022 to the date of the disposal, Discontinued Business recorded a loss of RMB188.1 million and RMB10.4 million, respectively.

OUR STRENGTHS

- We are a global leader in specialized PV cell manufacturing, spearheading the industry’s development in N-type cells
- We possess exceptional R&D capabilities and technologies, continuously driving the industry’s transformation and upgrades, as well as optimizing PV cell efficiency and costs
- We possess leading production capacity and supply chain management expertise that can meet the huge market demand
- Our global leadership in high-efficiency PV cells accumulated a quality and stable customer base, establishing a solid foundation for rapid and steady performance growth
- Our experienced team, visionary management and ESG commitment foster our sustainable growth

OUR STRATEGIES

- Continuously strengthen technological R&D, enhance product competitiveness, drive cost reduction and efficiency improvement in PV cells, and maintain our lead in both technology and scale
- Catalyze global market development and capitalize on market opportunities through overseas expansion
- Further integrate supply chain resources to enhance manufacturing capabilities
- Strengthen our team and continue to introduce and cultivate talents

SUPPLIERS

During the Track Record Period, purchase from our top five suppliers of the continuing operation amounted to RMB805.5 million, RMB5,574.4 million and RMB6,908.0 million, accounting for 59.7%, 47.2% and 38.8% of our total purchase for the corresponding period, respectively.

All of our five largest suppliers of the continuing operation are independent third parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest suppliers of the continuing operation during the Track Record Period.

SUMMARY

CUSTOMERS

During the Track Record Period, our customers were mainly from the PRC. For each year/period during the Track Record Period, we generated revenue of RMB1,275.5 million, RMB5,981.3 million and RMB7,092.5 million from our five largest customers of the continuing operation, accounting for 77.8%, 53.9% and 49.4% of our total revenue for the corresponding period, respectively.

All of our five largest customers of the continuing operation during the Track Record Period are Independent Third Parties. As of the Latest Practicable Date, none of our Directors or any of our shareholders (who to the knowledge of our Directors had owned more than 5% of our issued share capital) nor any of their respectively associates had any interest in any of our five largest customers of the continuing operation during the Track Record Period.

For details on the overlap of suppliers and customers, please see “Business — Customers, Sales and Pricing — Supplier-Customer Overlap.”

COMPETITION

The global PV cell market is highly competitive and concentrated, with specialized PV cell manufacturers and integrated manufacturers being the two primary types of market players. According to Frost & Sullivan, the top five specialized manufacturers in terms of global PV cell shipment volume took up 73.5% and 78.5% of global PV cell shipment volume by specialized manufacturers of the market share in 2022 and the six months ended June 30, 2023, respectively. We believe that our competitive position is underpinned by our strengths, including leading market position, exceptional R&D capabilities and technologies, production capacity and supply management expertise, quality and stable customer base, and experienced team and visionary management.

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, pursuant to the Acting-in-Concert Agreement, the Yang Family and their controlled entities (Yang Family Investment and Hainan Jindi), collectively being the Single Largest Group of Shareholders, were able to exercise an aggregate of approximately 22.78% voting rights in our Company. Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Employee Incentive Schemes), the Yang Family and their controlled entities (Yang Family Investment and Hainan Jindi) are expected to be entitled to exercise an aggregate of approximately [REDACTED]% voting rights in our Company. Yang Family together with Yang Family Investment and Hainan Jindi will remain as our Single Largest Group of Shareholders upon the [REDACTED].

SUMMARY

ACTING IN CONCERT

On November 30, 2013, the Yang Family (namely, Mr. Lu Xuyang (陸徐楊), Mr. Yang Renyuan (楊仁元), Ms. Lu Huifen (陸惠芬), Mr. Xu Xiaoping (徐曉平), Ms. Lu Xiaohong (陸小紅), Mr. Xu Weidong (徐衛東), Ms. Lu Yuhong (陸玉紅), Mr. Xu Yong (徐勇), and Ms. Lu Xiaowen (陸小文)) entered into an acting-in-concert agreement (the “**Acting-in-Concert Agreement**”) which was supplemented by agreement dated April 23, 2020 and April 23, 2023, pursuant to which the members of Yang Family agreed and would continue to act in concert by aligning their votes when exercising their voting rights at the shareholders’ meetings in our Group. The Acting-in-Concert Agreement shall remain effective until April 24, 2026.

MAJOR ACQUISITION AND DISPOSAL

Since 2020, our Company had been exploring and intending to enter into emerging industries with promising prospect and strong profitability. Upon conducting an in-depth market research, the management of the Company decided to tap into PV Cells Business and acquired Jietai Technology in September 2021. Considering that the continuing operation of the Discontinued Business would divert the management’s attention as well as other resources away from the PV Cells Business, the Company disposed of the Discontinued Business in June 2022. See “History, Development and Corporate Structure — Major Acquisition and Disposal of Our Group during the Track Record Period.”

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Our Consolidated Statements of Comprehensive Income

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
				<i>(unaudited)</i>			<i>(unaudited)</i>	
Continuing operation*								
Revenue	1,639,380	100.0	11,085,713	100.0	6,926,309	100.0	14,342,220	100.0
Cost of sales	(1,432,158)	(87.4)	(9,870,370)	(89.0)	(6,214,544)	(89.7)	(11,854,395)	(82.7)
Gross profits	207,222	12.6	1,215,343	11.0	711,765	10.3	2,487,825	17.3
Other income	47,472	2.9	24,111	0.2	18,380	0.3	55,461	0.4
Other gains and losses .	(226)	(0.0)	(3,481)	(0.0)	(1,362)	(0.0)	6,577	0.0
Selling and marketing expenses	(1,361)	(0.1)	(16,449)	(0.1)	(9,917)	(0.1)	(51,114)	(0.4)
Administrative expenses	(26,995)	(1.6)	(146,043)	(1.3)	(87,153)	(1.3)	(252,236)	(1.8)
Research and development expenses	(56,894)	(3.5)	(235,207)	(2.1)	(179,503)	(2.6)	(233,028)	(1.6)
Net impairment losses under expected credit loss model	(974)	(0.1)	(11,761)	(0.1)	(428)	(0.0)	(591)	(0.0)
Other expenses	(52,343)	(3.2)	(535)	(0.0)	(1,204)	(0.0)	(3,630)	(0.0)
Finance costs	(33,441)	(2.0)	(146,042)	(1.3)	(91,529)	(1.3)	(188,489)	(1.3)
Profit before tax	82,460	5.0	679,936	6.1	359,049	5.2	1,820,775	12.7
Income tax expense . . .	(28,729)	(1.8)	(63,036)	(0.6)	(44,205)	(0.6)	(182,539)	(1.3)
Profit and total comprehensive income for the year/period from continuing operation	53,731	3.3	616,900	5.6	314,844	4.5	1,638,236	11.4
Discontinued operation								
(Loss) profit and total comprehensive (expenses) income for the year/period from discontinued operation	(188,140)	(11.5)	204,087	1.8	204,087	2.9	–	0.0

SUMMARY

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
				<i>(unaudited)</i>			<i>(unaudited)</i>	
(Loss) profit and total comprehensive (expenses) income for the year/period . . .	<u>(134,409)</u>	<u>(8.2)</u>	<u>820,987</u>	<u>7.4</u>	<u>518,931</u>	<u>7.5</u>	<u>1,638,236</u>	<u>11.4</u>
(Loss) profit and total comprehensive (expenses) income for the year/period attributable to owners of the Company:								
– from continuing operation	9,505	0.6	512,858	4.6	210,802	3.0	1,638,236	11.4
– from discontinued operation	<u>(188,140)</u>	<u>(11.5)</u>	<u>204,087</u>	<u>1.8</u>	<u>204,087</u>	<u>2.9</u>	<u>–</u>	<u>–</u>
	<u>(178,635)</u>	<u>(10.9)</u>	<u>716,945</u>	<u>6.5</u>	<u>414,889</u>	<u>6.0</u>	<u>1,638,236</u>	<u>11.4</u>
Profit and total comprehensive income for the year/period attributable to non-controlling interests:								
– from continuing operation	44,226	2.7	104,042	0.9	104,042	1.5	–	–
– from discontinued operation	<u>–</u>	<u>0.0</u>	<u>–</u>	<u>0.0</u>	<u>–</u>	<u>0.0</u>	<u>–</u>	<u>–</u>
	<u>44,226</u>	<u>2.7</u>	<u>104,042</u>	<u>0.9</u>	<u>104,042</u>	<u>1.5</u>	<u>–</u>	<u>–</u>
(Loss) profit and total comprehensive (expenses) income for the year/period attributable to:								
– Owners of the Company	<u>(178,635)</u>	<u>(10.9)</u>	<u>716,945</u>	<u>6.5</u>	<u>414,889</u>	<u>6.0</u>	<u>1,638,236</u>	<u>11.4</u>
– Non-controlling interest	<u>44,226</u>	<u>2.7</u>	<u>104,042</u>	<u>0.9</u>	<u>104,042</u>	<u>1.5</u>	<u>–</u>	<u>–</u>
	<u>(134,409)</u>	<u>(8.2)</u>	<u>820,987</u>	<u>7.4</u>	<u>518,931</u>	<u>7.5</u>	<u>1,638,236</u>	<u>11.4</u>

Note: For the avoidance of doubt, unless otherwise indicated, the information presented in this document related to profit or loss items only represents those of the continuing operation, i.e., the R&D, manufacturing and sales of PV cells.

SUMMARY

Certain Selected Items from the Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of
	2021	2022	September 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>
Assets			
Non-current assets	4,296,987	5,280,349	11,551,463
Current assets	1,682,038	3,559,327	8,094,797
Liabilities			
Current liabilities	3,018,252	4,377,472	7,187,184
Net current (liabilities)/assets	(1,336,214)	(818,145)	907,613
Total assets less current liabilities	2,960,773	4,462,204	12,459,076
Non-current liabilities	1,356,505	3,411,374	6,959,249
Capital and reserves			
Share capital	137,291	141,524	227,395
Share premium	656,925	9,351	2,822,336
Reserves	207,612	899,955	2,450,096
Equity attributable to owners of			
the Company	1,001,828	1,050,830	5,499,827
Non-controlling interests*	602,440	–	–
Total equity	<u>1,604,268</u>	<u>1,050,830</u>	<u>5,499,827</u>

Note: As of December 31, 2021, non-controlling interests of RMB602.4 million represents non-controlling interests in Jietai Technology due to the First Acquisition. For details, see Note 31A to the Accountants’ Report in Appendix I to this Document.

SUMMARY

Cash Flows

The following table sets forth our consolidated statements of cash flows for the periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>	<i>(unaudited)</i>
(Loss) profit before tax from continuing and discontinued operations . . .	(101,122)	891,709	570,823	1,820,775
Operating cash flows before movements in working capital	234,937	1,346,937	807,165	2,434,518
Increase in inventories	(25,239)	(271,574)	(368,585)	(654,989)
Decrease (increase) in trade, bills and other receivables	100,191	(934,246)	(1,171,174)	(607,295)
Increase in receivables at FVTOCI	(16,960)	(795,397)	(572,438)	(3,475,719)
Decrease (increase) in value-added tax recoverable	7,692	(65,757)	51,337	(137,194)
Increase (decrease) in trade, bills and other payables	132,145	375,388	682,782	1,294,637
Increase in contract liabilities	42,044	255,627	417,714	466,809
Cash generated/(used in) operations	474,810	(89,022)	(153,199)	(679,233)
PRC Enterprise Income Tax paid	(7,734)	(10,344)	(10,344)	(25,033)
Net cash flows generated/ (used in) operating activities	467,076	(99,366)	(163,543)	(704,266)
Net cash flows used in investing activities	(567,346)	(521,646)	(369,837)	(1,412,548)
Net cash flows generated from financing activities	7,737	1,650,886	868,345	2,219,851
Net (decrease)/increase in cash and cash equivalents	(92,533)	1,029,874	334,965	103,037
Effect of exchange rate changes	—	—	—	1,151
Cash and cash equivalents at beginning of the year/period	306,612	214,079	214,079	1,243,953
Cash and cash equivalents at end of the year/period	<u>214,079</u>	<u>1,243,953</u>	<u>549,044</u>	<u>1,348,141</u>

SUMMARY

Net Current Assets/Liabilities

	As of December 31,		As of	As of
	2021	2022	September 30,	December 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>	<i>(unaudited)</i>
Current assets				
Inventories	437,736	338,924	1,007,725	759,666
Trade, bills and other receivables	324,513	169,048	795,955	424,753
Receivables at fair value through other comprehensive income ("FVTOCI")	294,041	1,014,656	2,663,041	1,739,083
Value-added tax recoverable	130,403	163,624	300,819	445,828
Income tax recoverable . .	3,851	–	–	29,286
Financial assets at fair value through profits or loss ("FVTPL")	–	–	200,000	–
Restricted bank deposits . .	277,415	629,122	1,779,116	958,534
Cash and cash equivalents	214,079	1,243,953	1,348,141	2,649,852
Total current assets	<u>1,682,038</u>	<u>3,559,327</u>	<u>8,094,797</u>	<u>7,007,002</u>
Current liabilities				
Trade, bills and other payables	2,361,337	2,851,690	5,267,304	4,722,846
Contract liabilities	93,398	317,134	462,270	474,622
Tax payable	4,975	2,787	222,895	5,968
Bank and other borrowings	557,334	1,204,167	1,232,733	1,293,266
Lease liabilities	1,208	1,694	1,982	2,452
Total current liabilities . .	<u>3,018,252</u>	<u>4,377,472</u>	<u>7,187,184</u>	<u>6,499,154</u>
Net current (liabilities)/assets	<u>(1,336,214)</u>	<u>(818,145)</u>	<u>907,613</u>	<u>507,848</u>

Our net current liabilities decreased from RMB1,336.2 million as of December 31, 2021 to RMB818.1 million as of December 31, 2022, mainly due to the increases in the our cash and cash equivalent and in our receivables at FVTOCI resulting from our expanded business scale, partially offset by the increases in our bank and other borrowings, and in our trade, bills and other payables, as we expanded our business scale.

SUMMARY

We recorded a net current assets of RMB907.6 million as of September 30, 2023, mainly due to the increases in our receivables at FVTOCI, inventories and restricted bank deposits, partially offset by the increase in our trade, bills and other payables, reflecting the expanded scale of our business.

Our net current assets decreased from RMB907.6 million as of September 30, 2023 to RMB507.8 million as of December 31, 2023, mainly due to (i) the decrease in receivables at FVTOCI as we settled more bank’s acceptance bills at the end of the year, (ii) the decrease in the restricted bank deposits resulting from the decrease in our bank deposits for bills payable, as we settled part of our bills payable at the end of the year, and (iii) the decrease in the trade, bills and other receivables as we settled more trade, bills and other receivables at the end of the year, partially offset by the increase in the cash and cash equivalents.

Key Financial Ratio

The table below sets forth our key financial ratio for the years/periods, or as of the dates indicated.

	Year Ended/As of December 31,		Nine Months Ended/As of September 30,
	2021	2022	2023
			<i>(unaudited)</i>
Gross Margin ⁽¹⁾	12.6%	11.0%	17.3%
Profit Margin ⁽²⁾	3.3%	5.6%	11.4%
Debt to Asset Ratio ⁽³⁾	73.2%	88.1%	72.0%
Current Ratio ⁽⁴⁾	0.6	0.8	1.1
Return on Equity ⁽⁵⁾	4.1%	46.5%	50.0%

Notes:

- (1) Gross margin is calculated using gross profit from continuing operation divided by revenue from continuing operation for the year/period and multiplied by 100%.
- (2) Profit margin is calculated using profit and total comprehensive income for the year/period from continuing operation divided by revenue from continuing operation for the year/period and multiplied by 100%.
- (3) Debt to asset ratio is calculated using total liabilities divided by total assets as of the end of the year/period and multiplied by 100%.
- (4) Current ratio is calculated using current assets divided by current liabilities as of the end of the year/period.
- (5) Return on equity is calculated using net profit from continuing operation for the year/period divided by the average of total equity as of the beginning and ending of the year/period and multiplied by 100%.

SUMMARY

[REDACTED] STATISTICS

The numbers in the following table are based on the assumptions that (i) the [REDACTED] had been completed on September 30, 2023 and [REDACTED] H Shares were [REDACTED] and sold in the [REDACTED], and (ii) the [REDACTED] is not exercised.

	<u>Based on the [REDACTED] of HK\$[REDACTED]</u>	<u>Based on the [REDACTED] of HK\$[REDACTED]</u>
Market capitalization of our [REDACTED] ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalization is based on [REDACTED] H shares expected to be in [REDACTED] immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised).
- (2) The unaudited [REDACTED] adjusted net tangible asset per Share as at September 30, 2023 is calculated after making the adjustments referred to in “Appendix II — Unaudited [REDACTED] Financial Information.”

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] commission, and other fees incurred in connection with the [REDACTED]. As of September 30, 2023, we incurred [REDACTED] in [REDACTED].

We estimate that additional [REDACTED] of approximately RMB[REDACTED] (HK\$[REDACTED]), including (1) [REDACTED] expenses, which consist of [REDACTED] fee and [REDACTED] commissions, of approximately RMB[REDACTED] (HK\$[REDACTED]), and (2) [REDACTED] expenses of approximately RMB[REDACTED] (HK\$[REDACTED]), which consist of (i) fees and expenses of legal advisors of approximately RMB[REDACTED] (HK\$[REDACTED]), (ii) fees and expenses of our Reporting Accountant of approximately RMB[REDACTED] (HK\$[REDACTED]), and (iii) other fees and expenses of approximately RMB[REDACTED] (HK\$[REDACTED]), assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in the document), will be incurred by our Company, approximately RMB[REDACTED] (HK\$[REDACTED]) of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] (HK\$[REDACTED]) of which is attributable to the [REDACTED] of shares and will be deducted from equity upon [REDACTED]. Our [REDACTED] as a percentage of gross [REDACTED] is [REDACTED]%, at an [REDACTED] of HK\$[REDACTED] per Share, and assuming the [REDACTED] is not exercised. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

SUMMARY

FUTURE PLANS AND USE OF [REDACTED]

We estimate the net [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the [REDACTED] stated in the document), will be approximately HK\$[REDACTED], after deduction of [REDACTED] fees and commissions and estimated [REDACTED] payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised. For details, see “Future Plans and Use of [REDACTED].”

In accordance with our strategy, we plan to use the [REDACTED] for the following intended purposes in the amounts set forth below:

- approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for our construction of an overseas PV cell production plant with an annual production capacity of approximately 7 GW, which is expected to commence commercial production by the end of 2025 (the “**Overseas Plant**”), subject to our successful initiation and execution of appropriate projects based on feasibility studies and market condition, regulatory environment and competition in the candidate regions.
- approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for R&D of advanced technologies to maintain our technological leadership in PV cells and its production process.
- approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for establishing and enhancing our overseas sales operations and distribution channels. By expanding our global footprint and cementing our presence in key international markets, we would be able to maximize the potential of our existing production capacity and the Overseas Plant.
- approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for working capital and general corporate purposes.

LISTING ON THE SHENZHEN STOCK EXCHANGE

With the approval of the CSRC, we completed our initial public offering of 30,000,000 A Shares, and our A Shares became listed on the Shenzhen Stock Exchange (stock code: 002865.SZ) on April 25, 2017.

RECENT DEVELOPMENTS

Our market leadership is attributable to our strategic foresight in the great opportunities that the transition from P-type to N-type cells engenders. Our accurate prediction of technological trend made us the world’s first specialized PV cell manufacturer to mass-produce TOPCon cells in a large scale since August 2022. As a result, we experienced continuous

SUMMARY

business growth in the three months ended December 31, 2023, with significant expansion of production capacity for N-type TOPCon cells. Subsequent to the Track Record Period, we continued expanding our Huai’an Plant, which had an annual production capacity of approximately 13 GW N-type TOPCon cells as of September 30, 2023. As of the Latest Practicable Date, the expanded Huai’an Plant had commenced production, boosting our N-type cell annual production capacity to around 40 GW.

Furthermore, subsequent to the Track Record Period, we have observed an unexpected accelerated shift in market demand from P-type PERC cells to N-type TOPCon cells due to the latter’s superior performance and elevated cost efficiency, which quickly eroded P-type PERC cells’ remaining competitive edge. For details, see “Industry Overview — Global PV Cell Market Breakdown — Global PV Cell Market in the P-N Transition.” As a result, the profitability and the business prospect, even the sustainability of our P-type PERC cell business line have been and will continue to be subject to evolving challenges. Our management has been closely monitoring the development of market trend and may make an impairment loss of significant amount on certain P-type PERC cell production lines and production facilities for the year ended December 31, 2023. As of the Latest Practicable Date, we were still in the process of evaluating relevant factors and implications to determine necessary accounting treatment in line with our accounting policies. Please also see “Risk Factors — We may make additional impairment loss on our asset.” Notwithstanding the aforementioned factors, leveraging our early-mover advantage and established position in N-type TOPCon cell large-scale mass production attributable to our management’s strategic foresight, we believe we are well equipped to navigate the rapid P-N transition and continue our industry leadership as we and Jietai Technology did in previous rounds of industry upgrades. See “Business — Our Strengths — We possess exceptional R&D capabilities and technologies, continuously driving the industry’s transformation and upgrades, as well as optimizing PV cell efficiency and costs.”

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save as disclosed above and elsewhere in this document, as of the date of this document, there has been no material adverse change in our financial, operational or prospects since September 30, 2023, being the latest balance sheet date of our condensed consolidated financial statements as set out in Appendix IA to this document.

DIVIDENDS

Subject to relevant PRC laws and applicable regulations, and our Article of Association, we currently target to distribute cash dividends to our Shareholders no less than 10% of our distributable profit for the year from the year of 2023 to 2025 in accordance with applicable laws and regulations, except for certain occasions. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that we have entered into or may enter into in the future.

SUMMARY

In April 2023, we declared cash dividend of RMB84.9 million and stock dividend of 56.6 million A Shares for the year ended December 31, 2022, which has been fully distributed in June 2023. We believe that the distribution of the dividends will not have a material impact on the sufficiency of our working capital after the [REDACTED] and we will be able to maintain sufficient funds to meet our working capital requirements and debt obligations.

RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” Some of the major risks that we face include: (1) our business is affected by conditions in the global PV cell market and PV industry; in particular, potential adverse development of the supply-demand dynamics of PV cells may significantly affect the price and market demand of our product; (2) technological changes in the PV cell industry could render our products in production or under R&D uncompetitive or obsolete, which cannot be accurately predicted nor fully mitigated despite our best efforts in R&D; (3) because the PV cell market is highly competitive and evolving quickly, because many of our competitors may be more established, resourceful or adaptive, and because we have a limited track record in PV cell operation, our previous operating history and financial performance may not be reliable indicators of our prospects; (4) we may make additional impairment loss on our asset; (5) we may not be able to obtain sufficient raw materials in a timely manner and/or on commercially reasonable terms; (6) price fluctuations in raw materials complicate our procurement strategies and processes; (7) our past and future initiatives designed to maintain and expand our production capacity to meet demand efficiently expose us to inherent risks, which may prevent us from realizing the full benefits of, and incur significant costs relating to, any such initiatives; (8) we may not continue to be successful in developing and maintaining a cost-effective PV cell manufacturing capability; (9) our high supplier concentration renders us vulnerable to supply chain issues, including shortages of adequate raw materials and equipment supply, cancellation or delay of purchase orders, inflationary pressures and cost escalation; (10) we derived a significant portion of our revenue from our top five customers of the continuing operation during the Track Record Period, and any decrease or loss of business with any of them and failure to obtain new customers could significantly reduce our revenue and harm our results of operation; and (11) we may not achieve acceptable production yield and output, which could cause higher production cost per unit.

DEFINITIONS

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

“A Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi and is/are listed for trading on the Shenzhen Stock Exchange
“A Shareholder(s)”	holder(s) of the A Share(s)
“Accountants’ Report”	the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document
“Acting-in-Concert Agreement”	the acting-in-concert agreement entered into among the Yang Family (namely, Mr. Lu Xuyang (陸徐揚), Mr. Yang Renyuan (楊仁元), Ms. Lu Huifen (陸惠芬), Mr. Xu Xiaoping (徐曉平), Ms. Lu Xiaohong (陸小紅), Mr. Xu Weidong (徐衛東), Ms. Lu Yuhong (陸玉紅), Mr. Xu Yong (徐勇), and Ms. Lu Xiaowen (陸小文)) on November 30, 2013, as supplemented on April 23, 2020 and April 23, 2023, pursuant to which the members of Yang Family agreed and would continue to act in concert by aligning their votes when exercising their voting rights at the shareholders’ meetings in our Group
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	Accounting and Financial Reporting Council
“Articles” or “Articles of Association”	the articles of association to be adopted by our Company with effect upon [REDACTED] and as amended from time to time, a summary of which is set out in Appendix V to this document
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board

DEFINITIONS

“Board” or “Board of Directors”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate

[REDACTED]

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “the PRC”	the People’s Republic of China, unless the context requires otherwise, excluding, for the purposes of this document only, the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China
“Chint New Energy”	Chint New Energy Technology Co., Ltd., a company founded in 2006 and located in Jiaying, Zhejiang Province, primarily involves manufacturing of PV cells and modules
“Chuzhou Jietai”	Chuzhou Jietai New Energy Technology Co., Ltd. (滁州捷泰新能源科技有限公司), a limited liability company established in the PRC on December 14, 2021 and a wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company Law”	the Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our Company” or “the Company”	Hainan Drinda New Energy Technology Co., Ltd. (海南鈞達新能源科技股份有限公司) (formerly known as Hainan Drinda Automotive Trim Co., Ltd. (海南鈞達汽車飾件股份有限公司)), a limited liability company incorporated in the PRC on April 3, 2003, which was converted into a joint stock company with limited liability on August 21, 2012, the A Shares of which are listed on the Shenzhen Stock Exchange (stock code: 002865.SZ)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
	[REDACTED]
“Director(s)”	the director(s) of our Company
“Dividends Distribution 2023”	On April 14, 2023, our Company distributed dividends of 0.398 Share and RMB0.5971 per ordinary Share to then existing Shareholders. As a result, our Company issued an aggregate 56,609,710 A Shares for satisfying such dividends distribution in specie to all then Shareholders.
“EIT”	enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time

[REDACTED]

DEFINITIONS

“Employee Incentive Schemes” the share option schemes adopted by our Company during the period from 2021 to 2023, the principal terms of which are set out in “Statutory and General Information — Employee Incentive Schemes” in Appendix VI to this document

[REDACTED]

“Extreme Conditions” means the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

[REDACTED]

“First Acquisition” the acquisition of 51% equity interest of Jietai Technology by our Company in 2021

“Frost & Sullivan” or “Industry Consultant” Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant

“Frost & Sullivan Report” the industry report commissioned by us and independently prepared by Frost & Sullivan, summary of which is set forth in the section headed “Industry Overview” in this document

“General Rules of HKSCC” General Rules of HKSCC published by the Stock Exchange and as amended from time to time

[REDACTED]

DEFINITIONS

“Group”, “our Group”, “our”, “we”, or “us” the Company and all of its subsidiaries, or any one of them as the context may require

“Guide” The Guide for New Listing Applicants, as published by the Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended or supplemented or otherwise modified from time to time

“H Share(s)” ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be [REDACTED] for and traded in Hong Kong dollars and to be [REDACTED] on the [REDACTED]

[REDACTED]

“Hainan Jindi” Hainan Jindi Technology Investment Co., Ltd. (海南錦迪科技投資有限公司), a limited liability established in the PRC on December 3, 2010 whose equity interest was owned as to 80% by Yang Family Investment as of the Latest Practicable Date and is a member of our Single Largest Group of Shareholders

“HKSCC” the Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

[REDACTED]

“HKSCC Nominees” HKSCC Nominees Limited, a wholly owned subsidiary of the HKSCC

DEFINITIONS

“HKSCC Operational Procedures”	the operational procedures of the HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of the systems established, operated and/or otherwise provided by or through HKSCC (including [REDACTED] and CCASS) as from time to time in force
“HKSCC Participant”	means a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

“Hongye New Energy”	Shangrao Hongye New Energy Co., Ltd. (上饒市弘業新能源有限公司), a limited liability established in the PRC on August 24, 2020 and a wholly-owned subsidiary of our Company
“Huai’an Jietai”	Huai’an Jietai New Energy Technology Co., Ltd. (淮安捷泰新能源科技有限公司), a limited liability established in the PRC on October 13, 2022 and a wholly-owned subsidiary of our Company
“IAS”	International Accounting Standards
“IFRS”	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board (IASB) and the IAS and interpretations issued by the International Accounting Standards Committee (IASC)
“Independent Third Party(ies)”	any person(s) or entity(ies) who, to the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not a connected person of our Company within the meaning of the Listing Rules

[REDACTED]

DEFINITIONS

[REDACTED]

“Jietai Technology”	Shangrao Jietai New Energy Technology Co., Ltd. (上饒捷泰新能源科技有限公司), a limited liability company established in the PRC on December 6, 2019 and a wholly-owned subsidiary of our Company
“JingAo Solar”	JingAo Solar Co., Ltd., a company established in 2005 and headquartered in Beijing, specializes in PV auxiliary materials and equipment and PV application scenario solutions
“Jinko”	Jinko Solar Co., Ltd., a STAR-listed company established in 2006 and headquartered in Shanghai. It focuses on integrated R&D and manufacturing of PV products

[REDACTED]

“Latest Practicable Date”	January 31, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
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[REDACTED]

DEFINITIONS

[REDACTED]

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LONGi”	LONGi Group, a Chinese PV company, a major manufacturer of PV modules and a developer of solar power projects
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
“Minghong New Energy”	Shangrao Minghong New Energy Technology Co., Ltd. (上饒市明弘新能源科技有限公司), a limited liability company established in the PRC on August 24, 2020 and a wholly-owned subsidiary of our Company
“MOF” or “Ministry of Finance”	Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Xu”	Mr. Xu Xiaoping (徐曉平), spouse of Ms. Lu, our executive Director and a member of our Single Largest Group of Shareholders
“Ms. Lu”	Ms. Lu Xiaohong (陸小紅), spouse of Mr. Xu, our executive Director, chairman of the Board and a member of our Single Largest Group of Shareholders
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Nomination Committee”	the nomination committee of the Board

DEFINITIONS

“NPC” the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)

[REDACTED]

“Overseas Listing Trial Measures” The Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the CSRC on February 17, 2023, which became effective on March 31, 2023, as amended, supplemented or otherwise modified from time to time

“PBOC” the People’s Bank of China (中國人民銀行), the central bank of the PRC

DEFINITIONS

“PRC Government”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisor”	Tian Yuan Law Firm, our legal advisor as to PRC laws

[REDACTED]

“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shangrao Zhanhong”	Shangrao Zhanhong New Energy Technology Center (Limited Partnership) (上饒展宏新能源科技中心(有限合伙)), the employee shareholding platform of Jietai Technology with Mr. Zheng Hongwei (鄭洪偉), our Director, acting as the executive partner

DEFINITIONS

“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including both A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and CSDC for the establishment of mutual market access between Hong Kong and Shenzhen
“Single Largest Group of Shareholders”	Yang Family, Yang Family Investment and Hainan Jindi
“Southbound Trading Link”	the entrustment of China securities houses by China investors to trade shares listed on the Stock Exchange within a stipulated range via filing by the securities trading service companies established by the Shanghai Stock Exchange and Shenzhen Stock Exchange with the Stock Exchange
	[REDACTED]
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buybacks published by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the financial years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023
“Trina Solar”	Trina Solar Co., Ltd., a Chinese PV company founded in 1997 that manufactures, sells and performs R&D on PV products, EPC and O&M

DEFINITIONS

[REDACTED]

“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Person”	has the meaning given to such term in Rule 902(k) of Regulation S
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax

[REDACTED]

“Yang Family”	Ms. Lu, Mr. Xu and their family members including: Mr. Lu Xuyang (陸徐楊), Mr. Yang Renyuan (楊仁元), Ms. Lu Huifen (陸惠芬), Mr. Xu Weidong (徐衛東), Ms. Lu Yuhong (陸玉紅), Mr. Xu Yong (徐勇), and Ms. Lu Xiaowen (陸小文), each of them is a member of our Single Largest Group of Shareholders and together, as of the Latest Practicable Date, pursuant to an Acting-in-Concert Agreement entered into by and among each of them on November 30, 2013, they are able to exercise approximately 22.78% voting rights in our Company
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DEFINITIONS

“Yang Family Investment”	Hainan Yang Family Technology Investment Co., Ltd. (海南楊氏家族科技投資有限公司), a limited liability company established in the PRC on November 4, 2010 whose equity interest was wholly owned by Yang Family as of the Latest Practicable Date and is a member of our Single Largest Group of Shareholders
“%”	percent

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, nature persons or other entities (including our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms and may not be comparable to similar terms adopted by other companies.

“AGV”	Automated Guided Vehicle, a portable robot that typically follows along marked long lines or wires on the floor, or uses radio waves, vision cameras, magnets, or lasers for navigation. They are most often used in industrial applications to transport heavy materials around a large industrial building, such as a production plant
“annual degradation rate”	the amount by which the projected output of the PV cell is expected to be reduced for each year of service
“average selling price”	the average price at which a product is sold to our customers over a specific period of time, which includes both products manufactured under our own brand and on behalf of our customers as part of our manufacturing service
”bifacial ratio”	a key performance metric for PV cells, it measures how much additional power the rear side of the PV cells generates compared to the power generated by the front side
“black silicon PV cells”	PV cells made applying the process of etching tiny nanostructures on their surface, increasing the surface area of the cell and the amount of sunlight that is captured rather than reflected back from the cell
“busbars”	thin strips of metal found between PV cells designed to separate PV cells and conduct the direct current the PV cells collect from solar photons to the solar inverter
“carbon footprint”	a measure of the amount of carbon dioxide and other carbon compounds emitted due to the consumption of fossil fuels by a particular person, group, etc.
“construction period”	the time between breaking ground and the commencement of mass production of PV cells

GLOSSARY OF TECHNICAL TERMS

“conversion efficiency”	the percentage of the solar energy shining on a PV cell that is converted into usable electricity. For the purpose of the PV cells described in this document, it specifically refers to the median conversion efficiency of such PV cells
“doping concentration”	the amount of impurity atoms intentionally added to a semiconductor material to modify its electrical properties. It controls the amount of light absorption on the surface and affects the efficiency of PV cells
“economies of scale”	the cost advantages that enterprises obtain due to their scale of operation
“front side efficiency”	the efficiency with which the front side of a PV cell converts sunlight into electrical energy. It is a crucial factor in determining PV cell conversion efficiency because this is where the majority of light absorption and conversion to electricity occurs
“front silver paste”	a critical material used in manufacturing PV cells, it is primarily composed of a mixture of silver particles and an organic medium. It is applied to the front side of the PV cells to form the conductive grid that collects and channels the electricity generated by the PV cell
“green factory”	a factory that strives for greenhouse-gas neutrality by combining renewable energies, smart connectivity, and demand-side energy management in production
“GW”	gigawatt, a unit of power, one GW equals to 1,000,000,000 watt. Together with other units of power, it is the primary metric used in the PV industry to measure PV cell production capacity, shipment volume, backlog, etc. When doing so, it can be calculated by multiplying the number of PV cells by the average power that the individual PV cells could generate
“HJT”	heterojunctions that are formed between semiconductors with dissimilar band gaps, on which HJT PV cells are based
“K”	Kelvin, a unit of temperature

GLOSSARY OF TECHNICAL TERMS

“kWh”	kilowatt-hour, a unit of energy, one kWh equals a power of 1kW being used for one hour
“metallization process”	the manufacturing of metal contacts at the surfaces of PV cells to collect the photo-generated current for use
“monocrystalline cell”	a PV cell made up of crystals that are grown along one plane (or one direction) from cylindrical shaped ingots which are in turn sliced into small wafers
“MW”	megawatt, a unit of power, one MW equals 1,000,000 watt
“nitrogen oxides,” “NO _x ”	a mixture of nitric oxide (NO) and nitrogen dioxide (NO ₂), which are gases produced from natural sources, motor vehicles and other fuel burning processes
“ohmic contact”	A low resistance junction (non-rectifying) that provides current conduction from metal to semiconductor and vice versa
“open-circuit voltage,” “V _{oc} ”	the maximum voltage a PV cell produces when no current is flowing in the circuit
“passivation”	a process or technique used to enhance the performance and longevity of materials by reducing the reactivity of their surfaces
“PERC cells”, or “P-type PERC cells”	passivation emitter rear contact cell, a type of PV cell that has an extra layer of material on the back side of the cell to achieve higher energy conversion efficiency
“perovskite tandem PV cells”	cells that uses two layers of perovskite that tap into different wavelengths of light, plus a special surface treatment that reduces wasted energy
“polycrystalline cell”	a PV cell composed of numerous silicon crystals that are grown in multiple directions

GLOSSARY OF TECHNICAL TERMS

“production capacity”	production capacity is calculated as the full production rate of various machines operating 365 days a year for a year, or 273 days for nine months (not including time spent on production line maintenance, upgrade or adjustment). If a plant commences operation in the middle of the year/period, the days in the year/period equal to the actual days from production commencement to the last day of such year/period is used instead
“PV cells”	an electronic device that converts the energy of light directly into electricity through the photovoltaic effect
“quartz”	a hard, crystalline mineral composed of silica (silicon dioxide)
“R&D”	research and development
“resistive losses”	the power loss caused by the resistance in electrical current flow. Resistance in an electrical conductor is directly proportional to its length
“sales volume”	the quantity of products sold within a specific time period, including both products manufactured under our own brand and on behalf of our customers as part of our manufacturing service. For a specialized PV cell manufacturer, the entirety of its shipment volume is sold to its customers. Therefore, its shipment volume equals its sales volume
“screen printing”	the process of depositing silver paste on silicon wafers to establish electrical connections
“shipment volume”	the total number of products we deliver to customers within a specific period, including both products manufactured under our own brand and on behalf of our customers as part of our manufacturing service. For a specialized PV cell manufacturer, the entirety of its shipment volume is sold to its customers. Therefore, its shipment volume equals its sales volume
“short-circuit current,” “ I_{sc} ”	the maximum current generated by a PV cell when its output terminals are shorted

GLOSSARY OF TECHNICAL TERMS

“silicon wafer”	a thin slice of crystalline silicon that serve as the substrate for fabricating PV cells
“sintering”	the process of compacting and forming a solid mass of material by pressure or heat without melting it to the point of liquefaction
“sq.m.”	square meters
“sulfur dioxide”	a gaseous air pollutant composed of sulfur and oxygen
“temperature coefficient”	the specification that defines how a voltage reference’s output voltage will drift over a given temperature
“TOPCon cell”	tunnel oxide passivated contact cell, a type of solar cell with a delicate tunnel oxide layer between the transparent conductive oxide layer and a p-doped crystalline silicon layer
“utilization rate”	utilization rate is calculated as dividing production volume by the production capacity for the same year/period
“wet processing”	an important step in PV cell processing for saw damage removal for the as-cut wafers, texturing of the surface to increase the absorption of incoming solar radiation and edge isolation after the diffusion process
“xBC”	back contact, a next-generation platform technology that improves conversion efficiency by shifting all the electrode grids on the front side to the back side of the PV cell, thus reducing the shading of the grids from sunlight. This platform technology can be used to incorporate other PV cell technologies, such as TOPCon and HJT

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements relating to our plans, objectives, beliefs, expectations, predictions and intentions, which are not historical facts and may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks, uncertainties and other factors facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- our ability to complete the development and obtain the relevant requisite regulatory approvals of our products;
- our ability to attract customers and further enhance our brand recognition;
- our future debt levels and capital needs;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the sections headed “Business” and “Financial Information” in this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

FORWARD-LOOKING STATEMENTS

The forward-looking statements are based on our current plans and estimates and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking statements in this document. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

RISK FACTORS

An [REDACTED] in the H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an [REDACTED] in the [REDACTED]. The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the [REDACTED] of the H Shares could decline, and you may lose all or part of your [REDACTED]. You should seek professional advice from your relevant advisors regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

Our business is affected by conditions in the PV cell market and PV industry; in particular, potential adverse development of the supply-demand dynamics of PV cells may significantly affect the price and market demand of our product.

Our product, PV cells, serve as the most vital component within PV modules. These modules can then be integrated into PV systems, which are subsequently deployed in various settings, including power plants, factories, buildings, and residences, primarily for solar power electricity generation. Consequently, our business is affected by the prevailing market conditions of PV cells, the overall PV industry, as well as the renewable energy power generation industry. These market conditions are further substantially influenced by supply-demand dynamics, which are subject to various factors beyond our control. Such factors include competition, technological advancements, market preferences, as well as changes in policies within the relevant local regions. If the supply of PV cells exceeds the demand, or if governments reduce financial support for the PV industry or impose trade barriers for PV cells, demand and the average selling price for our PV cells could be materially and adversely affected. Accordingly, our business operation and/or our results from operations may be materially and adversely affected.

In addition, the global renewable energy power generation industry, including for solar power generation, is still at an early stage of development, which consequently poses various challenges that impact the predictability of market demand for our PV cells. Many factors may affect the viability of PV cell technology and the demand for PV cells, including:

- the cost-effectiveness, performance and reliability of solar power products compared to fossil fuels and other renewable energy sources and products and services;
- the availability of government incentives to support the development of the solar power industry;

RISK FACTORS

- the availability and cost of capital, including long-term debt;
- the success of technological development of other renewable energy sources, such as wind power, hydropower, clean hydrogen, geothermal power and biomass fuel technologies;
- fluctuations in economic and market conditions that affect the viability of fossil fuels and other renewable energy sources, such as increases or decreases in the prices of oil, gas and other fossil fuels;
- capital expenditures by end users of PV cells, which tend to decrease when the economy growth slows; and
- the availability of favorable regulation for solar power within the renewable energy industry and the broader energy industry.

If solar power is not suitable for widespread adoption or if sufficient demand for PV cells does not develop or takes longer to develop than we anticipate, our revenues may suffer, our business operation and/or our results from operations may be materially and adversely affected, and we may be unable to sustain our profitability.

Technological changes in the PV cell industry could render our products in production or under R&D uncompetitive or obsolete, which cannot be accurately predicted nor fully mitigated despite our best efforts in R&D.

The PV cell industry is characterized by evolving technologies and standards. These technological evolutions and developments lead to improvement and upgrade of our products from time to time, such as transition from P-type cell to N-type cell, PV cells with higher conversion efficiency and lifetime electricity generation capacity. Our competitors may manufacture PV cells with better performance indicators through their R&D endeavors, such as PV cells with higher conversion efficiencies and lifetime electricity generation capacity at a lower cost than our products. In order to maintain our market position, keep pace with technological advances in the PV cell industry, and effectively compete in the future, we need to invest significant resources in R&D. For 2021, 2022 and the nine months ended September 30, 2023, our research and development expenses amounted to RMB56.9 million, RMB235.2 million and RMB233.0 million, respectively. In addition, centering on our N-type TOPCon cells, we have been actively engaging in the R&D of cutting-edge technologies such as HJT, perovskite tandem PV cells, and xBC, and we have been undertaking various R&D programs, including ultra-fine finger technology, front metal area composite optimization, and platform technology overlay. See “Business — Research and Development — Key R&D Programs.”

As R&D activities are inherently uncertain, we cannot assure you that any of our R&D projects will be successful or be completed within the time frame and budget that we anticipate, or that we will continue to develop advanced technologies and know-hows, or that our newly developed products will achieve wide market acceptance as we anticipated. Our judgment of the development trend of PV cell technology may prove inaccurate, and we may fail to invest sufficiently in R&D in the technology with the most market potential even if we do identify them. Consequently, we may be exposed to the risk of technological backwardness. Even if such products can be successfully commercialized, we cannot assure you that they will be accepted by our customers and achieve anticipated sales or profit target.

RISK FACTORS

Additionally, our existing or potential competitors may develop products which are similar or superior to our existing products and/or are more competitively priced. Due to uncertainties in the time frame for developing new products and the duration of market window for these products, there is a substantial risk that we may have to abandon a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such a product. If we fail in our product launching efforts, if we fail to further refine and enhance our products and processes or to keep pace with evolving technologies and industry standards, our products could become uncompetitive or obsolete, which could materially adversely reduce our market share and affect our results of operations.

Because the PV cell market is highly competitive and evolving quickly, many of our competitors may be more established, resourceful or adaptive, and we have a limited track record in PV cell operations, our previous operating history and financial performance may not be reliable indicators of our prospects.

The market for PV cells is intensely competitive and continuously evolving. Both our Company and our competitors need to make improvement and upgrade the existing products from time to time. Some PV cell manufacturers are developing or producing products based on PV cell technologies that may ultimately have costs lower than our projected costs, and their expansion of production capacity may achieve economies of scale that exceed ours. To effectively compete, our technologies, products and production capacity are undergoing continuous transformation, which may prove unsuccessful, risk missing market opportunities and losing market share and in turn negatively affect our performance.

In addition, some of our current and potential competitors may have a longer operating history, stronger brand recognition, more established relationships with customers, greater financial and other resources, a larger customer base, better access to raw materials and greater economies of scale than we do. Some of our competitors may also have closer relationships or may enter into exclusive relationships with some of the key customers in the market. As a result, they may be able to respond more quickly to changing customer demands or devote greater resources to the development, promotion and sales of their products to respond to the changing customer demand. In the meantime, some of our competitors may have more diversified product offerings comprising different types of PV cells from ours, which may better position them to withstand a decline or shift in demand for certain types of PV cells. Some of our competitors may also increase their production of PV cells at a price similar or lower than our PV cells, resulting in decreased customer demand from us. In addition, some of our customers who are integrated manufacturers may benefit from their business model as they could place less reliance on the upstream suppliers as we do. If we fail to compete successfully, our business will suffer, and we may not be able to maintain or increase our market share.

Furthermore, as we have a global footprint and sell our PV cells to overseas customers, we are subject to competition globally. In certain of our target markets, local state-owned and private companies have been taking advantage of the significant market opportunity created by attractive financial incentives and favorable regulatory environment. State-owned companies

RISK FACTORS

may have stronger relationships with local governments in certain regions, and private companies may be more focused and experienced in manufacturing and selling PV cells in the markets where we compete. Our failure to adapt to changing market conditions and to compete successfully with existing or new state-owned or private competitors will limit our growth and will have a material adverse effect on our business and prospects.

We cannot assure you that our revenue will increase at previous rates or at all, or that we will be able to continue to operate profitably in future periods. The previous operating history may not be a reliable predictor of our future results of operations, and past revenue growth should not be taken as indicative of the rate of revenue growth, if any, that can be expected in the future. We believe that period to period comparisons of our operating results and our results for any period should not be relied upon as an indication of future performance, especially given that there is no guarantee that we can compete successfully in the markets in which we operate or the ones we plan to enter in the future.

We may not be able to obtain sufficient raw materials in a timely manner and/or on commercially reasonable terms.

Silicon wafers and silver paste are the primary raw materials for the production of PV cells, which are the primary components of PV modules. Among various types of PV cell raw materials, silicon wafers constitute the largest cost component, accounting for more than 60% of the total cost, and silver paste is the second largest cost component. As such, our ability to obtain sufficient raw materials in a timely manner and on commercially reasonable terms is vital for our business performance and profitability. We may experience interruption to our supply of silicon wafers, silver paste or other raw materials or late delivery in the future for the following reasons beyond our control, among others:

- suppliers under our raw materials supply agreements may delay deliveries for a significant period of time without timely notices or incurring penalties;
- our suppliers may not be able to meet our production needs consistently or on a timely basis;
- compared with us, some of our competitors who also purchase from our suppliers may have longer and stronger relationships with and may have greater buying power and bargaining leverage over some of our key suppliers; and
- our supply of silicon wafers, silver paste or other raw materials is subject to the business risks of our suppliers, some of whom have limited operating history and limited financial resources, and one or more of which could go out of business for reasons beyond our control in the current economic environment.

Our failure to obtain the required amounts of silicon wafers, silver paste and other raw materials, such as screens and quartz pieces, in a timely manner and on commercially reasonable terms could increase our manufacturing costs and substantially limit our ability to

RISK FACTORS

fulfill our contractual obligations to our customers. Any failure by us to meet such obligations could have a material adverse effect on our reputation, ability to retain customers, market share, business and results of operations and may subject us to claims from our customers and other disputes. Furthermore, our failure to obtain sufficient silicon wafers, silver paste and other raw materials would result in under-utilization of our production plants and an increase in our marginal production costs. Any of the above events could have a material adverse effect on our growth, profitability and results of operations.

Price fluctuations in raw materials complicate our procurement strategies and processes.

Among various types of PV cell raw materials, silicon wafers constitute the largest cost component, accounting for more than 60% of the total cost, and silver paste is the second largest component. According to Frost & Sullivan, the prices of silicon wafers have been subject to significant volatility. Historically, increases in the price of silicon wafers had increased our production costs. From 2021 to 2022, the average price of silicon wafers increased from RMB5.6/piece to RMB6.5/piece, then experienced a decline in prices in 2023 despite the recent rapid growth in solar power installed capacity additions, according to Frost & Sullivan. From 2021 to 2022, the price of silver paste decreased from RMB6,020/kg to RMB5,300/kg, then experienced a mild increase in prices in 2023 due to the fluctuation and upward trend of silver price, according to the same source.

In order to ensure that the supply of raw materials from our suppliers meets our need, we have entered into raw material supply agreements with our suppliers. For details, see “Business — Supply Chain Management.” We expect that the prices of silicon wafers and silver paste may continue to be subject to volatility, making our procurement strategies challenging. We primarily entered into long term silicon wafer supply agreements with our suppliers that predominantly use spot market price as the benchmark for our pricing. We may miss the opportunities to secure long-term supplies of silicon wafers at favorable prices if the spot market price of silicon wafers increases significantly in the future. As a result, our cost of raw materials could be higher than that of our competitors with a procurement strategy different from ours. Furthermore, as we further expand our production capacity, our need for long-term supply agreements may change, depending on our evolving requirement of raw material as well as view of the supply chain. In addition, potential decreases in the demand of renewable energy power generation, PV systems, or PV modules may lead to decreases in the demand of our PV cells, yet our long-term supply agreements may require us to purchase more raw materials than required, we may incur costs associated with carrying excess inventory. To the extent we may not be able to fully pass on higher costs and expenses to our customers, our profit margins, results of operations and financial condition may be materially adversely affected.

RISK FACTORS

Our past and future initiatives designed to maintain and expand our production capacity to meet demand efficiently expose us to inherent risks, which may prevent us from realizing the full benefits of, and incur significant costs relating to, any such initiatives.

We have implemented several initiatives designed to manage our production capacity to meet demand efficiently. Our annual production capacity of N-type TOPCon cells and P-type PERC cells was approximately 31.0 GW and 9.5 GW, respectively, as of September 30, 2023. In addition, as of the Latest Practicable Date, the expansion of our Huai’an Plant for N-type TOPCon cells had commenced production, boosting our N-type TOPCon cell annual production capacity to around 40 GW.

Given the strong and continuing growth in global market demand for PV cells and the initial success of our global strategy, we have also been proactively identifying and seeking suitable opportunities of overseas production capacity expansion to better serve relevant markets. As of the Latest Practicable Date, we planned to achieve an overseas annual production capacity of around 14 GW in two phases, subject to our successful initiation and execution of appropriate projects based on feasibility studies and market condition, regulatory environment and competition in the candidate regions. Please see “Business — Our Strategies — Catalyze Global Market Development and Capitalize on Market Opportunities through Overseas Expansion.” Through these initiatives, we expect to enlarge our global footprint, expand our economies of scale, achieve greater cost efficiency, and improve technology and product quality, which may elevate our pricing power and margins. In addition, we will continue to evaluate opportunities to establish additional production capacities and may implement additional initiatives to do so. We cannot assure you that we will realize the expected benefits as a result of these or any future initiatives. Future initiatives to build, transfer or consolidate manufacturing capacities could also involve significant upfront start-up or qualification costs for new or repurposed plants. The failure to realize the full benefits of, or the incurrence of significant costs relating to, these initiatives could materially adversely affect our business, financial condition, and results of operations.

We may not continue to be successful in developing and maintaining a cost-effective PV cell manufacturing capability.

The annual production capacity of our N-type TOPCon cell and P-type PERC cell was approximately 31.0 GW and 9.5 GW, respectively, as of September 30, 2023. To enhance our competitiveness, we intend to expand our annual production capacity to meet expected growth in demand for our PV cells. Therefore, subsequent to the Track Record Period, our expanded Huai’an Plant commenced production, boosting our N-type TOPCon cell production capacity to around 40 GW, and we plan to reach an overseas annual production capacity of around 14 GW to better serve our existing and prospective overseas clientele, subject to our successful initiation and execution of appropriate projects based on feasibility studies and market condition, regulatory environment and competition in the candidate regions.

RISK FACTORS

We continually engage in the development of manufacturing process capabilities and expansion of our production capacity. In doing so, we may face significant product development challenges, significant expense and inherent risks. Manufacturing PV cells involves a series of complex processes, and we may not be able to manufacture our products with sufficient quality and quantity to meet our manufacturing standards. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases result in no yield or cause production to be suspended. We will need to make capital expenditures to purchase manufacturing equipment for PV cell production and will also need to make significant investments in R&D to keep pace with technological advances in PV cell technology.

We cannot guarantee that we will realize the expected benefits of our capacity expansion, or that we will achieve an adequate return on our capital and R&D investments. Any failure to successfully develop and maintain cost-effective manufacturing capability may have a material and adverse effect on our business and prospects.

We derived a significant portion of our revenue from our top five customers of the continuing operation during the Track Record Period, and any decrease or loss of business with any of them and failure to obtain new customers could significantly reduce our revenue and harm our results of operation.

We derived a significant portion of our revenue from our top five customers of the continuing operation during the Track Record Period. In 2021, 2022 and the nine months ended September 30, 2023, sales to our top five customers of the continuing operation represented 77.8%, 53.9% and 49.4% of our total revenue, respectively. In 2021, 2022 and the nine months ended September 30, 2023, our largest customer of the continuing operation accounted for 53.9%, 30.1% and 25.9% of our total revenue, respectively. For details of an analysis of our dependency on major customers, see “Business — Customers, Sales and Pricing — Major Customers.” Due to the highly competitive nature of the PV industry, we risk losing these customers in several situations including, among others, our failure to deliver high-quality products or services that meet the expectations and needs of our customers, our failure to adapt to changing market trends or technological advancements, and the prices of our products being uncompetitive. In addition, some of these customers are also integrated PV cell manufacturers and may increase their production of PV cells, resulting in decreased customer demand from us. We cannot assure you that our major customers will not change their business scope or business model nor suspend their operation, operate in contravention to applicable laws or have defects in operating licenses and approvals, or encounter any operating or financial difficulties. Neither can we assure you that we will be able to continue to generate significant revenue from existing customers or that we will be able to maintain existing or further expand customer relationships. In the event that our customers cancel or reduce their orders, and if we are unable to identify suitable new customers within a reasonable period of time at a reasonable cost, we may not be able to recoup payments made to suppliers, which could adversely influence our financial condition and results of operations. The loss of sales to any of these customers could also have a material adverse effect on our business, prospects and results of operations.

RISK FACTORS

Our high supplier concentration renders us vulnerable to supply chain issues, including shortages of adequate raw materials and equipment supply, cancellation or delay of purchase orders, inflationary pressures and cost escalation.

We depend on third-party suppliers for raw materials and production equipment that are essential for our PV cell production. We procure these materials and equipment from a limited number of suppliers. In 2021, 2022 and the nine months ended September 30, 2023, our five largest suppliers of the continuing operation accounted for 59.7%, 47.2% and 38.8%, respectively, of our total purchase amount. During the same periods, our purchase from the largest supplier of the continuing operation amounted to RMB429.6 million, RMB2,006.1 million and RMB1,982.2 million, accounting for 31.8%, 17.0% and 11.1% of our total purchase for the corresponding periods, respectively. We have managed to reduce dependency on single supplier during the Track Record Period. See “Business — Supply Chain Management — Major Suppliers” for details.

The failure of any of such suppliers, for whatever reason, to supply the materials and equipment that meet quality, quantity and cost requirements in a timely manner could impair our ability to manufacture products, increase costs, hinder compliance with sales agreements’ terms and may result, ultimately, in cancellation of purchase orders and potential liability for us. We may not be able to turn to alternative sources on a timely basis or on commercially reasonable terms to deliver products to customers in the required quantities and at prices that are profitable, which may escalate the severity. There can be no assurance that our inventories will address all the supply chain failures that may arise. Further, our manufacturing and suppliers’ manufacturing and supply chain may be subject to potential disruptions due to plant closure as a consequence of energy shortage or other causes. Supply may also be interrupted by accidents, disasters, geopolitical instability or other unforeseen events beyond our control.

The search for alternative sources of supply to mitigate or solve the above problems may increase our manufacturing costs. For details of our search of alternative sources, see “Business — Supply Chain Management — Introduction of New Suppliers.” Likewise, increased integration of manufacturing processes to lower costs could potentially damage our business, results of operations and relationship with customers. In any case, we may not be able to counteract this impact through price increases for our products to transfer the increase to our customers at all, or through alternative sources of supply, in spite of the possible execution of remedial courses of action or fallback plans. Problems of this kind could consequentially reduce our market share, damage our brand and lead to legal disputes with customers. All of the aforementioned factors could adversely impact our business, results of operations and relationship with customers.

RISK FACTORS

We may not achieve acceptable production yield and output, which could cause higher production cost per unit.

We need to continuously enhance and modify our PV cell production capabilities to improve yields and performance. The production of PV cells involves complex processes. For details, see “Business — Our Production — Manufacturing Process.” Microscopic impurities and contaminants, deviations in the manufacturing process and disruptions in the supply of utilities or defects in the key materials and tools used to manufacture PV cells can result in lower-than-anticipated yield, a substantial decrease in output and, in some cases, disrupt production significantly or result in no output. Failure to achieve acceptable yield and maintain low scrap rate in turn could result in higher production costs and lower profits. From time to time, we may experience lower-than-anticipated manufacturing output during the ramp-up of production plants. This often occurs during the introduction of new PV cells, the installation of new equipment or the implementation of new process technologies. As we bring additional plants into production, we may operate at less than intended capacity during the ramp-up period. See “Business — Our Production — Our Plants.” for a quantitative disclosure of the production capacity of our plants.

In addition, problems in our plants, including but not limited to production failures, human errors, weather conditions, equipment malfunction or process contamination, may limit our ability to manufacture products, which could seriously harm our operations. We are also susceptible to floods, tornados, droughts, power losses and similar events beyond our control that would affect our plants. A disruption in any step of the manufacturing process will require us to repeat each step and recycle the debris, which would adversely affect our yields and manufacturing cost. Furthermore, the demand of renewable energy power generation, demand of PV systems, or the demand of PV modules may decrease, which may lead to the decrease of our PV cells eventually and cause us to operate at less than intended capacity. This would result in higher marginal production costs and lower output, which could have a material adverse effect on our business, financial condition and results of operations.

Unsatisfactory performance of or defects in our products may cause us to incur additional expenses and warranty costs, tarnish our reputation and cause our sales and market share to decline.

Our PV cell sales contracts normally require our customers to conduct inspection upon receipt. Our standard PV cell sales contract requires our customer to notify us within seven days of delivery if such customer finds our PV cells do not meet the specifications stipulated in the sales contract. If our customer notifies us of such defect within the specified time period and provides relevant proof, we will replace those defective PV cells with qualified ones after our confirmation of such defects. For details of our quality control capabilities and our product return policies, see “Business — Quality Control.”

RISK FACTORS

If we experience a significant increase in product return incidents and/or warranty claims, we may incur significant repair and replacement costs associated with such claims. In addition, product defects could cause significant damage to our market reputation and reduce our product sales and market share, and our failure to maintain the consistency and quality throughout our production process could result in substandard quality or performance of our products. If we deliver our products with defects, or if there is a perception that our products are of substandard quality, we may incur substantially increased costs associated with returns or replacements of our products, our credibility and market reputation could be harmed, and our sales and market share may be materially adversely affected.

Our efforts in maintaining, developing and expanding our business requires marketing and selling our products internationally, which poses inherent risks.

In 2021, 2022 and the nine months ended September 30, 2023, we generated 0.3%, 0.3%, and 4.7%, respectively, of our total revenue from sales outside China. To explore the opportunities for overseas production capacity expansion through diverse means, we have been proactively conducting feasibility studies. We plan to reach an overseas annual production capacity of around 14 GW to better serve our existing and prospective overseas clientele, subject to our successful initiation and execution of appropriate projects based on feasibility studies and market condition, regulatory environment and competition in the candidate regions.

The manufacturing, marketing, distribution and sale of our products internationally, as well as the construction and operation of our production plants outside of China may expose us to a number of risks, including those associated with:

- fluctuations in currency exchange rates;
- costs associated with understanding local markets and trends;
- costs associated with establishment of overseas production plants;
- marketing and distribution costs;
- customer services and support costs;
- risk management and internal control structures for our overseas operations;
- compliance with the different commercial, operational, environmental and legal requirements;
- obtaining or maintaining certifications for production, marketing, distribution and sales of our products;
- maintaining our reputation as an environmentally friendly enterprise for our products;

RISK FACTORS

- obtaining, maintaining or enforcing intellectual property rights;
- changes in prevailing economic conditions and regulatory requirements;
- transportation and freight costs;
- employing and retaining manufacturing, technology, sales and other personnel who are knowledgeable about, and can function effectively in, overseas markets;
- trade barriers such as trade remedies, which could increase the prices of the raw materials for our products, and export requirements, tariffs, taxes, antidumping and countervailing duty orders or safeguard measures and other restrictions and expenses, which could increase the prices of our products and make us less competitive in some countries;
- challenges due to our unfamiliarity with local laws, regulation and policies, our absence of significant operating experience in local market, increased cost associated with establishment of overseas operations and maintaining a multinational organizational structure; and
- other various risks that are beyond our control.

Our production capacity outside China requires us to comply with different laws and regulations, including national and local regulations relating to production, environmental protection, employment and the other related matters. Due to our limited experience in doing business in the overseas markets, we are yet to familiarize ourselves with local laws, regulation and policies. Our failure to obtain the required approvals, permits, licenses, filings or to comply with the conditions associated therewith could result in fines, sanctions, suspension, revocation or non-renewal of approvals, permits or licenses, or even criminal penalties, which could have a material adverse effect on our business, financial condition and results of operations.

As we enter into new markets in different jurisdictions, we will also face different business environments and industry conditions, and we may spend substantial resources familiarizing ourselves with the new environment and conditions. To the extent that our business operations are affected by unexpected and adverse economic, regulatory, social and political conditions in the jurisdictions in which we have operations, we may experience project disruptions, loss of assets and personnel, and other indirect losses that could adversely affect our business, financial condition and results of operations. For instance, our production plant overseas may expose us to various risks, including, among others, failure to obtain the required approvals, permits or licenses, or to comply with the conditions associated therewith, failure to procure economic incentives or financing on satisfactory terms, and failure to procure construction materials, production equipment and qualified personnel for the production plant

RISK FACTORS

in a timely and cost-effective manner. Any of these events may increase the related costs, or impair our ability to run our operations in the future on a cost-effective basis, which could in turn have a material adverse effect on our business and results of operations.

We may make additional impairment loss on our asset.

During the Track Record Period, we conducted regular review and impairment assessment on carrying amounts of our goodwill, property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. In particular, according to our accounting policies, we may only retain an asset when it is capable of generating enough cash to pay for itself and, preferably, produce some profit, failing of which, its carrying amount would have to be reduced to reflect the loss of capability to produce cash and profit. Such test is fact-intensive and involves business judgement of our management, which is subjective in nature and subject to inherent limitations and risks. Please also see “Financial Information — Material Accounting Policies and Critical Accounting Judgments And Estimates — Impairment on goodwill, property, plant and equipment, right-of-use assets and intangible assets.”

In addition, as of September 30, 2023, we recorded goodwill of RMB858.8 million, which primarily arose from the acquisition of Jietai Technology completed in September 2021. For more information about the acquisition of Jietai Technology, see “History, Development and Corporate Structure — Corporate Development and Major Shareholding Changes of Our Group.” Goodwill represented a significant portion of the assets on our consolidated balance sheet as of September 30, 2023. The value of goodwill is based on a number of assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss. Any significant impairment of goodwill or other intangible assets could have a material adverse effect on our results of operation, and financial position. For more information regarding our impairment policy in relation to goodwill, see Note 17A to the Accountants’ Report in Appendix I to this document.

Subsequent to the Track Record Period, we have observed an accelerated shift in market demand from P-type PERC cells to N-type TOPCon cells. As a result, the profitability and the business prospect, even the sustainability of our P-type PERC cell business line have been and will continue to be subject to evolving challenges. We may make impairment loss of significant amount on certain P-type PERC cell production line and production facilities for the year ended December 31, 2023, the occurrence of which may cause material adverse impact to our results of operations for the year ended December 31, 2023, should we determine there is a proven irrevocable deterioration of market condition and prospect of P-type PERC cells. As of the Latest Practicable Date, we were still in the process of evaluating the impact of relevant factors and implications to determine necessary accounting treatment in line with our accounting policies. Please also see “Summary — Recent Development.”

RISK FACTORS

In addition, there is no assurance that price of PV cells may not continue to decrease due to factors beyond our control, such as market competition, technology evolution and customers’ preference for other alternative resources, the occurrence of which, the carrying value of our existing inventory may exceed its expected market price in future periods, thus requiring us to make additional provisions for inventory valuation, which may have a material adverse effect on our financial position and results of operations. During the Track Record Period, in observation of decrease in the prices of PV cells and car plastic accessories, as well as our judgment on future development trend and relative business strategy on the Discontinued Business, we recorded inventory provisions of RMB12.7 million, RMB53.9 million and RMB31.5 million in 2021, 2022 and the nine months ended September 30, 2023, respectively.

We manufacture our products in several provinces in China and may deliver them to various customer-designated locations, which exposes us to various risks relating to long-distance transportation of our PV cells.

Our production plants are located in multiple provinces in China, including Jiangxi, Anhui and Jiangsu provinces. For details of our productions plants, see “Business — Our Production — Our Plants.” The geographical separation of our production plants in China and many of our customers necessitates constant long-distance transportation of substantial volumes of our PV cells from Jiangxi, Anhui and Jiangsu provinces. The constant long-distance transportation of a large volume of our PV cells may expose us to various risks, including (i) increases in transportation costs, (ii) loss of PV cells as a result of any accidents that may occur in the transportation process, and (iii) delays in the transportation of our PV cells as a result of any severe weather conditions, natural disasters or other conditions adversely affecting road traffic. Any of these risks could have a material adverse effect on our business and results of operations.

Interruption in or failure of IT, control and communication systems that we manage or that are managed by third parties with which we do business, including cyber-attacks to or other privacy or data security incidents that result in security breaches of these systems, could materially and adversely affect us.

We rely on information technology systems and network infrastructure that we manage or that are managed by third parties with which we do business to collect, use, transmit, store, dispose of, and otherwise process electronic information. See “Business — Data Privacy and Information Security Risk Management.” for details. Our or our critical third parties’ IT systems and other infrastructure and the information processed in such IT systems could be affected by cybersecurity incidents from a number of causes, including but not limited to, power outages, computer and telecommunication failures, computer viruses, malware, attempts to gain unauthorized access to data and systems, ransomware or other destructive software, manual or usage errors, catastrophic events, natural disasters and severe weather conditions. Attacks, including those targeting IT systems, could severely disrupt business operations and result in significant expense to repair or remediate system damage. We have taken steps to protect our IT systems and information maintained in those systems, we could not guarantee

RISK FACTORS

attacks and security incidents would not happen in the future. Global threat actors and terrorists have targeted and will continue to target entities and projects like ours that operate in the energy sector, including through disruptive attacks, such as those involving ransomware. We cannot guarantee the security or protection of our IT systems, information or projects and we have little or no control over the IT systems and facilities of third parties on which our projects rely. Our defensive measures, including back-up systems and those of critical third parties may fail to timely or effectively anticipate, detect, prevent or allow us to recover from cyberattacks. In addition, our costs to adequately counter the risk of cyber-attacks and to comply with contractual and regulatory compliance requirements may increase significantly in the future.

Furthermore, cybersecurity breaches may expose us to a risk of loss or misuse of confidential and proprietary information. Such theft, loss or fraudulent use of information, or other unauthorized disclosure of personal or sensitive data, may lead to high costs to notify and protect the impacted persons. It could also subject us to litigation, losses, liability, fines, or penalties, any of which could materially and adversely affect our results of operations and reputation.

We have implemented various security measures and procedures to protect our IT systems, increase security for information, and monitor and mitigate cybersecurity threats. See “Business — Data Privacy and Information Security Risk Management.” As cybersecurity threats are dynamic, evolving, and increasing in sophistication, magnitude, and frequency, there can be no assurance that such procedures and measures will be successful or sufficient to prevent security breaches from occurring. If any of these potential cybersecurity incidents and corresponding regulatory action were to occur, they could adversely impact our results of operations due to high additional costs, such as penalties, third-party claims, repairs, increased insurance expense, litigation, remediation, security, and compliance costs.

Our operations and production depend on a stable, timely and adequate supply of utilities and various services from third-party providers at commercially reasonable prices.

In addition to raw materials like silicon wafers and silver paste, we depend on the supply of utilities, such as power, water and Internet connection to maintain our production processes and our operations. Our production volume and production costs are dependent on our ability to source such utilities at acceptable prices and maintain a stable supply. The prices for utilities are subject to price volatility attributable to a number of factors which may be beyond our control, including inflation, disruption in the global supply chain, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for the same materials, the availability of complementary and substitute materials, and local and national regulatory requirements. There can be no assurance that shortages of utilities will not occur in the future or that we will be able to pass on related cost increases to our customers. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the prices of our products accordingly, and may also harm our competitive advantages with respect to the affected products.

RISK FACTORS

The PV industry faces competition from other types of renewable and non-renewable power industries.

The PV industry faces competition from other renewable energy sources, such as wind power and hydropower, and non-renewable power industries, including fossil fuels such as coal, petroleum and natural gas. For details, see “Industry Overview — Global Renewable Energy Power Generation Market.” Technological innovations in these other forms of energy may reduce their costs and environmental impact or increase their safety. Large-scale new deposits of fossil fuel may be discovered, which could reduce their costs. Local governments may decide to strengthen their support for other renewable energy sources and reduce their support for the PV industry. The inability to compete successfully against producers of other forms of power would reduce our market share and negatively affect our results of operations.

Our Single Largest Group of Shareholders has significant influence over our Company, and their interests may not be aligned with the interest of our other shareholders.

As of the Latest Practicable Date, our Single Largest Group of Shareholders is able to exercise approximately 22.78% voting rights in our Company. If our Single Largest Group of Shareholders acts collectively, they will have a substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors, dividend policy and other significant corporate actions. They may take actions that are not in the best interest of our company or our securities holders. For example, this concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of the opportunity to receive a premium for their shares as part of a sale of our company and might reduce the [REDACTED] of our shares. On the other hand, if our Single Largest Group of Shareholders is in favor of any of these actions, these actions may be taken even if they are opposed by a majority of our other shareholders, including you and those who [REDACTED] in our shares.

Our business depends substantially on the continuing efforts of our management, key R&D and technical personnel, and our skilled labor force. Our business may be materially adversely affected if we fail to retain them and lose their services.

Our success depends on the continued services of our senior management and other executive officers and key personnel. For details of the background of our senior management, see “Directors, Supervisors and Senior Management — Senior Management.” If one or more of our executive officers and key personnel are unable or unwilling to continue in their present positions, we may not be able to readily replace them, if at all. As a result, our business may be severely disrupted, and we may have to incur additional expenses in order to recruit and retain new personnel. In addition, if any of our executives joins a competitor or forms a competing company, we may lose some of our customers. Each of our key management and employees has entered into an integrity and intellectual property agreement with us that contains confidentiality and non-competition provisions. If any dispute arises between our key management and employees and us, we cannot assure you that these agreements could be enforced in the jurisdiction where most of our key management and employees reside and hold most of their assets.

RISK FACTORS

Furthermore, recruiting and retaining capable personnel, particularly experienced R&D staff, engineers and technicians familiar with our products and manufacturing processes, is vital to maintain the quality of our products and improve our production processes. There is substantial competition for qualified personnel, and we cannot assure you that we will be able to attract or retain them. If we are unable to attract and retain qualified employees, key R&D and technical personnel and our executive officers, our business may be materially adversely affected.

Our lack of sufficient intellectual property protection may undermine our competitive position and subject us to intellectual property disputes with third parties, both of which may have a material adverse effect on our business, results of operations and financial condition.

We have developed various production process related know-how and technologies in the production of our products. Such know-how and technologies play a critical role in our quality assurance and cost reduction. In addition, we have implemented a number of research and development programs with a view to developing techniques and processes that will improve production efficiency and product quality. Our intellectual property and proprietary rights from our research and development programs will be crucial in maintaining our competitive edge in the PV cells industry. As of the Latest Practicable Date, we had 157 patents and were in the process of applying for 84 additional patents. We plan to continue to seek to protect our intellectual property and proprietary knowledge by applying for patents for them. We cannot assure you that we will be successful in obtaining patents in a timely manner or at all. Moreover, even if we are successful, different jurisdictions may afford different protection to a company's intellectual property. We also use contractual arrangements with employees and trade secret protections to protect our intellectual property and proprietary rights. Nevertheless, contractual arrangements afford only limited protection, and the actions we may take to protect our intellectual property and proprietary rights may not be adequate.

In addition, others may obtain knowledge of our know-how and technologies through independent development. Our failure to protect our production process, related know-how and technologies, our intellectual property and proprietary rights or any combination of the above may undermine our competitive position. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property and proprietary rights. Policing unauthorized use of proprietary technology can be difficult and expensive. Litigation, which can be costly and divert management attention and other resources away from our business, may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of our proprietary rights. We cannot assure you that the outcome of such potential litigation will be in our favor. An adverse determination in any such litigation will impair our intellectual property and proprietary rights and may harm our business, prospects and reputation.

RISK FACTORS

We may be exposed to intellectual property infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards and subject us to injunctions prohibiting sale of our products in certain markets.

Our success depends on our ability to use and develop our technology and know-how, and to manufacture and sell our PV cells or otherwise operate our business in the PV industry without infringing the intellectual property or other rights of third parties. We may be subject to litigation involving claims of patent or other intellectual property infringement or violation of intellectual property rights of third parties from time to time. The validity and scope of claims relating to PV cell patents involve complex scientific, legal and factual questions and analyses and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings, trademark disputes and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert our resources and the attention of our technical and management personnel. An adverse ruling in any such litigation or proceedings could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

Our employees are subject to various risks, including serious injury or death, caused by the use of manufacturing equipment and machinery, exposing us to risks in relation to work safety and occurrence of accidents.

In our productions, we employ heavy machinery and equipment that carries a risk of personal injury and occupational accidents to our employees. Safety trainings provided to our employees may not be effective to prevent accidents. Any significant accidents involving heavy machinery and equipment could disrupt our production, tarnish our brand image and expose us to legal and regulatory liabilities. Our work-related injury insurance and medical insurance in place may not be sufficient to cover losses resulting from claims related to such accidents. In addition, we might also be held accountable for fines or penalties, medical costs, and other compensation to the workers and their families in the event of a probable industrial accident that results in serious property loss, personal injury, or death. Consequently, there could be a significant and adverse impact on our prospects, financial situation, results of operations, brand, and reputation.

We may not be able to detect or prevent fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties, which may subject us to liability and harm our reputation and business.

We may be exposed to fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties, which could subject us to financial losses and penalties from governmental authorities. For details of our anti-corruption and anti-bribery policy, see "Business — Risk Management and Internal Control." Our internal control

RISK FACTORS

procedures might not be effective enough to identify all non-compliances, suspicious transactions, fraud, corruption or bribery in a timely manner. If such misconduct occurs, we may be subject to claims, fines or suspension of our operations and may suffer from negative publicity and reputational damage.

We may not be able to maintain our corporate culture, which has been a key to our success.

We believe that a critical component of our success has been our corporate culture, which is focused on technological innovation, driving customer satisfaction and employee experience. We have invested substantial resources in building our team and maintain our corporate culture. As we continue to grow, both organically and through acquisitions of employee teams, we will need to maintain our corporate culture among a larger number of employees dispersed in various geographic regions. Any failure to preserve our culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives.

Overall tightening of the labor market and increases in labor cost may materially and adversely affect us.

Our services rely on recruiting and retaining qualified professionals and successful training of these professionals. According to Frost & Sullivan, the aging population has led to the insufficient supply of labor in some industries, which has in turn led to an increase in labor costs. If the aging problem of workforce intensifies, professionals with health conditions suitable for the PV industry may be in short supply. We may incur more costs to hire suitable professionals. If our recruitment and retention efforts are not successful, qualified professionals may not be integrated into our workforce in a timely manner to meet our business needs.

In 2021, 2022 and the nine months ended September 30, 2023, our employee benefit expenses (excluding directors’ and supervisors’ remunerations) were RMB216.4 million, RMB442.7 million and RMB860.3 million, respectively, which constituted a significant portion of our cost of sales, administrative expenses, selling and marketing expenses and research expenditure. The labor cost may continue to increase, and the local governments may promulgate additional laws and regulations on labor protection, such as increasing the statutory minimum wage. Such developments may place a heavier burden on us as an employer and we may have to pay more benefits to employees. Any significant increase in our direct labor cost will increase our cost of sales. If we cannot transfer the increased cost to customers, our business, financial condition, and results of operations may be materially and adversely affected.

RISK FACTORS

During the Track Record Period, we did not experience any labor shortage or significant increase in labor cost which had a material impact on our daily operation or profitability. We cannot guarantee that we will not experience shortage of skilled labor, or the labor cost will not increase in the future or that our performance of contracts or profitability will not be adversely affected. As a result, our profitability may be adversely affected.

We have limited insurance coverage and may incur significant losses resulting from operating hazards, product liability claims, project construction or business interruptions.

Our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing personal injuries or death, property damages, environmental damages and business interruption. Our insurance on properties, equipment, EHS (Environmental, Health, and Safety), fire and product liability are limited in scope and may not cover all claims relating to personal injury, property or environmental damage arising from incidents on our properties or relating to our operations. For risk exposure not covered by our insurance policies, we share the potential liability with counterparties in accordance with our agreements with such counterparties and applicable laws and regulations. See “Business — Insurance.” Any occurrence of these or other incidents which are not insured under our existing insurance policies could have a material adverse effect on our business, financial condition or results of operations.

We are also exposed to risks associated with product liability claims in the event that the use of our PV cells results in injury. We may not have adequate resources to satisfy a judgment if a successful claim is brought against us. In the event that potential claims exceed the scope or amount of coverage under this insurance, our business could be materially and adversely affected.

In addition, the normal operation of our production plants may be interrupted by accidents caused by operating hazards, power supply disruptions, equipment failure, as well as natural disasters. Any significant damage or interruption to these production plants could still have a material and adverse effect on our results of operations.

Fluctuations in exchange rates could adversely affect our results of operations.

We derive a growing portion of our sales from international customers. Therefore, a portion of our total revenue have been denominated in foreign currencies, particularly U.S. dollars. Our sales outside China represented 0.3%, 0.3%, and 4.7% of our total revenue in 2021, 2022 and the nine months ended September 30, 2023, respectively. As a result, we face risks resulting from currency exchange rate fluctuations, particularly, between Renminbi and U.S. dollars. Furthermore, we have outstanding debt obligations, and may continue to incur debts from time to time, denominated and repayable in foreign currencies. We incurred a net foreign exchange gain of RMB0.3 million in 2021, a net foreign exchange loss of RMB0.8

RISK FACTORS

million in 2022, and a foreign exchange gain of RMB6.8 million in the nine months ended September 30, 2023. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

Compliance with environmentally safe production and construction and renewable energy development regulations can be costly, and non-compliance with such regulations may result in adverse publicity and potentially significant monetary damages, fines and suspension of our business operations.

Our business and/or operational activities, such as the production and sales of our products, storage and transportation of our products and raw materials, are governed by laws and regulations, administrative determinations, and similar constraints, especially the extensive environmental, handling of hazardous substances, chemical using laws and regulations.

Moreover, we are required to obtain construction permits before commencing constructing production plants, and obtain the approvals from PRC environmental protection authorities before commencing commercial operations of our production plants. We are also required to comply with renewable energy development regulations and directives. We commenced commercial production of our PV cells prior to obtaining the complementary environmental protection facilities pass acceptance inspection and the energy conservation inspection for acceptance. Subsequent to the Track Record Period, we obtained substantially all required complementary environmental protection facilities pass acceptance inspection and the energy conservation inspection for acceptance. Our PRC Legal Advisor is of the view that such deficiency will not materially adversely affect our business operation and financial performance. Nevertheless, we cannot assure you that we will not be penalized by the relevant government authorities for these non-compliance. In addition, compliance with the environmentally safe production and construction and renewable energy development regulations can be economically costly and time consuming, which may divert the capacity of our Directors and management for operation of our business, in turn adversely affect our business operation and financial performance.

Environmental, Social and Governance (“ESG”) matters, and unsuccessful management of such matters may impose additional costs and expose us to new risks.

Public ESG and sustainability reporting is becoming more broadly expected by investors, shareholders and other stakeholders and third parties. Certain organizations that provide corporate governance and other corporate risk information to investors and shareholders have developed, and others may in the future develop, scores and ratings to evaluate companies and investment funds based upon ESG or “sustainability” metrics. Many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company’s ESG or sustainability scores as a reputational or other factor in making an investment decision. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and

RISK FACTORS

may also make voting decisions, or take other actions, to hold these companies and their boards of directors accountable. We may face reputational damage in the event our corporate responsibility initiatives or objectives, including with respect to board diversity, do not meet the standards set by our [REDACTED], shareholders, lawmakers, [REDACTED] or other constituencies, or if we are unable to achieve an acceptable ESG or sustainability rating from third party rating services. Ongoing focus on corporate responsibility matters by [REDACTED] and other parties as described above may impose additional costs or expose us to new risks, including increased risk of investigation and litigation, and negative impacts on the value of our products and access to capital, which may put us at a commercial disadvantage relative to our peers.

We have been and continue to rigorously monitor a range of sustainability-related key performance indicators, setting up and monitoring ESG policies, strategies, principles and visions, and we have established an ESG committee to implement the ESG Policy, formulate ESG-related goals and organize their implementation. See “Business — Environmental, Social and Governance (“ESG”).” Implementing our ESG Policy may result in increased costs in our supply chain, fulfillment, and corporate business operations, and could deviate from our initial estimates and have a material adverse effect on our business and financial condition. In addition, standards and research regarding ESG strategies could change and become more onerous both for us and our third-party suppliers and vendors to meet successfully. As such, there can be no certainty that we will be able to meet our ESG or other strategic objectives in an efficient and timely manner or at all, or that we will successfully meet societal expectations in this regard.

Furthermore, new climate change laws and regulations could require us to change our manufacturing processes or procure substitute raw materials that may cost more or be more difficult to procure. Various jurisdictions in which we do business have implemented, or in the future could implement or amend, restrictions on emissions of carbon dioxide or other greenhouse gases, limitations or restrictions on water use, regulations on energy management and waste management, and other climate change-based rules and regulations, which may increase our expenses and adversely affect our operating results. We expect increased worldwide regulatory activity relating to climate change in the future. Future compliance with these laws and regulations may adversely affect our business and results of operations.

We face risks related to health epidemics and other disease outbreaks.

Health epidemics may cause a long-term adverse impact on the economy and social conditions, which may have an indirect impact on our industry and cause temporary suspension of projects and shortage of labor and raw materials. Our delivery of products may also be disrupted, and our customers may cancel their orders due to potential delays in delivery. The longer supply cycle may also have an adverse impact on our operations and production.

RISK FACTORS

Outbreaks of contagious diseases and other adverse public health developments around the world would have a material adverse effect on our business operations. These could include our ability to travel or ship our products as well as temporary closure of our production plants. Such closures or travel or shipment restrictions would severely disrupt our business operations and adversely affect our financial condition and results of operations.

We, our business, shareholders, affiliates, Directors, management, other employees, business partners and other third parties may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative social media postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenues.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. Our brand name and our business may be harmed by aggressive marketing and communications strategies of our competitors. PRC laws and regulations also prohibit agreements and activities which amount to unfair business competition and an abuse of a dominant market position. We cannot assure you that we will not, in the future, be subject to such unfair business competition or dominant market position abuse imposed by third parties. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted in internet chat-rooms or on blogs or websites by anyone, whether or not related to us, on an anonymous basis. Customers may value readily available information concerning manufacturers, and their goods and services and may act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate, as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

RISK FACTORS

The economic, political and social conditions and government policies of the geographical market in which we operate, as well as general global economic conditions and geopolitical tensions, may continue to affect our business, financial condition and results of operation. A severe or prolonged downturn in the economy of the geographical market in which we operate, or global economy could materially and adversely affect our business and financial condition.

There is considerable uncertainty over the long-term effects of the monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world’s leading economies. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between some of the world’s leading economies with respect to trade policies, treaties, government regulations and tariffs. Economic conditions of the markets in which we operate are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate. Any severe or prolonged slowdown in the global may materially and adversely affect our performance.

RISKS RELATING TO OUR FINANCIAL POSITION

The reduction, modification, delay or elimination of government subsidies and other economic incentives in the solar industry may materially adversely affect our business.

Since 2021, with advancements in industrial technology and improved efficiency, newly constructed solar power projects have achieved grid parity. In 2022, the unit price of solar power electricity had become lower than that of fossil fuel-based electricity generation, as well as offshore wind power and hydropower, according to Frost & Sullivan. Nevertheless, there can be no assurance that the unit price of solar power electricity will continue to be lower than that of fossil fuel-based electricity generation, as well as offshore wind power and hydropower in the future. According to Frost & Sullivan, in the near term, the market demand for solar power and solar power products, including our PV cells, will continue to be affected by the availability of government incentives. Government-sponsored financial incentives to promote solar energy include subsidies from the central and local governments, preferential tax rates and other non-monetary incentives. The availability and size of such subsidies and incentives depend, to a large extent, on political and policy developments relating to environmental concerns and other macro-economic factors. Moreover, government incentive programs are expected to gradually decrease in scope or be discontinued as solar power technology improves and becomes more affordable relative to other types of energy. Negative public or community response to solar energy projects could adversely affect the government support and approval of our solar energy business. Adverse changes in government regulations and policies relating to solar energy industry and their implementation, especially those relating to economic subsidies and incentives, could significantly reduce the profitability of our business and materially and adversely affect the state of the industry.

RISK FACTORS

Policies and regulations adopted by the governments towards the solar energy industry are important to the continuing success of our business. Existing incentive programs may be reduced or eliminated for economic, political, financial or other reasons. In addition, the provincial or local governments may delay the implementation or fail to fully implement central government regulations, policies or initiatives. The cost of generating solar power has decreased as it is cheaper than producing electricity from fossil fuels, and the government has implemented a grid parity policy for solar power generation since 2021. If the solar energy industry fails to maintain commercially profitable without subsidies in near term, a significant reduction in the scope or the discontinuation of government incentive programs could materially and adversely affect market demand for our products and negatively impact our revenue and profitability.

Our net current liabilities may expose us to certain liquidity risks and could restrain our operational flexibility as well as affect our ability to expand our business.

During the Track Record Period, we recorded net current liabilities of RMB1,336.2 million as of December 31, 2021, RMB818.1 million as of December 31, 2022, and RMB907.6 million as of September 30, 2023. As of December 31, 2023, we had net current assets of RMB507.8 million. See “Financial information — Liquidity and Capital Resources — Net Current Assets/Liabilities.” for further details.

Net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. Our future liquidity, the payment of trade and other payables when they become due, will primarily depend on our ability to generate adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating and financial performance, the performance of the industry in which we operate and prevailing economic and capital market conditions, among other factors, many of which are beyond our control. If we do not maintain sufficient working capital to meet future financial needs by ourselves, we may need to resort to external funding. Our inability to obtain additional external financing on a timely basis and on acceptable terms, or at all, may force us to abandon or delay our development and expansion plans, and our businesses, financial positions and results of operations may be materially and adversely affected.

RISK FACTORS

We require a significant amount of cash to fund our operations and future business developments. If we cannot obtain additional funding on terms satisfactory to us when we need it, our growth prospects and future profitability may be materially and adversely affected.

We require a significant amount of cash to fund our operations, including payments to suppliers for procuring raw materials. We may also require additional cash due to changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue, as well as our research and development activities in order to remain competitive.

Our management believes that our cash position as of September 30, 2023, the cash expected to be generated from operations, and funds available from borrowings under our credit facilities will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months from the date of this document. For details of our working capital sufficiency, see “Financial Information — Liquidity and Capital Resources — Working Capital Sufficiency.”

Our ability to obtain external financing is subject to a number of uncertainties, including:

- our future financial condition, results of operations and cash flow;
- the general condition of the global equity and debt capital markets;
- regulatory and government support, such as subsidies, tax credits and other incentives;
- the continued confidence of banks and other financial institutions in our company and the PV industry;
- economic, political and other conditions; and
- our ability to comply with any financial covenants under the debt financing.

Any additional equity financing may be dilutive to our existing shareholders, and any debt financing may require restrictive covenants. Additional funds may not be available on terms commercially beneficial to us. Failure to manage discretionary spending and raise additional capital or debt financing as required may adversely impact our ability to achieve our intended business objectives.

RISK FACTORS

We have substantial indebtedness and may incur substantial additional indebtedness and increased cost of indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations.

We typically require a significant amount of cash to meet our capital requirements, including the expansion of our production capacity, as well as to fund our operations. As of September 30, 2023, we had RMB5,267.3 million of trade, bills and other payables, and we had RMB1,232.7 million in current bank and other borrowings and RMB3,056.5 million in non-current bank and other borrowings. For details regarding our trade, bills and other payables and bank and other borrowings, see “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Trade, Bills and Other Payables.” For details of our bank borrowings, see “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Bank and Other Borrowings.”

We may not have sufficient funds available to meet our payment obligations in light of the amount of trade, bills and other payables and bank borrowings due in the near-term future. This level of payables and bank and other bank borrowings could have significant consequences on our operations, including:

- reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes as a result of our debt service obligations, and limiting our ability to obtain additional financing;
- limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and
- potentially increasing the cost of any additional financing.

Any of these factors and other consequences that may result from our substantial indebtedness could have an adverse effect on our business, financial condition and results of operations as well as our ability to meet our payment obligations under our debt.

In addition, we are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes. Our long-term borrowings bears interest at variable rates, generally linked to market benchmarks such as the benchmark interest rate issued by local banks. Any increase in interest rates would increase our finance expenses relating to our variable rate indebtedness and increase the costs of refinancing our existing indebtedness and issuing new debt. Furthermore, we are exposed to lending policy changes by the commercial banks. If these commercial banks tighten their lending practices, or if they are no longer willing to provide financing to solar power companies, including us, we may not be able to extend our short-term borrowings or make additional borrowings in the future.

RISK FACTORS

We may incur gain or loss in relation to our change in the fair value of our financial instruments. The change in fair value of financial instruments may fluctuate significantly from period to period due to factors that are largely beyond our control, and may result in us recording substantial gains or losses as a result of such changes. As a result of the foregoing, you may not be able to rely on period to period comparisons of our operating results as an indication of our future performance.

We must comply with certain financial and other covenants under the terms of our debt instruments, and the failure to do so, e.g., failure to maintain sufficient collateral under certain pledge contracts for our loans, may put us in default under those instruments.

Some of our debt instruments include financial covenants, such as debt to asset ratio, and broad default provisions. These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs in a timely manner, and complying with these covenants may require us to curtail some of our operations and growth plans. In addition, any global or regional economic deterioration may cause us to incur significant net losses or force us to assume considerable liabilities, which would adversely impact our ability to comply with the financial and other covenants of our outstanding loans. If our creditors refuse to grant waivers for any non-compliance with these covenants, such non-compliance will constitute an event of default which may accelerate the amounts due under the applicable loan agreements. Some of our loan agreements also contain cross-default clauses that could enable creditors under our debt instruments to declare an event of default should there be an event of default on our other loan agreements. We cannot assure you that we will be able to remain in compliance with these covenants in the future. We may not be able to cure future violations or obtain waivers of non-compliance on a timely basis. An event of default under any agreement governing our existing or future debt, if not cured by us or waived by our creditors, could have a material adverse effect on our liquidity, financial condition and results of operations.

Our dependence on commercial banks to extend our existing financing and provide additional financing exposes us to short-term funding risks, which may materially and adversely affect our operations.

We require significant cash flow and funding to support our operations. As a result, in addition to our operating cashflow, we may from time to time rely on bank and other borrowings, letters of credit and bills payable to provide working capital for our daily manufacturing operations. We are exposed to lending policy changes by these commercial banks. As of September 30, 2023, we had outstanding bank and other borrowings of RMB4,289.2 million.

RISK FACTORS

If the commercial banks tighten their lending practices, or if they are no longer willing to provide financing to PV companies, including us, we may not be able to extend our short-term borrowings or make additional borrowings in the future. As a result, we may not be able to fund our operations to the same extent as in previous years, which may have a material and adverse effect on our operations.

Prepayment arrangements to our suppliers for the procurement of raw materials expose us to the credit risks of such suppliers and may also significantly increase our costs and expenses, especially when cancellations of customer orders occur, which could in turn have materially and adversely affect us.

Some of our supply contracts include prepayment obligations for the procurement of silicon wafers. As of September 30, 2023, we had RMB644.0 million of advances to our suppliers. We generally do not receive collateral to secure such payments for these contracts.

Our prepayments, secured or unsecured, expose us to the credit risks of our suppliers, and reduce our chances of obtaining the return of such prepayments in the event that our suppliers become insolvent or bankrupt. Moreover, we may have difficulty recovering such prepayments if any of our suppliers fails to fulfill its contractual delivery obligations to us. Accordingly, a default by our suppliers to whom we have made substantial prepayment may have a material adverse effect on our financial condition, results of operations and liquidity.

If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Our business models require us to maintain a certain level of inventory and to manage it effectively to ensure timely deliveries upon receiving orders. As of December 31, 2021, and 2022, and September 30, 2023, our inventories were RMB437.7 million, RMB338.9 million and RMB1,007.7 million, respectively. We decide the procurement amount of product from suppliers, and the level of inventory, in accordance with our supply chain management mechanism. See “Business — Supply Chain Management.”

Demand forecasts are inherently uncertain despite supply chain management mechanisms due to a number of factors, such as launch of new products, pricing, changes in customer procurement decisions and evolving preferences of consumers of PV modules, each of which may affect the accuracy of any forecast. We may record impairment losses from time to time in accordance with our impairment policies. For details, see “Financial Information — Material Accounting Policies and Critical Accounting Judgments and Estimates.” When we begin selling a new product, it may be difficult to predict the demand in the market due to lack of experience. We normally do not have the right to return unsold quality products to our brand partners.

RISK FACTORS

Selling our products on credit terms may increase our working capital requirements and expose us to the credit risk of our customers, especially that related to trade receivables and receivables at FVTOCI.

To accommodate and retain customers in the fluctuating market environment, many PV cells manufacturers, including us, make credit sales and extend credit terms to customers, and this trend is expected to continue in the industry. As a result, some of our sales are made on credit terms, where we allow our customers to make payments after a certain period of time subsequent to the delivery of our products. Our trade and bills receivable turnover were 47.4, 4.4 and 2.0 days in 2021, 2022 and the nine months ended September 31, 2023, respectively. Correspondingly, we recorded impairment loss allowance for trade and bills receivables of RMB25.3 million, RMB1.6 million and RMB2.4 million as of December 31, 2021, 2022 and September 30, 2023, respectively. Based on our ongoing assessment of the recoverability of our outstanding accounts receivable, and the consideration of the historical credit loss experience, current economic conditions, supportable forecasts of future economic conditions, and any recoveries in assessing the lifetime expected credit losses, we may need to continue to provide for credit losses and write off overdue trade receivable we determine as not collectible.

Selling our products on credit terms has increased, and may continue to increase our working capital requirements, which may negatively affect our liquidity. We may not be able to maintain adequate working capital primarily through cash generated from our operating activities and may need to secure additional financing for our working capital requirements, which may not be available to us on commercially acceptable terms or at all.

In addition, we are exposed to the credit risk of customers to which we have made credit sales in the event that any of such customers becomes insolvent or bankrupt or otherwise does not make timely payments. If these customers are not able to obtain satisfactory working capital, maintain adequate cash flow, or obtain construction financing for the projects where our PV cells are used, they may be unable to pay for products they have ordered from us or for which they have taken delivery. Our legal recourse under such circumstances may be limited if the customers' financial resources are already constrained or if we wish to continue to do business with these customers.

Our plants and fixed assets may require substantial investment and upgrading due to depreciation or business growth.

Our plants and operations may require substantial investment and upgrading from time to time due to depreciation or business growth, which may increase our cost. If we cannot successfully recover such cost, our profitability may be decreased. Additionally, the timely completion of planned upgrading is subject to a number of factors, including our ability to raise and maintain sufficient funds for such upgrading, our ability to obtain the required licenses and permits from government authorities, and adequate supply and timely delivery of products. If upgrading is not completed in a timely manner, our operations may be temporarily restrained, which may further materially and adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

We are exposed to changes in the fair value of financial assets at fair value through profit or loss, receivables at fair value through other comprehensive income (“FVTOCI”) and valuation uncertainties.

As of September 30, 2023, we had financial assets at fair value through profits or loss of RMB200.0 million and receivables at FVTOCI of RMB2,663.0 million and we recognized fair value gains on financial assets at fair value through profit or loss of RMB0.7 million for the nine months ended September 30, 2023. We cannot assure you that we will continue to generate such fair value gain in the future. If our investments incur a fair value loss, our results of operations and financial condition may be adversely affected. For details, see Note 19 to the Report on Review of Condensed Consolidated Financial Statements in Appendix IA to this document.

During the Track Record Period, the fair value of our financial assets at fair value through profit or loss was determined by reference to observable inputs to the price of the underlying investments using a valuation pricing model and is classified as Level 2 fair value measurements. Changes in these inputs may affect the estimated fair value of our financial assets at the end of each financial reporting period. Considering the inherent uncertainty in the fair value of financial assets at fair value through profit or loss, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations.

We cannot assure you that our internal control procedures related to the investment procedure will be effective and adequate. We cannot assure you that we will not experience losses with respect to these investments in the future or that such losses or other potentially negative impact will not have a material adverse effect on our business and financial condition.

We have granted, and may continue to grant various forms of share-based incentive awards, including performance-based share awards, under our share incentive plan, which may result in increased share-based compensation expenses and have a dilutive effect on your Shareholding.

We adopted share incentive plans in 2021, 2022 and 2023 under which we can grant share options to eligible employees and directors. The vesting is dependent upon eligible person remaining at all times after the date of granting and on the vesting date an eligible person of the incentive plans. For 2021, 2022 and the nine months ended September 30, 2023, we recorded share-based compensation expenses of RMB3.0 million, RMB49.6 million, and RMB86.7 million, respectively. For details, see “History, Development and Corporate Structure — Our Employee Incentive Schemes,” Note 34 to the Accountants’ Report in Appendix I, and Note 18 to the Report on Review of Condensed Consolidated Financial Statements in Appendix IA and “Statutory and General Information — Employee Incentive Schemes” in Appendix VI to this document.

RISK FACTORS

We believe the granting of share-based compensation is of significant importance to our ability to attract, retain and motivate key personnel and employees, and we will continue to grant share-based compensation in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. In addition, expenses associated with performance-based share awards may fluctuate greater between periods compared to those associated with time-based share awards. If the eligible employees and director exercise their options, your shareholding in our Company will be subject to dilution.

RISKS RELATING TO DISPUTES AND REGULATORY COMPLIANCE

Any potential changes in the legal systems of certain geographic markets where we operate, could affect our business, financial condition and results of operations.

We derive a growing amount of our revenue through our overseas markets. Given the strong and continuing growth in global market demand for PV cells and the initial success of our global strategy, we have been proactively identifying and seeking suitable opportunities of overseas production capacity expansion to better serve relevant markets. We plan to reach an overseas annual production capacity of around 14 GW to better serve our existing and prospective overseas clientele, subject to our successful initiation and execution of appropriate projects based on feasibility studies and market condition, regulatory environment and competition in the candidate regions. As a result, we will be subject to laws and regulations applicable to foreign investment and, in particular, laws applicable to wholly foreign-owned enterprises and joint venture companies. The rules and regulations can change from time to time.

The implementation, interpretation and enforcement of many laws, regulations and rules may change from time to time, and may limit legal protections available to us. In addition, any litigation may be protracted and may result in substantial costs and divert our resources and the attention of our management.

We are subject to numerous laws, regulations and policies at the national, regional and local levels of government in the markets where we do business. Any changes to these laws, regulations and policies may present legal, technical, regulatory and economic barriers to the R&D, sale, purchase and use of PV cells, which may significantly reduce demand for our products or otherwise adversely affect our financial performance.

We are subject to a variety of laws and regulations in the markets where we do business, some of which may conflict with each other and all of which are subject to change. These laws and regulations include energy regulations, export and import restrictions, tax laws and regulations, environmental regulations, labor laws, supply chain laws and regulations and other government requirements, approvals, permits and licenses. We also face trade barriers and trade remedies such as export requirements, tariffs, taxes and other restrictions and expenses, including antidumping and countervailing duty orders, which could increase the prices of our

RISK FACTORS

products and make us less competitive in some countries. See “— Our efforts in maintaining, developing and expanding our business requires marketing and selling our products internationally, which poses inherent risks.”

In the countries where we do business, the market for PV cells is heavily influenced by national, state and local government regulations and policies concerning the PV industry. These regulations and policies could deter further investment in the research and development of renewable energy sources, which could result in a significant reduction in the potential demand for our PC cells.

We expect that our PV cells and their downstream application will continue to be subject to national, state and local regulations and policies relating to safety, utility interconnection and metering, construction, environmental protection, and other related matters. Any new regulations or policies pertaining to our PV cells may result in significant additional expenses to us, our resellers and customers, which could cause a significant reduction in demand for our solar power and battery storage products.

Our business requires a number of approvals, licenses, permits or certificates, and our failure to obtain or renew these approvals, licenses, permits or certificates in a timely manner may materially and adversely affect our business.

In accordance with applicable laws and regulations, we are required to obtain and maintain a variety of approvals, licenses, permits, and certificates from relevant authorities to conduct our business. Failure to obtain any licenses, permits, approvals, or certificates required for our operations may result in enforcement actions under the relevant regulatory bodies, including orders to cease operations and corrective measures requiring capital expenditure or remedial actions. These actions could have a significant and negative impact on our business, financial situation, and operational results in the future. Furthermore, there is no guarantee that we would not face enforcement action from the appropriate authorities. Should an enforcement action of this kind be initiated, our business operations may be significantly and negatively impacted.

In addition, some of these approvals, permits, licenses and certificates are subject to periodic renewal and reassessment by the relevant authorities, and the standards of such renewal and reassessment may change from time to time. We undertake to apply for the renewal and reassessment of these approvals, permits, licenses, and certificates when required by applicable laws and regulations. We cannot guarantee that we will be able to successfully maintain or renew existing permits, licenses, or any other regulatory approvals or obtain permits, licenses, or other approvals needed for the operation of our businesses in the future. If we fail to obtain the necessary renewals and reassessments and otherwise maintain all approvals, licenses, permits, and certificates required to carry out our business at any time, our business could be severely disrupted and prevented from continuing, which could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Furthermore, if existing laws and regulations evolve or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenue and increase our costs, which could materially reduce our profitability.

Our legal right to use certain properties could be challenged or restricted.

As of the Latest Practicable Date, we had not yet obtained the property ownership certificates of 13 buildings, with a GFA of 4,897.5 sq.m., which were still in the application process due to the changes of ownership of the properties or the change of name of Jietai Technology. All the aforementioned 13 properties were located on the site of our Shangrao Plant and were auxiliary and supporting facilities or buildings. According to the relevant PRC laws and regulations and as advised by our PRC Legal Advisor, our rights as owner or occupant of these properties may be adversely affected due to the absence of the relevant building ownership certificates. Accordingly, certain rights including our rights to transfer or lease the properties and/or to mortgage the properties may be restricted.

According to the respective agreements that we entered into with the Management Committee of Lai’an Chahe Economic and Technological Development Zone and the People’s Government of Lianshui County, the relevant government authorities are responsible for the construction of the production plants and related ancillary buildings used on our Chuzhou and Huai’an Plants. We lease and use the properties upon completion of the construction and will purchase the properties within an agreed timeframe. As of the Latest Practicable Date, the aggregate GFA of the relevant properties was 636,911.86 sq.m.. As of the Latest Practicable Date, the property ownership certificates of the aforementioned properties were still in the process of application preparation and thus have not been obtained. As such, if our legal rights to the concerned properties are successfully challenged, we may be exposed to material adverse effects on our business, financial condition and results of operations. Please see “Business — Properties — Leased Properties” for details. Therefore, we are exposed to risks associated with the use of the aforementioned properties.

We are required to comply with economic sanctions and import and export controls laws and regulations that could subject us to liability and impair our ability to compete in overseas markets.

Our global operations subject us to various applicable sanctions and export controls regulations. We have exported our products to a large number of countries and regions and derived sales from exporting to these countries and regions. In the event that any of these countries or regions which we export to imposes economic sanctions or enforces import restriction or tariffs in relation to our products, our business and operations may be adversely affected. Furthermore, we rely on a global network of suppliers to obtain raw materials and equipment for the manufacturing of our products. In the event that any of the countries or regions where we procure imposes export controls, tariffs, trade restrictions or other trade barriers on any of the raw materials or equipment supplied to us, or if any of our suppliers fail to comply with export control regulations or similar laws, we may not be able to obtain a steady supply of necessary raw materials or equipment at competitive prices, and our business and operations may be materially and adversely affected.

RISK FACTORS

Exports of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. We take precautions to prevent our products from being provided to any target of these sanctions. See "Business — Risk Management and Internal Control." for more details. We cannot assure you that our products would not be provided to those targets despite such precautions. Any such provision could have negative consequences, including government investigations, penalties and reputational harm. We could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, results of operations, financial condition and reputation.

We may be subject to anti-corruption, anti-bribery, anti-money laundering and similar laws and regulations in various jurisdictions in which we conduct activities. We have implemented policies and procedures designed to ensure compliance by us and our Directors, employees, and business partners with applicable anti-corruption and anti-bribery and similar laws and regulations. Our policies and procedures may not be sufficient, and our Directors, employees, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, sanctions or anti-money laundering laws and regulations could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

In the event that there is a failure to fully comply with applicable laws and regulations, the relevant government agencies may initiate investigation, freeze our assets or impose fines or other penalties on us, our portfolio companies or the funds under our management, and the exit of our investments and our reputation would be adversely affected. We cannot assure you that there will not be failures in detecting illegal or improper activities which may adversely affect our business reputation, financial condition and results of operations.

We are exposed to various risks related to legal or administrative proceedings or claims that could materially and adversely affect us.

Litigation in general can be expensive, lengthy and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. We and our directors and officers may be involved in allegations, litigation or legal or administrative proceedings from time to time. Regardless of the merits, responding to allegations, litigation or legal or administrative proceedings and defending against litigation can be time-consuming and costly, and may result in us incurring substantial legal and administrative expenses, as well as divert the attention of our management. Any such allegations, lawsuits or proceedings could have a material adverse effect on our business operations. Further, unfavorable outcomes from these claims or lawsuits could adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are subject to certain regulatory requirements over foreign currency conversion and remittance.

We receive substantial payments from our operations in mainland China in RMB and may need to convert Renminbi into other currencies to fund our business activities outside mainland China. The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of mainland China are subject to certain regulatory requirements under PRC laws over foreign currency conversion and remittance. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to satisfy our foreign currency denominated obligations.

If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Any existing and future requirements on currency exchange may limit our ability to purchase raw materials and components outside of mainland China or otherwise fund any future business activities that are conducted in foreign currencies.

Failure to comply with rapidly evolving governmental regulations and other legal obligations concerning data protection and cybersecurity may materially and adversely affect our business, as we routinely collect, store and use data during the conduct of our business.

We are subject to various regulatory requirements relating to cybersecurity and data privacy, including the PRC Data Security Law (《中華人民共和國數據安全法》), the Cybersecurity Law of PRC (《中華人民共和國網絡安全法》) and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》). Should our data processing activities be subject to these laws and regulations, we are required to ensure that our data processing activities are carried out in a lawful, legitimate, specific and clear manner. Pursuant to the Personal Information Protection Law of the PRC, a service provider shall obtain the consent of the persons whose data is gathered when collecting and using personal information and shall comply with other circumstances as prescribed by laws and regulations.

As advised by the PRC Legal Advisor, according to Regulation on Protecting the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), we are not a critical information infrastructure operator. In the course of conducting our business, the privacy data we collect mainly pertains to employee information, customer and supplier contact information, and other data necessary for operation and management. We do not engage in collecting private information through public channels such as operational websites, apps, or mini-programs on internet platforms. We may incur further expenses to comply with laws and regulations relating to data privacy, data security and consumer protection, as well as relevant industry standards and contractual obligations.

RISK FACTORS

In addition, regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. We may also be subject to additional or new laws and regulations regarding the protection of personal information and important data or privacy related matters in connection with our methods for data collection, analysis, storage and use. If we are unable to comply with the applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage customers from purchasing our products and subject us to significant legal liabilities.

As of the Latest Practicable Date, we have not been informed that we are identified as a critical information infrastructure operator by any governmental authorities. We will closely monitor the relevant regulatory environment and will assess and determine whether we are required to apply for the cybersecurity review with the advice of our PRC counsel.

Any failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations.

As advised by our PRC Legal Advisor, we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material aspects during the Track Record Period. We cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not require us to pay any contribution shortfall retroactively, thereby adversely affecting our financial condition and results of operations.

We may be subject to fines for failure to register some of our leases.

As at the Latest Practicable Date, we entered into nine lease agreements as the tenant in mainland China, six of which had yet to be registered with the relevant government authorities in accordance with PRC Law. As advised by our PRC Legal Advisor, the lack of registration of a lease will not affect its legality, validity or enforceability. We may be subject to fines ranging from RMB1,000 to RMB10,000 for each of such non-registered leases should we fail to register the lease agreements upon request by the relevant authority, which may adversely affect our business, financial condition, results of operations and prospects. See “Business — Properties — Leased Properties.” for details.

RISK FACTORS

Any dispute or claim in relation to these properties could result in us having to relocate and obtain alternative accommodation for certain of our employees. If our right to use these properties is challenged, we would need to seek alternative properties on short notice and incur relocation costs, and there is no guarantee that we would be able to find suitable alternative properties on reasonable commercial terms, or at all. Any relocation could lead to disruptions to our operations and may have an adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas listings issued by PRC government authorities.

On February 17, 2023, the CSRC issued the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, which came into effect on March 31, 2023 (the “Overseas Listing Regulations”). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC (“PRC domestic companies”) and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. The Overseas Listing Regulations stipulate that such issuer shall fulfill the filing procedures within three working days after it makes an application for offering and listing in an overseas stock market. According to the Overseas Listing Regulations, we, as a PRC domestic company seeking to [REDACTED] and [REDACTED] securities in overseas markets, are required to fulfill the filing procedure with the CSRC within three working days after submitting the [REDACTED] documents to the overseas supervisory authorities and report relevant information. For details, see “Regulatory Overview — Regulations Relating to Overseas Listing.”

The Overseas Listing Regulations may subject us to additional compliance requirements in the future, and we cannot assure you that we will be able to get clearance of our filing procedures under the Overseas Listing Regulations on a timely basis, or at all. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our ability to continue to sell our securities to [REDACTED], cause significant disruption to our business operations, and severely damage our reputation, which could affect our financial condition and results of operations and cause our securities to decline in value or become worthless.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of mainland China and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and will be [REDACTED] on the [REDACTED] in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available

RISK FACTORS

or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions. Failure to comply with the applicable regulatory requirements and listing rules could result in sanctions, fines, penalties, regulatory measures and reputational damage. See “Directors, Supervisors and Senior Management — Other Information about Ms. Lu and Ms. Zheng Tong (鄭彤).” for a discussion of an incident relating to our failure to comply with Regulatory Guidelines for Listed Companies No. 5 — Registration and Management System for Insider Information of Listed Companies (the “**No. 5 Guidelines**”) issued by the CSRC.

We are a mainland China enterprise and are subject to mainland China tax on our income. Any gains on the sales of H Shares and dividends on the H Shares may be subject to mainland China income taxes.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the mainland China and a non-mainland China investor’s jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-mainland China resident enterprises, which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Under the IIT Law and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. Pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC

RISK FACTORS

jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals’ income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

If mainland China income tax is imposed on gains realized from the transfer of our [REDACTED] or on dividends paid to our non-mainland China resident investors, the value of your [REDACTED] in our [REDACTED] may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with mainland China may not qualify for benefits under such tax treaties or arrangements.

Our A Shares are listed on the Shenzhen Stock Exchange, and the characteristics of the A share and [REDACTED] may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shenzhen Stock Exchange and our [REDACTED] will be [REDACTED] on the [REDACTED]. Under current laws and regulations of mainland China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no [REDACTED] or [REDACTED] between the [REDACTED] and A Share markets. With different [REDACTED] characteristics, the [REDACTED] and A Share markets have divergent [REDACTED] volumes, liquidity and [REDACTED] bases, as well as different levels of retail and institutional [REDACTED] participation. As a result, the [REDACTED] performance of our [REDACTED] and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our [REDACTED], and vice versa. Due to the different characteristics of the [REDACTED] and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our [REDACTED]. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [REDACTED] decision in our [REDACTED].

RISK FACTORS

An active [REDACTED] market for our [REDACTED] may not develop or be sustained.

Prior to the [REDACTED], there was no [REDACTED] for our [REDACTED]. We cannot assure you that a [REDACTED] for our [REDACTED] with adequate liquidity and [REDACTED] volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, and may not be an indication of the [REDACTED] of our [REDACTED] following the [REDACTED] of the [REDACTED]. If an active [REDACTED] for our [REDACTED] does not develop following the completion of the [REDACTED], the market price and liquidity of our [REDACTED] may be materially and adversely affected.

The [REDACTED] and [REDACTED] volume of our [REDACTED] may be volatile, which could result in substantial losses to you.

The [REDACTED] and [REDACTED] volume of our [REDACTED] may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the [REDACTED] and [REDACTED] volume of our [REDACTED]. In addition to market and industry factors, the [REDACTED] and [REDACTED] volume of our [REDACTED] may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our [REDACTED] may be subject to changes in [REDACTED] not directly related to our performance.

You will incur immediate and significant dilution and may experience further dilution if we [REDACTED] additional Shares in the future.

As the [REDACTED] of our [REDACTED] is higher than the net tangible book value per [REDACTED] of our [REDACTED] immediately prior to the [REDACTED], purchasers of our [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible book value. If we [REDACTED] additional [REDACTED] in the future, purchasers of our [REDACTED] in the [REDACTED] may experience further dilution in their shareholding percentage. Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any dividends in the future.

RISK FACTORS

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any dividends in the future.

We have declared dividends in the past. We protect our Shareholders’ interest by ensuring a consistent dividend policy. There is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of mainland China, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of mainland China. See “Financial Information — Dividends.” for further details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in mainland China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. The information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in mainland China, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective [REDACTED] in our [REDACTED] should be reminded that, in making their [REDACTED] decisions as to whether to purchase our [REDACTED], they should rely only on the financial, operating and other information included in this document. By applying to purchase our [REDACTED] in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

RISK FACTORS

Facts, forecasts and statistics in this document relating to global economy and the PV cell industry may not be fully reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. Our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our [REDACTED] that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Future sales or perceived sales of substantial amounts of our [REDACTED] in the [REDACTED] could have a material adverse effect on the [REDACTED] of our [REDACTED] and our ability to raise additional capital in the future.

The [REDACTED] of our [REDACTED] could decline as a result of future sales of a substantial number of our [REDACTED] or other securities relating to our [REDACTED] in the [REDACTED], or the [REDACTED] of [REDACTED] or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we [REDACTED] more securities in the future. [REDACTED] or share-linked securities [REDACTED] by us may also confer rights and privileges that take priority over those conferred by the H Shares.

RISK FACTORS

Certain facts, forecasts and statistics contained in this document are derived from various official or third-party sources and may not be accurate, reliable, complete or up to date.

We have derived certain facts and other statistics in this document, particularly the section headed “Industry Overview,” from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third-party sources. The reproduction of such information has not been prepared or independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], [REDACTED], any of their respective directors, officers, affiliates, advisors or representatives, or any other party (other than Frost & Sullivan) involved in the [REDACTED], and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such information or statistics.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways with which you may not agree or which do not yield a favorable return to our Shareholders. Please refer to the paragraph headed “Future Plans and Use of [REDACTED] — Use of [REDACTED]” for details. Our management will have discretion as to the actual [REDACTED] of our net [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our [REDACTED], the [REDACTED] and [REDACTED] volume of our Shares may decline.

The [REDACTED] for our [REDACTED] will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the [REDACTED] of our [REDACTED] would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our [REDACTED] or [REDACTED] volume to decline.

RISK FACTORS

You should read the entire document carefully and should not rely on any information contained in press articles or other media relating to us, our [REDACTED] or the [REDACTED].

There had been, prior to the publication of this document, and there may be, after the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED]. We have not authorized the disclosure of any information concerning the [REDACTED] in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness, or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or in conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [REDACTED] are cautioned to make their decisions on the basis of the information contained in this document only and should not rely on any other information.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. [REDACTED] should not place undue reliance on such forward-looking statements and information.

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the [REDACTED], our Company has sought and has been [granted] the following waivers from strict compliance with the relevant provisions of the Listing Rules and the following exemptions from strict compliance with the Companies (Winding Up & Miscellaneous Provisions) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters and our business operations are based, managed and conducted in the PRC. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to be ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, provided that our Company implements the following arrangements:

- (a) we have appointed Ms. Zheng Tong (鄭彤) and Ms. Yu Wing Sze (余詠詩) as our authorized representatives (the “**Authorized Representatives**”) pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company’s principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;
- (b) when the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the Authorized Representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (c) all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period upon the request of the Hong Kong Stock Exchange;
- (d) we have appointed Somerley Capital Limited as our compliance adviser (the “**Compliance Adviser**”) upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. The Compliance Adviser will have access at all times to the Authorized Representatives, our Directors and our senior management as prescribed by Rule 3A.23 of the Listing Rules, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available; and
- (e) meetings between the Hong Kong Stock Exchange and our Directors can be arranged through the Authorized Representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the “relevant experience” of the individual:

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

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10 of the Guide, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under Rule 3.28(1) of the Listing Rules) nor Relevant Experience (as defined under Rule 3.28(2) of the Listing Rules) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer’s company secretary.

Further, pursuant to Chapter 3.10 of the Guide, such waiver, if granted, will be for a fixed period of time (the “**Waiver Period**”) and on the following conditions:

- (a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and
- (b) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company has appointed Ms. Zheng Tong (鄭彤) (“**Ms. Zheng**”), who joined our Group in 2017 and is our executive Director and secretary of the Board, as one of our joint company secretaries. She has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. While Ms. Zheng may not be able to solely fulfill the requirements of the Listing Rules, our Directors consider Ms. Zheng a suitable individual to act as a joint company secretary and believe that such appointment would be in the best interests of our Company and of the corporate governance of our Group due to her thorough understanding of the internal administration and business operation of our Group. Accordingly, we have appointed Ms. Yu

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Wing Sze (余詠詩) (“**Ms. Yu**”), an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Zheng for an initial period of three years from the [REDACTED] to enable Ms. Zheng to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. For more details of Ms. Zheng and Ms. Yu’s biographical information, please refer to the section headed “Directors, Supervisors and Senior Management — Joint Company Secretaries.”

Given Ms. Yu’s professional qualification and experience, she will be able to explain to both Ms. Zheng and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Yu will also assist Ms. Zheng in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Yu is expected to work closely with Ms. Zheng and will maintain regular contact with Ms. Zheng. In addition, Ms. Zheng will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance her knowledge of the Listing Rules during the three-year period from the [REDACTED]. She will also be assisted by our compliance adviser and our legal advisor as to the Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Ms. Zheng does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such Ms. Zheng may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of three years from the [REDACTED] on the conditions that (a) Ms. Zheng must be assisted by Ms. Yu who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules; and (b) the waiver will be revoked immediately if and when Ms. Yu ceases to provide assistance to Ms. Zheng as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

Before the expiration of the initial three-year period, the qualifications of Ms. Zheng will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Ms. Zheng, having benefited from the assistance of Ms. Yu for the preceding three years, will have acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

WAIVER AND EXEMPTION IN RELATION TO THE EMPLOYEE INCENTIVE SCHEMES

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the “**Share Options Disclosure Requirements**”):

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in the document. Our Company is also required to disclose in the document full details of all outstanding options and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per share arising from the exercise of such outstanding options;
- (b) Paragraph 27 of the Appendix D1A of the Listing Rules requires our Company to set out in the document particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and
- (c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to set out in the document, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company granted outstanding options under the Employee Incentive Schemes to 585 grantees (excluding the departed employees), including Directors, senior management and other employees of our Group, to subscribe for an aggregate of 12,709,326 A Shares (including an aggregate of 1,859,193 options held by 109 departed employees which are subject to cancellation and taking into account the Dividends Distribution 2023), representing approximately [REDACTED] of the total [REDACTED] share capital immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the options granted under the Employee Incentive Schemes are not exercised), on the terms set out in the paragraph headed “Employee Incentive Schemes” in the Appendix VI to this document.

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Our Company has applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules; and (ii) to the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the waiver and the exemption would not prejudice the interest of the [REDACTED] public for the following reasons:

- (a) given that 585 (excluding the departed employees) grantees are involved, strict compliance with the Share Option Disclosure Requirements in setting out full details of all the grantees under the Employee Incentive Schemes in this document would be costly and unduly burdensome for our Company in light of a significant increase in cost and time for information compilation and document preparation;
- (b) as of the Latest Practicable Date, save for three grantees who are Directors and two grantees who are senior management of our Company, the remaining 580 (excluding the departed employees) grantees are employees of our Group and Independent Third Parties. Strict compliance with the applicable Share Option Disclosure Requirements to disclose names, addresses and entitlements on an individual basis in this document will require number of additional pages of disclosure that does not provide any material information to the [REDACTED] public;
- (c) the grant and exercise in full of the options under the Employee Incentive Schemes will not cause any material adverse impact on the financial position of our Company;
- (d) lack of full compliance with the above disclosure requirements would not prevent our Company from providing its potential [REDACTED] with information for them to make an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and
- (e) material information relating to the options under the Employee Incentive Schemes will be disclosed in this document, including the total number of A Shares subject to the Employee Incentive Schemes, the exercise price per A Share, the potential dilution effect on shareholding, and impact on earnings per A Share upon full exercise of the options granted under the Employee Incentive Schemes. Our Directors consider that the information that is reasonably necessary for the potential [REDACTED] to make an informed assessment of our Company in their [REDACTED] decision making process has been included in this document.

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The Stock Exchange [has granted] us a waiver from strict compliance with the relevant requirements under the Listing Rules on the conditions that:

- (a) full details of the options under the Employee Incentive Schemes granted to each of the Directors and members of senior management will be disclosed in the paragraph headed "Employee Incentive Schemes" in Appendix VI to this document on an individual basis as required under the applicable Share Option Disclosure Requirements;
- (b) for the remaining grantees, disclosure will be made, on an aggregate basis, of (i) the aggregate number of grantees and the number of A Shares underlying the options granted to them under the Employee Incentive Schemes, (ii) the consideration (if any) paid for the grant of the options under the Employee Incentive Schemes, and (iii) the exercise period and the exercise price for the options granted under the Employee Incentive Schemes;
- (c) there will be disclosure in the paragraph head "Employee Incentive Schemes" in Appendix VI to this document for the aggregate number of A Shares underlying the options under the Employee Incentive Schemes and the percentage of our Company's total issued share capital represented by such number of A Shares;
- (d) the dilutive effect and impact on earnings per A Share upon full exercise of the options under the Employee Incentive Schemes will be disclosed in the paragraph headed "Employee Incentive Schemes" in Appendix VI to this document;
- (e) a summary of the principal terms of the Employee Incentive Schemes will be disclosed in the paragraph headed "Employee Incentive Schemes" in Appendix VI to this document;
- (f) the particulars of the waiver and the exemption will be disclosed in this document;
- (g) a full list of all the grantees (including those persons whose details have already been disclosed in this document) under the Employee Incentive Schemes, containing all the particulars as required under the applicable Share Option Disclosure Requirements be made available for public inspection in accordance with Appendix VII to this document;
- (h) further information relating to the grantees who have been granted options is provided to the Stock Exchange; and

WAIVERS FROM STRICT COMPLIANCE WITH LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (i) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC [has granted] us the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

- (a) full details of the options under the Employee Incentive Schemes granted to each of the Directors and members of senior management will be disclosed in the paragraph headed "Employee Incentive Schemes" in Appendix VI to this document on an individual basis as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) for the remaining grantees, disclosure will be made, on an aggregate basis, of (i) the aggregate number of grantees and the number of A Shares underlying the options granted to them under the Employee Incentive Schemes, (ii) the consideration (if any) paid for the grant of the options under the Employee Incentive Schemes, and (iii) the exercise period and the exercise price for the options granted under the Employee Incentive Schemes;
- (c) a full list of all the grantees (including those persons whose details have already been disclosed in this document) under the Employee Incentive Schemes, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in accordance with Appendix VII to this document; and
- (d) the particulars of the exemption will be disclosed in this document.

Further details of the Employee Incentive Schemes are set forth in the paragraph headed "Employee Incentive Schemes" in Appendix VI to this document.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Ms. Lu Xiaohong (陸小紅)	Building 117, Xi'an Garden Suzhou, Jiangsu PRC	Chinese
Mr. Xu Xiaoping (徐曉平)	Building 117, Xi'an Garden Suzhou, Jiangsu PRC	Chinese
Mr. Zhang Manliang (張滿良)	Room 2704, Building 19 Zone 4, Shidai Shangcheng Garden No. 128 Dongshahu Road Suzhou Industrial Park Suzhou, Jiangsu PRC	Chinese
Mr. Zheng Hongwei (鄭洪偉)	No. 31, Lane 1638 Huqing Road, Qingpu District Shanghai PRC	Chinese
Ms. Zheng Tong (鄭彤)	D1-2, Ruyaju Jinpan Yayuan, No. 6 Jinlian Road Haikou, Hainan PRC	Chinese
<i>Non-executive Director</i>		
Mr. Xu Yong (徐勇)	Room 401, Building 8 No. 178 Xinggang Road Suzhou Industrial Park Suzhou, Jiangsu PRC	Chinese

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Independent non-executive Directors

Mr. Zhao Hang (趙航)	Building 78, Xiyun Fengjingwan Dongli District, Tianjin PRC	Chinese
Mr. Shen Wenzhong (沈文忠)	Room 601, No. 2 Lane 406, Yishan Road Xuhui District Shanghai PRC	Chinese
Mr. Yang Youjun (楊友雋)	23-202 Lishe, Susheng Road Suzhou Industrial Park Suzhou, Jiangsu PRC	Chinese
Mr. Zhang Liang (張亮)	Flat A, 3/F, Kam Sing Mansion 3 Tai Fung Avenue Taikoo Shing Hong Kong	Chinese

SUPERVISORS

Name	Address	Nationality
Ms. Wang Menglin (汪夢琳)	No. 505, No. 4 Dongsheng Road Shangrao, Jiangxi PRC	Chinese
Ms. Lin Caiying (林彩英)	Room 504, Building 69 Mabang Garden Suzhou, Jiangsu PRC	Chinese
Ms. Lin Ting (林婷)	Room 502 Unit 2, Building 8 No. 9 Binjiang West Road Shangrao, Jiangxi PRC	Chinese

For details with respect to our Directors and Supervisors, please refer to the section headed “Directors, Supervisors and Senior Management.”

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Huatai Financial Holdings (Hong Kong) Limited

62/F, The Center
99 Queen's Road Central
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road
Central
Hong Kong

Deutsche Securities Asia Limited

60/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisors to the Company

As to Hong Kong and U.S. laws:

O’Melveny & Myers

31/F, AIA Central

1 Connaught Road Central

Hong Kong

As to PRC law:

Tian Yuan Law Firm

Unit 509, Tower A

Corporate Square

35 Financial Street

Xicheng District

Beijing

PRC

**Legal Advisors to the Joint Sponsors
and [REDACTED]**

As to Hong Kong and U.S. laws:

Latham & Watkins LLP

18th Floor, One Exchange Square

8 Connaught Place

Central

Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

As to PRC law:

AllBright Law Offices

11,12/F, Shanghai Tower
No. 501, Yincheng Middle Road
Pudong New Area
Shanghai
PRC

Auditor and Reporting Accountants

Deloitte Touche Tohmatsu

Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

Room 2504, Wheelock Square
1717 West Nanjing Road
Jing'an District
Shanghai
PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	Hainan Drinda Building Haikou Free Trade Zone No. 168 Nanhai Avenue Haikou Hainan PRC
Headquarters and Principal Place of Business in the PRC	Hainan Drinda Building Haikou Free Trade Zone No. 168 Nanhai Avenue Haikou Hainan PRC
Principal Place of Business in Hong Kong	31/F., Tower Two Time Square, 1 Matheson Street Causeway Bay Hong Kong
Company Website	<u>www.jietaisolar.com</u> <i>(Information contained on this website does not form part of this document)</i>
Joint Company Secretaries	Ms. Zheng Tong (鄭彤) D1-2, Ruyaju, Jinpan Yayuan, No. 6 Jinlian Road Haikou, Hainan PRC Ms. Yu Wing Sze (余詠詩) (ACG, HKACG) 31/F., Tower Two Time Square, 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Ms. Zheng Tong (鄭彤) D1-2, Ruyaju Jinpan Yayuan, No. 6 Jinlian Road Haikou, Hainan PRC Ms. Yu Wing Sze (余詠詩) 31/F., Tower Two Time Square, 1 Matheson Street Causeway Bay Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Yang Youjun (楊友雋) (<i>Chairperson</i>) Mr. Xu Yong (徐勇) Mr. Zhao Hang (趙航)
Remuneration and Appraisal Committee	Mr. Zhao Hang (趙航) (<i>Chairperson</i>) Mr. Zheng Hongwei (鄭洪偉) Mr. Yang Youjun (楊友雋)
Nomination Committee	Mr. Yang Youjun (楊友雋) (<i>Chairperson</i>) Mr. Zheng Hongwei (鄭洪偉) Mr. Zhang Liang (張亮)
Strategy Committee	Ms. Lu Xiaohong (陸小紅) (<i>Chairperson</i>) Mr. Zhang Manliang (張滿良) Mr. Shen Wenzhong (沈文忠)
ESG Committee	Mr. Zhang Manliang (張滿良) (<i>Chairperson</i>) Mr. Zheng Hongwei (鄭洪偉) Ms. Zheng Tong (鄭彤)
Compliance Adviser	Somerley Capital Limited 20th Floor, China Building 29 Queen’s Road Central HongKong

[REDACTED]

Principal Banker	China Construction Bank Corporation Lai’an Branch 776 Jianyang South Road Lai’an County, Chuzhou City Anhui Province, PRC
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INDUSTRY OVERVIEW

The information in this section is derived from an independent report prepared by Frost & Sullivan. The industry report prepared by Frost & Sullivan is based on information from its database, publicly available sources, industry reports, data obtained from interviews and other sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan for preparing an independent industry report in respect of the [REDACTED]. The information from Frost & Sullivan disclosed in the document is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB400,000, and is disclosed with the consent of Frost & Sullivan. The Frost & Sullivan Report has been prepared by Frost & Sullivan independently without any influence from us or other interested parties.

Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Its services include, among others, industry consulting, market strategic consulting and corporate training. Frost & Sullivan conducted (i) primary research, which involved discussing the status of the industry with certain leading industry participants, and interviews with industry experts on a best-effort basis to collect information in aiding in-depth analysis; and (ii) secondary research, which involved reviewing company reports, independent research reports and data based on its own research database.

Our Directors have confirmed that there has been no adverse change in the market information since the date of publication of the Frost & Sullivan report, which may qualify, contradict or impact the information in this Industry Overview section. Each of our Directors and the Joint Sponsors has exercised reasonable care in selecting and identifying the named information sources, compiling, extracting and reproducing the information, and ensuring that there has been no material omission of the information in this Industry Overview section.

INDUSTRY OVERVIEW

GLOBAL RENEWABLE ENERGY POWER GENERATION MARKET

Background of Global Carbon Neutrality Initiatives

Combating climate change has emerged as a collective global objective, with renewable energy playing an integral role in this endeavor. Nations across the globe are implementing policies and initiatives to prioritize the development of renewable energy sources, aiming to achieve carbon neutrality.

In line with this global trend, the Chinese government has established objectives to peak carbon emissions by 2030 and achieve carbon neutrality by 2060. To realize these goals, China is vigorously advancing the implementation of renewable energy technologies.

Definition and Classification of Renewable Energy

Renewable energy refers to energy derived from naturally replenishing sources that are virtually inexhaustible. The primary sources of renewable energy include solar energy, wind energy and hydropower.

Comparison of Primary Types of Renewable Energy Sources and Fossil Fuels

Energy Sources	Share of Cumulative Installed Capacity				Application Scenarios	Generation Cost in 2022 (USD per kWh)
	Global		China			
	2022	2030E	2022	2030E		
Renewable Energy						
Solar Power . . .	11.8%	27.6%	15.3%	43.4%	Residential, commercial, utility-scale, off-grid	0.049
Wind Power . . .	10.1%	12.5%	14.3%	17.6%	Onshore and offshore wind farms	0.033 (onshore) 0.081 (offshore)
Hydropower . . .	14.1%	7.3%	14.4%	7.7%	Regions with access to large water bodies	0.061
Non-renewable Energy						
Fossil Fuels. . . .	62.0%	52.1%	52.7%	28.9%	Scenarios with access to fossil fuel resources	0.069

Source: IEA (International Energy Agency), Frost & Sullivan Analysis, IRENA (International Renewable Energy Agency)

Note: Cumulative installed capacity refers to the total installed capacity of all power generation methods.

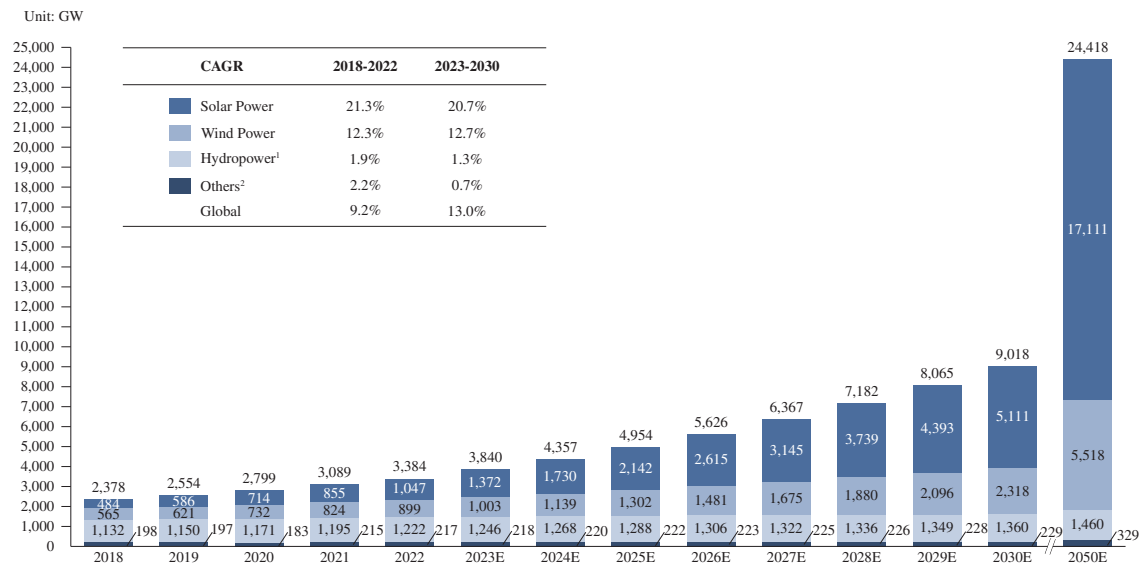
INDUSTRY OVERVIEW

Solar power, in comparison to other renewable energy sources, boasts several advantages. It is adaptable to various scales, ranging from small residential setups to large utility-scale projects. It also benefits from a broadly available resource base and faces minimal geographical constraints. Additionally, solar power has higher commercial maturity, stability and lower electricity generation costs. All of these factors laid the foundation for solar power’s rapid growth as a renewable energy source.

Market Size of Global Renewable Energy Power Generation

From 2018 to 2022, the market size of global renewable energy power generation, measured by global renewable energy cumulative installed capacity, increased from 2,378.0 GW to 3,384.0 GW at a CAGR of 9.2%. As the clean energy transition progresses, the global renewable energy cumulative installed capacity is expected to reach 9,018.3 GW in 2030, representing a CAGR of 13.0% from 2023 to 2030, with solar power growing faster than other primary renewable energy sources. In 2050, the global renewable energy cumulative installed capacity is expected to be over seven times higher than the 2022 level.

Global Renewable Energy Cumulative Installed Capacity, by Sources



Source: IEA (International Energy Agency), IRENA (International Renewable Energy Agency), Frost & Sullivan Analysis

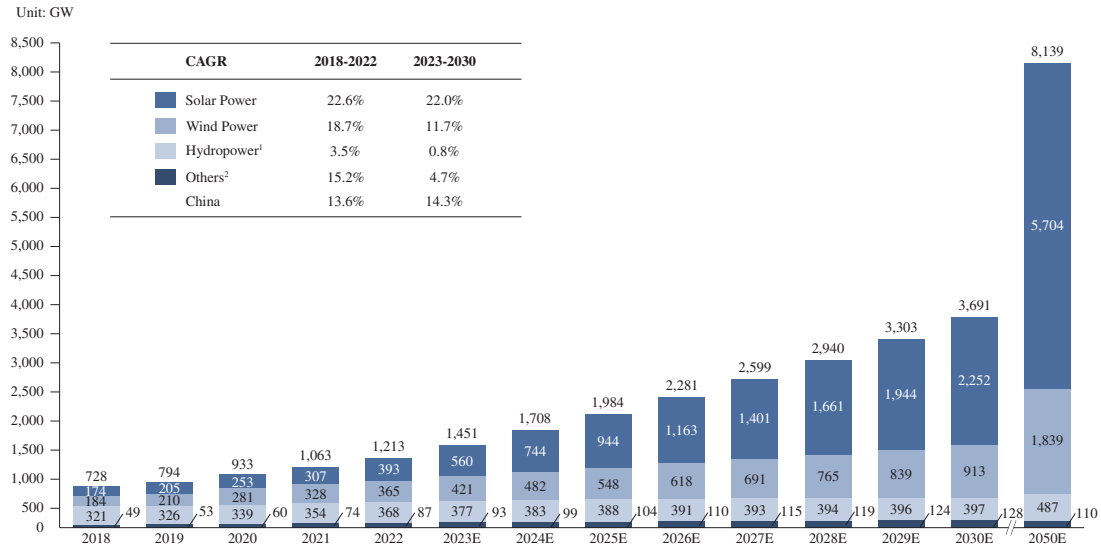
Notes:

- Hydropower excludes pumped storage.
- Others primarily include bioenergy, geothermal, ocean, and pumped storage.

In China, the renewable energy cumulative installed capacity increased from 728.0 GW in 2018 to 1,213.0 GW in 2022 at a CAGR of 13.6%. The renewable energy cumulative installed capacity in China is expected to reach 3,691.4 GW in 2030, representing a CAGR of 14.3% from 2023 to 2030, with solar power outpacing other primary renewable energy sources. In 2050, China’s renewable energy cumulative installed capacity is also expected to be approximately seven times higher than the 2022 level.

INDUSTRY OVERVIEW

China Renewable Energy Cumulative Installed Capacity, by Sources



Source: NEA (China’s National Energy Administration), Frost & Sullivan Analysis

Notes:

1. Hydropower excludes pumped storage.
2. Others primarily include bioenergy, geothermal, ocean, and pumped storage.

Market Drivers of Global Renewable Energy Market

Supportive Policies to Achieve Carbon Neutrality and Address Energy Security Concerns

Recent years have witnessed a surge in favorable policies for renewable energy market from governments and organizations worldwide. These efforts aim to tackle climate change and reduce dependence on fossil fuels, thereby enhancing these nations’ energy security. Particularly, in February 2021, the NDRC, the Ministry of Finance, National Energy Administration (“NEA”) and the People’s Bank of China jointly promulgated the *Notice on Guiding to Increase Financial Support to Promote the Healthy and Orderly Development of Wind Power and Photovoltaic Power Generation Industries* (《關於引導加大金融支持力度促進風電和光伏發電等行業健康有序發展的通知》), and the NDRC and the NEA promulgated the *Notice on Matters Concerning Promoting the Sound Development of the Photovoltaic Industry Chain* (《關於促進光伏產業鏈健康發展有關事項的通知》) in September 2022. In alignment with the global objective to reach carbon neutrality by 2050, renewable energy sources are expected to contribute to 90% of electricity generation before then. In 2022, renewable energy installed capacity additions represented 83% and 76% of global and China’s installed capacity additions, respectively, positioning it as a primary contributor to the increase in installed capacity.

INDUSTRY OVERVIEW

Technological Advancements Empowering Global Energy Transition

Ongoing advancements in renewable energy technologies, including improvements in PV cell efficiency, wind turbine design, and energy storage systems, are enhancing the reliability and cost-effectiveness of renewable energy compared to fossil fuels. As a result, these developments are facilitating a global shift from fossil-based energy systems to renewable energy sources.

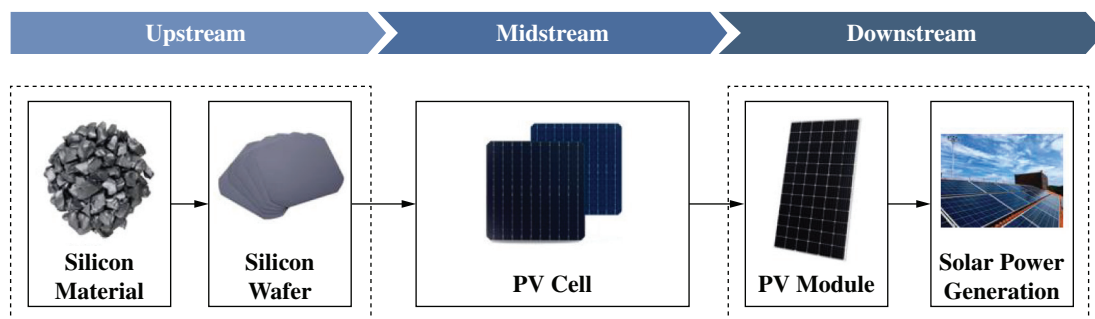
Future Trend of Global Renewable Energy Market

Solar power generation is expected to become the primary force in future renewable energy generation. With a clear technological development roadmap and a more effective cost reduction path compared to other renewables, the solar power industry is becoming a crucial part in energy structure reforms globally. In 2022, solar power’s share in renewable energy installed capacity additions was 65.0% globally and 57.4% in China, leading to further increases in the proportion of solar power in both global and Chinese renewable installed capacities. As such, solar power is well positioned to continue dominating the renewable energy market in the foreseeable future.

GLOBAL PV CELL MARKET OVERVIEW

PV Supply Chain

Photovoltaic (“PV”) effect, the foundation of solar power generation, refers to the phenomenon where solar radiation is converted into electrical energy. To harness the full potential of the PV effect, the PV industry has developed a series of commercial activities that relate to the R&D, production, sales, and application of solar power generation products.



- **Upstream.** This segment is primarily concerned with the supply of raw materials and components crucial for solar power generation, including silicon materials and silicon wafers. The supply of other materials used in manufacturing PV cells, such as silver paste and various chemical solvents, also belongs to upstream.
- **Midstream.** This segment focuses on the R&D and manufacturing of PV cells, which are essential in determining the performance and service life of PV modules and PV systems. The technological approach and process level of PV cell manufacturing directly influence the conversion efficiency and lifespan of the PV modules and PV systems, which in turn makes PV cells the most critical and high-value segment within the PV industry chain.

INDUSTRY OVERVIEW

- **Downstream.** Market participants in this segment manufacture PV modules. PV modules are composed of multiple PV cells and can be integrated into a PV system. These systems can be then deployed in various scenarios such as power plants, factories, buildings and residences, primarily to generate electricity.

Given China’s longstanding technological expertise in the PV industry and its cost advantages, the global PV industry chain is primarily concentrated in China. The table below represents China’s market share of various key PV products in terms of global production capacity in 2022.

Products	Silicon material	Silicon wafer	PV cell	PV module
Market share of China	87.0%	97.9%	86.7%	80.8%

Definition and Classification of PV Cells

PV cells refer to semiconductor thin films obtained by processing silicon wafers, which can generate voltage under certain lighting conditions and produce current when there is a circuit, thus converting solar energy into electrical energy. According to the specific dopant elements employed, PV cells can be classified into P-type and N-type, with P-type represents by PERC cells and N-type encompassing various technologies such as TOPCon cells, HJT cells, and N-type xBC cells.

The following table presents a comparison of different PV cells’ statistics and commercialization levels as of December 31, 2022:

	P-type		N-type	
	PERC	TOPCon	HJT	N-type xBC
Theoretical Conversion Efficiency Cap.	24.5%	28.7%	28.5%	29.1%
Mass Production Conversion Efficiency*	23.3%	24.5%	24.6%	24.5%
Equipment Investment	Low	Slightly high	High	High
BOM (Bill of Materials) Cost	Low	Slightly high	High	High
Commercialization Level	Mature	Large-scale mass production	Trial production	Immature

Source: Frost & Sullivan

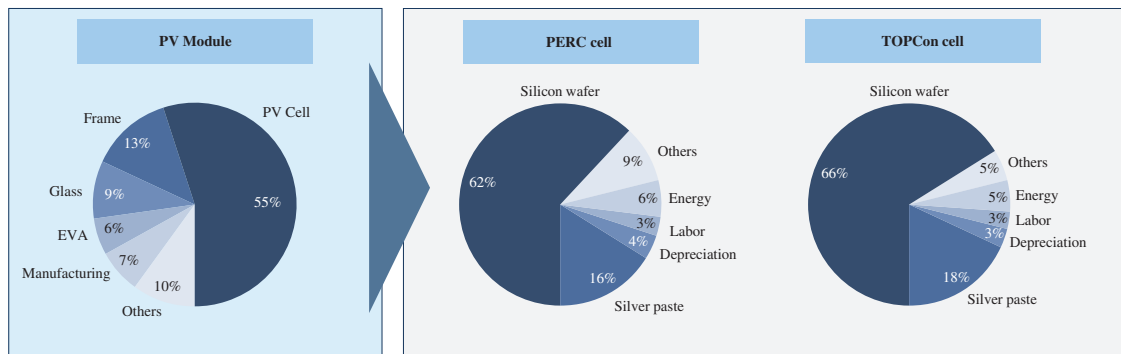
Note: Mass production conversion efficiency refers to the percentage of the solar energy shining on a PV cell that is converted into usable electricity, and theoretical conversion efficiency can often be positively correlated to mass production conversion efficiency and determines the latter’s maximum potential value.

INDUSTRY OVERVIEW

P-type PERC cells, holding over 90% of the global market share in 2022, dominate the PV cell market. Nonetheless, N-type cells have multiple advantages and represent the primary technological development route for future PV cells. Particularly, TOPCon cells, a type of N-type cells, offer a cost-effective solution for technological upgrades. TOPCon cells also have a theoretical conversion efficiency cap of 28.7%, suggesting substantial headroom for mass production efficiency improvements. In 2022, TOPCon cells pioneered large-scale mass production, compared to other N-type cells, and as of the Latest Practicable Date, TOPCon cells remain the only N-type cells entering large-scale mass production. Meanwhile, xBC represents a next-generation platform technology that can incorporate TOPCon or HJT to create PV cells with superior performance.

PV Cell Cost Structure

PV cells are the most critical component within PV modules, accounting for around 55% of PV modules’ total cost. Among various raw materials of PV cells, silicon wafers are the largest cost component, often exceeding 60% of the total cost, followed by silver paste. The following graph illustrates the cost structure of PV module and cells:



Source: Frost & Sullivan Analysis

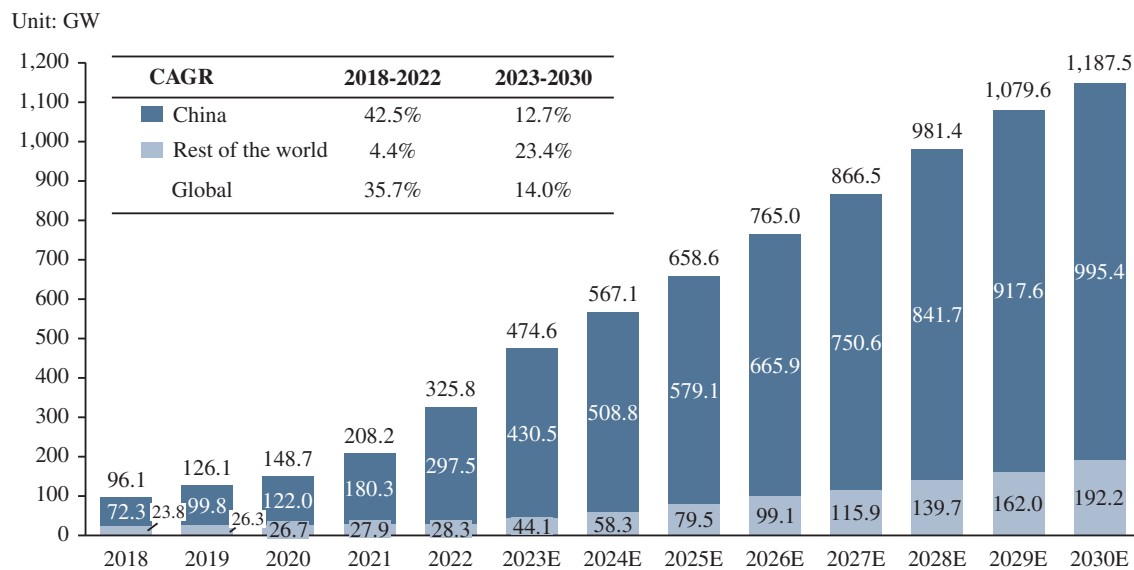
INDUSTRY OVERVIEW

GLOBAL PV CELL MARKET BREAKDOWN

China’s Leadership in the Global PV Cell Market

Global carbon neutrality targets and energy transition strategies have driven rapid growth in demand for PV cells. As a result, the global PV cell market size, measured by shipment volume, reached 325.8 GW in 2022. The global demand for renewable energy, with solar power as its primary representative, has continued its steady increase. Additionally, technological advancements and cost reduction have rendered solar power as the most competitive source of energy in a growing number of countries. Therefore, the global PV market is expected to continue to grow rapidly, which is expected to continue to drive the expansion of the PV cell market. By 2030, the global shipment volume of PV cells is expected to reach 1,187.5 GW at a CAGR of 14.0% from 2023 to 2030.

Global PV Cell Shipment Volume, by Region



Source: CPIA, Frost & Sullivan Analysis

Note: Shipping regions are categorized based on the production location of the product.

Against this backdrop, PV cells manufactured by factories located in China hold a dominant position in global market with a shipment volume of 297.5 GW in 2022, accounting for approximately 91.3% of the global shipment volume. The rest of the PV cell shipments are mainly from other Asian countries, such as Thailand, Malaysia, Vietnam and India, which include shipments from the overseas factories of Chinese enterprises located in these countries.

Major countries and regions worldwide, including the United States, Europe, Asia, and the Middle East, have set targets to increase the proportion of renewable energy in their power generation. Among the various renewable energy sources, the deployment of solar power systems has gained significant importance due to its diverse advantages. Consequently, these countries and regions are focusing on intensifying the deployment of solar power systems as a key development strategy. Given the robust demand for PV installations overseas, the growth rate of PV installations in international markets is expected to surpass that of the domestic market in China in the coming years. However, the production of PV cells requires high levels of R&D expertise and mature manufacturing capabilities. Establishing sufficient PV cell

INDUSTRY OVERVIEW

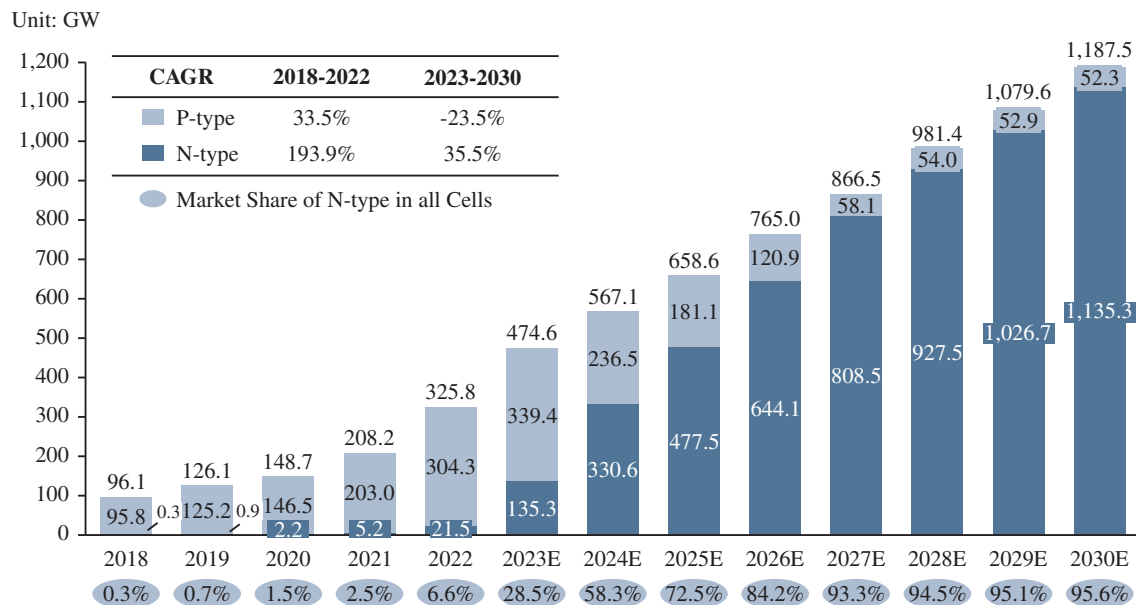
manufacturing capacity in overseas markets to meet their own demands in the short term is challenging. Therefore, Chinese PV cell companies are proactively establishing production capacity overseas to meet sustained growth of PV installation demand in international markets.

Global PV Cell Market in the P-N Transition

In recent years, P-type cells have been the mainstream technology in the PV industry due to their mature technology and lower manufacturing costs compared with other types of PV cells in large-scale mass production. However, as the PV market continues to grow and the efficiency of P-type cells approaches its theoretical cap, challenges in meeting the evolving demands for enhanced efficiency and cost reductions in solar power generation intensify. Consequently, in seeking new industry breakthrough, leading market players homed in on N-type cells, which in turn led to their rapid increase in production and market adoption. In 2022, the same year in which N-type cells entered large-scale mass production, they achieved a market share of 6.6% in terms of shipment volume, signifying a formal transition from P-type to N-type in the PV cell market.

This transition is driven by the performance advantages of N-type cells, which are becoming increasingly pronounced due to ongoing technological advancements, cost reductions, and improvements in production yield. Consequently, this transition, which has shown increasingly strong momentum in 2022 and 2023, is expected to accelerate in the upcoming years, and by 2030, the shipment volume of N-type cells is expected to reach 1,135.3 GW, constituting 95.6% of PV cell shipment volume globally. This growth trajectory positions N-type cells to surpass P-type cells as the absolute mainstream in the market, marking a significant shift in the landscape of PV cell technology. In the three months ended December 31, 2023, the transition from P-type to N-type cells significantly accelerated since there is an accelerated shift in market demand from P-type PERC cells to N-type TOPCon cells attributable to a decrease in price of N-type TOPCon cells. Downstream customers mandated increased or even exclusive use of N-type cells in their procurement. Therefore, and given that N-type cells still have spacious headroom for efficiency improvement, the transition from P-type to N-type cells is expected to proceed even more rapidly than previously projected.

Global PV Cell Shipment Volume, by Type



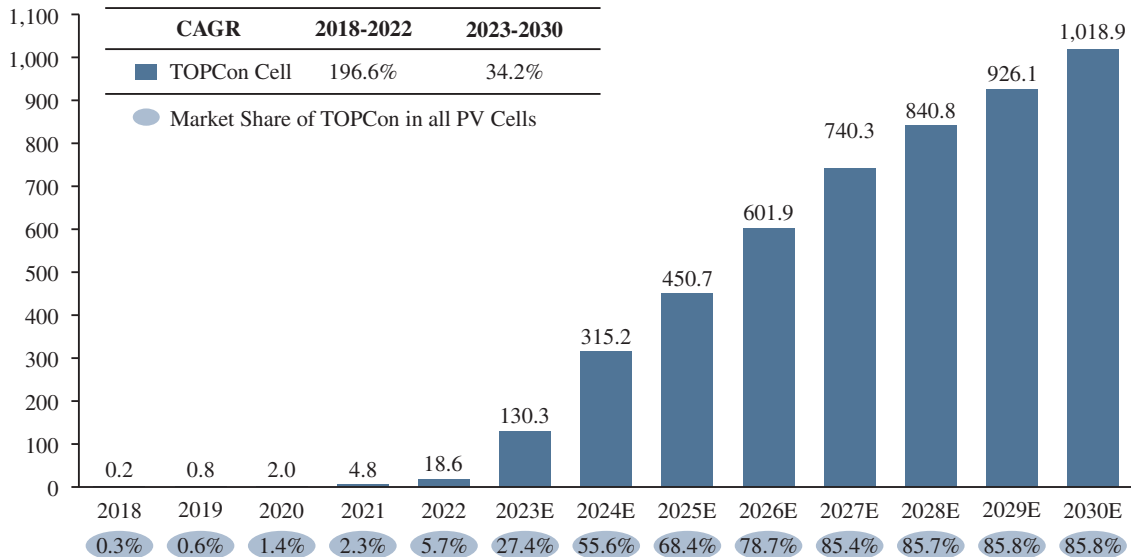
Source: CPIA, Frost & Sullivan Analysis

INDUSTRY OVERVIEW

Among the various types of N-type cells, TOPCon cells lead N-type cell commercialization and are expected to continue being a main beneficiary of the P-N transition. This is because they are relatively mature as they have achieved large-scale mass production, and have lower investment costs than other N-type cells. As such, TOPCon cells are expected to emerge as the largest-scale N-type cell technology in the industry, rapidly supplanting PERC cells to become the mainstream in the market over the next few years. In 2022, the shipment volume of TOPCon cells reached 18.6 GW, accounting for 5.7% the total PV cell shipment, and it is expected to increase to 68.4% in 2025, then continue to increase to 85.8% by 2030. In the meantime, some manufacturers may provide services to manufacture PV cells, primarily PERC cells, on behalf of customers to fulfill their special needs. Such service helps manufacturers to utilize idle production capacity and optimize production quality from time to time. Customers who purchase PV cells may also purchase manufacturing services from manufacturers.

Global TOPCon Cell Shipment Volume

Unit: GW



Source: Frost & Sullivan Analysis

Note: Above statistics and forecast encompass both TOPCon cells and N-type xBC cells incorporating TOPCon technology.

INDUSTRY OVERVIEW

GLOBAL PV CELL MARKET COMPETITIVE LANDSCAPE

Market Players Accelerating P-N Transition

Specialized PV cell manufacturers and integrated manufacturers are the two primary types of market players in the PV cell market. Specialized PV cell manufacturers refer to companies that focus on the R&D, production, and sales of PV cells. In contrast, integrated manufacturers participate in multiple segments within the PV industry chain, encompassing silicon wafer, PV cell, PV module, and other products. Their PV cells are primarily utilized for in-house PV module production. In the current P-N transition, both specialized PV cell manufacturers and integrated manufacturers are actively strategizing the deployment of TOPCon technology to obtain competitive advantage in the relatively concentrated PV cell market characterized by intense competition.

Global Specialized PV Cell Manufacturer Ranking

The global PV industry continues experiencing rapid growth. Global PV cell shipment volume by specialized manufacturers reached 164.2 GW and 105.4 GW in 2022 and the first half of 2023, respectively, and we ranked fifth in specialized manufacturers in both periods. The table below sets forth the ranking of global specialized PV cell manufacturers in terms of PV cell shipment volume.

Global Specialized PV Cell Manufacturer Ranking, 2022 & 2023H1

Ranking	2022			2023H1		
	Specialized Manufacturer	Shipment Volume ⁽¹⁾ , GW	Market Share	Specialized Manufacturer	Shipment Volume*, GW	Market Share
1	Manufacturer A ⁽²⁾	42.2	25.7%	Manufacturer A	26.9	25.5%
2	Manufacturer B ⁽³⁾	33.8	20.6%	Manufacturer B	17.8	16.9%
3	Manufacturer C ⁽⁴⁾	20.8	12.7%	Manufacturer D	14.2	13.5%
4	Manufacturer D ⁽⁵⁾	13.2	8.0%	Manufacturer C	12.4	11.8%
5	Our Company	10.7	6.5%	Our Company	11.4	10.8%

Source: Company Annual Report, Frost & Sullivan Analysis

Notes:

- (1) The shipment volume represents the quantity of PV cells sold to external customers. Therefore, it excludes the quantity utilized for in-house PV module production.
- (2) Established in 1995, it went public on the main board of the Shanghai Stock Exchange in 2004. Since 2016, it has ventured into the field of PV industry and is recognized as one of the leading suppliers of PV cells.
- (3) Founded in 2009, it went public on the main board of the Shanghai Stock Exchange in 2019 through restructuring. Its primary focus is on the research, production, and sales of PV cells.
- (4) Founded in 2013, it is primarily engaged in the research, production, and sales of PV cells.
- (5) Established in 2011, it specializes in the research, production, and sales of PV cells.

INDUSTRY OVERVIEW

Global TOPCon Specialized Manufacturer Ranking

TOPCon cells entered large-scale mass production in 2022. As such, only a few specialized PV cell manufacturers and integrated manufacturers achieved shipment volume. We ranked first among specialized manufacturers with a shipment volume of 1.8 GW TOPCon cells and a market share that exceeds 75% in terms of shipment volume in 2022. Subsequently, TOPCon cells experienced rapid market expansion. In the first half of 2023, global TOPCon cell shipment volumes by specialized manufacturers reached 11.5 GW. The table below sets forth the ranking of global TOPCon specialized manufacturer in terms of shipment volume of TOPCon cells in the first half of 2023.

Ranking	Specialized Manufacturer	2023H1	
		Shipment Volume*, GW	Market Share
1	Our Company	6.6	57.4%
2	Manufacturer D	1.6	13.9%
3	Manufacturer C	1.2	10.4%
Top three total .		9.4	81.7%

Source: Frost & Sullivan Analysis

Note: The shipment volume represents the quantity of TOPCon cells sold to external customers. Therefore, it excludes the quantity utilized for in-house PV module production.

MARKET ENTRY BARRIERS FOR PV CELL INDUSTRY

Technology Barriers

The PV cell industry is technology-intensive. The technology of PV cells requires frequent upgrades to achieve higher power conversion efficiencies and has undergone multiple technological transformations, including the transition from polycrystalline to monocrystalline, from P-type to N-type, and from small-sized cells to large-sized cells. A notable example of this complexity is the production process of N-type TOPCon cells, which involves a complex sequence of 12-14 steps. Each step significantly impacts the final product’s performance and yield.

To achieve optimal results, manufacturers need to align their manufacturing process, equipment, and workforce, often requiring multiple adjustments and trials. Therefore, the capabilities and experience of specialized PV cell manufacturers in R&D, production management, talent accumulation and establishing efficient corporate management mechanisms bring huge advantages in the competition.

INDUSTRY OVERVIEW

Scale Production Experience Barriers

Advanced manufacturing processes are fundamental for guaranteeing high PV cell product quality. The production of PV cells involves multiple technological steps, thereby amplifying differentiations among manufacturers and endowing early-movers with know-how advantage and technological leadership. The experience curve facilitates cost reduction, yield improvement, quality control and enhances efficiency for early-movers.

Capital Investment Barriers

PV cell production is capital-intensive, which necessitates significant investment in technological research and equipment for large-scale mass production. Moreover, due to the industry’s characteristics, PV cell manufacturers require substantial liquidity for their operations. As a result, other players must possess robust financial resources to penetrate this market, which grants early-movers a protective barrier.

Supply Chain Barriers

Strong supply chain management capabilities are crucial for top PV cell manufacturers to ensure a steady supply of essential raw materials, such as silicon wafers and silver paste. Leading manufacturers benefit from established industrial chain layout, long-term supplier relationships, and the ability to negotiate lower prices through large-scale procurement. As pioneering manufacturers can work with suppliers to improve and conform product standards and have priority in securing the production capacity of mainstream suppliers, other players may encounter difficulties in establishing cooperative relationships within the supply chain, leading to higher procurement costs of raw materials.

Customer Barriers

Leading PV cell manufacturers have established a strong customer base by leveraging their leading technology and cost advantages to offer competitive and efficient cells, resulting in substantial and stable customer resources and a solid foundation for rapid and consistent performance growth. Furthermore, these manufacturers have the capability to work closely with downstream customers in the design and development of new products. In addition, some manufacturers may provide services to manufacture PV cells on behalf of customers to fulfill their special needs. Such service helps manufacturers to stay abreast of the diverse needs of customers, maintain and deepen relationship with existing customers, and optimize production quality from time to time. Customers who purchase PV cells may also purchase manufacturing services from manufacturers. As a result, other players face significant challenges to compete in the highly competitive market.

INDUSTRY OVERVIEW

MARKET DRIVERS OF THE PV CELL MARKET

Carbon Neutrality and Energy Security Concerns

Solar power is increasingly vital in the global efforts toward carbon neutrality and national energy security given its adaptability, resource availability, commercial maturity and stability. Driven by these advantages, its global cumulative installed capacity is expected to surpass that of hydropower by 2024, followed by natural gas in 2026, and coal-fired power in 2027, accounting for approximately 50% of the global cumulative installed capacity by 2050. In China, the government committed to increase the share of non-fossil fuels in primary energy consumption to around 25% by 2030, with solar and wind power cumulative installed capacity exceeding 1,200 GW. These targets reflect China’s dedication to promote renewable energy in energy transition, with a focus on solar power.

Economic Viability, Technological Progress and Large-Scale Mass Production

Technological advancements have significantly improved the conversion efficiency of PV cells and reduced the cost of PV electricity, resulting in grid parity, which refers to the point at which the cost of solar-generated electricity is equal to or less than the price of power from the electric grid, and making solar power economically attractive. PV cell manufacturers are making remarkable progress in developing high-efficiency N-type PV cells such as TOPCon cells and HJT cells. In general, even a 1% increase in power conversion efficiency can lead to a 5-7% reduction in electricity generation costs. These advancements in high-efficiency PV cells, combined with large-scale mass production and accumulated experience, have consistently reduced the cost of solar PV electricity by more than 85% between 2010 and 2020. As a result, solar power’s share of global cumulative installed capacity is growing rapidly.

Integrated Energy Storage System Providing Complementary Solutions

Previously, solar power generation, along with other renewable energy sources, encountered difficulties in effectively utilizing the generated power, resulting in energy waste. Therefore, countries worldwide have been actively working towards the integration of solar and energy storage systems to store surplus electricity generated by the PV system and release it when the demand exceeds the system’s capacity. This integration helps enhance the reliability and stability of the PV system by bridging the gap between power generation and consumption. Moreover, the energy storage system enables peak shaving, load shifting, and backup power, thereby optimizing the efficiency of power consumption in PV generation and making solar power more competitive.

INDUSTRY OVERVIEW

FUTURE TREND OF PV CELL MARKET

Transition from P-type Cells to N-type Cells

Compared to P-type cells, N-type cells offer several advantages, including higher power conversion efficiency, better temperature tolerance, and a longer lifespan. As a result, N-type cells contribute to overall improved power generation. N-type cells have entered large-scale production in the third quarter of 2022, and as the transition accelerated in late 2023, are expected to exceed P-type PERC cells’ market share in 2024 as P-type PERC cells reach their efficiency limit. Looking ahead, N-type cells will integrate with xBC technologies, which, alongside breakthroughs in perovskite cells, may lead to higher performance. These integrations and technological advancements will propel the industry towards more efficient and cost-effective PV solutions.

TOPCon Cells will Dominate the Market in the Near Future

TOPCon cells are expected to become the dominant type of PV cells in the near future due to the several advantages that they offer. Firstly, TOPCon cells’ production equipment and production processes are relatively established, which require lower investment cost than other N-type cells. In contrast, other N-type technologies such as HJT and xBC remain in the stage of technological R&D and improvement, which result in higher investment and production costs. Secondly, TOPCon cells have lower manufacturing costs since they consume less high-cost materials like silver paste as compared with those of other N-type cells. As a result, TOPCon cells have become the first N-type cells to be mass produced on a large scale, further enhancing its cost advantage compared with other N-type cells. In 2022, the shipment volume of TOPCon cells reached 18.6 GW, accounting for 5.7% the total PV cell shipment, and it is expected to increase to 68.4% in 2025, then continue to increase to 85.8% by 2030.

Transition from Small-Sized Cells to Large-Sized Cells

Large-sized PV cells have effectively increased PV module power, reduced transportation costs, and installation costs for PV power station, subsequently lowering the cost of electricity downstream. The market share of silicon wafers with a size of 182mm and above reached 82.8% in terms of sales volume in 2022, and this proportion is expected to further increase to 93.2% in 2023.

Chinese Specialized PV Cell Manufacturers will Continue to Dominate the Global Market and Expand Overseas

In the context of global energy transition, solar power installed capacity additions in overseas markets have surged, resulting in a growing demand for PV cells. Overseas solar power installed capacity additions is expected to grow at a CAGR of 14.6% from 2023 to 2030. However, China dominated global PV market, commanding a global market share of 86.7% in PV cell production capacity in 2022. Such market dominance is attributable to the various competitive advantages that Chinese specialized PV solar cell manufacturers possess, including cost competitiveness, technological advancements, and manufacturing capacity, which are expected to drive down the cost of solar power generation and bolster overseas expansion.

INDUSTRY OVERVIEW

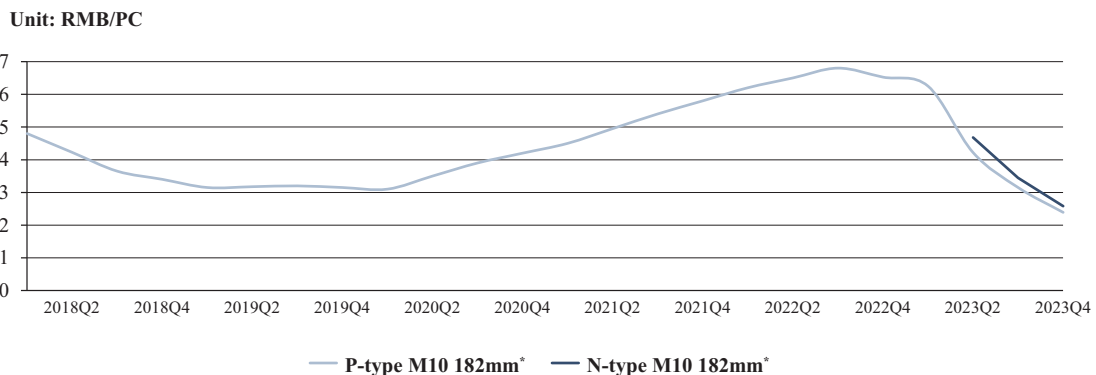
To harness the potential of overseas expansion, Chinese PV cell companies can both sell their products to Chinese PV module companies with overseas exposure and directly sell PV cells to foreign PV module companies to tap into the rapid growing overseas market and achieve steady sales growth.

As PV power generation’s cost decreases, it will become the main mode of energy production around the world. At the same time, the scale of local PV module production capacity overseas is expanding, especially, the module production capacity with higher level of automation and lower investment cost has continued to grow. Therefore, Chinese PV cell companies with technology and cost advantages can promote their sales growth through establishing production capacity overseas to directly serve overseas PV module manufacturers.

GLOBAL PV CELL AND CORE RAW MATERIAL PRICE FLUCTUATIONS ANALYSIS

Among various types of PV cell raw materials, silicon wafers are the largest cost component, often exceeding 60% of the total cost. Silver paste is the second largest component, accounting for around 15% of the total cost in the industry.

Silicon Wafer Price (China)



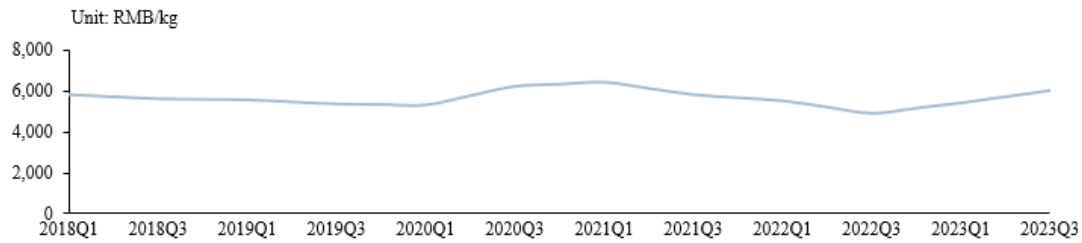
Source: Silicon wafer manufacturers’ publicly disclosed price data, Frost & Sullivan Analysis

Note: given the strong similarity among the price trends of different types of silicon wafers, the price trends of two of the mainstream silicon wafers are presented for illustration.

China’s silicon wafer production capacity accounted for approximately 97.9% of the global market in 2022. Therefore, the price of silicon wafers in China generally determines the global price. Despite the recent rapid growth in solar power installed capacity additions, the price of silicon wafers has been declining. This suggests that the supply of silicon wafers exceeds demand since the end of 2022, indicating greater stability of further prices since an oversupply condition alleviates the upward pressure on prices that would typically result from a shortage. The market is moving towards more balanced supply and demand in the medium to long term, with price stability becoming the main trend.

INDUSTRY OVERVIEW

PV Cell Silver Paste Price (China)*

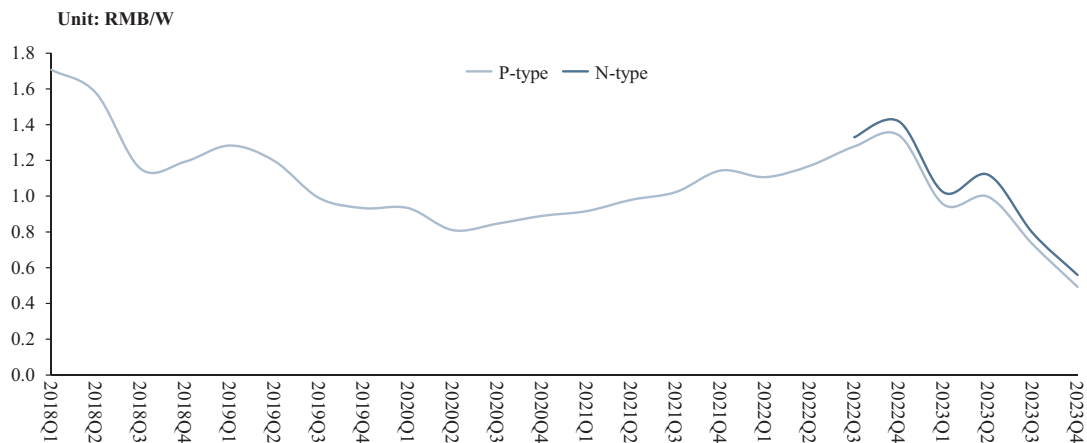


Source: PV Cell Silver Paste manufacturers' publicly disclosed price data, Frost & Sullivan Analysis

Note: Front silver paste for PV cell represents a substantial portion of the silver paste used to manufacture PV cells. As such, its price trend is representative of that of silver paste in general.

In recent years, benefiting from the support of national PV policies, China-produced silver paste for PV cells has experienced rapid growth, leading to a significant increase in its global market share. The penetration rate of domestically produced front silver paste was only 5% in 2015 but surpassed 80% in 2022. As Chinese companies continue to enhance their competitiveness in technology and products, China-produced front silver paste is expected to continue to command a high market share. Given that global silver production exceeds demand, an ample supply of silver is expected, silver prices is not expected to experience significant increases, and the price of silver paste for PV cells will remain stable in the future. The selling price of PV cells has been mostly affected by raw material price fluctuation.

PV Cell Average Selling Price (M10, 182mm)*



Note: Given the strong similarity among the price trends of different types of PV cells, the price trends of two of the mainstream PV cells are presented for illustration.

INDUSTRY OVERVIEW

The historical selling prices of PV cells have been influenced by these trends in the supply and cost of key materials such as silicon wafers and silver paste. As the cost of silicon wafers has declined due to oversupply, and with silver paste prices remaining stable owing to an abundant supply of silver, manufacturers have been able to reduce the overall production cost of PV cells. These reduced input costs have, in turn, been reflected in the historical selling prices of PV cells, contributing to their decreasing trend in 2023.

REGULATORY OVERVIEW

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China. This summary does not purport to be a complete description of all the laws and regulations which are applicable to our business and operations. The following summary is based on relevant laws and regulations in force as of the date of this document, which may be subject to change.

This section sets out a summary of the most significant rules and regulations affecting our business activities in China.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment, operation and management of our PRC companies are governed by the Company Law of the PRC (《中華人民共和國公司法》), as promulgated in 1993 and amended in 1999, 2004, 2005, 2013 and 2018 respectively, which applies to all PRC companies including foreign-invested companies, except where foreign-investment related laws provide otherwise. According to the Company Law of the PRC, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The Company Law of the PRC was recently amended by the Standing Committee of the National People’s Congress (the “SCNPC”) on December 29, 2023 with respect to the registration, the capital contribution period and so on and will come into force on July 1, 2024.

On March 15, 2019, the National People’s Congress (the “NPC”) approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which sets out the regulatory framework for foreign investments and pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively, the “foreign investors”) shall not invest in any sector prohibited as specified in the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle of equality in treating domestic investments and foreign investments. It, together with its implementation rules, also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system where foreign investors or foreign-funded enterprises shall submit investment information to the competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

The Measures for Foreign Investment Information Reporting (《外商投資信息報告辦法》), which was promulgated on December 30, 2019 and came into effect on January 1, 2020, sets out the details of the foreign investment information report system. Since January 1, 2020, with respect to foreign investors carrying out investment activities directly or indirectly in the PRC, foreign investors or foreign-funded enterprises shall submit investment information to the commerce authorities in accordance with these measures.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) promulgated on December 27, 2021 and brought into effect on January 1, 2022, our business does not fall under such categories where foreign investment is restricted or prohibited.

REGULATORY OVERVIEW

Domestic industrial development mainly follows the relevant industrial structure guidelines proposed by the National Development and Reform Commission (the “NDRC”). Foreign investors and foreign-invested enterprises investing in China shall comply with the Catalogue of Industries for Encouraging Foreign Investment (2022 edition) (《鼓勵外商投資產業目錄(2022年版)》), which was promulgated by the NDRC and the MOFCOM on October 26, 2022 and came into effect on January 1, 2023. Pursuant to the Catalogue, the manufacturing of PV battery involved in our Company’s operation falls within the scope of industries in which foreign investment is encouraged.

REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and last amended on December 30, 2022, the Notice by the Department of Enterprise Management and Audit-Based Control of the General Administration of Customs of Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) promulgated on January 3, 2023, and the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC on November 19, 2021 and effective as of January 1, 2022, a consignee or consignor of imported or exported goods and customs declaration enterprises that apply for filing shall obtain market entity qualifications and are not required to complete the record-filing registration procedures for foreign trade operators.

INDUSTRIAL POLICES

Domestic industrial development mainly follows the relevant industrial structure guidelines proposed by the NDRC and MIIT.

According to the Notice on Actively Promoting the Unsubsidized Grid Connection of Wind Power and Photovoltaic Power Generation at a Fair Price (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》) which was promulgated by the NDRC and the NEA on January 7, 2019, the state will optimize the investment environment for projects of grid connection at a fair or low price and ensure priority power generation and full-amount guaranteed purchase.

According to Notice of issuing the Guiding Opinions on Energy Work in 2020 (《關於印發2020年能源工作指導意見的通知》) which was promulgated by the NEA on June 5, 2020, the state will maintain the reasonable scale and development of wind power and photovoltaic power generation. The state plans to promote the construction of centralized wind power, photovoltaic and offshore wind power in an orderly manner, and accelerate the development of distributed photovoltaic and decentralized wind power in central and eastern and southern regions.

REGULATORY OVERVIEW

According to Guiding Opinions on Promoting the Construction of New Infrastructure in the Field of Transport (《推動交通運輸領域新型基礎設施建設的指導意見》) which was promulgated by the Ministry of Transport on August 3, 2020, the state will promote new infrastructure construction in the transport sector to advance its transformation to digitalization and the use of artificial intelligence. Encouraging the installation of photovoltaic power generation facilities along highways such as service areas will be one of these measures.

According to Several Opinions on Promotion of the Sound Development of Power Generation with Non-hydropower Renewable Energy Resources (《關於促進非水可再生能源發電健康發展的若干意見》) which was promulgated by the Ministry of Finance, the NDRC and the NEA on January 20, 2020, the state will continuously drive down the prices of onshore wind power, PV power plants, and industrial and commercial distributed PV, actively support the development of household distributed PV, and give priority to the projects with low degree of subsidy, large extent of downgrade and high technical level through market competition.

According to the Guiding Opinions of the State Council on Accelerating the Establishment and Improvement of a Green, Low-carbon and Recycling Economic System (《國務院關於加快建立健全綠色低碳循環發展經濟體系的指導意見》) which was promulgated by the State Council on February 2, 2021, the state will promote the green and low-carbon transformation of the energy system, increase the proportion of renewable energy, and vigorously promote the development of photovoltaic power generation.

According to the Notice on Guiding to Increase Financial Support to Promote the Healthy and Orderly Development of Wind Power and Photovoltaic Power Generation Industries (《關於引導加大金融支持力度促進風電和光伏發電等行業健康有序發展的通知》) jointly promulgated by the NDRC, Ministry of Finance NEA and People’s Bank of China on February 24, 2021, the state will increase its support for photovoltaic enterprises through financial means to help enterprises tide over difficulties.

According to the Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Long-Range Objectives for 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) approved by the NPC and brought into effect on March 12, 2021, from 2021 to 2025, the state will promote the energy revolution, accelerate the development of non-fossil energy, vigorously increase the scale of photovoltaic power generation, and increase the proportion of non-fossil energy consumption in total energy consumption to about 20%.

According to the Notice of the Comprehensive Department of the National Energy Administration on Actively Promoting the Grid Connection and to the Greatest Extent and the Maximum Power Generation in Respect of New Energy Power Generation Projects (《國家能源局綜合司關於積極推動新能源發電項目能並盡並、多發滿發有關工作的通知》) promulgated by the NEA on October 15, 2021, the state will accelerate the construction of wind power and photovoltaic power generation to connect to the grid and increase the supply of clean electricity, which is conducive to relieve the tight situation of electricity supply, but also to help complete the dual control of energy consumption and promote the low-carbon transformation.

REGULATORY OVERVIEW

According to the 14th Five-Year Plan for Modern Energy System (《“十四五”現代能源體系規劃》) which was promulgated by the NDRC and the NEA on January 29, 2022, the PRC government will actively promote the large-scale exploitation and high-quality development of photovoltaic power and improve the pricing mechanism of photovoltaic power. Specifically, the PRC government will actively promote the construction of distributed photovoltaic projects in the eastern and central China and other regions and the construction of clean energy bases in western China.

According to the Opinions on Improving Systems, Mechanisms, Policies and the Measures for Green and Low-carbon Energy Transition (《關於完善能源綠色低碳轉型體制機制和政策措施的意見》) which was promulgated by the NDRC and the NEA on January 30, 2022, the state will speed up building a clean, low-carbon, safe, and highly-efficient energy system while deepening reforms of mechanisms and innovation in the energy sector.

According to the Notice on Promulgation of the Action Plan for Accelerating the Green and Low-Carbon Innovative Development of Electrical Equipment (《關於印發加快電力裝備綠色低碳創新發展行動計劃的通知》) jointly promulgated by the MIIT, the Ministry of Finance, Ministry of Commerce, State-owned Assets Supervision and Administration Commission of China State Council and State Administration for Market Regulation on August 24, 2022, the state will strive to build a clean, low-carbon, safe and efficient energy system, and seek to drive down the cost and advance the application of more mature new energy technologies such as efficient, low-cost PV battery, in an effort to achieve carbon peak and carbon neutrality.

According to the Notice on Matters Concerning Promoting the Sound Development of the Photovoltaic Industry Chain (《關於促進光伏產業鏈健康發展有關事項的通知》) which was promulgated by the NDRC and the NEA on September 13, 2022, the state will promote the construction of large-scale wind and solar photovoltaic bases to alleviate the capacity and price bottlenecks in the photovoltaic industry chain, enhance the supporting supply capacity of the photovoltaic power generation supply chain, and support the rapid development of clean energy in China.

Regulations Relating to Product Quality and Consumers Protection

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which took effect on September 1, 1993 and was last amended on December 29, 2018, products for sale must satisfy relevant safety standards and sellers shall adopt measures to maintain the quality of products for sale. Sellers shall not mix impurities or imitations into products, or pass counterfeit goods off as genuine ones, or defective products as good ones or substandard products as standard ones. For sellers, any violation of state or industrial standards for health and safety or other requirements may result in civil liabilities and administrative penalties, such as compensation for damages, fines, confiscation of products illegally manufactured or sold and the proceeds from the sales of such products illegally manufactured or sold, and even revoking business licenses; in addition, severe violations may subject the responsible individual or enterprise to criminal liabilities. Consumers or victims who suffer injuries or property losses due to product defects may demand compensation from either the producer or the seller. Where the liability lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

REGULATORY OVERVIEW

According to the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》), which took effect on January 1, 1994 and was last amended on October 25, 2013, business operators should guarantee that the products and services they provide satisfy the requirements for personal or property safety, and provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. Where business operators have discovered any defect in the goods or services they provided, which may endanger personal or property safety, they shall forthwith report to relevant administrative authorities and notify consumers, and adopt measures such as suspension of selling, alerts, recalls, decontamination, destruction, and suspension of manufacturing or services. In the case where recall measures are adopted, the business operator shall bear necessary expenses incurred by consumers resulting from the recall of goods. Violations of the Consumers Rights and Interests Protection Law may result in a warning, the confiscation of illegal income, and the imposition of fines. In addition, the relevant business operator will be ordered to suspend its operations, have its business license revoked, and have criminal liability incurred in serious cases.

Regulations Relating to Work Safety

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated on June 29, 2002, last amended on June 10, 2021 with effect on September 1, 2021, business entities shall strengthen their work safety management, enhance work safety conditions, promote work safety standardization and improve work safety levels. Entities which cannot meet the safety conditions prescribed by laws, regulations and national or industry standards shall not engage in production or other business activities. To ensure work safety rules are observed in the production process, business entities shall establish and improve their work safety responsibility systems and work safety policies which specify responsible person(s) at each position, the scope of duties and evaluation criteria. Business entities shall provide their employees with labor protection equipment and work safety training. Where the primary person-in-charge of a business entity fails to perform his or her duties in respect of work safety, he or she would be subject to legal liabilities, depending on the seriousness of the relevant work safety accidents.

Regulations Relating to Land, Planning and Construction Permits

Land Use Rights

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986, last amended on August 26, 2019 with effect from January 1, 2020, lands owned by the State might be transferred or allotted to construction entities or individuals in accordance with the law. According to the Interim Regulations on Real Estate Registration (《不動產登記暫行條例》), promulgated on November 24, 2014 and last amended and brought into effect on March 24, 2019, the real estate registration shall be conducted by the real estate registration authorities of the people's government at or above the county level.

REGULATORY OVERVIEW

According to the Civil Code of the PRC (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and implemented on January 1, 2021, the creation, alteration, alienation, or extinguishment of a real right of the immovable property that is required by law to be registered becomes effective at the time when it is recorded in the register of immovable property. The real right certificate for immovable property is the proof of a right holder's entitlement to the real right in the immovable property.

The Interim Regulations on Real Estate Registration and the Implementing Rules of the Interim Regulations on Real Estate Registration (《不動產登記暫行條例實施細則》) promulgated on January 1, 2016 and last amended and brought into effect on July 24, 2019 provide that, among others, the State implements a uniform real estate registration system and the registration of real estate shall be strictly administered and carried out in a stable and continuous manner that provides convenience for people.

Construction Land Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007, implemented on January 1, 2008 and amended on April 24, 2015 and April 23, 2019 respectively, a Construction Land Planning Permit is required for the right to use the State-owned land acquired by transfer and allocation.

If a construction entity which is authorized to use the land fails to obtain a Construction Land Use Planning Permit, the people's government at or above the county level shall revoke any relevant approval document. If the land has already been occupied, it shall be returned promptly. Furthermore, the construction entity shall be obliged to compensate for any damage caused to any other relevant parties according to laws.

Construction Work Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), to build any building, structure, road, pipeline or other engineering project within a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the people's government at the municipal or county level or to the people's government of town as recognized by the people's government of a province, autonomous region or municipality directly under the Central Government.

For construction work that proceeds without the Construction Work Planning Permit or is in violation of the provisions of the Construction Work Planning Permit, a competent urban and rural planning administrative department at or above the county level can order termination; if the impact on the planning caused by such construction can be eliminated, the department shall order it to take remedial action within a prescribed time limit and pay a fine of no less than 5% but not exceeding 10% of the construction cost; if such impact cannot be eliminated by remedial action, the department shall order the construction entity to demolish its construction within a prescribed time limit. For construction work that cannot be demolished, the department shall not only confiscate it or seize any illegal income but also may impose a fine of no more than 10% of the construction cost.

REGULATORY OVERVIEW

Construction Work Commencement Permit

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC on November 1, 1997, implemented on March 1, 1998 and amended on April 22, 2011 and April 23, 2019, a construction entity shall, prior to the commencement of a construction project, apply for a Construction Work Commencement Permit to a competent construction administrative department of the people's government at or above the county level of the place where the project is located pursuant to relevant regulations, except for small projects below the limit determined by the construction administrative authorities of the State Council.

According to the Regulations on the Administration of Construction Quality (《建設工程質量管理條例》) promulgated and implemented by the State Council on January 30, 2000 and amended on October 7, 2017 and April 23, 2019, a construction entity commencing the project without obtaining the construction work commencement permit or approvals for its construction commencement report, shall be ordered to terminate the construction work, carry out remedial actions within a prescribed time limit and pay a fine of no less than 1% but not exceeding 2% of the contractual project price.

Inspection and Acceptance on Completion of Construction Projects

According to the Regulations on the Administration of Construction Quality (《建設工程質量管理條例》) and the Administrative Measures for Recording of the Inspection and Acceptance on Construction Completion of Buildings and Municipal Infrastructures (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated and implemented by the former Ministry of Construction on April 7, 2000 and amended on October 19, 2009, a construction project shall not be delivered for use unless it has passed the acceptance checks. The construction entity should file a record to a competent construction administrative department of the people's government at or above the county level of the place where the project is located within 15 days from the day when the construction project passes the acceptance checks.

Where a construction entity illegally delivers the construction project for use without obtaining the acceptance checks or in circumstances where it failed to pass the acceptance checks or checks and accepts a substandard construction project as one which is up to standard, it shall be ordered to carry out remedial actions and also pay a fine of not less than 2% but not exceeding 4% of the contractual project price, and shall be obliged to pay compensation according to law if any losses have been caused. If the construction entity fails to file a record of passing the acceptance checks in respect of the project within 15 days from the day when the construction project passes such checks, it shall be ordered by the archiving organ to carry out remedial actions within a prescribed time limit and pay a fine of no less than RMB200,000 but not exceeding RMB500,000.

REGULATORY OVERVIEW

Regulations Relating to Environmental Protection

The PRC laws and regulations relating to environmental protection mainly include: the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "Environmental Protection Law") (revised on 24 April 2014 and implemented on 1 January 2015), Water Pollution Prevention and Control Law of the PRC (中華人民共和國水污染防治法) (revised on 27 June 2017 and implemented on 1 January 2018), Atmospheric Pollution Prevention and Control Law of the PRC (中華人民共和國大氣污染防治法) (revised and implemented on 26 October 2018), Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) (revised on 29 April 2020 and implemented on 1 September 2020), Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) (revised and implemented on 26 October 2018), Implementation Regulation on the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法實施條例) (revised on 25 December 2017 and implemented on 1 January 2018), Measures for Pollutant Discharge Permitting Administration (For Trial Implementation) (排污許可管理辦法(試行)) (revised and implemented on 22 August 2019), and Law of the PRC on Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) (revised and implemented on 29 December 2018, and was abolished and replaced by Law of the PRC on Noise Pollution Prevention and Control (中華人民共和國噪聲污染防治法) which became effective on 5 June 2022).

Pursuant to the aforesaid laws and regulations, enterprises that discharge and dispose of toxic and dangerous substances such as wastewater, waste gas and solid wastes shall comply with the national and local standards of usage and shall declare to and register with the relevant environmental protection administration authorities and pay environmental protection tax according to law where applicable.

Pursuant to the Law on Environmental Impact Assessment of the PRC (中華人民共和國環境影響評價法), which came into effect on 1 September 2003 and was amended on 2 July 2016 and 29 December 2018 respectively, construction entities should prepare or fill in the environment impact reports, reporting forms or registration forms of the environment impact according to the degree of environmental impact caused by the construction projects as follows: (i) if the environmental impact may be significant, an environmental impact report shall be required, which shall thoroughly appraise the potential environmental impact; (ii) if the environmental impact may be gentle, an environmental impact report form of analysing or appraising the specific potential environmental impact shall be required; and (iii) if the environmental impact may be so slight that it is unnecessary to conduct an appraisal of the environmental impacts, an environmental impact registration form shall be filled in and submitted.

Pursuant to the Interim Measures for Environmental Protection Acceptance of Completed Construction Projects (建設項目竣工環境保護驗收暫行辦法) effective as of 20 November 2017 and the Regulations on the Administration Construction Project Environmental Protection (建設項目環境保護管理條例), which was revised on 16 July 2017 and implemented on 1 October 2017, after the completion of a construction project for which an environmental

REGULATORY OVERVIEW

impact report or an environmental impact report form is required, the construction entity shall, according to standards and procedures prescribed by the environmental protection administrative authorities, conduct environmental protection completion acceptance check and compile an acceptance check report. A construction project for which an environmental impact report or an environmental impact report form is required shall not be put into production or use until the environmental protection completion acceptance check has been passed.

Regulations Relating to Production and Operation of dangerous Chemicals

According to the Regulation on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》) promulgated by the State Council on January 26, 2002 and last amended on December 7, 2013, the chemicals listed in the catalog of hazardous chemical (“Hazardous Chemicals”) shall be regulated by the catalog. The entities that produce, store, use and operate Hazardous Chemicals shall meet the safety conditions required by the law and administrative regulations as well as national standards and industrial standards, and obtain relevant licenses. For instance, a production enterprise shall obtain the hazardous chemical safety production license to produce Hazardous Chemicals. Construction projects newly built, reconstructed, expanded for the production of hazardous chemicals and for the storage of Hazardous Chemicals, shall be inspected for their safety conditions by the safety production supervision and administration departments.

The Regulations on the Administration of Precursor Chemicals (《易制毒化學品管理條例》) promulgated by the State Council on August 26, 2005 and last amended on September 18, 2018. Pursuant to this law, the State Council applies the classified administration and licensing or filing system to the production, distribution, purchase, transportation and import and export of precursor chemicals. The precursor chemicals are classified into three categories which are specific in the Catalog of Classification and Types of Precursor Chemicals. Category I includes the major materials that can be used for producing drugs. Categories II and III include the chemical agents that can be used for producing drugs.

According to the Measures for the Public Security Administration of Explosive Dangerous Chemicals (《易製爆危險化學品治安管理办法》) promulgated on 6 July 2019 and implemented since 10 August 2019, the entities selling or purchasing explosive dangerous chemicals shall, within five days after the sales or purchases, file with the public security authorities at the county level where they are located, the varieties and quantities of the explosive dangerous chemicals sold or purchased, as well as information on the direction of the flow, through the information system on explosive dangerous chemicals.

Regulations Relating to Energy Conservation

According to the Energy Conservation Law of the People’s Republic of China (《中華人民共和國節約能源法》) promulgated by the SCNPC on November 1, 1997 and last amended and brought into effect on October 26, 2018. Pursuant to this law, the State shall implement an energy conservation assessment and audit system for fixed asset investment projects. For projects which do not meet the compulsory energy conservation standards, the developer shall

REGULATORY OVERVIEW

not commence construction; where the construction is completed, the project shall not be put into production or use. For government investment projects which do not meet the compulsory energy conservation standards, the agency in charge of examination and approval pursuant to the law shall not grant approval for construction. Detailed measures shall be formulated by the department regulating energy conservation under the State Council jointly with other relevant State Council departments.

The Measures for the Energy Conservation Review of Fixed Asset Investment Projects (《固定資產投資項目節能審查辦法》) came into effect on June 1, 2023. The review opinions on energy conservation of a fixed asset investment project are an important basis for the commencement of construction, acceptance upon completion as well as operation and management of such project. For a government-invested project, the project owner shall obtain the review opinions on energy conservation issued by the energy conservation review authority prior to submitting its feasibility study report for the project. For an enterprise-invested project, the project owner shall obtain the review opinions on energy conservation issued by the energy conservation review authority prior to the commencement of construction. For a project which has not undergone the energy conservation review or fails to pass the energy conservation review, the project owner shall not commence construction, or the project shall not be put into production or use if it is already completed. The administrative departments for energy conservation of the local people’s governments at or above the county level shall, in light of the actual circumstances of the local energy conservation, strengthen the overall guidance and overall coordination of the work of energy conservation review, implement the regulation and control of the total energy consumption and intensity, enhance the management of obligatory target for the reduction of energy consumption intensity, effectively increase the flexibility of the management of total energy consumption, control fossil energy consumption, and resolutely curb the blind development of high-energy-consumption, high-emission and low-level projects.

Regulations Relating to Fire Prevention

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》), which was promulgated on April 29, 1998 and last amended on April 29, 2021, the construction entities shall apply to the administrative authority of housing and urban-rural construction for fire protection acceptance check upon completion of the construction projects that are subject to fire protection acceptance check as stipulated by the administrative authority of housing and urban-rural construction of the State Council. For other construction projects, the construction entities shall file with the administrative authority of housing and urban-rural construction after the acceptance, and the administrative authority of housing and urban-rural construction shall conduct random inspection.

REGULATORY OVERVIEW

Regulations Relating to Data, Cyber and Information Security

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the “Cybersecurity Law”), which became effective on June 1, 2017. According to the Cybersecurity Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard cybersecurity in conducting business and providing services. For the construction and operation of the network or the provision of services through the network, technical and other necessary measures shall be taken as required by law and the compulsory requirements of national standards to ensure the safe and stable operation of the network, respond to cybersecurity incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

The Data Security Law of the PRC (《中華人民共和國數據安全法》) was released by the SCNPC on June 10, 2021 and became effective on September 1, 2021. The PRC Data Security Law stipulates the measures to support and promote data security and development, to establish and optimize the national data security management system, and to clarify organizations’ and individuals’ responsibilities in data security. The PRC Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used.

On December 28, 2021, the Cyberspace Administration of China (the “CAC”) and certain other PRC regulatory authorities published the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. Pursuant to the measures, critical information infrastructure operators (the “CIIO”) that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the Cybersecurity Review.

On November 14, 2021, the CAC released the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Regulations”). According to the Draft Regulations, data processors that go public in Hong Kong that affect or may affect national security, would be required to apply for a cybersecurity review in accordance with the relevant PRC regulations.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the “PIPL”) was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021. The PIPL stipulates the scope of personal information and the ways of processing personal information, establishes rules for processing personal information and for providing personal information to overseas recipients, and clarifies the individual’s rights and the processor’s obligations in the process of personal information processing.

REGULATORY OVERVIEW

The CAC promulgated the Security Assessment Measures for Data Provision Abroad (《數據出境安全評估辦法》) (the “Security Assessment Measures”), which came into effect on September 1, 2022. The Security Assessment Measures specifies the circumstances where a cross-border data transfer is subject to security assessment.

The MIIT promulgated the Administrative Measures on Data Security in the Field of Industry and Information Technology (for Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》), effect on January 1, 2023. The Measures applies to the data processing activities in the field of industry and information technology carried out within the territory of China, and sets out a series of data security protection obligations for data processors in such field, such as establishing a full life-cycle data security management system, appointing data security management personnel, and conducting filings for the important data and core data processed by the data processors.

The CAC released the Notice on Seeking Public Comments on the Provisions on Regulating and Promoting Cross-border Data Flow (Exposure Draft) of the PRC (《規範和促進數據跨境流動規定(徵求意見稿)》公開徵求意見的通知) (the “Draft Provisions”) on September 28, 2023. The Draft Provisions specifies the circumstances where it is not required to apply for security assessment for data to be provided abroad, to conclude a standard contract for personal information to be provided abroad or to pass the certification for personal information protection.

Regulations Relating to Intellectual Property

Patent

Patents in the PRC are principally protected under the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated on March 12, 1984, came into effect on April 1, 1985, and was last amended on October 17, 2020 with effect from June 1, 2021, as well as the Implementation Rules for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, came into effect on July 1, 2001, and was last amended on December 1, 2023 with effect from January 20, 2024. According to the PRC Patent Law and its implementation rules, the duration of a patent right for inventions, utility models and designs shall be 20 years, 10 years and 15 years, respectively, all commencing from the application date.

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), promulgated on September 7, 1990 and last amended on November 11, 2020 and brought into effect on June 1, 2021, specifies that works of Chinese citizens, legal persons or other organizations, namely ingenious intellectual achievements in the fields of literature, art and science that can be presented in a certain form, whether published or not, shall enjoy the copyright. The copyright holder can enjoy multiple rights, including the right of publication, the right of authorship, and the right of reproduction.

REGULATORY OVERVIEW

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the “Software Copyright Measures”), promulgated by the National Copyright Administration and brought into effect on February 20, 2002, regulates the registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent governmental authority for the national administration of software copyright registration and the Copyright Protection Center of China (the “CPCC”) is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants pursuant to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (《計算機軟件保護條例》).

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated on August 23, 1982, came into effect on March 1, 1983, and last amended on April 23, 2019 with effect from November 1, 2019, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002, came into effect on September 15, 2002, and was revised on April 29, 2014 with effect from May 1, 2014, registered trademarks are trademarks approved and registered by the Trademark Office of China National Intellectual Property Administration, including commodity trademarks, service trademarks, collective trademarks, and certification marks. A trademark registrant enjoys exclusive rights to use a registered trademark, which is protected by the law. The Trademark Law and its implementation regulations set forth an application for trademark registration, which shall be filled in based on the published classification of commodities and services. The description of commodities or services shall be filled in based on the class number and description in the classification of commodities and services; where the commodities or services are not listed in the classification of commodities and services, a statement on the commodities or services shall be attached.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), promulgated on August 24, 2017 and brought into effect on November 1, 2017, the principle of “first to file” is adopted for domain name registration services. The applicant for domain name registration shall provide the agency of domain name registration with true, accurate and complete information about the domain name holder’s identity for registration purpose and enter registration agreements with domain name registration service providers. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

REGULATORY OVERVIEW

Regulations Relating to Employment, Social Insurance and Housing Fund

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated in 1994 and last amended in 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated in 2007 and amended in 2012, and the Implementation Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was issued by the State Council on September 18, 2008 and came into effect on the same day, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and amended on December 29, 2018, and the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) recently amended by the State Council and effective on March 24, 2019, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer make payments or supplementary payments for the unpaid social insurance premium within a prescribed time limit together with a 0.05% surcharge of the unpaid social insurance premium from the due date. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times the total outstanding amount.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated on July 20, 2018, commencing from January 1, 2019, all the social insurance premiums, including the premiums of basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, shall be collected by the tax authorities. According to the Notice on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated by the General Office of the State Administration of Taxation on September 13, 2018 and the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated by the General Office of the Ministry of Human Resources and Social Security on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden from conducting self-collection of historical unpaid social insurance contributions from enterprises. The Notice on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), promulgated by the SAT on November 16,

REGULATORY OVERVIEW

2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises from the previous years. The Notice of General Office of the State Council on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》), promulgated on April 1, 2019, requires steady advancement of the reform of the system of social security fees collection. In principle, the basic pension insurance for enterprise employees and other insurance types for enterprise employees shall be collected temporarily according to the existing collection system to stabilize the payment method. It also emphasizes that the historical unpaid arrears of the enterprise shall be properly treated. In the process of reformation of the collection system, the relevant governmental body is not allowed to conduct self-collection of historical unpaid arrears from enterprises, neither is it allowed to adopt any method of increasing the actual payment burden of small and micro enterprises to avoid causing difficulties in the production and operation of the enterprises.

According to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), which was promulgated on April 3, 1999 and last amended on March 24, 2019, employers are required to make contributions to housing provident funds for their employees. Any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or makeup the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People’s Court.

Regulations Relating to Tax

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)(the “EIT Law”), which became effective on January 1, 2008 and was last amended on December 29, 2018, and the Regulations on the Implementation of EIT Law (《中華人民共和國企業所得稅法實施條例》) which was promulgated by the State Council on December 6, 2007, came into effect on January 1, 2008 and was amended on April 23, 2019, enterprises are classified as resident enterprises and non-resident enterprises. Enterprises which are established in China in accordance with PRC laws or established pursuant to foreign laws with their “de facto management bodies” located in the PRC are deemed a “resident enterprise” and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and their income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with their establishments or places of business located in the PRC. Non-resident enterprises without establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC. High and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

REGULATORY OVERVIEW

Value-added Tax ("VAT")

According to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated on December 13, 1993 and last amended on November 19, 2017, together with the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated on December 25, 1993, came into effect on the same day and was amended on December 15, 2008 and October 28, 2011 with effect from November 1, 2011, entities and individuals engaged in selling goods or labor services of processing, repair or maintenance, selling services, intangible assets or immovables within the PRC or importing goods to the PRC are subject to the payment of value-added tax. Pursuant to the Notice of the Ministry of Finance of the PRC and the SAT on Adjusting Value-Added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) effective on May 1, 2018, a taxpayer who was previously subject to a 17% tax rate on VAT-taxable sales activities shall have the applicable tax rate adjusted to 16%. According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which came into effect on April 1, 2019, for VAT-taxable sales or imported goods of a VAT general taxpayer previously subject to VAT tax rate of 16%, the tax rate shall be adjusted to 13%.

Regulations Relating to Foreign Exchange

According to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and amended on January 14, 1997 and August 5, 2008, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the State Administration of Foreign Exchange (the "SAFE") or its designated banks is obtained.

According to the Notice of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated on June 9, 2016, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital and external debts and funds recovered from overseas listing) may convert from foreign currency into RMB on a self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under the domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

According to the Notice of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was promulgated on October 23, 2019 and amended by SAFE Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) which

REGULATORY OVERVIEW

was promulgated on December 4, 2023, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to the law on the condition that the current Special Administrative Measures for Access of Foreign Investment (Negative List) are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

Regulations Relating to Dividend Distribution

The principal regulations governing dividends distributions by companies is the Company Law of the PRC(《中華人民共和國公司法》). PRC companies are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Relating to Overseas Listing

On February 17, 2023, the China Securities Regulatory Commission (the “CSRC”) issued the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), which came into force on March 31, 2023. The Trial Measures regulates overseas securities offering and listing activities by domestic companies in direct or indirect form. The Trial Measures provides that (i) Chinese companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with the CSRC and report relevant information to the CSRC, and the filing shall be submitted within three working days after the application for an initial public offering is submitted, and (ii) in the event that Chinese companies that have directly or indirectly listed securities in overseas markets intend to conduct follow-on offerings in overseas markets, such companies shall fulfill the filing procedures with and report relevant information to the CSRC, and such filing shall be submitted within three working days after such follow-on offering is completed. Any overseas offering and listing made by an issuer that meets both of the following conditions will be determined as indirect: (i) more than 50% of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by the Chinese domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in the PRC, or its main places of operations are within the PRC, or the senior managers in charge of its operation and management are mostly Chinese citizens or domiciled in the PRC. The determination as to whether or not an overseas offering and listing by domestic companies is indirect, shall be made on a substance over form basis. Moreover, an overseas offering and listing is prohibited if (i) it is prohibited by PRC laws, (ii) it may endanger national security as reviewed and determined by competent PRC authorities under the State Council in accordance with law, (iii) in recent three years, the Chinese operating entities or their controlling shareholders or actual controllers have committed relevant prescribed criminal offenses, (iv) domestic companies that are suspected of committing crimes or major violations of laws and regulations are under investigation according to law, and no conclusion has yet

REGULATORY OVERVIEW

been made thereof, or (v) there are material ownership disputes over equity held by the controlling shareholders or by other shareholders that are controlled by the controlling shareholders or actual controllers.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “Archives Rules”) which came into force on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a globally leading specialized manufacturer of PV cells. We, together with our subsidiary, Jietai Technology, have been continuously focusing on the research and development (R&D), production, and sales of high-efficiency PV cells (the “**PV Cells Business**”). Our PV Cells Business was acquired and consolidated in our Group in September 2021 through acquiring Jietai Technology together with its subsidiaries from its then shareholders. Since our acquisition of the PV Cells Business, we have been continuing to rank at the forefront of the industry. According to Frost & Sullivan, based on the shipment volume in the six months ended June 30, 2023, our PV cells’ market share reached approximately 10.8% and ranked fifth globally, and our TOPCon cells’ market share reached approximately 57.4% and ranked first globally. Prior to the acquisition of the PV Cells Business, the original principal business of our Company was R&D, manufacturing and sales of car plastic accessories (the “**Discontinued Business**”), which was discontinued in June 2022.

The origins of our Company can be traced back to the establishment of our Company in April 2003 by Mr. Xu (our executive Director and the spouse of Ms. Lu, our executive Director and chairperson of the Board) and two other individuals, who were independent third parties. Shortly after the establishment and prior to having substantial business in May 2003, Ms. Lu became a Shareholder and, together with Mr. Xu controlled approximately 88.67% equity interest of our Company. For further information about Ms. Lu and Mr. Xu, please see “Directors, Supervisors and Senior Management — Board of Directors — Executive Directors.” Both Ms. Lu and Mr. Xu belong to the Yang Family, i.e. the members of our Single Largest Group of Shareholders. Since then, the Yang Family together with their controlled entities have always been our Single Largest Group of Shareholders in the Company. As of the Latest Practicable Date, Yang Family was able to exercise approximately 22.78% voting rights in our Company. For details of Yang Family, please see section headed “Relationship with our Single Largest Group of Shareholders.”

BUSINESS DEVELOPMENT MILESTONES

The following table sets forth certain development milestones of our Group:

Year	Milestones
2003	Our Company was established
2012	We converted into a joint-stock liability company
2017	Our Company’s A Shares were listed on the Shenzhen Stock Exchange (stock code: 002865.SZ)

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestones
2021	<p>We acquired Jietai Technology and entered into the PV technology industry</p> <p>Our subsidiary Chuzhou Jietai was established</p> <p>We were awarded as National High-Tech Enterprise by Jiangxi Provincial Department of Science and Technology, Jiangxi Provincial Department of Finance, Jiangxi Provincial Tax Service, State Taxation Administration</p>
2022	<p>We were awarded as National Green Factory by Ministry of Industry and Information Technology of the PRC</p> <p>We launched our Chuzhou Plant, one of the first production plants in the world to achieve large-scale mass production of N-type TOPCon cells</p> <p>We ranked first among specialized manufacturers in terms of shipment volume of TOPCon cells</p> <p>Our subsidiary Huan’an Jietai was established</p>
2023	<p>We were awarded as “Top 500 Global New Energy Enterprises” by China Energy Economics Research Institute</p> <p>We launched our Huai’an Plant which primary manufactures N-type TOPCon cells</p> <p>We continued to rank first among specialized manufacturers in terms of shipment volume of TOPCon cells in the six months ended June 30, 2023</p>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR GROUP

As of the Latest Practicable Date, our Group comprised of our Company and our five subsidiaries. Our Company served as the centralized management platform of our Group where we run our overall business operation and our subsidiaries focus on daily business operation of our Group. The details of our subsidiaries as of the Latest Practicable Date are set forth below:

	<u>Place of Establishment</u>	<u>Date of Establishment</u>	<u>Registered Share Capital</u>	<u>Equity interest attributable to our Group</u>	<u>Principal Business Activities</u>
			<i>(RMB million)</i>		
Jietai Technology	PRC	December 6, 2019	902	100%	The R&D, manufacturing, and sales of PV cells
Hongye New Energy	PRC	August 24, 2020	1,250	100% ⁽¹⁾	The R&D, manufacturing, and sales of PV cells
Chuzhou Jietai	PRC	December 14, 2021	1,200	100%	The R&D, manufacturing, and sales of PV cells
Huan'an Jietai	PRC	October 13, 2022	1,500	100%	The R&D, manufacturing, and sales of PV cells
Minghong New Energy	PRC	August 24, 2020	100	100%	The R&D, manufacturing, and sales of PV cells ⁽²⁾

Note:

- (1) As of the Latest Practicable Date, the registered shareholders of Hongye New Energy including, our Company, Jietai Technology and Shangrao Economic and Technological Development Zone Urban Construction Engineering Management Co., Ltd. (上饒經濟技術開發區城市建設工程管理有限公司) (“**Shangrao Chengjian**”). However, Hongye New Energy is an indirectly wholly-owned subsidiary of the Company in substance. Pursuant to the relevant financing arrangements, the registered shareholder Shangrao Chengjian is in fact a creditor without shareholder’s right. Please see “— Corporate Development and Major Shareholding Changes of Our Group — Our Subsidiaries — Hongye New Energy.” for details.
- (2) As of the Latest Practicable Date, Minghong New Energy has not commenced operation.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES OF OUR GROUP

Our Company

Establishment of Our Company

Our Company was established in the PRC on April 3, 2003. Upon establishment, the registered capital of our Company was RMB15.0 million, which was subscribed by Xu Xingrang, Mr. Xu and Li Xinhua as to 60%, 20% and 20%, representing RMB9.0 million, RMB3.0 million and RMB3.0 million of the registered capital of our Company, respectively. Each of Xu Xingrang and Li Xinhua is an Independent Third Party.

Major Subsequent Capital Changes and Equity Transfers after Establishment and Prior to Listing on the Shenzhen Stock Exchange

Shortly after the establishment and prior to the capital paid-in, Ms. Lu and Mr. Xu acquired 68.67% unpaid registered capital from the other two individuals in aggregate and were able to control approximately 88.67% equity interest of our Company on May 15, 2003. Both Ms. Lu and Mr. Xu belong to the Yang Family and our Single Largest Group of Shareholders. Since then and until the completion of the A Share listing on the Shenzhen Stock Exchange in April 2017, our Company underwent several rounds of share transfers and capital injection, and the Yang Family was able to control over 90% equity interests in our Company.

Immediately prior to the capital increase of our Company on June 20, 2012, our Company was owned as to approximately 62.07% and 37.93% by Hainan Jindi and Suzhou Longxin Plastic Electrical Printing Co., Ltd. (蘇州隆新塑料電器印刷有限公司) (“**Suzhou Longxin**”), respectively, with the registered capital of RMB32,222,200. Suzhou Longxin is a wholly-owned subsidiary of Yang Family Investment, which is in turn wholly owned by the Yang Family. Hainan Jindi is owned 80%, 10% and 10% by Yang Family Investment, Mr. Chen Bingkun (陳炳坤) and Heze Mingda Enterprise Management Partnership (Limited Partnership) (荷澤銘達企業管理合伙企業(有限合伙)), both being Independent Third Parties, respectively.

1. Capital Increase in June 2012 by Independent Third Parties

On April 28, 2012, the then Shareholders of our Company resolved to increase the registered capital of our Company from RMB32,222,200 to RMB37,467,674.7. The increased registered capital of RMB5,245,474.7 was subscribed by six subscribers, all being the Independent Third Parties, at a total consideration of RMB95.2 million. The consideration was based on arm’s length negotiation among the then Shareholders and subscribers.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Upon the completion of such capital increase on June 20, 2012, the shareholding of our Company was as follows:

Shareholders ⁽¹⁾	Registered capital	Equity interest
	(RMB'000)	(%)
Hainan Jindi	20,000.0	53.38
Suzhou Longxin	12,222.2	32.62
Ms. Lu	1,873.4	5.00
Haima Automobile Co., Ltd. (海馬汽車有限公司) (formerly known as Haima Car Co., Ltd. (海馬 轎車有限公司)) (“ Haima Automobile ”)	1,498.7	4.00
Xiamen Dachen Jusheng Venture Capital Partnership (Limited Partnership) (廈門達晨聚 聖創業投資合夥企業(有限合夥)) (“ Dachen Jusheng ”)	705.3	1.88
Shenzhen Dachen Chuangtai Equity Investment Enterprise (Limited Partnership) (深圳市達晨創 泰股權投資企業(有限合夥)) (“ Dachen Chuangtai ”)	418.7	1.12
Shenzhen Dachen Chuangheng Equity Investment Enterprise (Limited Partnership) (深圳市達晨創 恒股權投資企業(有限合夥)) (“ Dachen Chuangheng ”)	402.2	1.07
Shenzhen Dachen Chuangrui Equity Investment Enterprise (Limited Partnership) (深圳市達晨創 瑞股權投資企業(有限合夥)) (“ Dachen Chuangrui ”)	347.1	0.93
Total	37,467.7	100.00

Note:

- (1) Each of Haima Automobile, Dachen Jusheng, Dachen Chuangtai, Dachen Chuangheng and Dachen Chuangrui is an Independent Third Party.

2. Equity Transfer in June 2012

For the purpose of internal shareholding restructuring among the entities owned by the Yang Family, on June 28, 2012, an equity transfer agreement was entered into by and between Suzhou Longxin and Yang Family Investment, pursuant to which Suzhou Longxin transferred its entire equity interest in our Company to Yang Family Investment at a consideration of RMB12,222,200 which was determined based on the then registered capital of our Company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

3. Conversion into Joint Stock Limited Company

Pursuant to the shareholders’ resolutions on August 10, 2012 and the promoters’ agreement dated August 10, 2012, the then existing Shareholders of our Company agreed to convert our Company into a joint stock limited liability company with a share capital of RMB90,000,000. Pursuant to the promoters’ agreement, the net asset value of our Company as of June 30, 2012 amounted to RMB287,505,542.76, of which (i) RMB90,000,000 was converted into 90,000,000 Shares of RMB1.0 par value each, which were subscribed by and issued to the then Shareholders of our Company in proportion to their respective equity interest in our Company; and (ii) the remaining amount of RMB197,505,542.76 was converted to capital reserve of our Company. Upon the completion of registration with the then Haikou Administration for Industry and Commerce (海口市工商行政管理局) on August 21, 2012, our Company was converted into a joint stock company with limited liability.

Upon the completion of the joint-stock reform, the shareholding structure of our Company was as follows:

<u>Shareholders</u>	<u>Number of Shares</u>	<u>Equity interest</u> (%)
Hainan Jindi	48,041,370	53.38
Yang Family Investment	29,358,630	32.62
Ms. Lu	4,500,000	5.00
Haima Automobile	3,600,000	4.00
Dachen Jusheng	1,694,160	1.88
Dachen Chuangtai	1,005,840	1.12
Dachen Chuangheng	966,150	1.07
Dachen Chuangrui	833,850	0.93
Total	90,000,000	100.00

Listing on the Shenzhen Stock Exchange

With the approval of the CSRC, we completed our initial public offering of 30,000,000 A Shares and became listed on the Shenzhen Stock Exchange (stock code: 002865.SZ) on April 25, 2017 and raised approximately RMB223.4 million from the A Share Offering after deducting the underwriting commissions and offering-related expenses.

Upon completion of the A Share Offering, our Company had a registered capital of RMB120,000,000, divided into 120,000,000 A Shares, among which 75% A Shares and 25% A Shares were held by the then existing Shareholders immediately prior to such initial public offering and new public A Shareholders, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Issuance of Shares pursuant to the Convertible Bonds

On December 6, 2018, with the approval of the CSRC, our Company issued convertible bonds (the “**Convertible Bonds**”) in the principal amount of RMB320 million effective from December 10, 2018 with the maturity date on December 10, 2024. The Convertible Bonds shall bear increasing interests ranged from 0.6% per annum in the first year to 3% per annum in the sixth year. The bondholders had the right to convert their Convertible Bonds into A Shares during the period from June 14, 2019 to December 10, 2024 at the initial conversion price of RMB21.74 per A Share which was subject to adjustments (including but not limited to rights issue, dividends distribution, new issuance of Shares and other dilutive events, etc.).

Pursuant to the redemption condition set forth in the offering circular of the Convertible Bonds, the Company shall be entitled to redeem all outstanding Convertible Bonds if the balance of the Convertible Bonds is below RMB30 million. On January 27, 2022, our Company exercised its redemption rights to redeem all outstanding Convertible Bonds with the balance amount of RMB733,300 and canceled such Convertible Bond. Upon such cancellation, no further Shares are able to be issued pursuant to the Convertible Bonds.

During the vesting period from June 14, 2019 to January 27, 2022, our Company issued 21,524,273 A Shares to the holders of the said Convertible Bond upon the exercise of conversion by such bondholders. For more information regarding the Convertible Bonds, see Note 28 to the Accountants’ Report in Appendix I to this document.

Share Transfers relating to the First Acquisition of Jietai Technology

In connection with the first acquisition of 51% equity interest of Jietai Technology by our Company (the “**First Acquisition of Jietai Technology**”), on July 16, 2021, Yang Family Investment entered into a share transfer agreement with Shangrao Zhanhong New Energy Technology Center (Limited Partnership) (上饒展宏新能源科技中心(有限合夥)) (“**Shangrao Zhanhong**”), pursuant to which, Yang Family Investment agreed to transfer 6,627,400 A Shares at the consideration of RMB25.73 per Share (no less than 90% of closing price on the date immediately preceding the date of this agreement). On the same day, Yang Family Investment and Hainan Jindi entered into a share transfer agreement with Shangrao Economic and Technological Development Zone Industrial Development Investment Co., Ltd. (上饒經濟技術開發區產業發展投資有限公司) (“**Shangrao Development Zone**”), pursuant to which, Yang Family Investment and Hainan Jindi agreed to transfer 3,971,769 A Shares and 14,769,231 A Shares, respectively, to Shangrao Development Zone, at a price of RMB25.73 per Share. As a result of such transfers of Shares, Shangrao Development Zone and Shangrao Zhanhong held approximately 14.1% and 5% equity interests in our Company, respectively. Such share transfers were completed on October 11, 2021 and December 14, 2021, respectively. For further details relating to such share transfers, see note 31 of the Accountants’ Report set out in Appendix I to this document. For details of the First Acquisition of Jietai Technology, see “— Major Acquisition and Disposal of Our Group During the Track Record Period — Acquisition of Jietai Technology.” under this section.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Issuance of Shares pursuant to Dividends Distribution in Specie

On April 14, 2023, our Company distributed dividends of 0.398 Share and RMB0.5971 per ordinary Share to then existing Shareholders. As a result, our Company issued an aggregate 56,609,710 A Shares for satisfying such dividends distribution in specie to all then Shareholders.

Allotment of Shares pursuant to the Non-public Offering

On April 28, 2023, with the approval of the CSRC, our Company commenced a non-public offering. 27,760,000 A Shares were issued and allotted to 13 placees, most of which were institutional investors including Goldman Sachs International and UBS AG. The offering was priced at RMB100 per A Share which was determined after arm’s length negotiation.

According to a capital verification report issued by an independent auditor dated June 1, 2023, the consideration for the non-public offering had been fully settled by the 13 placees as of May 31, 2023.

The proceeds from the non-public offering were used for settling the outstanding payment under the subsequent acquisition of 49% equity interest of Jietai Technology by our Company in June 2022 (the “**Second Acquisition of Jietai Technology**”), N-type cells research program (高效能N型太陽能電池研發中試項目), repayment to bank loan and general working capital.

Issuance of Shares Pursuant to Employee Incentive Schemes

Other than the major shareholding changes in the Company as disclosed above, pursuant to the Employee Incentive Schemes and relevant administration measures, the Company also from time to time issued and allotted Shares to eligible participants. For the details of the Employee Incentive Schemes, please refer to “— Our Employee Incentive Schemes” under this section and “Appendix VI — Statutory and General Information — Employee Incentive Schemes.”

As of the Latest Practicable Date, our Company had a share capital of RMB227,394,526 divided into 227,394,526 A Shares with a par value of RMB1.00 each. Upon completion of the [REDACTED] and assuming the [REDACTED] is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Employee Incentive Schemes, it is expected that the shareholding of holders of the A Shares will be diluted to [REDACTED]%.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Our Subsidiaries

Jietai Technology

Jietai Technology (formerly known as Jiangxi Zhanyu New Energy Technology Co., Limited (江西展宇新能科技有限公司)) was established in the PRC on December 6, 2019 by Jiangxi Uniex New ENERGY Co., Ltd. (江西展宇新能源股份有限公司) with the initial registered capital of RMB2 million which was increased to RMB902 million on December 26, 2019. Following a series of shareholding changes, immediately prior to the First Acquisition of Jietai Technology by our Company, Jietai Technology was owned as to 81.32%, 3.65% and 15.03% by Shangrao Hongfu Photovoltaic Industry Center (Limited Partnership) (上饒市宏富光伏產業中心(有限合夥)) (“**Shangrao Hongfu**”) (a state-owned entity and was ultimately controlled by Shangrao State-owned Assets Supervision and Administration Commission (上饒市國有資產監督管理委員會)), Shangrao Zhanhong and Supor Group Co., Ltd. (蘇泊爾集團有限公司) (“**Supor**”), respectively. Supor is an Independent Third Party.

After the completion of First Acquisition by the Company in September 2021, Jietai Technology was consolidated as a subsidiary owned by our Group as to 51%. Upon the completion of the Second Acquisition of Jietai Technology, the Group acquired the remaining 49% equity interest in July 2022.

For details of the First Acquisition and Second Acquisition of Jietai Technology, see “— Major Acquisition and Disposal of Our Group During the Track Record Period — Acquisition of Jietai Technology.” under this section.

Hongye New Energy

Hongye New Energy was established by Jietai Technology on August 24, 2020 with initial registered capital of RMB600 million.

On November 12, 2020, Shangrao Economic and Technological Development Zone Urban Construction Engineering Management Co., Ltd. (上饒經濟技術開發區城市建設工程管理有限公司) (“**Shangrao Chengjian**”) subscribed an additional registered capital of RMB500 million, representing 45.45% of the enlarged registered capital in Hongye New Energy, at a consideration of RMB500 million. Pursuant to the subscription agreement and its supplement agreement dated on November 12, 2020 entered among Shangrao Chengjian, Jietai Technology and Hongye New Energy, Jietai Technology still held 100% of its beneficial interest in Hongye New Energy after the subscription by Shangrao Chengjian and Shangrao Chengjian as the registered shareholder for the 45.45% equity interest of Hongye New Energy is in fact a creditor without shareholder’s right. Upon expiring a term of six years after completion of such subscription, the 45.45% equity interest in Hongye New Energy legally held by Shangrao Chengjian would be transferred back to Jietai Technology or its designated transferee upon full repayment of the RMB500 million together with the interest return with reference to the benchmark lending rate of banks in the same period (the “**Chengjian Financing Arrangement**”).

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On February 18, 2021, the Company and Hongye New Energy entered into a capital increase agreement, pursuant to which the Company agreed to subscribe an additional registered capital of RMB150 million at a consideration of the same amount. Immediately after the completion of such subscription, Hongye New Energy was held by Jietai Technology, Shangrao Chengjian and the Company as to 48%, 40% and 12%, respectively.

After Jietai Technology became a wholly owned subsidiary of the Company in June 2022 and pursuant to the Chengjian Financing Arrangement above, Hongye New Energy has become a wholly owned subsidiary of the Group.

Pursuant to a share pledge agreement dated February 14, 2022, Jietai Technology pledged its owned RMB60 million registered capital in Hongye New Energy to Jiangxi State-owned Assets Venture Investment Management Co., Ltd (江西國資創業投資管理有限公司) (“**Jiangxi Venture**”) to secure the loan of a principal amount of RMB20 million with a term of three years ended on February 13, 2025 provided by Jiangxi Venture to Hongye New Energy. Upon the repayment of such loan, the share pledge will be released.

Minghong New Energy, Chuzhou Jietai and Huan’an Jietai

As of the Latest Practicable Date, there had been no shareholding changes in Minghong New Energy, Chuzhou Jietai or Huan’an Jietai since their respective establishments.

MAJOR ACQUISITION AND DISPOSAL OF OUR GROUP DURING THE TRACK RECORD PERIOD

Background

Since 2020, our Company had been exploring and intending to enter into emerging industries with promising prospect and strong profitability. Upon conducting an in-depth market research, the management of the Company decided to tap into PV Cells Business and acquired Jietai Technology and its subsidiaries in September 2021. Considering that the continuing operation of the Discontinued Business would divert the management’s attention as well as other resources away from the PV Cells Business, the Company disposed the Discontinued Business in June 2022.

Acquisition of Jietai Technology

Immediately prior to the Acquisition of Jietai Technology by the Company, Jietai Technology was owned as to 81.32%, 3.65% and 15.03% by Shangrao Hongfu, Shangrao Zhanhong and Supor, respectively.

On July 16, 2021, through open bidding on Jiangxi Asset and Equity Exchange (江西產權交易所), our Company acquired 47.35% equity interest in Jietai Technology from Shangrao Hongfu at a consideration of approximately RMB1,331.0 million. The consideration was based on valuation report issued by an independent valuer (the “**2021 Valuation Report**”). On July

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

16, 2021, pursuant to an asset purchase agreement entered into between the Company and Shangrao Zhanhong, the Company acquired 3.65% equity interest in Jietai Technology from Shangrao Zhanhong at a consideration of RMB102.6 million based on the 2021 Valuation Report. Upon the completion of such 51% equity transfers in aggregate to the Company in September 2021, Jietai Technology become a non-wholly owned subsidiary of our Company.

On June 15, 2022, through open bidding on Jiangxi Equity Exchange Institution (江西產權交易所), our Company acquired 33.97% equity interest in Jietai Technology from Shangrao Hongfu at a consideration of approximately RMB1,053.1 million. The consideration was based on valuation report issued by an independent valuer (the “**2022 Valuation Report**”). On June 15, 2021, pursuant to an asset purchase agreement entered into between the Company and Supor, the Company acquired 15.03% equity interest in Jietai Technology from Supor at a consideration of RMB465.9 million based on the 2022 Valuation Report. Upon the completion of such 49% equity transfers in aggregate to the Company, Jietai Technology has become a wholly owned subsidiary of our Company since July 2022. For further details, see note 31 of the Accountants’ Report set out in Appendix I to this document.

According to Rule 4.05A of the Listing Rules, the relevant financial ratio of the First Acquisition and Second Acquisition of Jietai Technology in aggregate at the date of [REDACTED] for our [REDACTED] has exceeded 25%. For details of pre-acquisition financial information on Jietai Technology from the commencement of the Track Record Period to the date of immediately before the consolidation of Jietai Technology’s financial result into the Group was disclosed “— Major Acquisition and Disposal of Our Group During the Track Record Period — Acquisition of Jietai Technology.”

Disposal of Suzhou Drinda Automobile Technology Co., Ltd. (蘇州鈞達車業科技有限公司) (“Suzhou Drinda”), Hainan Xinsu Mould Plastic Industrial Trade Co., Ltd. (海南新蘇模塑工貿有限公司) (“Hainan Xinsu”) and Assets Relating to the Discontinued Business

On March 12, 2022, an asset sale agreement entered into and between our Company and Yang Family Investment, a member of our Single Largest Group of Shareholders, pursuant to which Yang Family Investment acquired entire equity interest of two wholly-owned subsidiaries of our Company, namely Suzhou Drinda and Hainan Xinsu, together with all assets relating to the car accessories business of our Company at a total consideration of approximately RMB1,056.9 million. The consideration was based on valuation reports issued by the independent valuers. Upon the completion of such disposal in June 2022, each of Suzhou Drinda and Hainan Xinsu ceased to be a subsidiary of our Company and our Company has not conducted any business relating to car accessories.

Our PRC Legal Advisor advised that, the abovementioned major acquisition and disposal of our Group during the Track Record Period has passed the review process of the Shenzhen Stock Exchange and the respective approval procedures were in compliance with the applicable PRC laws and regulations. During the Track Record Period and until the Latest Practicable Date, save as disclosed above, we did not conduct any other acquisition, disposal or merger.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

ACTING IN CONCERT

On November 30, 2013, the Yang Family (namely, Mr. Lu Xuyang (陸徐楊), Mr. Yang Renyuan (楊仁元), Ms. Lu Huifen (陸惠芬), Mr. Xu, Ms. Lu, Mr. Xu Weidong (徐衛東), Ms. Lu Yuhong (陸玉紅), Mr. Xu Yong (徐勇), and Ms. Lu Xiaowen (陸小文)) entered into an Acting-in-Concert Agreement which was supplemented by agreements dated April 23, 2020 and April 23, 2023, pursuant to which the members of Yang Family agreed and would continue to act in concert by aligning their votes when exercising their voting rights at the shareholders’ meetings in our Group. The Acting-in-Concert Agreement shall remain effective until April 24, 2026.

OUR EMPLOYEE INCENTIVE SCHEMES

For the purpose of attracting and retaining talents and motivating our employees, we have established certain Employee Incentive Schemes. Below sets forth the effective schemes as of the Latest Practicable Date:

- (i) on December 1, 2021, our Shareholders passed a resolution to implement Employee Incentive Scheme 2021 to grant up to 3,305,000 options to eligible participants to subscribe A Shares. These options have a vesting period of no more than 48 months since the date of the grant. As of the Latest Practicable Date, 4,038,234 options (taking into account the adjustment pursuant to the Dividends Distribution 2023) had been granted. No other option would be granted under Employee Incentive Scheme 2021. Out of such granted options, 2,725,702 options yet to be exercised.
- (ii) on June 13, 2022, our Shareholders passed a resolution to implement Employee Incentive Scheme 2022 to grant up to 2,853,000 options to eligible participants to subscribe A Shares. These options have a vesting period of no more than 48 months since the date of the grant. As of the Latest Practicable Date, 3,927,201 options (taking into account the adjustment pursuant to the Dividends Distribution 2023) had been granted. No other option would be granted under Employee Incentive Scheme 2022. Out of such granted options, 2,699,120 options yet to be exercised.
- (iii) on February 2, 2023, our Shareholders passed a resolution to implement Employee Incentive Scheme 2023-A to grant up to 3,642,500 options to eligible participants to subscribe A Shares. These options have a vesting period of no more than 48 months since the date of the grant. As of the Latest Practicable Date, 4,056,384 options (taking into account the adjustment pursuant to the Dividends Distribution 2023) had been granted. No other option would be granted under Employee Incentive Scheme 2023-A. Out of such granted options, 4,056,384 options yet to be exercised.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (iv) on October 13, 2023, our Shareholders passed a resolution to implement Employee Incentive Scheme 2023-B to grant up to 4,230,000 options to eligible participants to subscribe A Shares. These options have a vesting period of no more than 48 months since the date of the grant. As of the Latest Practicable Date, 3,228,120 options had been granted which are all outstanding and yet to be exercised. Approximately up to 840,000 options would be further granted under Employee Incentive Scheme 2023-B prior to the [REDACTED].

For the details of the Employee Incentive Schemes, please refer to “Appendix VI — Statutory and General Information — Employee Incentive Schemes.”

OUR LISTING ON THE SHENZHEN STOCK EXCHANGE AND REASONS FOR THE PROPOSED [REDACTED] ON [REDACTED]

To the best knowledge of the Directors, we have been operating in compliance with the Shenzhen Stock Exchange Listing Rules in all material aspects since our A Share Offering. As of the Latest Practicable Date, we had not been informed by the Shenzhen Stock Exchange of any material breach of its listing rules. Save for the increase in share capital of the Company in June 2023 as a result of the exercise of options under the Incentive Scheme 2022 and the increase in share capital of the Company in July 2023 as a result of the exercise of options under the Incentive Scheme 2021, which have not yet completed the registration with the competent market supervision administration, our PRC Legal Advisor has confirmed that the above-mentioned capital increases, equity transfers, joint-stock reform, share transfers, issue and allotment of Shares and our initial public offering and listing of our A Shares have been properly and legally completed and all requisite regulatory approvals have been obtained in accordance with the PRC laws and regulations. Based on the filings on the website of the Shenzhen Stock Exchange, the information available in the public domain and the independent due diligence performed by the Joint Sponsors, the Joint Sponsors do not disagree with the above confirmation provided by the Directors with regard to the Company’s compliance record on the Shenzhen Stock Exchange and there are no material issues in relation to its compliance record that should be brought to the [REDACTED] attention.

Our Directors believe that the proposed [REDACTED] will be in the interests of our Group’s business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

- (i) the [REDACTED] will provide an additional fund raising platform for our Company and give us the access to a wider pool of finance for our future expansion. The [REDACTED] is a compelling [REDACTED] and fundraising venue for us to attract potential [REDACTED] and business partners; and
- (ii) a [REDACTED] status on the [REDACTED] will further enhance our ability to broaden customer base, further advance our international strategies and our international brand-awareness, and recruit, motivate and retain talents to support our long-term and sustainable growth.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

[REDACTED]

Upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the options granted under the Employee Incentive Schemes are not exercised), to the best knowledge of our Company, (i) Yang Family will directly and indirectly through Hainan Jindi control approximately [REDACTED]% of the total [REDACTED] Shares, (ii) Shangrao Zhanhong, with Mr. Zheng Hongwei (鄭洪偉) (our executive Director and deputy general manager) acting as the executive partner, will control approximately [REDACTED]% of the total [REDACTED] Shares, (iii) Mr. Zhang Manliang (張滿良) (our executive Director and general manager) will directly control approximately [REDACTED]% of the total [REDACTED] Shares, (iv) Mr. Zheng Hongwei (鄭洪偉) will directly control approximately [REDACTED]% and Ms. Zheng Tong (鄭彤) (our executive Director, secretary of the Board and joint company secretary) will directly control approximately [REDACTED]% (due to rounding). Therefore, the Shares held by Yang Family, Shangrao Zhanhong, Mr. Zhang Manliang (張滿良), Mr. Zheng Hongwei (鄭洪偉) and Ms. Zheng Tong (鄭彤) will not count towards the [REDACTED] for the purpose of Rule 8.08 of the Listing Rules.

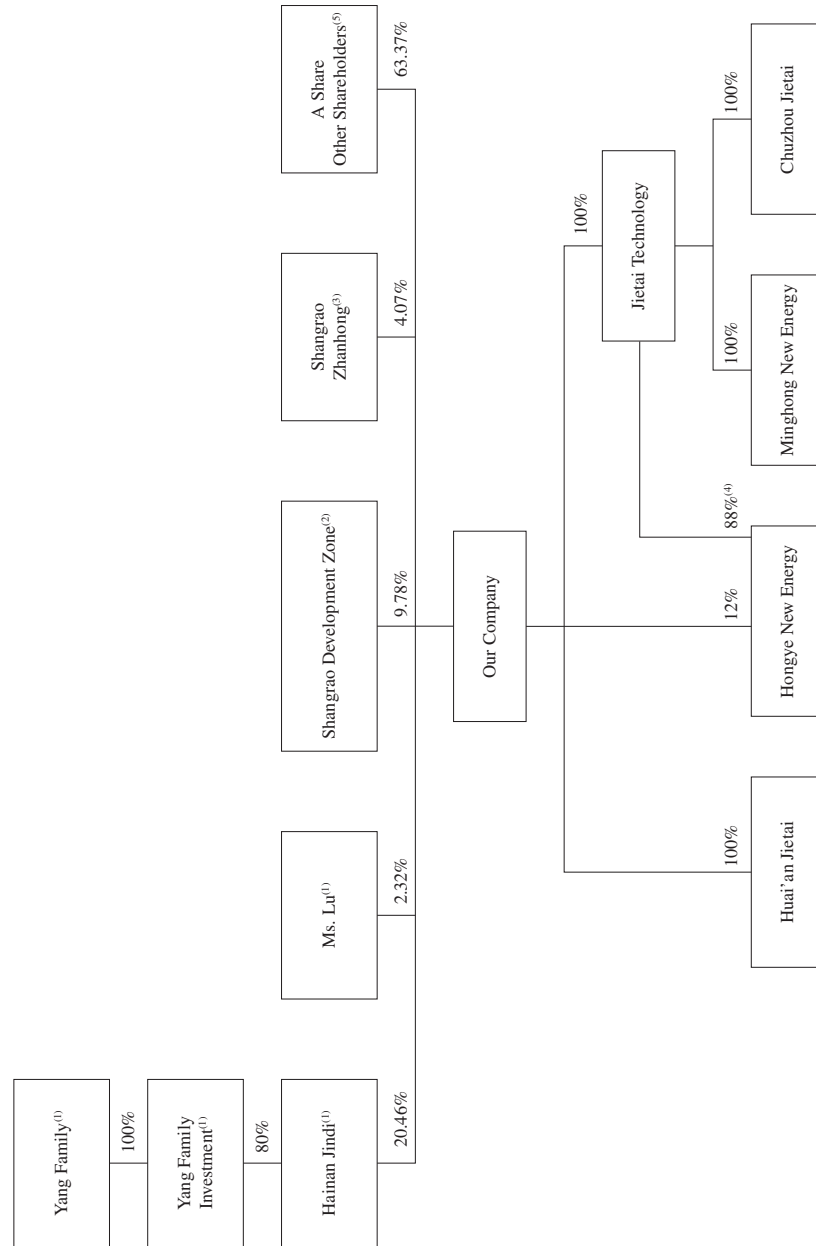
Save as disclosed above, to the best of our Directors' knowledge, none of the other Shareholders is a core connected person of our Company upon [REDACTED], is accustomed to take instructions from core connected persons of our Company in relation to the acquisition, disposal, voting or other disposition of their Shares, or was financed directly or indirectly by core connected persons of our Company for their acquisition of Shares. As a result, a total of approximately [REDACTED]% of the Shares (upon completion of the [REDACTED] assuming the [REDACTED] is not exercised and the options granted under the Employee Incentive Schemes are not exercised) will be counted towards the [REDACTED] for the purpose of Rule 8.08 of the Listing Rules.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding Structure Immediately Prior to the [REDACTED]

The following chart sets forth our shareholding structure and subsidiaries immediately prior to the [REDACTED] (without taking into account any A Shares to be issued upon exercise of the share options granted under the Employee Incentive Schemes):



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

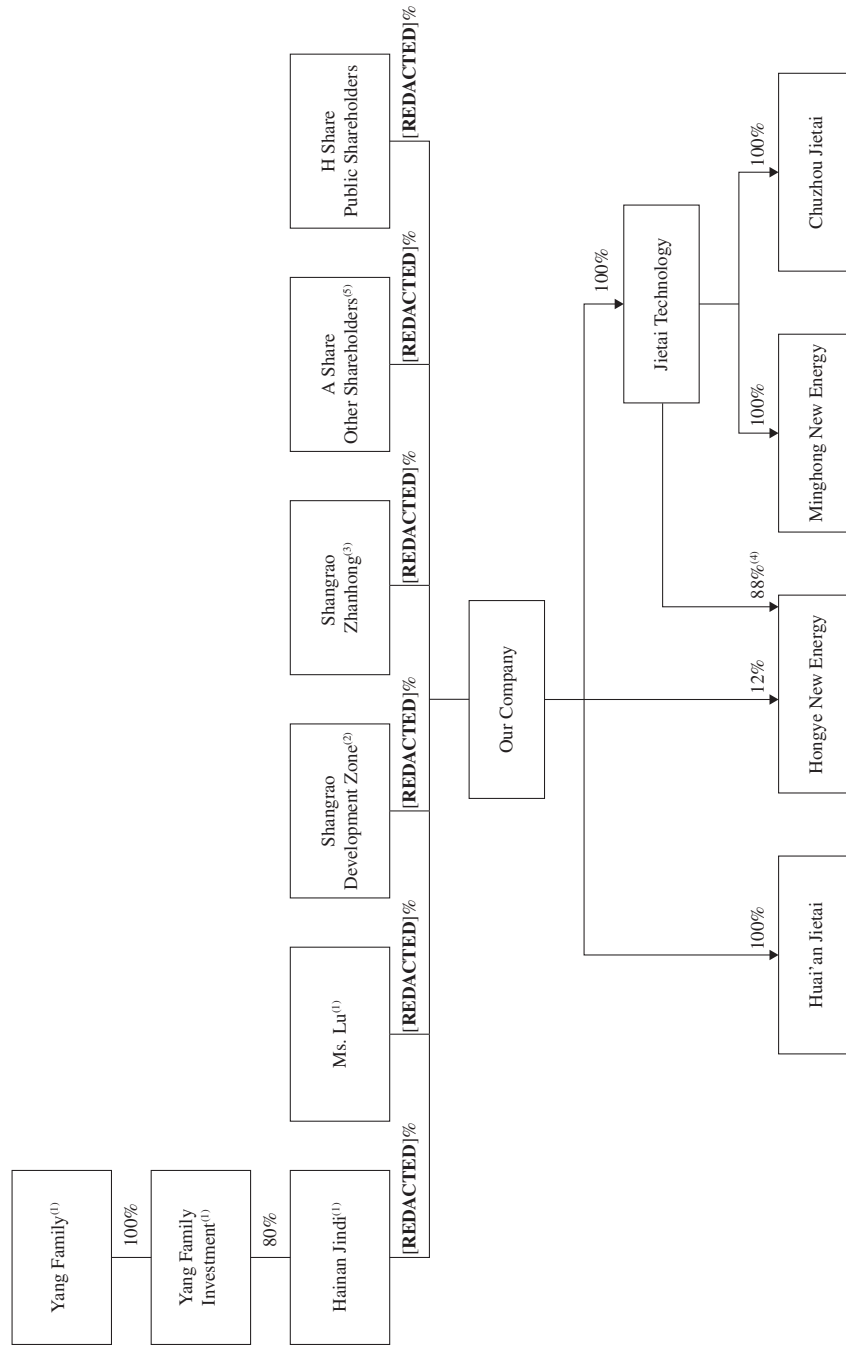
Notes:

- (1) Our Single Largest Group of Shareholders.
- (2) As of the Latest Practicable Date, 60% equity interest of Shangrao Development Zone was owned by Shangrao Economic Development Zone Talent Attraction Group Co., Ltd. (上饒經濟開發區招才引資集團有限公司), which was a wholly-owned subsidiary of Shangrao Economic and Technological Development Zone Management Committee (上饒經濟技術開發區管理委員會).
- (3) Shangrao Zhanhong, a limited partnership, was established as an employee share platform for the employees of Jietai Technology. Mr. Zheng Hongwei, one of our Directors, is the executive partner holding around 25.9% interests in Shangrao Zhanhong. As of the Latest Practicable Date, there were 15 limited partners, including a Director (Mr. Zhang Manliang) and two senior management of the Group (Ms. Huang Falian and Ms. Chen Pingxian). The other 12 limited partners are Independent Third Parties.
- (4) As of the Latest Practicable Date, the registered shareholders of Hongye New Energy including, our Company, Jietai Technology and Shangrao Chengjian, an Independent Third Party. Pursuant to the relevant financing arrangements, the registered shareholder Shangrao Chengjian is in fact a creditor without shareholder's right. Therefore, Hongye New Energy is an indirect wholly-owned subsidiary of the Company in substance. Please see “— Corporate Development and Major Shareholding Changes of Our Group — Our Subsidiaries — Hongye New Energy.” for details.
- (5) Include three Directors, namely, Mr. Zhang Manliang (張滿良), Mr. Zheng Hongwei (鄭彤) and Ms. Zheng Tong (鄭彤), who holds 0.4%, 0.4% and 0.1% equity interest of our Company, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Shareholding Structure Immediately Following the Completion of the [REDACTED]

The following chart sets forth our shareholding structure and subsidiaries immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Employee Incentive Schemes:



HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

see notes (1), (2), (3) and (4) of the sub-section headed “— Shareholding Structure immediately prior to the [REDACTED].” above for details.

- (5) Include three Directors, namely, Mr. Zhang Manliang (張滿良), Mr. Zheng Hongwei (鄭洪偉) and Ms. Zheng Tong (鄭彤), who holds [REDACTED]%, [REDACTED]% and [REDACTED]% (due to rounding) equity interest of our Company, respectively.

BUSINESS

OVERVIEW

We are a globally leading specialized manufacturer of PV cells. We, together with our subsidiary, Jietai Technology, have been continuously focusing on the R&D, production, and sales of high-efficiency PV cells. Leveraging our R&D innovation and key technologies, we continue to rank at the forefront of the industry across different generations of mainstream PV cells, including both N-type TOPCon cells and P-type PERC cells. In particular, we have been leading the global PV cell industry transition from P-type PERC cells towards N-type cells, achieving cost-efficient large-scale mass production while implementing technology innovation. According to Frost & Sullivan, based on the shipment volume in the six months ended June 30, 2023, our N-type TOPCon cells’ market share reached approximately 57.4% and ranked first globally, and our PV cells’ market share reached approximately 10.8% and ranked fifth globally.

The following milestones serve as testaments to our leadership position in the PV cell industry:

- In September 2021, we entered the PV cell industry, experiencing rapid growth. We strategically acquired Jietai Technology, a globally top-ten ranked company in PV cell shipment volume from 2018 to 2021, which is endowed with decade-long experience in PV cell R&D, production and sales and extensive talent and technology.
- In August 2022, through persistent investment in R&D, we led the industry in achieving breakthroughs in the latest generation of N-type TOPCon cell technology, increasing the mass production conversion efficiency of PV cells from approximately 23.5% for P-type cells to over 24.5% for N-type cells. Additionally, our Chuzhou Plant began large-scale mass production, making us the world’s first specialized PV cell manufacturer to possess such capabilities for TOPCon cells.
- In the six months ended June 30, 2023, building on our leading large-scale mass production capabilities, we continued innovating and optimizing in TOPCon processes. By improving and integrating several key technologies into mass production, such as LP stack wafer deposition process and laser improvement technology, we further elevated our TOPCon cell conversion efficiency to over 25.5%, maintaining our technological edge in the industry. Simultaneously, our Chuzhou Plant’s expansion and our Huai’an Plant were successfully launched, increasing our aggregated annual production capacity for N-type cells to approximately 31.0 GW as of September 30, 2023, strengthening our industry leadership.
- By December 2023, we had achieved significant R&D advancements in various key areas. Through introducing our key technologies such as J-Rpoly, gradient filming and super multi-busbar technologies, we debuted TOPCon MoNo, our new product line, which further raised the mass production conversion efficiency of PV cells to over 26.0%, reaffirming our industry-leading position. Additionally, our expanded Huai’an Plant commenced production, boosting our N-type cell annual production capacity to around 40 GW and increasing our annual production capacity for PV cells to around 50 GW.

BUSINESS

In addition to our leadership in PV cell technology and production, we have also achieved impressive results in technology accumulation, talent motivation, and ESG management.

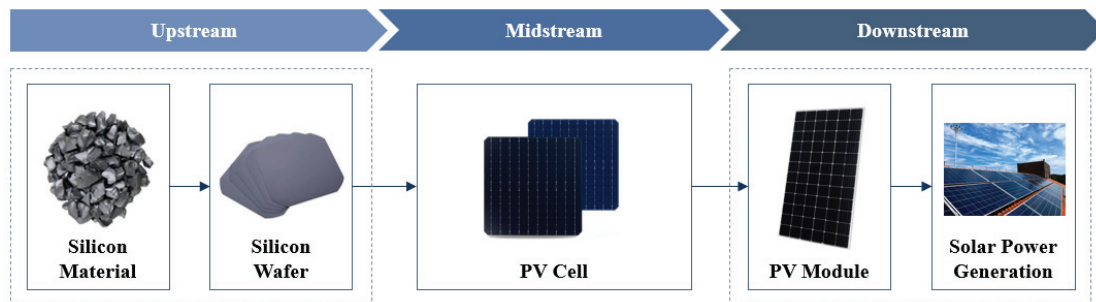
- ***Technology accumulation.*** We have established deep R&D collaborations with numerous renowned domestic and international institutions, including the University of New South Wales in Australia, Zhejiang University, Ningbo Institute of Materials Technology and Engineering of the Chinese Academy of Sciences, and National University of Singapore. We focus on the R&D of cutting-edge technologies such as next-generation HJT and perovskite tandem PV cells and xBC, ensuring our core competitive advantage in the PV cell industry.
- ***Talent motivation.*** We have established an effective incentive mechanism for employees, deeply aligning their interests with ours, continually keeping them motivated, and retaining our core talents. We have adopted Employee Incentive Schemes covering more than 500 core R&D, production, and management talents. For details, see “Appendix VI — Statutory and General Information — Employee Incentive Schemes.”
- ***ESG management.*** We were recognized among the Top 500 Global New Energy Companies by China Institute of Energy Economics Research in 2023. We have obtained the TÜV NORD SA8000 social responsibility management system certification and the SGS carbon footprint international verification. Our Shangrao Plant has been rated as a national-level green factory, and our PV cells have received the ISO14067:2018 international carbon footprint certification. In the nine months ended September 30, 2023, we had shipped approximately 19.6 GW of our PV cells, which, compared with coal-fired power generation, was equivalent to saving 3.0 million tons of coal and planting 360,000 trees, reducing 7.5 million tons of CO₂, 220,000 tons of SO₂, 110,000 tons of NO_x and 2.0 million tons of dust emissions, according to Frost & Sullivan.

Our Industry

Given growing public concern on the trend of global climate change and increasing depletion of fossil energy, vigorous development of renewable energy has become a global consensus. Solar power generation, i.e., the conversion of solar radiation into electrical energy using PV cells, has become the fastest-developing renewable energy source because of its environmental friendliness, cost efficiency, widespread distribution, and high safety, according to Frost & Sullivan. Compared with other renewable energy sources, such as wind power and hydropower, solar power is more suitable for different scales, has widely available resources and minimal geographical limitations. Therefore, it is expected to become the largest source of global renewable energy in terms of cumulative installed capacity by 2027, according to Frost & Sullivan.

BUSINESS

Against the backdrop of the rapid development of the global PV industry, the Chinese PV industry leads the world in growth due to numerous advantages such as a complete upstream and downstream supply chain, low production costs, and an abundant pool of talent in photovoltaics. In 2022, China dominated global PV market, commanding market shares of 87.0% in silicon material, 97.9% in silicon wafers, 86.7% in PV cells, and 80.8% in PV modules in terms of production capacity, according to Frost & Sullivan. As a participant in China’s PV cell production value chain, we are able to benefit from an integrated supply chain, economies of scale, synergistic growth with the leading players in the globe, the PV industry’s national support and promotion of healthy development and large-scale application, allowing us to grow both domestically and internationally.



The PV industry value chain encompasses upstream suppliers of raw materials like silicon material, silicon wafer and silver paste, midstream manufacturers focusing on the crucial development and production of PV cells, and downstream players producing PV modules for integration into solar power systems in various settings like power plants and residences. According to Frost & Sullivan, PV cells are the core technological component of the PV industry. The history of the PV industry has seen several technological revolutions, all originating from technological upgrades in PV cells, according to Frost & Sullivan. This is primarily because higher PV cells conversion efficiency directly elevates the conversion efficiency of PV modules, which leads to more solar power generation and in turn decreases cost of electricity downstream. Therefore, PV cell manufacturing represents the most technologically intensive sector in the PV industry value chain.

However, the conversion efficiency of mainstream P-type PERC cells is nearing its theoretical cap, which limits future cost reduction possibilities of solar power generation. As such, the PV industry has been pivoting to the R&D of next-generation N-type cells, i.e., PV cells that consists of a P-type silicon layer over a N-type silicon layer. Among the N-type cells, TOPCon cells, a type of advanced N-type cells featuring a tunnel oxide passivated contact, have higher theoretical conversion efficiency than P-type PERC cells and relatively low investment costs than other N-type cells. Therefore, TOPCon cells are expected to be the most popular among various N-type cell technologies. According to Frost & Sullivan, TOPCon cells are expected to achieve a global market share in all PV cells of 27.4% by 2023 and 55.6% by 2024. Please see “Industry Overview” for more details on P-type PERC and TOPCon cells.

BUSINESS

Our Products and Services

Leveraging our innovation capability and strong operational efficiency, we provide N-type TOPCon and P-type PERC cells to many world-leading customers. During the Track Record Period, we mainly offered the following three key products:

- ***N-type 210-N TOPCon Monocrystalline Cell.*** Launched in 2023, this cell features 18 busbars on both sides and a thickness of $130\mu\text{m} \pm 13\mu\text{m}$. Its dimensions are $210\text{mm} * 210\text{mm} \pm 0.5\text{mm}$. It has a front side efficiency of $\geq 26.0\%$ and a bifacial ratio of $\geq 80.0\%$.
- ***N-type 182N TOPCon Monocrystalline Cell.*** Released in 2022, it has 16 busbars on both sides and a thickness of $130\mu\text{m} \pm 13\mu\text{m}$. Its dimensions are $182\text{mm} * 182\text{mm} \pm 0.5\text{mm}$. It has a front side efficiency of $\geq 26.0\%$ and a bifacial ratio of $\geq 80\%$.
- ***P-type 182P PERC Monocrystalline Cell.*** Introduced in 2021, it features 10 busbars on both sides and a thickness of $170\mu\text{m} \pm 17\mu\text{m}$. Its dimensions are $182\text{mm} * 182\text{mm} \pm 0.5\text{mm}$. It has a front side efficiency of $\geq 23.8\%$ and a bifacial ratio of $\geq 70\%$.

Based on these key products, we have been able to meet various market demands via customization, e.g., adjusting the number of busbars and size of the PV cells and tweaking other technical specifications to better serve customer needs. See “— Our Business — Our Products and Services.”

During the Track Record Period, we also provided manufacturing services on behalf of our customers to fulfill their special needs, primarily of P-type PERC cells from time to time. Such business effectively supplemented our primary PV cell production business because we benefited from enhanced utilization of our production plants, broadened access towards most recent technical needs and market trends, and the opportunities to expand and deepen strategic cooperation with our customers. For details, see “Business — Our Business — Others.”

Our R&D Capabilities and Technologies

We are a global leader in the innovation of PV cells, demonstrated by our and Jietai Technology’s leading positions both in the PV cell market and the rapid P-N transition.

In the era of polycrystalline PV cells, which lasted until 2017, Jietai Technology’s predecessor optimized production management and enhanced cost-efficiency through improvements in production line intelligence and automation, achieving industry-leading product efficiency and production cost savings. According to Frost & Sullivan, it was the first in the industry to launch high-efficiency black silicon PV cells with a conversion efficiency of over 19.1%, higher than the industry average of around 18% at the time, making it one of the world’s largest supplier of black silicon PV cells at that time. In the era of monocrystalline cells, which started in 2018, we and Jietai Technology kept pace with industry technology upgrades and developed monocrystalline P-type PERC cells with a conversion efficiency of over 23.8%. Our product performance was at an internationally advanced level, and our non-silicon cost efficiency continued to lead the industry, according to Frost & Sullivan. We

BUSINESS

led the industry in completing the upgrade from 166mm to 182mm production lines, promoting the industry upgrade from small to large-sized PV cells. In the era of N-type cells that dawned in 2022, we became the world’s first specialized PV cell manufacturer to achieve the R&D and large-scale mass production of N-type TOPCon cells, once again leading a technological revolution in the industry. In December 2023, our mass production conversion efficiency of TOPCon cells exceeded 26.0%, which, according to Frost & Sullivan, reached the highest large-scale mass production conversion efficiency in the current PV cell industry.

Our continuous innovation is attributable to persistent adherence to our forward-thinking R&D philosophy of “researching one generation ahead, pilot testing the next, and mass-producing the current” and our persistent exploration of advanced technologies in the industry. Meanwhile, leveraging our strong R&D team, we have been able to effectively implement our R&D philosophy. As of the Latest Practicable Date, our R&D team consists of 2,532 employees. Our executive Director and general manager, Mr. Zhang Manliang, brings a wealth of experience in process R&D, having held various positions in technology, R&D, production management, and business management in multiple leading PV companies and boasts approximately 15 years of experience in PV cell R&D and production. Moreover, we maintain close collaborations with renowned domestic and international research institutions, such as the University of New South Wales in Australia, Zhejiang University, Ningbo Institute of Materials Technology and Engineering of the Chinese Academy of Sciences, and National University of Singapore, in establishing a comprehensive R&D system and continuing to carry out R&D for TOPCon, HJT and perovskite tandem PV cells and xBC other cutting-edge technologies in the PV industry, and continue to maintain our technological leadership.

Our R&D capabilities have achieved a series of technological breakthroughs that translated into improved performance of our PV cells. As of the Latest Practicable Date, our key technologies applicable to TOPCon cells and their main functions are as follows:

- ***LP stack wafer deposition process***: lower the cost in low pressure chemical vapor deposition, allowing our TOPCon cells to possess great cost advantage.
- ***Laser improvement technology***: increase the short-circuit current (I_{sc}), open-circuit voltage (V_{oc}) and fill factor of our TOPCon cells, as it reduces recombination in the front metal area of the TOPCon cells.
- ***J-Rpoly***: improves the cell’s I_{sc} and V_{oc} .
- ***Gradient filming technology***: reduces front-side recombination and reflection losses.
- ***Super Multi-Busbar Technology***: shorten the current transmission distance between the busbars, thereby reducing resistive losses, allowing for increased conversion efficiency.

BUSINESS

- ***Ultra-dense Fine Fingers Technology***: reduces lateral transmission resistive losses, elevating conversion efficiency and increasing cost efficiency through saving silver paste.

We have also been developing certain technologies that may further improve the performance of our current and future PV cells:

- ***Ultra-fine finger technology***. It aims to achieve higher conversion efficiency and reduce silver paste consumption through using even finer fingers.
- ***Front metal area composite optimization***. By optimizing the silver paste, the composite loss in the front metal area is further reduced.
- ***Platform technology overlay***. We are exploring integrating TOPCon technology on xBC to further improve V_{oc} and conversion efficiency. We are also experimenting stacking TOPCon cells with perovskite tandem PV cells so that each layer can absorb different segments of the solar spectrum, allowing them to capture more solar power, potentially achieving approximately 30% conversion efficiency.

Our Production

We are the largest specialized manufacturer of TOPCon cells in the world based on the shipment volume in the six months ended June 30, 2023, according to Frost & Sullivan. During the Track Record Period, we experienced rapid and stable growth in production capacity. According to Frost & Sullivan, based on the shipment volume in the six months ended June 30, 2023, our PV cells’ market share reached approximately 10.8% and ranked fifth globally, and our TOPCon cells’ market share reached approximately 57.4% and ranked first globally. In December 2023, our annual production capacity for PV cells was approximately 50 GW. Around 40 GW of this annual production capacity was for N-type TOPCon cells. Such production capacity is underpinned by our three production plants:

- ***Shangrao Plant***. This P-type PERC cell-focused plant had an annual production capacity of approximately 9.5 GW of large-size 182mm PERC cells as of September 30, 2023.
- ***Chuzhou Plant***. A pioneer in large-scale TOPCon PV cell production, it had an annual production capacity of approximately 18 GW N-type TOPCon cells as of September 30, 2023. Specializing in large-size 182mm and 210mm N-type TOPCon cells, this plant is a testament to our leadership in PV technology. Notably, we completed constructing our Chuzhou Plant in only approximately five months.

BUSINESS

- **Huai’an Plant.** It had an annual production capacity of approximately 13 GW N-type TOPCon cells as of September 30, 2023. Operational since April 2023, it focuses on 182mm and 210mm N-type TOPCon cells. Remarkably, we completed constructing our Huai’an Plant in only approximately four months. As of the Latest Practicable Date, the expanded Huai’an Plant had commenced production.

For details regarding our production plants, please see “— Our Production — Our Plants.”

Leveraging our strong production capabilities, we work closely with various industry leading enterprises to jointly develop new products, equipment and materials. For example, we experimented jointly developing production equipment to obtain improved results, and we strived to increase cost efficiency by collaborating with our suppliers to optimize the composition of silver paste. See “— Research and Development — Joint Research and Product Development.” Such undertakings propelled our participation in the R&D of the entire supply chain, allowing us to continue our initiative of fueling the transformation of the entire industry.

Our Customers

Customers in different regions and application scenarios around the world have various requirements for PV cells. As an independent and specialized PV cell manufacturer, we possess the capability to provide effective PV cell solutions for diverse global customers and serve the worldwide PV market.

We have established long-term and stable partnerships with globally leading PV module manufacturers in the industry. Such partnerships were forged through years of cooperation and made possible by the excellent performance and reliability of our PV cells, which have been widely recognized and appreciated in both domestic and international markets, according to Frost & Sullivan. Among the top ten PV module manufacturers in the world in terms of shipment volume, nine were our customers during the Track Record Period, including Jinko, JingAo Solar, LONGi, Trina Solar and Chint New Energy.

While our customers’ worldwide footprints have taken our PV cells around the globe, we have also been proactively undertaking strategic expansion into the overseas market as PV module encapsulation becomes increasingly globalized. Therefore, we were able to achieve significant geographical revenue diversification. In 2023, we successfully developed customers in regions including Southeast Asia and Europe, while actively completing customer certifications in high-demand markets such as North America, Latin America, and Australia and continuously building a global customer sales system. Our overseas revenue increased from RMB5.5 million in 2021 to RMB31.2 million in 2022, and from RMB9.0 thousand in the nine months ended September 30, 2022 to RMB670.3 million in the same period of 2023. The proportion of our overseas revenue increased from 0.3% in 2022 to 4.7% in the nine months ended September 30, 2023, marking the initial success of our global strategy.

BUSINESS

In cooperating with our customers, we have signed cooperation framework agreements with several of our key customers. The total PV cells committed for purchase under our cooperation framework agreements in 2024 surpassed our PV cell annual production capacities as of the Latest Practicable Date. As we aim to provide our customers with holistic solution for their needs of PV cells, we also offer various services to help our customers realize the full potential of our products in their PV modules. In addition, through customization and joint product research and development, we have not only been capable of keeping up with the evolving and diversified needs for adaptive products of our global customers, but also assisting the optimization of their own PV modules. Through joint efforts, we are able to continuously cement our customer relationship, realizing sustainable and synergistic growth that transcends geographical boundaries.

Our Suppliers

Our suppliers are renowned manufacturers in various sectors of the PV industry. We have established long-term, stable, and amicable relationships with our suppliers. Such enduring relationship, combined with our robust supply chain management system, industry leading position and advanced technological capabilities, further cement our operational stability and success.

Our strong supply chain management capabilities and foresight in navigating market challenges helped us secure various vital raw materials for PV cell production. For example, while silicon wafers experienced relatively high prices and supply shortages in 2022, our robust relationships with these suppliers enabled us to secure silicon wafers in a timely manner at reasonable prices, maintaining stable production and achieving an impressive utilization rate of 94.8%. We also endeavored to ensure the stable supply of other key raw materials, such as silver pastes, screens and quartz pieces, achieving stable supply in an acceptable price range during the Track Record Period.

We also work with renowned industry equipment manufacturers. Our relationship with these suppliers entails routine equipment procurement, custom purchasing, and joint R&D. Together, we modify the specifications and technical standards for key equipment to achieve optimal output in our production lines. This collaborative approach not only ensures that we can leverage the latest and most efficient technology to serve our customers but also strengthens our position as a leader in the PV industry.

Our Performance

We have achieved impressive growth during the Track Record Period. Our revenue grew from RMB1,639.4 million in 2021 to RMB11,085.7 million in 2022, and from RMB6,926.3 million in the nine months ended September 30, 2022 to RMB14,342.2 million in the same period in 2023. Our net profit increased from RMB53.7 million in 2021 to RMB616.9 million in 2022, and from RMB314.8 million in the nine months ended September 30, 2022 to RMB1,638.2 million in the same period in 2023. This remarkable profitability highlights our effective cost optimization and successful growth strategies, underscoring our operational excellence.

BUSINESS

Reflecting our operational efficiency and market demand, our PV cell sales volumes also grew from 1.8 GW in 2021 to 10.7 GW in 2022 and from 6.9 GW in the nine months ended September 30, 2022 to 19.6 GW in the same period of 2023. This significant increase in sales volume demonstrates our ability to scale operations effectively while meeting the evolving needs of the market.

OUR STRENGTHS

We are a global leader in specialized PV cell manufacturing, spearheading the industry’s development in N-type cells

We now possess a market-leading position in specialized PV cell manufacturing. According to Frost & Sullivan, based on the shipment volume in the six months ended June 30, 2023, our PV cells’ market share reached approximately 10.8% and ranked fifth globally, and our TOPCon cells’ market share reached approximately 57.4% and ranked first globally. In December 2023, our annual production capacity for PV cells was approximately 50 GW, of which around 40 GW was for N-type TOPCon cells.

Our market leadership is attributable to our strategic foresight in the great opportunities that the transition from P-type to N-type cells engenders. Such insights were gained from our vigilant observation and keen understanding of industry trends. Solar power is expected to become the largest source of global renewable energy in terms of cumulative installed capacity by 2027, according to Frost & Sullivan. Global solar power cumulative installed capacity is expected to increase from 1,372 GW in 2023 to 5,111 GW by 2030. In China, the solar power cumulative installed capacity is expected to increase from 559.8 GW in 2023 to 2,252.3 GW in 2030 at a CAGR of 22.0%. The generation of such solar power requires PV cells as they determine the conversion efficiency and lifespan of PV modules, which eventually affects the cost of solar power generation. According to Frost & Sullivan, a 1% increase in conversion efficiency can lead to a 5-7% reduction in electricity generation costs. However, given that the conversion efficiency of mainstream P-type PERC cells is approaching its theoretical cap, which limits the room for future cost reduction, next-generation PV cells with higher conversion efficiency are in great demand. Among the current candidates, N-type cells, especially TOPCon cells, have higher theoretical conversion efficiency than PERC cells, low light induced degradation (“LID”), low power temperature coefficient and relatively low investment costs than other N-type cells. In addition, compared with other N-type PV cells, TOPCon cells consume less expensive raw materials like silver paste, incur lower manufacturing costs, have a proven track record, and have higher mass production scalability. Given these advantages, TOPCon cells are expected to benefit immensely from the current PV industry transition and achieve a global market share in all PV cells of 27.4% by 2023 and 55.6% by 2024, according to Frost & Sullivan.

Our frontrunner position in the PV cell industry and rich experience enable us to continue leading the PV industry’s transition. We, together with our subsidiary, Jietai Technology, have been continuously focusing on the R&D, production, and sales of high-efficiency PV cells. As one of the trailblazers in China’s polycrystalline and monocrystalline cell eras, Jietai Technology and its predecessor have been one of the leading PV cell manufacturers globally. We have thusly been able to harness over a decade of industry experience and benefit from an immense pool of talents, technology and know-how that propelled such consistent achievements. For example, our accurate prediction of technological trends led us to become the world’s first specialized PV cell manufacturer to mass-produce TOPCon cells in August 2022 by establishing and operating our Chuzhou Plant. In addition, we have also achieved high mass production conversion efficiency, exceeding 26.0% in December 2023.

BUSINESS

Our industry leadership is attributable to our rapid growth. In 2022, our PV cell shipments totaled 10.7 GW, and increased from 6.9 GW in the nine months ended September 30, 2022 to 19.6 GW in the same period in 2023. Our revenue grew from RMB1,639.4 million in 2021 to RMB11,085.7 million in 2022, and from RMB6,926.3 million in the nine months ended September 30, 2022 to RMB14,342.2 million in the same period in 2023. Our net profit increased from RMB53.7 million in 2021 to RMB616.9 million in 2022, and from RMB314.8 million in the nine months ended September 30, 2022 to RMB1,638.2 million in the same period in 2023.

We possess exceptional R&D capabilities and technologies, continuously driving the industry’s transformation and upgrades, as well as optimizing PV cell efficiency and costs

Through sustained R&D investment and technology accumulation, the technological expertise that we possess has led the industry through various stages, continually driving technological upgrades. In the past decade, upgrades and iterations in PV cell technology from polycrystalline to monocrystalline and from P-type to N-type have been strengthening the economics of solar power generation, propelling rapid development in the PV industry, and we and Jietai Technology have been veterans of such changes. During the polycrystalline era, which lasted until 2017, Jietai Technology’s predecessor achieved industry-leading production efficiency and cost-effectiveness through intelligent and automated workshop improvements. It introduced high-efficiency black silicon PV cells with over 19.1% conversion efficiency, through which it became one of the largest global suppliers of black silicon PV cells at that time, according to Frost & Sullivan. In the monocrystalline era, which started in 2018, we and Jietai Technology developed monocrystalline PERC cells with over 23.8% efficiency, a performance level at the international forefront, according to Frost & Sullivan. We also led the industry in transitioning from 166mm to 182mm PV cell production lines, leading the industry transition from small to large cell sizes. Now, in the N-type era, we became the first to develop and mass-produce TOPCon cells, leading another wave of industry technological transformation.

Our increase in R&D has been highly effective in upgrading and iterating our PV cells, which improved efficiency and reduced costs. In terms of improving efficiency, we achieved advancements in LPCVD and laser improvement technologies, which allowed us to rapidly raise our TOPCon cell mass production conversion efficiency from around 25% at the end of 2022 to over 26% in December 2023. Such TOPCon cells exhibit superior LID and potential induced degradation (“PID”) resistance, low power temperature coefficient, and strong performance in low irradiance environment, placing their overall performance at the industry forefront. Our R&D capabilities also allowed us to continually trial new technologies for TOPCon cells. In addition, we have adopted a series of technologies that reduced silver paste usage, optimized design, and achieved printing technology improvements for our TOPCon cells, which allowed for further cost reduction. Additionally, our smart factories integrate automated production, data visualization, and other features, achieving a yield rate of about 97%, higher than the industry average and effectively reducing waste and manufacturing costs, according to Frost & Sullivan.

BUSINESS

Our relentless R&D efforts have yielded a wealth of intellectual properties that safeguard our market lead. Our notable R&D achievements include low pressure (“LP”) stack wafer deposition process and laser improvement technology, contributing to enhanced product performance, cost reduction and improved conversion efficiency. We have also received multiple national honors and certifications, including Top 500 Global New Energy Companies by China Institute of Energy Economics Research and Asia Photovoltaic Innovation Enterprise Award. While we have already achieved significant milestones, we remain committed to continuously exploring technological frontiers and actively pursuing various technological paths. Upholding a forward-thinking “researching one generation ahead, pilot testing the next, and mass-producing the current” R&D philosophy, we have been conducting R&D in HJT and perovskite tandem PV cells and xBC to continuously enhance our product competitiveness. As of the Latest Practicable Date, we have already mastered xBC based on TOPCon and have conducted pilot-scale experiment.

We have built a strong R&D team and been collaborating closely with universities and external research institutions to widen our lead in R&D. Our R&D team, consisting of 2,532 members, represents 42.2% of our workforce as of the Latest Practicable Date. With expertise in chemical engineering, electricity, and backgrounds from various international advanced enterprises, our team unites to overcome technical challenges. Our executive Director and general manager, Mr. Zhang Manliang, has approximately 15 years of experience in PV cell R&D and production. We cooperate with the University of New South Wales, Australia, Zhejiang University, Ningbo Institute of Materials Technology and Engineering of the Chinese Academy of Sciences, and National University of Singapore, among others, on cutting-edge technologies like TOPCon process upgrades, xBC, and perovskite tandem PV cells. These collaborations ensure we maintain our technological leadership. To promote high stability and further motivate innovation, we have issued to our R&D team several rounds of stock option incentive plans.

We possess leading production capacity and supply chain management expertise that can meet the huge market demand

Our industry-leading production capacity and advantageous product mix have us optimally positioned in current and future competition. While we were already the first to achieve large-scale mass production of TOPCon cells, we have been constantly expanding our production capacity using our technological edge to widen our first-mover advantage, allowing us to achieve cost reduction and efficiency enhancements. In addition, given that TOPCon cells comprise over 80% of our production capacity and our TOPCon cells’ market share reached approximately 57.4% and ranked first globally based on the shipment volume in the six months ended June 30, 2023, according to Frost & Sullivan, we are best positioned to meet the immense market demand during the industry’s transition from P-type to N-type technology. As of September 30, 2023, we possessed approximately 9.5 GW PERC annual production capacity at our Shangrao Plant and approximately 31.0 GW TOPCon annual production capacity at our Chuzhou and Huai’an Plants. Subsequently, our expanded Huai’an Plant commenced production, boosting our N-type cell production capacity to around 40 GW in December 2023.

BUSINESS

Our production capacity is complemented by our extensive production management experience in product quality assurance. Leveraging years of industry experience and the ISO9000 quality management system, we effectively oversee daily production activities at all three plants, ensuring their independent, efficient, stable, and orderly operations. Each plant employs advanced automated production lines with collaborative robots equipped with visual inspection modules, AGV logistics robots, and automated warehousing systems, achieving automated production, production data visualization, and networked workshop management. This ensures that our production costs and product quality remain industry-leading.

As a pioneer in N-type TOPCon cells, we have also been able to set technological, raw material, and equipment standards, effectively promoting the efficiency, integration and development of industry supply chain. Leveraging our production capacity, we have established long-term stable partnerships with upstream raw material suppliers, which materialize in long-term agreements that work to ensure timely and stable raw material supply. In addition, as one of the few companies capable of developing and producing N-type TOPCon cells via large-scale mass production, we have fostered cooperative relationships with equipment suppliers. They may benefit from collaborating with us through jointly designing, developing, and optimizing their equipment to enhance their competitiveness in the N-type cell market. Therefore, our experience accumulated from equipment installation, commissioning, and optimization has enabled us to maintain a technological edge.

We continually refine our supply chain structure and maintain long-term, close cooperation with suppliers, ensuring timely access to sufficient raw materials and key equipment under favorable commercial terms. For example, silicon wafers, generally accounting for approximately 65% of PV cell production costs, are the main cost component of PV cells, according to Frost & Sullivan. Despite high market prices and supply shortages in 2022, our long-standing relationships with leading silicon wafer suppliers enabled us to procure silicon wafers at reasonable prices, allowing us to maintain a high utilization rate of 94.8%. Consequently, we were able to maintain our gross profit margin at 12.6%, 11.0%, 10.3% and 17.3% in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. Other key raw materials, including quartz pieces and screens, are also limited in the market, posing barriers for new entrants and expansion bottlenecks for existing manufacturers. However, our long-term, stable relationships with key suppliers of such key raw materials ensure timely and sufficient supply at appropriate prices. Furthermore, some major suppliers offer us favorable terms like payment after delivery, helping us maintain healthy cash flow. Additionally, we have been able to establish strong relationships with upstream specialized high-tech equipment suppliers given that we could share with them valuable insights derived from our industry-leading experience in developing and producing N-type TOPCon cells. Therefore, we can custom purchase and co-develop equipment with them, setting equipment specifications and technical standards. Our expertise in equipment installation, commissioning, use, maintenance, and production line layout also ensures stable equipment supply and shortens procurement and production preparation times.

BUSINESS

Our supply chain management expertise allows us to ensure quick inventory turnover, achieve high production capacity utilization rate, and realize rapid production capacity expansion. Adhering to a “sales-driven production” principle and relying on precise market analysis, we plan production accordingly. Timely inventory monitoring and precise production scheduling, coupled with strong demand for our products, keep our raw material, semi-finished product and finished product inventory age short. In the meantime, our high production capacity utilization rates enable us to magnify economies of scale. In 2021, 2022 and the nine months ended September 30, 2023, our utilization rates were 93.3%, 94.8%, and 96.6%, respectively. This not only reflects the strong market demand for our products but also helps us continuously reduce production costs. Furthermore, our ability to rapidly expand capacity meets the significant market demand for high-quality PV cells. For example, it only took us approximately five and four months to construct our Chuzhou Plant and Huai’an Plant, respectively, testifying to our ability to rapidly expand our production capacity and convert cutting-edge PV cell R&D accomplishments into products to maintain our industry leadership.

Our global leadership in high-efficiency PV cells accumulated a quality and stable customer base, establishing a solid foundation for rapid and steady performance growth

As a global leader in specialized PV cell manufacturing, we have been able to focus our resources on the research and development, production and manufacturing of PV cells, the most technologically intensive sector in the PV industry, according to Frost & Sullivan. Throughout the years, this allowed us to build exceptional product delivery and customer service capabilities through serving customers across various markets and scenarios. For instance, our PV cells have been sold across Europe and Asia, meeting local quality standards and functioning well in various scenarios, including offshore, building-integrated and distributed in different environments. By catering to PV module manufacturers’ varying demands for size, conversion efficiency, LID, and power temperature coefficients, we stay vigilant to industry trends and keep reinventing ourselves to quickly adapt to significant changes in PV cell technology. This ensures we remain at the forefront of PV cell technology, able to deliver a large volume of high-quality, efficient PV cells, meeting the robust and diverse demand from PV module manufacturers. For more information on our R&D capabilities, see “Business — Research and Development.”

BUSINESS

Our commitment to serving our customers has been rewarded with a strong portfolio of high-quality, stable customer base. As of the Latest Practicable Date, among the top ten PV module manufacturers in the world in terms of shipment volume, nine were our customers during the Track Record Period, including Jinko, JingAo Solar, LONGi, Trina Solar and Chint New Energy, all known for their leading roles in PV module manufacturing and trading. Benefiting from the PV industry’s rapid growth, our main customers have significantly increased their capacity and procurement needs, which in turn boosted our own sales.

To further expand our customer base, we are undertaking overseas expansion. According to Frost & Sullivan, overseas solar power installed capacity additions is expected to grow at a CAGR of 14.6% from 2023 to 2030, with the overseas PV market flourishing and PV module encapsulation capacity becoming increasingly globalized. To harness this potential, we have been actively exploring overseas opportunities. As a result, our overseas revenue increased from RMB5.5 million in 2021 to RMB31.2 million in 2022, and from RMB9.0 thousand in the nine months ended September 30, 2022 to RMB670.3 million in the same period of 2023. The proportion of our overseas revenue increased from 0.3% in 2022 to 4.7% in the nine months ended September 30, 2023, with sales across Europe and Asia. Additionally, we are actively completing customer certifications in North America, Latin America and Australia, continuously building a global sales system to enhance our global competitiveness.

Supported by our strong customers relationship, we have been able to achieve high growth, stable profit margins, and robust cash flow. As of the Latest Practicable Date, we have signed cooperation framework agreements with several of our key customers. The total PV cells committed for purchase under these agreements in 2024 surpassed our PV cell annual production capacities as of the Latest Practicable Date. Additionally, despite rising upstream silicon wafer prices from RMB5.6/piece in 2021 to RMB6.5/piece in 2022, we were able to largely pass on such cost increases to our customers, maintaining a relatively stable gross profit margin at 12.6%, 11.0%, 10.3% and 17.3% in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. Furthermore, our settlement method with customers is predominantly payment before delivery, with some customers even paying months before delivery to secure orders, improving our operating cash flow.

Our experienced team, visionary management and ESG commitment foster our sustainable growth

Our senior management team, deeply rooted in the PV cell industry, has a profound understanding of industry trends and accurately guides our development. Our executive Director and General Manager, Mr. Zhang Manliang, boasts approximately 15 years of experience in PV cell R&D and production and held various positions in technology, R&D, production management, and business management in multiple leading PV companies. Since December 2020, he has served as our Director and deputy general manager, and as an executive Director and general manager since April 2021. Under his leadership, we successfully completed the construction of an approximately 18 GW TOPCon cell production line at our Chuzhou Plant, becoming the first to achieve large-scale mass production of TOPCon cells. Additionally, our management team possesses diverse skills and backgrounds, complementing each other and providing extensive experience in areas like corporate finance, governance, financial management, sales, and R&D.

BUSINESS

We have an experienced and effective corporate team. As of the Latest Practicable Date, we had 6,007 employees. Our manufacturing staff is well-versed in the manufacturing process of PV cells and possesses a wealth of production know-how. Our sales team, spread across various regions, quickly responds to customer needs, and our international sales team conducts in-depth market research to understand industry trends and maintain close communication with overseas customers. To meet the increasing demands for talents that correspond with our rapid high-quality development, we have also been intensifying our efforts to attract outstanding personnel with R&D, manufacturing, administrative, and financial and legal expertise.

We emphasize employee development and talent cultivation. Therefore, we are progressively improving our training system focused on enhancing capability and managing talents, as we believe in the importance of promoting the mutual growth of employees and the company. In addition, we have established long-term incentive mechanisms through equity incentives. We have been adhering to a people-centric approach, prioritizing talents in corporate development. We organize diversified and systematic training programs, devising plans based on employee needs and company development, including technical training for production personnel, capability enhancement for finance staff, and service and skill training for sales personnel every year. These efforts provide human resource support for continuous development and performance improvement. We also respect and encourage employees to grow with us and share our achievements. Especially, we maintain Employee Incentive Schemes for our employees, having covered more than 500 employees as of September 30, 2023. For details, please see “Appendix VI — Statutory and General Information — Employee Incentive Schemes.” The vesting conditions for our equity incentives are increasingly challenging, encouraging employees to maintain competitiveness and rapid growth.

As a public company listed on the Shenzhen Stock Exchange (002865.SZ) since 2017, we foster a corporate culture emphasizing environmental, social, and corporate governance (“ESG”), committing ourselves to enhancing ESG management and integrating it into daily operations. For example, we use eco-friendly production technologies, processes, and equipment, achieving green factory construction and obtaining the ISO14001 Environmental Management System Certification. We also conduct regular and random inspections and assessments to promptly address environmental hazards. Moreover, we continuously improve production processes and equipment, enhancing our waste management capabilities, and rigorously implementing policies for wastewater, emissions, and solid waste management, strictly limiting pollution emissions. Recognizing the importance of climate issues, we strive for low-carbon operations and energy conservation. We calculate and monitor the carbon footprint of our PV cells throughout their lifecycle, fostering low-carbon technology innovation and quantifying our products’ carbon reduction effects. As of September 30, 2023, we had shipped over 32 GW of our PV cells, which, compared with coal-fired power generation, was approximately equivalent to saving five million tons of coal, planting 60,000 trees, reducing 12 million tons of CO₂, 365,000 tons of SO₂, 180,000 tons of NO_x and three million tons of dust emissions, according to Frost & Sullivan. Additionally, we actively fulfill corporate responsibilities, protecting employees’ rights and interests. Our recruitment and employment procedures comply with relevant laws and regulations, establishing comprehensive training systems and promotion mechanisms for employees. We actively promote employee safety and health management, creating a vibrant work and life environment

BUSINESS

for our staff. Furthermore, given our substantial experience in operating as a public company, we have established a robust governance structure. Since our listing, we have operated in a stable and compliant manner, developing a comprehensive corporate governance system, including the Board, various Board Committees, and functional corporate teams at various levels. As we commit to continuously and proactively improve our robust governance structure in view of evolving regulatory, market and ESG requirements, we endeavor to achieve sustainable growth that benefit all stakeholders of our business.

OUR STRATEGIES

In cementing and further advancing our leadership position, we plan to continue our technology-driven development, realize steady increase in our PV cell conversion efficiency and achieve sustainable growth in production and market share both domestically and overseas. To that end, we will undertake continuous R&D innovation, expand overseas presence, strengthen supply chain and further enhance our talent pool.

Continuously strengthen technological R&D, enhance product competitiveness, drive cost reduction and efficiency improvement in PV cells, and maintain our lead in both technology and scale

We focus on the core technology of PV cells and will build core competitiveness through continuous R&D, intensifying our efforts around developing high performance PV cells. Based on the existing upgrades and optimizations of TOPCon cells, we will continue to explore industry-leading technologies such as HJT and perovskite tandem PV cells and xBC. Simultaneously, by cultivating and introducing R&D talents and cooperating with domestic and international research institutions, we aim to establish a globally leading R&D organization and mechanism, ensuring our sustained leadership in the industry.

We plan to establish a global R&D center to intensify our R&D efforts and comprehensively enhance our R&D capabilities. Our future technological R&D will balance “consolidation” and “innovation”, i.e., fortifying our existing advantages by increasing the efficiency and reducing the costs of TOPCon cells, plus pushing the envelope of scientific innovation in the PV cell industry, e.g., exploring mass production possibilities for PV cells incorporating xBC and other types of PV cells, thereby continue pioneering the industry development both in quality and production capacity.

In terms of efficiency improvement, we endeavor to approach the 28.7% theoretical cap of TOPCon cells’ conversion efficiency for our mass-produced TOPCon cells. In December 2023, our mass-produced TOPCon cells reached a conversion efficiency of over 26.0%, which leaves headroom to grow. We believe such increases are within reach, as our optimization of TOPCon cells has historically achieved a 1.0% increase of conversion efficiency per year in 2022 and 2023. Building on our pioneering mass production capacity of TOPCon cells, we are continually increasing R&D investments and pursuing technological upgrades to scale and industrialize these laboratory achievements to comprehensively enhance the conversion efficiency of our PV cells.

BUSINESS

Regarding cost reduction, we will continue optimizing production processes, improve workflow, increase output, and reduce labor and manufacturing costs. We will further optimize electrode patterns, printing materials, and processes to reduce silver paste consumption, thereby lowering non-silicon costs. By trialing thinner 125 μ m silicon wafers and optimizing processes, we plan to reduce the consumption of key raw materials, thereby lowering raw material costs. We believe such measures will lay a solid foundation for further production capacity expansion.

In exploring new technological frontiers, we will continue R&D in HJT and perovskite tandem PV cells and xBC and strive for mass production of PV cells equipped with these technologies. Our primary focus is on the R&D of xBC, as xBC cells have a higher conversion efficiency, averaging 26.0%, with a theoretical cap of 29.1%, surpassing that of TOPCon cells. They exhibit superior LID and PID resistance but are challenging to mass-produce, suitable primarily for distributed scenarios, with high technical difficulty and expensive investment in equipment, making them less commercially viable compared to TOPCon cells. Having mastered xBC based on TOPCon, we plan to purchase equipment for xBC cell R&D and production lines, aiming to achieve mass production of xBC cells. In addition, the theoretical conversion efficiency cap of perovskite tandem PV cells is up to 40%, which holds promising application prospects. We are conducting R&D in technologies like HJT and perovskite tandem PV cells as well.

Catalyze global market development and capitalize on market opportunities through overseas expansion

According to Frost & Sullivan, from 2023 to 2030, the global PV market is expected to continue to maintain rapid growth, continuing to drive the expansion of the PV cell market. By 2030, the global shipment volume of PV cells is expected to reach 1,187.5 GW at a CAGR of 14.0% from 2023 to 2030, with the overseas market expected to grow at a CAGR of 23.4% during the same period. As we have already experienced initial success of our global strategy, evidenced by our rapid growth in overseas revenue during the Track Record Period, we plan to continuously expand our advanced production capacity and build a global sales network fully harness the potential.

To explore the opportunities for overseas production capacity expansion through diverse means, we have been proactively conducting feasibility studies. We plan to reach an overseas annual production capacity of around 14 GW in the near future to better serve our existing and prospective overseas clientele, which will be completed in two phases, subject to our successful initiation and execution of appropriate projects based on feasibility studies and market condition, regulatory environment and competition in the candidate regions. We expect to construct a production plant for the first phase, which will possess an annual production capacity of approximately 7 GW and start commercial production before the end of 2025, and we will determine the means of production capacity expansion for the second phase in a later stage. See “Future Plans and Use of [REDACTED]” for details. Through overseas production capacity expansion, we aim to delve deeper into high-demand PV markets in Europe and North America and better cover emerging markets as well. Benefiting from the cost and technological advantages of China’s mature supply chain, we expect our products to possess high competitiveness that would further increase our profits and solidify our performance.

BUSINESS

Complementary to our planned expansion in production capacity, we also continue to adhere to our customer-first service philosophy and meet the differentiated demands of global customers. In doing so, we will actively shape our brand image as a leading global PV cell enterprise, deepen industry exchanges, and increase brand promotion efforts to enhance our global recognition. We will first continue to track our customers’ development strategies and keep abreast of their international expansion plans, ensuring that our PV cells meet their diverse needs. We believe that leveraging our combined strengths, we can embark on the journey of overseas market exploration together and achieve mutual growth. In addition, we plan to establish our own sales companies in Asia, Europe, and other regions, forming localized sales teams and marketing network to help us quickly understand and cater to local market demands. We will also actively participate in local industry exhibitions and academic exchanges to increase our brand exposure in the local PV industry. Furthermore, we will conduct targeted advertising campaigns, which we expect to deepen our brand recognition among downstream PV module manufacturers. We intend to allocate a portion of our net [REDACTED] from the [REDACTED] in addition to our working capital in furtherance of these market penetration efforts. For details, please see “Future Plans and Use of [REDACTED] — Use of [REDACTED].” For the risks related thereto, see “Risk Factors — Risks Relating to Our Business and Industries — Our past and future initiatives designed to maintain and expand our production capacity to meet demand efficiently expose us to inherent risks, which may prevent us from realizing the full benefits of, and incur significant costs relating to, any such initiatives,” and “Risk Factors — Risks Relating to Disputes and Regulatory Compliance — Any potential changes in the legal systems of certain geographic markets where we operate, especially Asia, could affect our business, financial condition and results of operations.”

Further integrate supply chain resources to enhance manufacturing capabilities

We are intensifying cooperation with upstream suppliers, such as signing long-term partnership agreements or framework cooperation agreements, to secure critical raw materials like silicon wafers, quartz pieces, and screens. This ensures stability and continuity in our supply chain.

We also plan to introduce more advanced production equipment and broadly implement robots in our production processes. This move towards increased automation and intelligence in various production stages aims to further improve production quality and efficiency and also prepares us for the mass production of higher efficiency PV cells. Furthermore, we are upgrading our ERP system to closely integrate production processes with it. By utilizing big data, decision analysis, and innovative support systems, we aim to standardize, digitize, and informatize our factory operations, leading to more efficient and streamlined manufacturing.

Strengthen our team and continue to introduce and cultivate talents

We place high importance on talent cultivation and motivation, striving to make ourselves a platform for shared employee benefits, allowing our employees to grow and develop together with us. We will further stabilize core talent and stimulate employee vitality through various measures, including stock incentives, welfare improvements, and cultural construction.

BUSINESS

We are committed to continually attracting high-level R&D talent to fuel our technological research and development efforts. To accommodate our business expansion, we also plan to enlarge our production and management teams.

To achieve organic growth, we plan to establish and strengthen a comprehensive internal training system that enhances employee skills and conveys our corporate culture. We will optimize this system so that it will assist our employees in fully realizing their potential. In addition, to attract and motivate top talents in the industry, we will implement competitive compensation mechanisms and other incentive schemes.

OUR BUSINESS

During the Track Record Period, we primarily engaged in the R&D, production and sales of high-efficiency PV cells, including both (i) tunnel oxide passivated contact (“TOPCon”) cells, a kind of N-type cells, and (ii) monocrystalline passivated emitter rear cells (“PERC”). In particular, we hold a leading industry position in terms of TOPCon cells, ranking first among specialized manufacturers in terms of shipment volume in 2022 and the first half of 2023 globally. In addition, in recognition of our innovation and large-scale mass production capabilities, we have been engaged by customers to provide manufacturing services, primarily for P-type PERC cells, where we manufactured PV cells in accordance with customer specifications utilizing raw material provided by them for a fee. During the Track Record Period, there was a small overlap between customers who purchased our manufacturing services and customers who purchased our PV cells. According to Frost & Sullivan, such overlap is in line with industry norms.

The following table sets out breakdowns of our revenue, gross profit and gross profit margin. For details, please see “Financial Information.”

	Year Ended December 31,				Nine Months Ended September 30,			
	2021 ⁽¹⁾		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
				<i>(unaudited)</i>	<i>(unaudited)</i>			
Revenue								
N-type								
TOPCon . . .	–	–	2,057,893	18.6	495,914	7.2	9,750,695	68.0
P-type								
PERC	1,625,885	99.2	8,872,274	80.0	6,335,645	91.5	3,977,373	27.7
Others ⁽²⁾ . . .	13,495	0.8	155,546	1.4	94,750	1.3	614,152	4.3
Total	<u>1,639,380</u>	<u>100.0</u>	<u>11,085,713</u>	<u>100.0</u>	<u>6,926,309</u>	<u>100.0</u>	<u>14,342,220</u>	<u>100.0</u>

BUSINESS

Notes:

- (1) In 2021, Jietai Technology generated RMB4,865.4 million in revenue, including RMB4,833.1 million from sale of PERC cells and RMB32.3 million from manufacturing services. It sold 5.7 GW of PERC cells in the same year, including 0.2 GW PERC cells manufactured on behalf of our customers as part of our manufacturing service. We only consolidated Jietai Technology’s financial performance subsequent to the First Acquisition, which was completed in September 2021.
- (2) Others mainly represented the manufacturing service we provided during the Track Record Period.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021 ⁽¹⁾		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Gross profit								
N-type								
TOPCon	–	–	194,159	16.0	34,505	4.8	1,762,843	70.9
P-type								
PERC	<u>205,217</u>	<u>99.0</u>	<u>958,498</u>	<u>78.9</u>	<u>641,400</u>	<u>90.2</u>	<u>490,914</u>	<u>19.7</u>
Others ⁽²⁾	<u>2,005</u>	<u>1.0</u>	<u>62,686</u>	<u>5.1</u>	<u>35,860</u>	<u>5.0</u>	<u>234,068</u>	<u>9.4</u>
Total	<u>207,222</u>	<u>100.0</u>	<u>1,215,343</u>	<u>100.0</u>	<u>711,765</u>	<u>100.0</u>	<u>2,487,825</u>	<u>100.0</u>

Notes:

- (1) In 2021, Jietai Technology generated RMB514.3 million in gross profit, including RMB510.2 million from sale of PERC cells and RMB4.1 million from manufacturing services. We only consolidated Jietai Technology’s financial performance subsequent to the First Acquisition, which was completed in September 2021.
- (2) Others mainly represented the manufacturing service we provided during the Track Record Period.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021 ⁽¹⁾	2022	2022	2023
	%	%	%	%
			<i>(unaudited)</i>	<i>(unaudited)</i>
Gross profit margin				
N-type TOPCon	–	9.4	7.0	18.1
P-type PERC	12.6	10.8	10.1	12.3
Others ⁽²⁾	14.9	40.3	37.8	38.1

Notes:

- (1) In 2021, Jietai Technology’s gross profit margin was 10.6%, with its gross profit margin on the sale of PV cells and manufacturing services being 10.6% and 12.8%, respectively. We only consolidated Jietai Technology’s financial performance subsequent to the First Acquisition, which was completed in September 2021.
- (2) Others mainly represented the manufacturing service we provided during the Track Record Period.

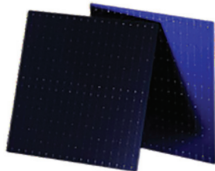

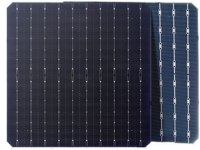
BUSINESS

Our net profit increased from RMB53.7 million in 2021 to RMB616.9 million in 2022, and from RMB314.8 million in the nine months ended September 30, 2022 to RMB1,638.2 million in the same period in 2023. In 2021, Jietai Technology recorded a net profit of RMB225.3 million.

Our Products and Services

Leveraging our technological advantages and strong manufacturing capabilities, both our N-type TOPCon cells and PERC cells enjoy outstanding conversion efficiency, quality and endurance, as well as pricing strength. In recognition of our industry leading positions and successful track record of offering quality products, we sold N-type TOPCon cells and PERC cells to many world-leading PV module manufacturers during the Track Record Period. As we possess technological advantages that could increase conversion efficiency and lower the cost of our PV cells, we are able to form and maintain a competitive edge.

The table below sets out the highlights of our key products:

	N-type TOPCon		P-type PERC
Product Name	210-N TOPCon monocrystalline cell	182-N TOPCon monocrystalline cell	182-P PERC monocrystalline cell
Picture			
Commercialized Year	2023	2022	2021
Key specifications			
No. of Busbars on the front and back	18	16	10
Thickness	130μm ± 13μm	130μm ± 13μm	170μm ± 17μm
Size	210mm * 210mm ± 0.5mm	182mm * 182mm ± 0.5mm	182mm * 182mm ± 0.5mm
Conversion Efficiency	front side efficiency ≥26.0% bifacial ratio ≥80%		front side efficiency ≥23.8% bifacial ratio ≥70%

BUSINESS

	N-type TOPCon	P-type PERC
Power Temperature Coefficient	-0.30%/K	-0.38%/K
Voltage Temperature Coefficient	-0.25%/K	-0.36%/K
Annual Degradation Rate	First-year: approximately 1%; subsequent: lower than 2% annually	First-year: approximately 2%; subsequent: lower than 3%

In addition to these key products, during the Track Record Period, we also developed and sold PV cells with customized specifications to address specific demands from customers based on aforementioned key products. For example, given that some PV modules of our customers require rectangular PV cells, we are able to alter the design and manufacturing of our existing PV cells so that the size of the customized PV cells can meet the requisite specification, e.g. 182 mm * 183 mm, 182 mm * 191 mm, 182 mm * 199 mm, and 182 mm * 210 mm. In addition, we are able to change the number of busbars (10-12BB) on the PV cells and tweak certain other technical specifications as well per customer demand.

The tables below set out details on sales volume and average selling price (net of tax) of our PV cells during the Track Record Period:

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>GW</i>	%	<i>GW</i>	%	<i>GW</i>	%	<i>GW</i>	%
Sales Volume								
N-type								
TOPCon . . .	–	–	1.8	16.8	0.4	6.2	12.1	61.7
P-type PERC .	1.7	96.1	8.3	77.7	6.1	88.2	5.0	25.7
Others*	0.1	3.9	0.6	5.5	0.4	5.6	2.5	12.6
Total	1.8	100.0	10.7	100.0	6.9	100.0	19.6	100.0

Note: Others mainly represented manufacturing services during the Track Record Period.

The sales volumes of our PV cells increased significantly from 2021 to 2022, primarily because we only recorded three months of sales volume in 2021 as the First Acquisition was completed in September 2021, as compared with a full year of operation in 2022. The significant increases in the sales volume of N-type TOPCon cells from 2021 to 2022 and from the nine months ended September 30, 2022 to the same period in 2023 were attributable to the completion and ramp-up of commercial production of our Chuzhou and Huai’an Plants. See “— Our Production — Our Plants.” As we are a specialized PV cell manufacturer, the entirety of our shipment volume is sold to our customers. Therefore, our shipment volume equals our sales volume.

BUSINESS

	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	RMB/W	RMB/W	RMB/W	RMB/W
Average Selling Price				
N-type TOPCon	–	1.14	1.16	0.81
P-type PERC	0.96	1.06	1.04	0.79
Others*	0.20	0.26	0.24	0.25

Note: Represents our manufacturing service fee divided by our manufacturing service sales volume.

The fluctuation of average selling prices of our PV cells from 2021 to 2022 and from the nine months ended September 30, 2022 to the same period in 2023 was primarily attributable to the corresponding market price fluctuation of silicon wafers in the respective periods. According to Frost & Sullivan, going forward, there lacks strong upward momentum for further price increases. See “Industry Overview — Global PV Cell and Core Raw Material Price Fluctuations Analysis.”

Others

During the Track Record Period, in recognition of our technology and production capabilities, upon request by our customers, we have been engaged by customers to provide manufacturing services, primarily for P-type PERC cells, where we manufactured PV cells in accordance with customer needs utilizing silicon wafers provided by them for a fee. Such business effectively supplemented our primary PV cell production business because we benefited from enhanced utilization of our production plants, broadened access towards most recent technical needs and market trends, and the opportunities to expand and deepen strategic cooperation with our customers. In determining manufacturing service arrangement, we consider the prevailing and expected utilization rate of our production plants, our backlog and production schedule, strategic relationship with relevant customers, our fee rate, as well as market conditions of relevant PV cells. In 2021, 2022 and the nine months ended September 30, 2023, revenue from our manufacturing services amounted to RMB13.5 million, RMB155.6 million, and RMB614.2 million, respectively. During the Track Record Period, there was a small overlap between customers who purchased our manufacturing services and customers who purchased our PV cells. According to Frost & Sullivan, offering such manufacturing service is in line with industry norms.

BUSINESS

Discontinued Operation

Prior to June 2022, we used to engage in the research and development, manufacturing and sales of car plastic accessories (“**Discontinued Business**”). In line with our business development strategy, on March 12, 2022, we entered into a transfer agreement with Yang Family pursuant to which we agreed to sell and Yang Family agreed to acquire 100% equity interest of our principal subsidiaries that engaged in the Discontinued Business, as well as all assets relating to the Discontinued Business. Since the completion of the disposal in June 2022, we have been fully focusing on our PV cell business.

In 2021 and for the period from January 1, 2022 to the date of the disposal, Discontinued Business recorded a loss of RMB188.1 million and RMB10.4 million, respectively. For more information related to our Discontinued Business, please see “History, Development and Corporate Structure,” “Financial Information — Discontinued Business,” and Note 32 to the Accountants’ Report in Appendix I to this document.

OUR PRODUCTION

Our Plants

We have established three production plants in China through leveraging premium manufacturing equipment and advanced process technology that we accumulated through continuous innovation and investment. As of September 30, 2023, we had an aggregated annual production capacity of approximately 31.0 GW of N-type TOPCon cells and approximately 9.5 GW of P-type PERC cells, respectively.

In line with our strategy in building high-efficiency smart production plants, we invested in utilizing advanced manufacturing equipment, including collaborative robots and robotic arms with visual inspection modules, AGV logistics robots, and three-dimensional warehousing systems. Together with strategically designed overall production line layout and supported by a full-process intelligent industrial safety management and control platform, we are able to achieve and continuously improve highly-automated production, transparency and flexibility of manufacturing process, as well as data-driven management across different workshops.

BUSINESS

The table below sets out the details on our three plants for the periods indicated. For the avoidance of doubt, as we started engaging in our Current Business subsequent to the First Acquisition, which was completed in September 2021, such operating data only reflect those of Jietai Technology and our other consolidated subsidiaries subsequent to the First Acquisition.

	Year ended December 31,				Nine months ended September 30,			
	2021 ⁽¹⁾		2022		2022		2023	
	Production Volume ⁽²⁾	Utilization rate ⁽⁴⁾	Production Volume	Utilization rate	Production Volume	Utilization rate	Production Capacity	Utilization rate
<i>Main Product</i>	GW	%	GW	%	GW	%	GW	%
Shangrao P-type Plant	1.7	93.3	8.9	99.3	6.6	99.1	7.3	7.4
Chuzhou N-type Plant	-	-	2.0	78.4 ⁽⁵⁾	0.5	95.4	10.6	11.1
Huai'an N-type Plant	-	-	-	-	-	-	2.1	93.9
Total	1.7	93.3	10.9	94.8	7.1	98.9	20.0	20.7

Notes:

- (1) In 2021, Jietai Technology had a production volume of 5.6 GW, production capacity of 6.2 GW, and utilization rate of 91.0%.
- (2) In 2021, our sales volume slightly exceeded our production volume because we sold P-type PERC cells stored in inventory.
- (3) Production capacity is calculated as the full production rate of various machines operating 365 days a year for a year, or 273 days for nine months (not including time spent on production line maintenance, upgrade or adjustment). If a plant commences operation in the middle of the year/period, the days in the year/period equal to the actual days from production commencement to the last day of such year/period is used instead.
- (4) Utilization rate is calculated as dividing production volume by the production capacity for the same year/period.
- (5) Our Chuzhou Plant recorded a lower utilization rate in 2022 primarily due to fluctuation in electricity supply, which is not likely to recur in the future.

BUSINESS

In addition, as of the Latest Practicable Date, the expansion of our Huai’an Plant for N-type TOPCon cells had commenced production, boosting our N-type TOPCon cell production capacity to around 40 GW.

Our high efficiency in constructing and operating new plants that correspond to our strategic focus in the rapidly evolving PV industry contributes to our overall success. Our Chuzhou and Huai’an Plants’ construction periods, i.e. the time between breaking ground and the manufacturing of the first PV cell, were only approximately five and four months, respectively. Shorter construction periods would allow us to more rapidly convert cutting-edge PV cell R&D accomplishments into products, thereby allowing us to obtain first-mover advantage and maintain and even widen our industry leading position. This is attributable to our technological leadership and extensive experience in selecting and tuning production equipment, strong production management capabilities and abundance of experience, which facilitated efficient decision-making and rapid execution.

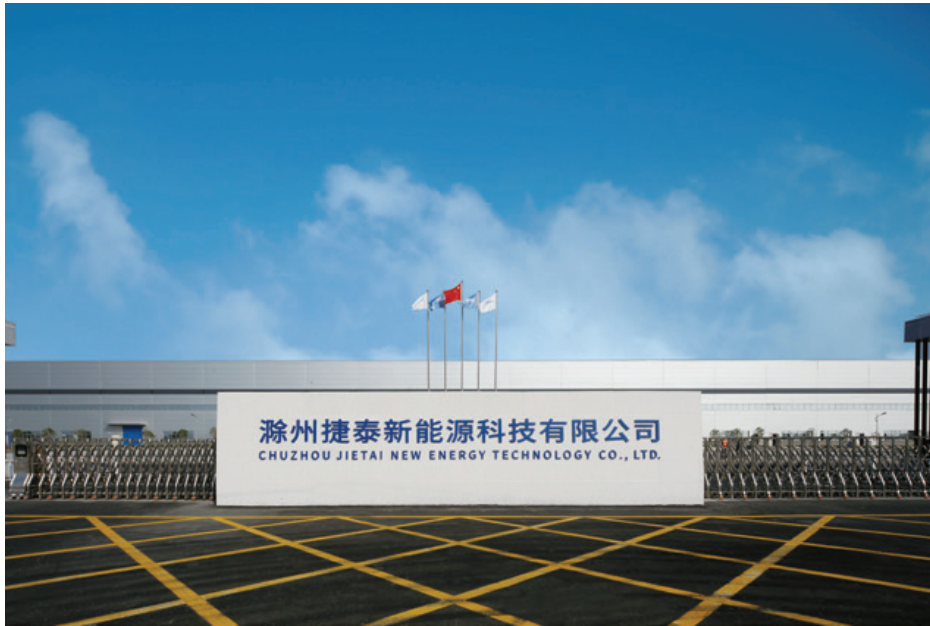
Shangrao Plant



Our Shangrao Plant is situated on a site that spans approximately 350 thousand sq.m. The plant had an annual production capacity of approximately 9.5 GW of large-size PERC cells as of September 30, 2023. The production in Shangrao, Jiangxi is primarily focused on manufacturing large-size 182mm PERC cells. It has also been rated as a national-level green factory.

BUSINESS

Chuzhou Plant



As one of the first production plants in the world to achieve large-scale mass production of N-type TOPCon cells, our advanced Chuzhou Plant in Anhui encompassed an area of approximately 525 thousand sq.m. and possessed an annual production capacity of approximately 18 GW N-type TOPCon cells as of September 30, 2023. It broke ground in February 2022 and manufactured its first PV cell in June 2022. It focuses on producing large-size 182mm and 210mm N-type TOPCon cells, further reinforcing our position as an industry leader in PV technologies and production capabilities.

Huai'an Plant



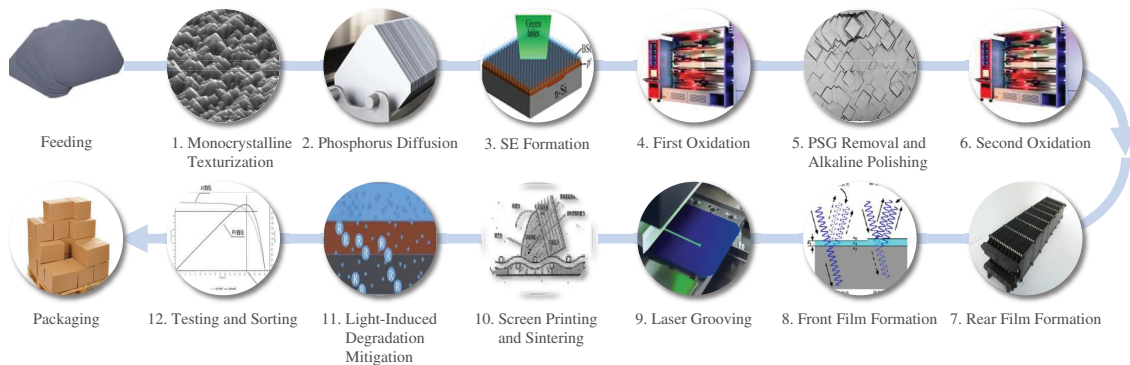
BUSINESS

Our Huai’an Plant in Jiangsu spans an area of approximately 586 thousand sq.m. and had an annual production capacity of approximately 13 GW N-type TOPCon cells as of September 30, 2023. It broke ground in November 2022 and started commercial production in April 2023. It focuses on producing large-size 182mm and 210mm N-type TOPCon cells, showcasing our commitment to continuously leading the industry transition from P-type PERC to N-type TOPCon cells.

Manufacturing Process

We adopt a comprehensive control process to ensure that the PV cells manufactured meet the highest standards of efficiency and quality, catering to the demanding needs of the PV market. As the transition from PERC to TOPCon cells is a complex upgrade that involves significant changes and improvements to the manufacturing process, successful production of TOPCon cells requires deep technical expertise and coordinated efforts across several manufacturing processes to optimize performance and cost-effectiveness. Among the various TOPCon cell manufacturing processes, we strategically opted for the low pressure chemical vapor deposition (“LPCVD”) route and successfully developed the LP stack wafer deposition process. This allowed us to become the first player in the industry to fully implement this technology in mass production, ramping up production capacity and slashing manufacturing costs.

The table below lays out the manufacturing processes of our PERC cells.



No.	Process Name	Process Description
1	Monocrystalline Texturization	To enhance the light absorption capabilities of the PV cells, we use monocrystalline slot etching machine to create nano-level pyramids on the monocrystalline silicon surface using anisotropic etching in a low-concentration alkali solution, which is critical to conversion efficiency.

BUSINESS

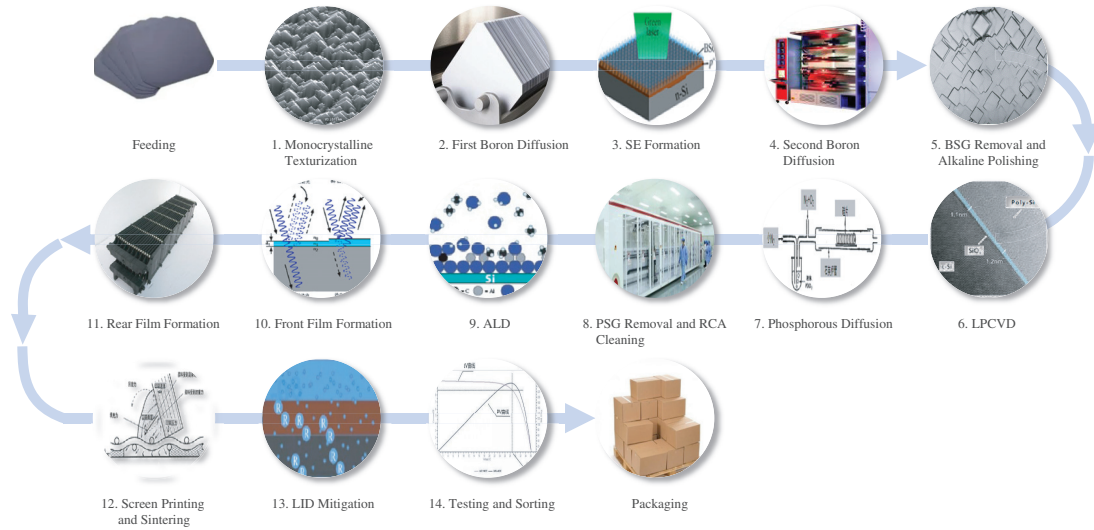
No.	Process Name	Process Description
2	Phosphorus Diffusion	To create the PN junction, a boundary or interface between two types of semiconductor materials inside a single crystal of semiconductor that is essential for PV cells’ power generation, we achieve N-type doping on PERC cells’ P-type base. Our low-pressure diffusion equipment helps form an N-type layer on the surface of the P-type silicon and also forms PSG (phosphorus-silicon glass) on the exterior.
3	Laser Doping for Selective Emitter (“SE”) Formation.	SEs help reduce carrier surface recombination and enhance short-wavelength spectral response. To create them, we leverage phosphorus laser doping, where the laser heavily dopes the areas beneath the electrode grid lines, which reduces contact resistance and improves electrical conductivity, while lightly doping the surrounding areas between the electrodes, which reduces recombination losses.
4	First Oxidation	To protect the busbar area from inconsistent corrosion in the subsequent process, high-temperature oxidation is used to repair the surface oxide layer post-SE.
5	PSG Removal and Alkaline Polishing	Leakage may occur because phosphorus diffusion also creates PN junction and PSG in undesired areas, such as the rear and edges of the cell. To remove them, we use wet etching technology with precise temperature control and solution mixing ratios. We then use low-concentration alkali to polish the cells’ rear, reducing dangling bonds and smoothing the surface for the deposition of the next layer. We also remove the PSG layer from the front surface to reduce surface impurities.
6	Second Oxidation	The diffusion processes can introduce surface defects on the atomic level. To fix them, we use thermal oxidation equipment to heat up the PV cells and deposit a layer of SiO _x on the surface. Then, the PV cell goes through annealing, allowing the atoms to rearrange orderly, thereby improving the cell’s PID resistance.

BUSINESS

No.	Process Name	Process Description
7	Rear Film Formation	<p>To reduce reflectance and enhance efficiency, we employ specialized equipment for plasma-enhanced chemical vapor deposition (“PECVD”) to deposit dielectric AlO_x and SiN_x film on the PV cell’s rear surface, helping to achieve low reflectivity, low light absorption coefficient, and high passivation effect, with uniform film color.</p>
8	Front Film Formation	<p>To ensure PV cell yield, the rear film is deposited first to passivate the dangling bonds on the PV cell’s rear surface, which are formed during PSG Removal and Alkaline Polishing.</p> <p>Similar to the rear film formation process, PECVD is used to create a SiN_x layer on the front, enhancing conversion efficiency by reducing reflectance.</p>
9	Laser Grooving	<p>This step aims to form a local rear electric field and an electrical pathway to the silicon wafer, while retaining the passivation effect on the rest of the area. To do so, we use laser equipment to ablate through the passivation layer deposited on the rear surface, matching the metallic paste to form an ohmic contact with the silicon. We also design graphic structures and control laser parameters to enhance the electrical properties of the product.</p>
10	Screen Printing and Sintering	<p>To form the electrodes, we print metallic paste using screen printing equipment, forming fixed patterns that can collect photogenerated carriers.</p>
11	Light-Induced Degradation (“ LID ”) Mitigation	<p>We then use low-temperature sintering to increase the longevity of minority carriers, further enhancing conversion efficiency.</p> <p>To passivate more crystallographic defects and impurities, we adjust the cell’s Fermi level through temperature and current control. In this process, hydrogen atoms close to the surface are diffused further into the silicon, controlling the total amount and valence state of hydrogen, achieving LID mitigation.</p>
12	Testing and Sorting	<p>We adopt various advanced technologies to inspect PV cell appearance, defects, and electrical performance. We then categorize and pack PV cells in bins according to sorting rules, with full bins collected and packaged uniformly.</p>

BUSINESS

The table below lays out the manufacturing processes of our TOPCon cells.



No.	Process Name	Process Description
1	Monocrystalline Texturization	This step is substantially similar to the monocrystalline texturization process in manufacturing PERC cells, though N-type silicon wafers are used instead of P-type silicon.
2	First Boron Diffusion	This step is substantially similar to the phosphorous diffusion process in manufacturing PERC cells, though we achieve P-type doping at a higher temperature to form a P-type layer on the surface of the N-type silicon and also forms BSG (boron-silicon glass) on the exterior.
3	Laser Doping for SE formation	This step is substantially similar to the SE formation process in manufacturing PERC cells, though boron from the BSG layer is used in the laser doping process instead of phosphorus from the PSG layer.
4	Second Boron Diffusion	In addition, due to the lower solid solubility of boron in silicon compared with phosphorus, boron laser doping would typically require higher powered laser equipment. This step is substantially similar to the second oxidation process in manufacturing PERC cells, though it has an additional phase that requires higher temperature to further advance the PN junctions, which enhances conversion efficiency.
5	BSG Removal and Alkaline Polishing	This step is substantially similar to the PSG removal and alkaline polishing process in manufacturing PERC cells, though for TOPCon cells, undesired PN junction and BSG is removed, instead of PSG.

BUSINESS

No.	Process Name	Process Description
6	LPCVD	<p>The defining feature of TOPCon cells is the formation of a thin tunnel oxide layer and a polysilicon layer on the rear side. This layer provides carrier selectivity and achieves excellent surface passivation, enhancing the electricity-generation capability of the TOPCon cells.</p> <p>Using LPCVD, oxygen and silane are used as reaction gases at a high temperature. In this process, a 1-2 nm tunnel oxide layer (silicon oxide) is plasma-deposited to the rear surface, followed by the deposition of a layer of polysilicon that increases carrier selectivity.</p>
7	Phosphorous Diffusion	<p>This step improves the selective collection ability of carriers, thereby enhancing the conversion efficiency. In doing so, on the rear polysilicon structure, another layer of N-type polysilicon is formed through doping, which reduces the recombination current at the contact with the screen-printed electrode.</p>
8	PSG Removal and RCA Cleaning	<p>To prevent leakage, wet etching is used to remove the PSG layer formed during the LPCVD and phosphorus diffusion processes on the front and edges of the cell. Then, the RCA process, using low-concentration NaOH, removes excess polysilicon from the cell's front and edges, improving appearance and passivation.</p>
9	Atomic Layer Deposition	<p>A layer of aluminum oxide thin film is formed on the front side of the cell using ALD machine. The field passivation and chemical passivation properties of aluminum oxide provide excellent surface passivation for the cell.</p>
10	Front Film Formation	<p>This step is substantially similar to the front surface passivation process in manufacturing PERC cells, though the front film is deposited first to protect the thin aluminum oxide film on the PV cell's front surface, which is formed during the previous process.</p>
11	Rear Film Formation	<p>This step is substantially similar to the front film formation process in manufacturing PERC cells.</p>
12	Screen Printing and Sintering	<p>This step is substantially similar to the screen printing and sintering process in manufacturing PERC cells.</p>
13	LID Mitigation	<p>This step is substantially similar to the LID mitigation process in manufacturing PERC cells, though we adjust the cell's fermi level through temperature and lighting control, instead of current control, which better matches the PV cell's Fermi level and increases manufacturing efficiency.</p>
14	Testing and Sorting	<p>This step is substantially similar to the testing and sorting process in manufacturing PERC cells.</p>

BUSINESS

Production Equipment

We procure our equipment from renowned domestic and overseas suppliers. Such equipment embodies innovation in PV cell manufacturing, boasting advanced automated production lines that lead international peers, according to Frost & Sullivan. The integration of collaborative robots with vision detection modules and mechanical arms, along with Automated Guided Vehicles for workshop logistics, and a three-dimensional warehousing system, underscores our commitment to technological excellence. To maximize the equipment’s potential, we have constructed a comprehensive industrial safety management platform that encompasses intelligent control throughout the entire production process. This platform facilitates a highly modernized manufacturing environment characterized by automated production capabilities, visualized production data, and networked workshop management.

Apart from procuring standardized production equipment from our equipment suppliers, we may also proactively take part in jointly developing equipment through collaborating with equipment suppliers. In this process, the supplier delivers to us the equipment in accordance with our specifications, and we are entitled to experimenting on and using it for free throughout the mass production process to verify the capability of the equipment. In addition to keeping the supplier informed of the performance data, we can also modify the equipment to improve the specifications and functionality features by ourselves based on our own technical demands. Through this interaction and strict control, we are able to achieve synergy between the supplier’s equipment manufacturing capabilities and our in-depth research capabilities and know-how on mass products and processes, so as to avoid technical issues in the design process and ensure the stability, efficiency and reliability of the relevant equipment.

As of the Latest Practicable Date, our major production equipment include:

1. ***Automatic Loader/Unloader.*** It achieves automated handling of silicon wafers to increase efficiency and reduce damage during the loading and unloading process.
2. ***Monocrystalline Slot Etching Machine.*** It achieves monocrystalline texturization, critical for cell efficiency.
3. ***Low-Pressure Horizontal Boron Diffusion System.*** It facilitates boron diffusion to form PN junctions, essential for PV cells’ power generation.
4. ***TOPCon Laser System.*** It is used in laser doping for SE formation, which aims to ensure good contact and low surface recombination.
5. ***High-Temperature Oxidation/Annealing Furnace.*** It is utilized in high-temperature oxidation to protect the uniformity of the gridline area from corrosion in the next process.

BUSINESS

6. *Chain-Type Single-Side BSG Removal and Alkali Polishing Equipment*. It is used in BSG removal and alkaline polishing.
7. *LPCVD System*. It achieves LPCVD.
8. *Tube Diffusion Oxidation Annealing Furnace*. It is used in phosphorous diffusion.
9. *Chain-Type Single-Side PSG Removal Equipment and Industry Standard Wet Cleaning Equipment (RCA)*. It is used in PSG removal and RCA cleaning, prevents leakage and decrease defects.
10. *ALD (Atomic Layer Deposition) Machine*. It is used in atomic layer deposition.
11. *Front PECVD Filming Machine*. It is used in front film formation, which may extend the cell’s longevity.
12. *Rear PECVD Filming Machine*. It is applied in rear film formation.
13. *Screen Printing Machine*. Used in screen printing and sintering, it aims to create and solidify the current collecting electrodes.
14. *Photoinjection Machine*. It is applied in LID Mitigation.
15. *Testing and Sorting Machine*. It inspects the final PV cells for defects and sorts them based on appearance and electrical performance.

During the Track Record Period and as of the Latest Practicable Date, we did not encounter any major interruptions in the production process due to facility or equipment failures nor did we incur any major accidents.

Production Planning Management

We believe efficient production planning management is conducive to our overall success. Therefore, we guide ourselves by clear planning, close collaboration with suppliers, coordinated logistics, and efficient manufacturing processes.

Our production material control (“PMC”) department creates production plans for the year and month. These plans are based on order details from the sales department and projections of market demand. The plans also consider our current production capacity and the number of employees available.

Once the annual and monthly plans are in place, they are executed by the manufacturing staff, who develop detailed production tasks that align with these plans. In doing this, they factor in the existing orders we have and the status of our inventory. Through such a process, we seek to minimize investment risk and maximize resource use, and keep our supply and delivery chains moving swiftly.

RESEARCH AND DEVELOPMENT

We believe our success is ultimately dependent upon our products’ competitiveness. Therefore, we attach utmost importance to technologies and research and development, as they help us launch great products that help us maintain and even widen our competitive edge. For 2021, 2022 and the nine months ended September 30, 2023, our research and development

BUSINESS

expenses amounted to RMB56.9 million, RMB235.2 million and RMB233.0 million, respectively, which mainly comprise materials consumed and staff costs. For details, see Note 9 to the Accountants’ Report in Appendix I and Note 7 to the Report on Review of Condensed Consolidated Financial Statements in Appendix IA to this document. For accounting policies of our R&D expenses, see Note 3 to the Accountants’ Report in Appendix I.

Throughout the Track Record Period, we adhered to a forward-thinking R&D philosophy, namely “researching one generation ahead, pilot testing the next, and mass-producing the current.” Centering on our N-type TOPCon cells, we have been actively engaging in the R&D of cutting-edge technologies such as HJT and perovskite tandem PV cells and xBC. This commitment enables us to continually advance N-type PV cell technology, helping ensure that we remain at the forefront of PV innovation and maintain our competitive edge.

R&D Team

Our R&D team, consisting of 2,532 members, represents 42.2% of our workforce as of the Latest Practicable Date. We adopt a cooperative R&D model involving our R&D department and our process technology team. These two departments have clearly demarcated responsibilities and work together to achieve optimal outcome. The R&D department is responsible for developing new process technologies and new types of PV cell structures. In contrast, the process technology team is tasked with the scale-up and mass production application of these new processes and PV cells. This collaboration between the two departments, along with our manufacturing staff, ensures that our innovation goes beyond continuous ideation to reach effective implementation, enabling us to continuously manufacture high-quality PV cells.

Our R&D team is staffed by experienced talents, who are represented by Mr. Song Yixiao and Dr. An Xinrui. Mr. Song, our senior director of R&D, is primarily responsible for the development of next generation high-efficiency PV cells. Mr. Song obtained a Master’s degree in Mechanical Engineering from Gunma University, and has an experience with 14 years at the photovoltaic division of Sharp Energy Solutions Corporation in Japan. Mr. Song has extensive research and development expertise and mass production experience in the fields of PV cells. Dr. An, our R&D manager, obtained a Bachelor of Engineering and a Ph.D degree from University of New South Wales, and he was enrolled in Doctors in Jiangsu Province’s “Innovation and Entrepreneurship Initiative” (江蘇省“雙創計劃”雙創博士). Prior to joining our Company, Dr. An had taken charge of the research and development of PV cells and relevant industries for approximately eight years.

- Our R&D department’s primary responsibility lies in developing innovative PV cell technologies, including exploring and developing new PV cell structures and new processes, continuously improving conversion efficiency, reducing costs, and iterating new technologies and products. This effort is crucial for maintaining a pipeline of progressive technological advancements, positioning us for sustained growth and technological leadership in the PV sector.

BUSINESS

- Our process technology team comprises employees who specialized in PV manufacturing. As new processes developed by the R&D department approach large-scale mass production, our R&D department engages with our process technology team. Their expertise in large-scale mass production control is crucial for transitioning lab-scale R&D innovations to manufacturing processes applied in mass production.
- When new processes or products are ready for mass production, the R&D department also works in conjunction with our manufacturing staff. This collaboration is key to ensuring large-scale mass production of quality new products. The manufacturing staff’s role is to adapt and fine-tune these production processes for large-scale production, maintaining quality and efficiency standards. For accounting policies with regard to research and development, see “Financial Information — Material Accounting Policies and Critical Accounting Judgments and Estimates.”

We rigorously conduct quarterly evaluations on our R&D performance based on a suite of KPIs. The principal KPIs include improvements in the conversion efficiency of new products, development and commercialization of new product lines.

Joint Research and Product Development

While we primarily consult our robust in-house R&D team for solutions, we also collaborate with higher education institutions and research institutes (“**researchers**”) for the development of certain next-generation products, e.g. perovskite tandem PV cells. Such researchers include Zhejiang University, Ningbo Institute of Materials Technology and Engineering of the Chinese Academy of Sciences, the University of New South Wales, Australia, and National University of Singapore.

The major terms of our joint research agreements typically include the following:

- ***Technology sharing.*** We may establish a R&D center for joint R&D of new technologies, for which we would pay certain expenses for the operation of the R&D center and provide staffing support. We may also allocate various R&D tasks between ourselves and the researcher to achieve a shared, overarching technological objective. We can also require certain researchers to share with us high-efficiency PV cell technologies, compose relevant reports and assist us in the advancement of technical and manufacturing aspects of high-efficiency PV cells. We keep them abreast with the industry application and feedbacks of related technologies.
- ***Ownership of intellectual property.*** Any intellectual properties created from the joint development work performed in accordance with the agreement shall be owned by both parties. For IPs created by the researchers at their own expenses in the joint R&D centers, we would have the right of first refusal.

BUSINESS

- **Milestones.** The researchers and us are expected to meet certain KPI requirements within specified date ranges, including transferring/submitting requisite documents or reaching certain conversion efficiency of various types of PV cells. We will evaluate whether such KPIs have been met on our premise, where the researcher may also be obligated to provide technical assistance.
- **Confidentiality.** Any information obtained during joint development shall not be disclosed to third party. The confidentiality obligation under the agreement shall not be affected by termination or lapse of the agreement.
- **Development risks.** The development risks arising from current technological limitations shall be borne by each party at their own expenses. Any failure of the joint development due to such development risks shall not be deemed as breach of the agreement.
- **Term and termination.** Typically more than one year. Extendable upon mutual assent. Terminable upon force majeure, the publication of technologies under development by third parties, mutual assent or material breach of the agreement.

In addition, we work closely with various industry leading enterprises to jointly develop new products, equipment and material. Although each agreement varies, for joint technology development agreements with our suppliers, we generally specify in the agreements as to the specific types and the specifications of the products while the suppliers need to arrange in-depth communications with us in relation to relevant product design, device requirements and preliminary work plan. For joint technology agreement with our customers, we will usually take the initiative in preparing the design and work plan and work seamlessly with our customers to deliver products that are best suited for their newly developed models. Such agreements are legally binding and have not been subject to material breaches during the Track Record Period.

Key Technologies

Our relentless R&D efforts have yielded a series of key technologies applied in our production processes.

TOPCon

Our TOPCon cell mass production conversion efficiency steadily increased from around 25% at the end of 2022 to over 25.5% by September 30, 2023 and further to more than 26.0% in December 2023, reaching industry forefront at a much faster speed than the industry average, according to Frost & Sullivan. Key technologies utilized in the production of our TOPCon cells include LP stack wafer deposition process, laser improvement technology, and others.

BUSINESS

- ***LP stack wafer deposition process.*** This technology lowered the cost in LPCVD, allowing our TOPCon cells to possess great cost advantage.
- ***Laser improvement technology.*** This technology increases the short-circuit current (I_{sc}), open-circuit voltage (V_{oc}) and fill factor of our TOPCon cells, as it reduces recombination in the front metal area of the TOPCon cells.
- ***J-Rpoly.*** This technology improves the cell’s I_{sc} and V_{oc} .
- ***Gradient filming technology.*** This technology reduces front-side recombination and reflection losses.
- ***Super multi-busbar technology.*** An upgrade from the Multi-Busbar (“**MBB**”) technology, it can shorten the current transmission distance between the busbars, thereby reducing resistive losses, allowing for increased conversion efficiency.
- ***Ultra-dense fine fingers technology.*** It reduces lateral transmission resistive losses, which elevates conversion efficiency and increases cost efficiency through saving silver paste.

PERC

We have identified six core technologies for PERC cells, namely laser P doping selective emitter (“**SE**”) technology, alkaline texturing technology, thermal oxidation technology, passivated emitter and rear technology, advanced hydrogenation passivation technology, and ultra-fine line printing technology.

- ***Laser P doping SE technology.*** Enhances conversion efficiency by reducing recombination in the metal area.
- ***Alkaline texturing technology.*** Increases light absorption and reduces surface reflection, thus improving overall efficiency.
- ***Thermal oxidation technology.*** Creates an oxide layer on the cell’s surface, which improves its electrical insulation and increases cell efficiency.
- ***Passivated emitter and rear technology.*** Utilizes a passivation layer on the rear side of the cell to reduce electron recombination, boosting cell efficiency.
- ***Advanced hydrogenation passivation technology.*** Introduces hydrogen into the silicon wafer to reduce defects, thereby enhancing the cell’s performance and reliability.

BUSINESS

- ***Ultra-fine fingers printing technology.*** Allows for the creation of extremely narrow metal contacts, reducing shading on the cell surface and increasing the effective light-catching area.

Key R&D Programs

Upholding a forward-thinking “researching one generation ahead, pilot testing the next, and mass-producing the current” R&D philosophy, we have been conducting R&D in HJT, and perovskite tandem PV cell technologies and xBC to continuously enhance our product competitiveness. As of the Latest Practicable Date, we have already mastered xBC based on TOPCon and have conducted pilot-scale experiment.

In addition, we have also been conducting R&D on certain technologies that may further improve the performance of our PV cells:

- ***Ultra-fine finger technology.*** It aims to achieve higher conversion efficiency and reduce silver paste consumption through using even finer fingers.
- ***Front metal area composite optimization.*** By optimizing the silver paste, the composite loss in the front metal area is further reduced.
- ***Platform technology overlay.*** We are exploring integrating TOPCon technology on xBC cells to further improve V_{oc} and conversion efficiency. We are also experimenting stacking TOPCon cells with perovskite tandem PV cells so that each layer can absorb different segments of the solar spectrum, allowing them to capture more solar power, potentially approximately 30% conversion efficiency.

QUALITY CONTROL

We have established a comprehensive quality control system according to GB/T19001-2016 quality management standards, covering supplier quality management, in-house design quality management, incoming material quality management, manufacture process quality management, shipping quality management, and post-sale quality management to ensure the consistency of our high product quality. Utilizing our risk-based thinking, process approach, and the PDCA (Plan-Do-Check-Act) approach, we have established quality management standards and guidelines for each process. For example, we have integrated FMEA (Failure Mode and Effects Analysis) to identify and control risks in product and process design, and we have implemented statistical process control and measurement system analysis for problem-solving and data analysis. In addition, we conduct systematic inspections of incoming raw materials pursuant to our guidelines, which we continue to devote efforts to developing and improving, and we make sure to continuously monitor in real-time key parameters in the manufacturing process, such as silicon wafer reflectivity, sheet resistance, and minority carrier lifetime. Through self-inspection, patrol inspection, and reliability testing, we monitor product reliability and ensure accountability, compliance and traceability in each manufacturing process.

BUSINESS

Furthermore, as we continuously engage in disruptive innovation, we have adopted various methods to ensure quality control in face of changes. Therefore, we established a standard assessment and decision platform, Engineering Change Review Committee, for changes in 4M1E (Man, Machine, Material, Method, and Environment), where we require cross-department, comprehensive and timely review of such changes. This ensures effective implementation and control of the change process, which, coupled with our proactive involvement in risk management and the development of control mechanisms and contingency plans, serve to avoid mass quality issues, ensuring constant controllability and monitoring.

Additionally, leveraging IT tools like SRM (Supplier Relationship Management), ERP (Enterprise Resource Planning), BI (Business Intelligence), and MES (Manufacturing Execution System), we have built a data-driven quality platform. By integrating quality and information technology, we achieve real-time monitoring, scientific analysis, and optimized decision-making in plant quality management. Committed to building digital and intelligent plants, we utilize various technologies to automate office work, management, and production processes. We believe this would enhance and standardize enterprise management, reduce errors, plug loopholes, increase efficiency, and provide decision-making support. Complementing our methodologically designed quality control system, we have also been installing and operating cutting-edge equipment to ensure utmost product quality. For example, we established our own testing laboratories in our production plants, which can conduct tests ranging from electroluminescence (“EL”), current-voltage (“IV”) characteristics, light-induced degradation (“LID”), and tensile strength for PV cells, and anti-potential induced degradation (“PID”) testing, damp heat testing, thermal cycling, and mechanical durability assessments for PV modules, all of which conform to International Electrotechnical Commission regulations. We conduct a final quality check before packing to ensure that our PV cells meet all our internal standards and customers’ specifications. In addition, we provide periodic training to our employees to ensure the effectiveness of our quality control procedures.

We have a dedicated team overseeing our quality control processes. They work collaboratively with our customer service teams to timely provide customer support and after-sale services. Through their combined efforts, we are able to confirm and evaluate customer requirements before sales, monitor and safeguard the fulfillment process during sales, and gathering customer feedback after sales. In addition, we frequently host trainings and internal competitions relating to our quality management system and product quality knowledge and skills to further motivate our employees’ commitment to effective quality control.

Our relentless efforts in quality control earned us various authoritative international and domestic certifications. For example, we have obtained the ISO9001 certification, testifying to our commitment and ability to consistently deliver high quality products.

As a result, we also take pride in the low product returns, and we have not experienced any material product returns, claims, recalls or provisions during the Track Record Period, underscoring the reliability of our products.

BUSINESS

SUPPLY CHAIN MANAGEMENT

Overview

We consider flexible supply chain management capability a key strength to ensure our sustainable development and continuous enhancement of cost efficiency. Through years of efforts, we have established a technology-backed and highly integrated supply chain management system, through which we managed to achieve highly transparent and dynamic inventory management, supported and complemented by advanced technology measures and long-standing cooperation relationships with a broad range of quality suppliers.

Our supply chain management system operates through the collaboration between the procurement department, PMC, and management in our headquarters. The procurement department is pivotal in devising procurement strategies and managing material categories, adapting to market dynamics to secure cost-effective sourcing. The PMC department, meanwhile, plays a crucial role in aligning production with supply and demand, managing inventory efficiently, and overseeing warehouse operations to ensure timely and effective material distribution. Our management oversees strategic planning, optimizes processes, and manages organizational structure and staff development, ensuring a robust supply chain system. This multi-faceted approach ensures a holistic and streamlined procurement process that nimbly adapt to changes in production planning and our strategic needs.

Our procurement activities are primarily driven by customer orders, complemented by strategic stockpiling based on thorough market research. Our procurement department is responsible for the comprehensive management of procurement tasks, including the development and management of suppliers, execution of purchases, contract and order management, fulfillment, logistics, and payment administration.

The procurement process is initiated by our production and material control department, which prepares a procurement request list based on order details and raw material inventory status and submits it to the procurement department. The procurement department, based on the list and current market conditions, may refer to the agreements that we entered into with suppliers of raw materials, select suppliers and finalize orders. Over the years, we have compiled a catalog of qualified suppliers for various raw material products. The procurement department also closely monitors procurement activities, tracks order delivery, and manages settlements. For the influence of the price fluctuation of PV cells’ key raw materials and the ways in which we manage such fluctuations, please see “— Raw Materials Procurement,” and “— Supply-Demand of Raw Materials.”

BUSINESS

The following table sets out the key raw materials that we procure from our suppliers:

	<u>Key Functions</u>	<u>Main Source & Cost Factors</u>
Silicon Wafer	Forming the base of PV cells	Primarily from domestic suppliers using domestically-sourced raw materials. Procurement costs mainly fluctuate with the price of bulk silicon.
Silver Paste	Mainly to create PV cell electrodes	Primarily from domestic suppliers that may use imported raw materials. Procurement costs mainly fluctuate with the price of bulk silver.
Screens	Print conductive materials onto silicon wafers in predetermined patterns	Primarily from domestic suppliers that may use imported components. Procurement costs mainly fluctuates with bulk raw materials like tungsten steel and stainless steel.
Quartz Pieces	Prevent pollutants from entering PV cells. Help PV cells maintain structural and performance stability in adverse environment	Domestic suppliers that mainly source quartz raw materials abroad. Procurement costs are affected by the technical requirements of our PV cells, also fluctuates with the supply and demand of raw materials.

BUSINESS

Major Suppliers

During the Track Record Period, purchase from our top five suppliers of the continuing operation amounted to RMB805.5 million, RMB5,574.4 million and RMB6,908.0 million, accounting for 59.7%, 47.2% and 38.8% of our total purchase for the corresponding period, respectively. During the Track Record Period, our purchase from the largest supplier of the continuing operation amounted to RMB429.6 million, RMB2,006.1 million and RMB1,982.2 million, accounting for 31.8%, 17.0% and 11.1% of our total purchase for the corresponding periods, respectively.

Such a level of concentration is common in the PV industry due to the high concentration of market players, according to Frost & Sullivan. The concentration in the PV industry naturally led to situations where PV cell manufacturers frequently collaborate with leading suppliers, with Jinko among them. According to Frost & Sullivan, the top ten silicon wafer manufacturers globally accounted for 89.4% of the world’s production in 2022. Notably, top four of these companies, with Jinko among them, accounted for 60.5% of global silicon wafer production, indicating a high degree of industry concentration, according to Frost & Sullivan.

In addition, during the Track Record Period, we successfully reduced dependency on any single supplier by cooperating with more major players in the PV industry, which is evidenced by the declining percentage of purchase from our top five suppliers of our continuing operation. This not only enhances our market position but also mitigates risks associated with over-reliance on a small group of suppliers. Our focus on diversification, coupled with our ongoing efforts to innovate and adapt to the changing conditions of the PV cell market, positions us strongly for sustainable growth and success in the dynamic PV industry.

BUSINESS

The following table sets forth the details of our five largest suppliers of our continuing operation for the periods indicated:

For the Nine Months ended September 30, 2023

Suppliers	Purchase Amount	Percentage of total purchase amount	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/Issued share capital
	<i>(RMB'000)</i>	%						<i>(RMB in millions)</i>
Jinko Solar Co., Ltd.	1,982,208	11.1	It is a STAR-listed company established in 2006 and headquartered in Shanghai. It focuses on integrated R&D and manufacturing of PV products.	2021	N/A	Bank Transfer/ Bill Payable	Silicon Wafers	10,000
Gaojing Solar Energy Co., Ltd.	1,828,502	10.3	Founded in 2019 in Zhuhai, Guangdong Province, it focuses on R&D, manufacturing, and sales of large-sized monocrystalline silicon wafers, rods and modules.	2021	N/A	Bank Transfer/ Bill Payable	Silicon Wafers	375
Lianshui Pujing Airport Science and Technology Park Development Co., Ltd.	1,454,902	8.2	A construction firm established in 2020 in Huai'an, Jiangsu Province.	2023	N/A	Bank Transfer	Property, Plant and Equipment	300

BUSINESS

Suppliers	Purchase Amount	Percentage of total purchase amount	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/Issued share capital
	(RMB'000)	%						(RMB in millions)
Wuxi DK Electronic Materials Co., Ltd.	822,960	4.6	It is a Shenzhen Stock Exchange-listed company based in Wuxi, Jiangsu Province founded in 2010. It focuses on the production of conductive paste used in PV and semiconductor products.	2021	30 days	Bill Payable	Silver Pastes	101
Tianjin Huan’Ou International Silicon Materials Co., Ltd.	819,381	4.6	Established in 2011 in Tianjin, it specializes in silicon wafers and is a subsidiary of TCL Zhonghuan Renewable Energy Technology, a Shenzhen Stock Exchange-listed company based in Tianjin.	2021	N/A	Bank Transfer/ Bill Payable	Silicon Wafers	460
Total	<u>6,907,953</u>	<u>38.8</u>						

BUSINESS

For the Year ended December 31, 2022

Suppliers	Purchase Amount	Percentage of total purchase amount	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/Issued share capital
	(RMB'000)	%						(RMB in millions)
Jinko Solar Co., Ltd.	2,006,148	17.0	It is a STAR-listed company established in 2006 and headquartered in Shanghai. It focuses on integrated R&D and manufacturing of PV products.	2021	N/A	Bank Transfer/ Bill Payable	Silicon Wafers	10,000
Gaojing Solar Energy Co., Ltd.	1,786,244	15.1	Founded in 2019 in Zhuhai, Guangdong Province, it focuses on R&D, manufacturing, and sales of large-sized monocrystalline silicon wafers, rods and modules.	2021	N/A	Bank Transfer/ Bill Payable	Silicon Wafers	300
Hongyuan Green Energy Co., Ltd.	790,923	6.7	It is a Shanghai Stock Exchange-listed company established in 2002 and located in Wuxi, Jiangsu Province. It focuses on PV equipment manufacturing, silicon, PV wafer, cell, module, and new energy power station construction.	2022	N/A	Bank Transfer/ Bill Payable	Silicon Wafers	411

BUSINESS

Suppliers	Purchase Amount	Percentage of total purchase amount	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/Issued share capital
	<i>(RMB'000)</i>	%						<i>(RMB in millions)</i>
Lai'an County Yongyang Urban and Rural Construction and Development Investment Co., Ltd.	600,411	5.1	Founded in 2014 and based in Chuzhou, Anhui Province, it specializes in construction services.	2021	N/A	Bank Transfer	Property, Plant and Equipment	200
Huayao Optoelectronic Technology Co., Ltd.	390,679	3.3	Established in 2019 and located in Hohhot, Inner Mongolia Autonomous Region, it is mainly engaged in the PV industry with its main products being monocrystalline silicon products.	2021	N/A	Bank Transfer/ Bill Payable	Silicon Wafers	237
Total	<u>5,574,405</u>	<u>47.2</u>						

BUSINESS

For the Year ended December 31, 2021

Suppliers	Purchase Amount	Percentage of total purchase amount	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/Issued share capital
	<i>(RMB'000)</i>	<i>%</i>						<i>(RMB in millions)</i>
Jinko Solar Co., Ltd.	429,563	31.8	It is a STAR-listed company established in 2006 and headquartered in Shanghai. It focuses on integrated R&D and manufacturing of PV products.	2021	N/A	Bank Transfer/ Bill Payable	Silicon Wafers	10,000
Suzhou Jingshun Technology Development Co., Ltd.	105,646	7.8	Founded in 2019 and located in Suzhou, Jiangsu Province, it primarily engages in the PV industry focusing on silicon wafers and PV cells.	2021	N/A	Bill Payable	Silicon Wafers	10
Solargiga Energy (Hong Kong) Company Limited	102,298	7.6	It is a Hong Kong Stock Exchange-listed company established in 2008 and based in Hong Kong. It engages in solar energy services, including manufacturing monocrystalline silicon solar ingots/wafers, manufacturing and trading PV modules, constructing and operating PV power plants.	2021	N/A	Bill Payable	Silicon Wafers	HK\$500 million

BUSINESS

Suppliers	Purchase Amount	Percentage of total purchase amount	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/Issued share capital
	<i>(RMB'000)</i>	%						<i>(RMB in millions)</i>
Jiangsu Shengxi Energy Technology Co., Ltd.	95,536	7.1	Founded in 2017 in Yangzhou, Jiangsu Province, it engages in the production of silicon materials.	2021	N/A	Bank Transfer/ Bill Payable	Silicon Wafers	30
Shanghai Huaju New Material Co., Ltd.	72,431	5.4	Established in 2021 and located in Shanghai, it mainly engages in the silver paste business.	2021	30 days	Bill Payable	Silver Pastes	10
Total	<u>805,474</u>	<u>59.7</u>						

All of our five largest suppliers of the continuing operation are independent third parties. None of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) has any interest in any of our five largest suppliers of the continuing operation during the Track Record Period.

For silicon wafers, we typically agree to delivery upon payment, payable via wire transfer or 6-month bank acceptance draft. For others, we typically purchase on credit terms (e.g., metallic pastes: 30 days post-invoice). We adopt partial prepayments for quartz pieces suppliers.

For details on the overlap of suppliers and customers, please see “— Customers, Sales and Pricing — Supplier-Customer Overlap” in this section.

Introduction of New Suppliers

We recognize that the quality of our raw materials is essential to our product performance. Therefore, we have established a comprehensive evaluation system to introduce new suppliers into our supply chain. Our procurement, research and development, and quality assurance teams collectively assess potential suppliers on their qualifications, market standing, production capabilities, technological advancements, quality, and cost-efficiency.

BUSINESS

We implement category-based strategic management for the procurement materials, which are divided into three levels, nine major categories and around 500 sub-categories that help us orderly organize our procurement. Each category has established entry threshold requirements to ensure suppliers' compliance. Before we qualify new suppliers, we rigorously vet their sample products. This vetting process includes verifying technical specifications and conducting due diligence to ensure suppliers have the requisite legal intellectual property or licensed rights for their products. Our supplier quality management system is robust, requiring our manufacturing suppliers to adhere to the stringent standards of ISO9001.

During our selection process, we research suppliers' qualifications, compliance with laws and regulations, industry experience, quality control, R&D abilities and scale, prioritizing partnerships with industry leaders, and we also consider social responsibilities and other dimensions, including environment, safety hazardous substances, trade safety and other aspects. To ensure competitive and sustainable supply and safeguard our inventory, we maintain a pool of three or more alternative suppliers for each material. We have developed a supplier code of conduct and conduct regular inspections to maintain high standards among our suppliers, and we periodically evaluate their performance based on quality, cost, delivery, and service. This evaluation helps us establish a merit-based system, promoting the best and phasing out the underperforming. We also enhance the management of our suppliers through digital means, utilizing a Supplier Relationship Management ("SRM") system. This system manages the entire lifecycle of supplier engagement, including contract management and order management. Advancing our procurement practices, we are moving towards online competitive bidding and price negotiations to increase purchasing transparency and efficiency, ensuring we maintain high standards while securing the best value.

Raw Materials Procurement

Our key raw materials, primarily comprising silicon wafers, metallic pastes and screens, are sourced under a comprehensive procurement strategy. Throughout the Track Record Period, we have successfully avoided any significant shortages, delays, or difficulties in acquiring these essentials from our suppliers.

Our primary sources for raw materials are based in China. We employ a proactive approach in analyzing market trends, forecasting supply and demand, and entering into agreements with top-tier suppliers. We closely cooperate with our suppliers, particularly in the joint development of new raw materials, such as optimized silver paste, to ensure consistent supply.

To meet our needs and to guarantee uninterrupted availability, we maintain relationships with multiple suppliers for each raw material. Our supplier performance evaluation is rigorous, focusing on the quality of raw materials, timeliness of delivery, cost-effectiveness, and adherence to technical specifications. Upon receipt, raw materials undergo a stringent quality check before being stored. The withdrawal from storage follows the production schedule, ensuring alignment with our operational needs. When we identify quality issues, we adopt reverse logistics for rectification, maintaining our supply chain's integrity and the robust relationships we have built with our suppliers.

BUSINESS

Supply-Demand of Raw Materials

Among various types of PV cell components, silicon wafers are the largest cost component, exceeding 60% of the total cost, and silver paste is the second largest component. In addition, quartz pieces are also essential in several manufacturing processes. From 2021 to 2022, the price of silicon wafers increased from RMB5.6/piece to RMB6.5/piece, then experienced a decline in prices in 2023 despite the recent rapid growth in solar power installed capacity additions, according to Frost & Sullivan. From 2021 to 2022, the price of silver paste decreased from RMB6,020/kg to RMB5,300/kg, then experienced a mild increase in prices in 2023 due to the fluctuation and upward trend of silver price, according to Frost & Sullivan. For the movements of price of raw materials during the Track Record Period, please see “Financial Information — Ability to Control Cost of Raw Materials and Improvement of Production Efficiency.” For the risks related to fluctuation of raw materials on our financial and operating performance, please see “Risk Factors — Price fluctuations in raw materials complicate our procurement strategies and processes.” for details.

For silicon wafers, we typically enter into long-term framework agreements for procurement to secure stable supply. See “— Supply Agreements.”

For silver pastes, we factor in their shelf life and effective period to optimize our inventory and avoid wastage. Our proactive approach to supplier research and relationship management positions us to navigate and mitigate the risks associated with supply-demand fluctuations in raw materials.

For quartz pieces, we experienced tighter supply in the first half of 2023 due to increased demand attributable to industry-wide expansion in PV cell production capacity. In response, we carried out an extensive search, visiting 15 potential suppliers to assess their capabilities. As a result, we identified and finalized agreements with multiple suppliers by the end of 2023 to effectively ease the supply situation.

Supply Agreements

We typically enter into long-term framework agreements with suppliers of silicon wafers. Salient terms of these agreements are summarized as follows:

- **Contract duration.** Typically annual or biannual.
- **Purchase order.** We typically include purchase amount in the purchase order.
- **Pricing.** We predominantly use spot market price as the benchmark for our pricing.
- **Payment terms.** We typically agree to delivery upon payment, payable via wire transfer or 6-month bank acceptance draft.

BUSINESS

- ***Inspection and product returns.*** Product inspection may take place within a specified period after delivery of the raw materials to us. We may return to suppliers defective raw materials that do not meet the agreed quality standard, and the suppliers shall remedy the same, including product return and replacement. Our suppliers and us bear responsibility for potential product defects in accordance with industry norm.
- ***Exclusivity.*** None.
- ***Right of first refusal.*** Both parties may have a right of first refusal under the same conditions.
- ***Minimum purchase requirement.*** We typically specify a benchmark of the quantity of the silicon wafers to be purchased or delivered each month, around which our purchase amount and our supplier's delivery amount could fluctuate. The failure to purchase or deliver within such a band would result in a one-time penalty payable from the breaching party proportional to the non-conforming amount subject to a cap.
- ***Confidentiality.*** Both parties shall strictly keep confidential all commercial and technical information such as product information, prices, quantities, quality and technical standards involved in the execution and performance of this contract. Breach of confidentiality obligation results in monetary penalties payable to the counterparty. The period of confidentiality obligations may be one or two years after the execution of the agreement.

We separately issue purchase orders or enter into monthly supplemental agreements after the procurement framework agreement is in force. The principal terms of our typical purchase orders or monthly supplemental agreements primarily include:

- Identifier of the specific framework agreement the purchase order or monthly supplemental agreement is based on.
- Quantity and specifications of silicon wafers to be purchased.
- Unit prices and aggregate purchase prices.
- Expected delivery location and date.

We generally require our supplier to confirm in writing whether to accept the purchase order within five business days after receipt of the purchase order. Such agreements are legally binding and have not been subject to material breaches during the Track Record Period.

BUSINESS

CUSTOMERS, SALES AND PRICING

Major Customers

During the Track Record Period, our customers were mainly from the PRC. For each year/period during the Track Record Period, we generated revenue of RMB1,275.5 million, RMB5,981.3 million and RMB7,092.5 million from our five largest customers of the continuing operation, accounting for 77.8%, 53.9% and 49.4% of our total revenue for the corresponding period, respectively. For each year/period during the Track Record Period, our revenue from the largest customer of the continuing operation amounted to RMB883.6 million, RMB3,336.7 million and RMB3,721.6 million, accounting for 53.9%, 30.1% and 25.9% of our total revenue for the corresponding period, respectively.

As confirmed by Frost & Sullivan, having such a level of concentration is common in the PV market due to the high concentration of market players. The high concentration in the PV industry naturally led to situations where PV cell manufacturers frequently sell to leading PV module manufacturers, with Jinko among them. According to Frost & Sullivan, the top ten PV module manufacturers globally accounted for 78.7% of the world’s shipment volume in 2022. Notably, top four of these companies, with Jinko among them, accounted for 54.4% of PV module production, indicating a high degree of industry concentration, according to Frost & Sullivan. Consequently, it is common for PV cell manufacturers, including our peers, to have high concentration in sales, according to Frost & Sullivan.

In addition, during the Track Record Period, we have successfully reduced dependency on any single customer by expanding our reach to other major players in the PV industry, which is evidenced by the declining percentage of revenue from our top five customers of the continuing operation. This not only enhances our market position but also mitigates risks associated with over-reliance on a small group of customers. Our focus on diversification, coupled with our ongoing efforts to innovate and adapt to the changing conditions of the PV cell market, positions us strongly for sustainable growth and success in the dynamic PV industry.

BUSINESS

The following table sets forth details of our top five customers of the continuing operation for the years and the periods indicated. During the Track Record Period, we did not grant any credit period to these customers, requiring payment before delivery per our usual practice.

For the Nine Months ended September 30, 2023

Customers	Sales Amount	Percentage of total Sales	Company background	Commencement of Business Relationship	Payment Method	Products sold by our Group	Registered capital/Issued share capital
	<i>(RMB'000)</i>	<i>%</i>					<i>(RMB in millions)</i>
Jinko Solar Co., Ltd.	3,721,573	25.9	It is a STAR-listed company established in 2006 and headquartered in Shanghai. It focuses on integrated R&D and manufacturing of PV products.	2021	Bill Receivable	PV Cells	10,000
JingAo Solar Co., Ltd.	1,601,711	11.2	Established in 2005 and headquartered in Beijing, it specializes in PV auxiliary materials and equipment and PV application scenario solutions.	2021	Bank Transfer/ Bill Receivable	PV Cells	21,272
Chint New Energy Technology Co., Ltd.	674,559	4.7	Founded in 2006 and located in Jiaxing, Zhejiang Province, it is primarily involved in manufacturing of PV cells and modules.	2021	Bank Transfer/ Bill Receivable	PV Cells	2,546
Nyocor New Energy Co., Ltd.	562,133	3.9	Established in 1997 and headquartered in Beijing, it focuses on the production and supply of new energy electricity.	2022	Bill Receivable	PV Cells	1,536
Jiangxi Jinnuo Supply Chain Management Co., Ltd.	532,526	3.7	Founded in 2019 and located in Shangrao, Jiangxi Province, it is a state-owned company specializing in supply chain finance in the photovoltaic industry.	2021	Bank Transfer	PV Cells	500
Total	<u>7,092,502</u>	<u>49.4</u>					

BUSINESS

For the Year ended December 31, 2022

Customers	Sales Amount	Percentage of total Sales	Company background	Commencement of Business Relationship	Payment Method	Products sold by our Group	Registered capital/Issued share capital
	<i>(RMB'000)</i>	<i>%</i>					<i>(RMB in millions)</i>
Jinko Solar Co., Ltd.	3,336,682	30.1	It is a STAR-listed company established in 2006 and headquartered in Shanghai. It focuses on integrated R&D and manufacturing of PV products.	2021	Bill Receivable	PV Cells	10,000
Nyocor New Energy Co., Ltd.	777,234	7.0	Established in 1997 and headquartered in Beijing, it focuses on the production and supply of new energy electricity.	2022	Bill Receivable	PV Cells	1,536
Jiangsu Shunfeng Photovoltaic Technology Co., Ltd.	758,341	6.8	Established in 2005 and located in Changzhou, Jiangsu Province, it is primarily engaged in research, production and sales of wafers, PV cells and modules.	2021	Bank Transfer/ Bill Receivable	PV Cells	3,410
Chint New Energy Technology Co., Ltd.	557,968	5.0	Founded in 2006 and located in Jiaxing, Zhejiang Province, it is primarily involved in manufacturing of PV cells and modules.	2021	Bank Transfer/ Bill Receivable	PV Cells	2,546
JingAo Solar Co., Ltd.	551,053	5.0	Established in 2005 and headquartered in Beijing, it specializes in PV auxiliary materials and equipment and PV application scenario solutions.	2021	Bank Transfer/ Bill Receivable	PV Cells	21,272
Total	<u>5,981,278</u>	<u>53.9</u>					

BUSINESS

For the Year ended December 31, 2021

Customers	Sales Amount	Percentage of total Sales	Company background	Commencement of Business Relationship	Payment Method	Products sold by our Group	Registered capital/Issued share capital
	<i>(RMB'000)</i>	<i>%</i>					<i>(RMB in millions)</i>
Jinko Solar Co., Ltd.	883,591	53.9	It is a STAR-listed company established in 2006 and headquartered in Shanghai. It focuses on integrated R&D and manufacturing of PV products.	2021	Bill Receivable	PV Cells	10,000
Jiangsu Shunfeng Photovoltaic Technology Co., Ltd.	122,202	7.5	Established in 2005 and located in Changzhou, Jiangsu Province, it primarily engages in research, production and sales of wafers, PV cells and modules.	2021	Bank Transfer/ Bill Receivable	PV Cells	3,410
Yingli Energy (China) Company Limited	105,725	6.4	Established in 2007 and based in Baoding, Hebei Province, it is mainly engaged in photovoltaic power generation solutions.	2021	Bank Transfer/ Bill Receivable	PV Cells	3,140
Suzhou Jingshun Technology Development Co., Ltd.	85,794	5.2	Founded in 2019 and located in Suzhou, Jiangsu Province, it primarily engages in the PV industry focusing on silicon wafers and PV cells.	2021	Bank Transfer	PV Cells	10
Jinzhou Runyang Energy Trading Co., Ltd.	78,205	4.8	Founded in 2019 and located in Jinzhou, Liaoning Province, it is a state owned company that primarily engages in the wholesale business.	2021	Bank Transfer/ Bill Receivable	PV Cells	1
Total	<u>1,275,517</u>	<u>77.8</u>					

BUSINESS

All of our five largest customers of the continuing operation during the Track Record Period are Independent Third Parties. As of the Latest Practicable Date, none of our Directors or any of our shareholders (who to the knowledge of our Directors had owned more than 5% of our issued share capital) nor any of their respectively associates had any interest in any of our five largest customers of the continuing operation during the Track Record Period. For more details on the overlap of suppliers and customers, please see “— Supplier-Customer Overlap.” in this section.

Sales and Marketing

In shaping our sales and marketing strategies, we rely on comprehensive research into the relevant market segments. We evaluate potential market capacities and conduct analysis of market dynamics and policy influences, taking into account our strengths and weaknesses, to devise strategic marketing plans.

Our dedicated sales department is responsible for conducting sales activities, focusing on deepening customer service and communicating the value proposition of our PV cells. The department also handles the acquisition and feedback of up-to-date market information, customer development and assessment, sales contract execution and management, customer relations, and satisfaction surveys. We have divided our sales department into international and domestic teams. In furtherance of our international endeavor, we have sales teams catering to overseas customers in India, Turkey, and other emerging markets, respectively. Domestically, our sales teams serve major customers and project-based companies.

In furthering our overseas marketing efforts, we have been actively collaborating with overseas customers, continuously building a global sales system to enhance our global competitiveness. In addition, we plan to establish our own sales companies in Asia, Europe, and other regions, forming localized sales teams and marketing network to help us quickly understand and cater to local market demands. Through overseas production capacity expansion, we also aim to delve deeper into high-demand PV markets in Europe and North America and actively explore emerging markets as well.

In addition, we frequently attend and present in various industry conferences and exhibitions to both keep abreast of recent industry trends and showcase our product’s competitiveness in marketing events. For example, in 2023, we attended the 2023 SMM International Photovoltaic Industry Conference and the 18th AsiaSolar Photovoltaic Innovation Exhibition & Cooperation Forum, where we delivered keynote speeches on TOPCon technology and won accolades, such as Industry Frontrunner of PV Cell Industry and 2023 Asia PV Innovation Enterprise.

BUSINESS

Sales Agreements and Pricing

We typically enter into long-term sales agreement with our customers, which usually include the following key terms:

- **Duration.** Generally one to two years.
- **Exclusivity.** No.
- **Inspection.** Product inspection may take place within a specified period after delivery to customer. Our customers may require us to replace the defective products.
- **Price.** We mainly adopt a floating price model based on the market spot price of PV cells consistent with the industry practice, as confirmed by Frost & Sullivan, and also considering the competitiveness of our products, prevailing supply-demand situation in the market, competition landscape, and strategic relationship with respective customer.
- **Confidentiality.** Both parties shall keep as confidential information involving the other party's business activities, products, services, intellectual property rights, technical details and performance, etc. Breach of confidentiality obligation results in monetary penalties payable to the counterparty. The period of confidentiality obligations may be two years after the execution of the agreement.
- **Payment term.** We typically require prepayments payable via wire transfer or 6-month bank acceptance draft.
- **Minimum purchase requirement.** We typically specify an amount of PV cells to be purchased or delivered each month, around which the purchase amount could fluctuate. The failure to purchase or deliver within such a band would result in a one-time penalty payable from the breaching party proportional to the nonconforming amount.
- **Delivery.** We are usually responsible for delivering the products to the delivery location designated by the customers, and bear the risks in the delivery process.
- **Warranty.** We usually offer a warranty period in accordance with applicable regulations.

We may separately enter into monthly supplemental agreements after the sales framework agreement is in force. The principal terms of our typical monthly supplemental agreements include the quantity and specifications and price of the PV cells and expected delivery location and date. Such agreements are legally binding and have not been subject to material breaches during the Track Record Period.

BUSINESS

Backlog and Purchase Order

In cooperating with our customers, we have signed cooperation framework agreements with several key customers. The total PV cells committed for purchase under these agreements in 2024 surpassed our PV cell annual production capacities as of the Latest Practicable Date.

In covering the production needs brought about by these purchase orders, we have also been leveraging our long-term framework agreements with our suppliers. The total silicon wafers guaranteed for sale under these agreements are able to cover more than half of the PV cells committed for purchase under the aforementioned cooperation framework agreements.

After-Sales Services

During the Track Record Period, our robust quality control measures helped elevate the yield of our PV cells above the industry average, according to Frost & Sullivan, which reduced the frequency of after-sales service interventions, underscoring our commitment to product excellence and customer satisfaction. This is further manifested by a low rate of product returns during the Track Record Period and the absence of any material product returns, claims, recalls or provisions during the same period.

In the meantime, we believe the timeliness and quality of our after-sale services are one of the important competitive factors, as they are directly related to customer satisfaction and help shape the customer's purchase decisions. Therefore, we strictly follow the relevant national regulations and provide customers with a variety of after-sales services, such as maintenance, product returns and exchanges. After we receive customer complaints, we undertake thorough communication and analyze the complaints so that they can be timely and properly handled by our after-sales service personnel. The services are delivered on site or by returning the defective products back to our production plants. We allow product return for quality issues to maintain the reputation of our brand and the quality of products we provide to our customers. We also dispatch engineers to the locations designed by our customers to provide on-site assistance.

In addition to requests raised by our customers in relation to product return, exchange or repair of defective products, our customer service team also conducts customer satisfaction evaluation on a regular basis by collecting and analyzing information from our customers regarding their satisfaction towards our services and products. Such information was gathered from our close communication with customers online and offline, and we keep the preferences and needs of each customer documented for effective management. We use such information to improve our products and services provide to our customers, which in turn enables us to build a solid and mutually-trusting relationship with our customers.

BUSINESS

Supplier-Customer Overlap

During the Track Record Period, (i) two of our top five customers (being Jinko and Suzhou Jingshun Technology Development Co., Ltd. “**Suzhou Jingshun**”) of the continuing operation were also our suppliers providing us with silicon wafers; and (ii) two of our top five suppliers of the continuing operation (being Jinko and Suzhou Jingshun) were also our customers procuring PV cells from us. In 2021, 2022 and the nine months ended September 30, 2023, our purchase amount attributable to these customers amounted to RMB535.2 million, RMB2,006.1 million and RMB1,982.2 million, which accounted for 39.6%, 17.0% and 11.1% of our purchases, respectively, and our sales amount attributable to these suppliers amounted to RMB969.4 million, RMB3,336.7 million and RMB3,721.6 million, which accounted for 59.1%, 30.1% and 25.9% of our sales amount, respectively. Such overlap was primarily attributable to Jinko, which was our largest customer and supplier of the continuing operation during each year/period during the Track Record Period, whereas Suzhou Jingshun accounted for 7.8% of our purchases and 5.2% of our sales amount in 2021 only.

From an industry standpoint, having such overlaps is common in the PV market due to the high concentration of market players, who both sell silicon wafers and purchase PV cells, according to Frost & Sullivan. See “— Supply Chain Management — Major Suppliers,” and “— Customers, Sales and Pricing — Major Customers.” In 2022, four out of the top ten PV module manufacturers in terms of shipment volume were also among the top ten silicon wafer suppliers in the world.

In addition, the transactions that we entered into with the overlapping supplier-customers were on an arm’s-length, mutually independent basis under normal commercial terms. Negotiations of the terms of our sales to and purchases from these overlapping supplier-customers were conducted on an individual basis, undertaken by different departments and entities both in our Group and in the overlapping supplier-customers, and the sales and purchases were neither inter-connected nor inter-conditional with each other. Decisions regarding the procurement of silicon wafers, such as timing, pricing, and quantity, are made independently based on market conditions, production plans, and raw material needs. We assume the risks associated with the stocking and potential damage of raw materials. Similarly, decisions regarding the sale of PV cells, including timing, pricing, and quantity, were independently determined based on market trends, production schedules, and downstream customer demand, while also independently bearing the credit risk of receivables from sales customers. For each of the overlapping supplier-customers, the key terms of our sales and supply agreements were substantially similar to those of our other customers/suppliers.

Therefore, and given that (i) our relationship with the supplier-customers are unlikely to materially deteriorate or terminate, (ii) with our rapidly expanding production capacity, we are continuously introducing new high-quality PV module manufacturers to diversify our customer base, and (iii) our diversification efforts have seen a steady decrease in the percentage of supplier-customer overlap during the Track Record Period, we believe that the supplier-customer overlap during the Track Record Period would not hinder our business prospects.

BUSINESS

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials, work-in-progress, finished goods and goods in transit. For more information, please see “Financial Information — Discussion of Certain Selected Items From the Consolidated Statements of Financial Position — Inventories.” We have implemented policies to optimize our inventory level, and our inventory management system and storage and transportation capabilities are considered superior within the industry, according to Frost & Sullivan.

We achieve efficient inventory management through carefully considering the inventory impact of our products, aiming to realize inventory control through designs and modularization. In addition, we standardize our inventory management through executing our sales plans, which monitors the actual sales, inventory, and logistics situation of our customers to formulate our internal monthly shipment plan. We adopt a flexible approach to inventory management, adjusting our inventory levels in response to market demand fluctuations. When market demand increases, we correspondingly raise our inventory levels to ensure supply stability. We are therefore able to direct our manufacturing and control the supplier’s delivery to achieve a faster inventory flow.

We periodically analyze our inventory level and prepare annual inventory inspection report at the end of each fiscal year so that we are able to deal with slow-moving inventories in a timely manner. As of the Latest Practicable Date, save as otherwise disclosed in “— Properties,” all of our warehouses are owned by ourselves, which allows for greater control and efficiency in our logistics operations. Additionally, our suppliers bear the cost of logistics, which enables us to maintain a cost-effective supply chain.

BUSINESS

AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received during the Track Record Period and up to the Latest Practicable Date.

No.	Year	Award or Recognition	Issuing Authority
1	2023	High Quality Development Listed Company	Guangdong Times Media Group Co., Ltd.
2	2023	Best Board of Listed Companies, New Energy and New Materials Listed Company with the Most Growth Potential	National Business Daily
3	2023	Top 500 Global New Energy Companies	China Institute of Energy Economics Research
4	2022	Asia Photovoltaic Innovation Enterprise Award	PGO Green Energy Ecological Cooperation Organization
5	2022	N-type Photovoltaic Cell Industry Leader Award	Shanghai Solar Energy Society, Photovoltaic Leaders Innovation Forum
6	2022	National Green Factory	Ministry of Industry and Information Technology of the PRC
7	2022	Most Influential Solar Cell Enterprise	Solar Energy Cup Organizing Committee; Solarbe.com
8	2021	National High-Tech Enterprise	Jiangxi Provincial Department of Science and Technology, Jiangxi Provincial Department of Finance, Jiangxi Provincial Tax Service, State Taxation Administration
9	2021	Intelligent Manufacturing Benchmark Enterprise	Jiangxi Provincial Department of Industry and Information Technology

COMPETITION

The global PV cell market is highly competitive and concentrated, with specialized PV cell manufacturers and integrated manufacturers being the two primary types of market players. According to Frost & Sullivan, the top five specialized manufacturers in terms of global PV cell shipment volume took up 73.5% and 78.5% of global PV cell shipment volume by specialized manufacturers of the market share in 2022 and the six months ended June 30, 2023, respectively. We believe that our competitive position is underpinned by our strengths, including leading market position, exceptional R&D capabilities and technologies, production capacity and supply management expertise, quality and stable customer base, and experienced team and visionary management. For more details on our competitive edges, please see “Business — Our Strengths.” in this section. For risks involving the competitive advantages of our PV cell, and targeted markets, see “Risk Factors — Risks relating to Our Business and Industries — The PV industry faces competition from other types of renewable and non-renewable power industries.”

BUSINESS

We believe that there are high barriers for our competitors to enter into the market, which include, among other things, technology, scale production experience, capital investment, supply chain and customer base. For more information on the competitive landscape of our industry, see “Industry Overview”. Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. Our competitive strengths are highlighted in the paragraph headed “Our Strengths” in this section.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

We are committed to making a sustainable and positive impact on ESG through our engagement with customers, suppliers, and local communities. Our management prioritizes ESG matters, actively develops and enhances our operating procedures, and is focused on continual improvements in this area. We recognize the importance of robust ESG policies and practices in fulfilling our corporate mission and goals, which in turn drives enduring value for our stakeholders.

Governance

We acknowledge our responsibility on environmental protection and social responsibilities and are committed to comply with the ESG reporting requirements upon [REDACTED]. We believe that it requires the collective effort from our Board to evaluate and manage material ESG issues. Therefore, our Board takes up the ultimate responsibility of monitoring and managing material ESG issues, with the assistance from the functional departments that were responsible for (i) setting up and developing the Group’s overall ESG policies, strategies, principles and visions, (ii) monitoring and reviewing our ESG performances and fulfillment of the Board of Directors’ ESG objectives, (iii) keeping abreast of the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, keeping the Board informed of any changes in such laws and regulations and updating our ESG policies in accordance with the latest regulatory updates; (iv) identifying ESG risks and opportunities related to our Group, assessing the impact arising from such risks or opportunities on our Group; and (v) overseeing the coordination of different departments to ensure that our operations and practices are in line with related ESG strategies.

At present, based on relevant national laws and regulations, United Nations 2030 Sustainable Development Goals, GRI Standards, Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (“CASS-ESG5.0”) and Shenzhen Stock Exchange guidance and in view of our business, we have formulated a new ESG management mechanism, in which we undertake to release the ESG report on an annual basis. We have also been prioritizing ESG topics including environment management capability, energy efficiency, GHG emission control, and product carbon footprint. We expect to update the mechanism and establish an ESG policy (“ESG Policy”) in accordance with the standards of Appendix 27 to the Listing Rules to cover, among others, (i) the appropriate risk governance on ESG matters, (ii) ESG governance structure and ESG strategy formation procedures, (iii) ESG risk management and monitoring, and (iv) the identification of key performance indicators (“KPIs”), the relevant metrics and mitigating measures upon [REDACTED].

BUSINESS

In view of our current practice, our ESG policy sets out the respective responsibility and authority of different parties. We also established an ESG committee headed by Mr. Zhang Manliang, Mr. Zheng Hongwei and Ms. Zheng Tong to implement the ESG Policy, formulate ESG-related goals and organize their implementation. The members of the ESG Committee were appointed by our Directors and senior management and become responsible for managing and supervising our ESG matters and providing advice and assistance to the Board.

The ESG Committee is mainly tasked with several key roles:

- **Strategy Advisement.** They assess our ESG-related activities based on policies, laws, standards, current trends, and the expectations of our stakeholders. They then advise the Board on setting our ESG strategy;
- **Strategy Monitoring.** They track how well we are implementing our ESG strategies and achieving our goals by assessing how our ESG efforts are affecting stakeholders and suggests ways to improve our ESG initiatives; and
- **Performance Evaluation.** Beyond assessing our ESG performance by communicating with stakeholders, we also hired external agencies to independently review our accomplishments in environmental areas, such as managing wastewater, noise, air pollution, and our response to climate change.

We plan to set up metrics and targets for these ESG issues and to review our key ESG performance on a regular basis.

Environment Matters

As a conscientious global enterprise, we are devoted to environmental stewardship and the advancement of sustainability, embracing our corporate social responsibilities. Our comprehensive environmental management policies aim to mitigate risks and environmental impacts associated with our operations, while also capitalizing on related opportunities.

We first strictly adhere to the national laws and regulations such as the *Environmental Protection Law*, *Environmental Impact Assessment Law*, and *Administration of Construction Project Environmental Protection*, as well as environmental management standards. Building on this, we are committed to green and low-carbon development, establishing a three-tier management structure comprising the management, operating entity leaders and plant safety and environmental departments, clearly demarcating responsibilities including greenhouse gas (“GHG”) emission management, pollutant management, and water resource management. Furthermore, we incorporate ESG management performance into the annual reviews of relevant personnel, continuously intensifying our efforts in environmental accountability and responsibility enforcement.

BUSINESS

Risks Related to the Environment and Climate

We acknowledge potential financial and reputational risks related to the environment, including those stemming from adherence to prevailing environmental regulations and stringent standards. For example, China’s carbon neutrality objective established in 2020, which aims to have CO₂ emissions peak before 2030 and achieve carbon neutrality before 2060, may lead to increased costs related to energy procurement, as we may be required to incur transition costs in procuring green energy that can be more expensive than energy generated from conventional sources, or bear the costs of purchasing or upgrading our equipment. In addition to focusing on delivering superior product performance to our customers, we are equally attentive to the environmental impact of our products throughout their entire lifecycle, particularly in terms of climate change. Our commitment is to maximize efforts to minimize the carbon footprint of our products and achieve authentic green manufacturing. Upholding this philosophy, we comprehensively consider how to decrease carbon emissions and enhance usage efficiency across the “design, manufacture, use” phases of our products. These considerations are integral to our key assessment criteria for evaluating product design proposals and raw material suppliers, ensuring that our commitment to sustainability is deeply ingrained in our operations.

Our focus is on N-type cells, adhering to the philosophy of “researching one generation ahead, pilot testing the next, and mass-producing the current.” We continuously conduct R&D and explore cutting-edge technologies such as xBC and perovskite, aiming to further push the efficiency boundaries of N-type cells.

We also recognize a certain level of threat that climate-related issues pose to us. Actual and potential climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk. We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the physical risk of increasingly severe extreme weather events, such as more frequent storms, typhoons and flooding. As a result, we may be impacted by higher operation and maintenance cost, as well as more insurance premium payable for protection, and the health and safety of employees may also be endangered. In addition, transitional risks may emerge due to climate change and climate-related issues as consumers shift their preferences while regulators require more extensive ESG-related disclosures. Such transitional risks may result in additional operating expenses. With regard to increasing responsibilities on ESG-related disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on pollutant emissions and resource consumption.

In response to such potential risks, we plan to take measures as follows:

- to integrate solar power in our production bases and supply chain systems to reduce cost of energy use;
- to introduce energy-saving equipment, and formulate plans to reduce process energy consumption, in turn reducing energy consumption.

BUSINESS

Save for the above, up to the Latest Practicable Date, we were not aware of other actual environment or climate-related risks or damages that could adversely affect our business, strategy and financial performance.

Opportunities Related to the Environment and Climate

As the world’s leading professional PV cell manufacturer, we believe the increasing awareness of environmental and climate-related issues provide abundant opportunities for our growth. According to Frost & Sullivan, such awareness is driving demand for clean and renewable energy, with solar power at the forefront of this transition. We anticipate this will lead to favorable government policies, subsidies, and incentives aimed at expanding solar energy production, thereby potentially increasing market demand for our PV cells.

In addition, as our business aligns with international efforts to reduce carbon emissions, our PV cells can be deemed as a preferred solution to reduce carbon footprints, creating substantial growth prospects for our company. Given that we have been continually enhancing the efficiency and reducing the cost of our PV cells, we expect to make solar energy more accessible and competitive with traditional energy sources.

Metrics and Targets on Environmental Impacts

To better assess and manage our environmental footprint, we closely track various metrics related thereto in our production plants. The main metrics concerned, excluding our Huai’an Plant, which was still under construction during the Track Record Period, are as follows:

	Unit	Year Ended December 31, 2022	Nine Months Ended September 30, 2023
<i>Energy Consumption</i>			
Electricity	MWh	527,351	975,899
Energy Consumption Efficiency	MWh per PV cell produced (GW)	48,381	54,520
<i>Water Consumption</i>			
Water	tons	5,263,407	10,560,800
Water Consumption Efficiency	tons per PV cell produced (GW)	482,881	589,989
<i>Gas Pollutants</i>			
Greenhouse Gas Emissions	tons CO ₂ equivalent	2,633,964	4,142,432
GHG Emissions Intensity	tons CO ₂ per PV cell produced (GW)	241,700	231,434

BUSINESS

		Year Ended December 31,	Nine Months Ended September 30,
	Unit	2022	2023
<i>Solid Wastes</i>			
Toxic Wastes	tons	32	60
None-toxic Wastes	tons	<u>25,857</u>	<u>36,390</u>
Total Solid Wastes	tons	25,888	36,450
Solid Waste Intensity	tons per PV cell produced (GW)	2,375	2,036

According to Frost & Sullivan, these metrics and measurements are in line with the norm of the PV cell industry, and our metrics are in the average range. However, we strive to further reduce such emissions and discharges. By 2030, we plan to:

- Decrease our GHG gas emission per million RMB revenue by 40%;
- Increase our electricity consumption from renewable resources by 40%; and
- Decrease our water consumption per million RMB revenue by 30%.

In a concerted effort to advance our “green office” initiative, aiming at reducing resource consumption and enhancing ecological and environmental protection, we initiated green and low-carbon office practices.

Measures on Managing Environmental Risks

Our approach to environmental risk management is proactive, focusing on incorporating green and low-carbon practices from the onset of our operations. Therefore, we adopt various measures in planning and building facilities that are sustainable and eco-friendly. Our commitment to this principle is also exemplified by our “2022 National Green Factory” certification in March 2023. We have obtained ISO14001, ISO50001, ISO14064 and ISO14067:2018 certifications, which testify to our environment management capability, energy efficiency, GHG emission control, and product carbon footprint. This systematic approach enables continuous enhancement of our environmental management capabilities and compliance with recognized environmental standards.

BUSINESS

In addition, we have implemented a series of measures in our daily operations to mitigate environmental risks and fulfill our targets.

- ***GHG emission.*** We adopt various energy saving and consumption reduction measures, such as purchasing energy-efficient power equipment to reduce energy consumption in our production processes. In addition, we utilize renewable energy, such as adopting rooftop distributed PV power generation to supplement/replace grid power with solar energy and other energy sources;
- ***Electricity consumption.*** Guided by the *Energy Conservation Law* and energy management standards, we follow ISO 50001 principles to enhance our energy management system and overall energy handling. We actively promote energy-saving measures, advocate for green practices, and efficiently manage resources and waste. By upgrading equipment and prioritizing energy-efficient office devices, we aim to increase energy efficiency, reduce office environment radiation, and achieve cost savings while fulfilling our environmental responsibilities;
- ***Water consumption.*** To reduce water consumption and support our "green office" initiative, we encourage employees to use water judiciously. Regular checks and maintenance of office faucets ensure timely repairs and replacements, preventing wasteful water usage. This focused approach to water conservation aligns with our broader commitment to ecological and environmental stewardship within the industry;
- ***Wastewater discharge.*** We strictly treat and discharge all wastewater, including that from production processes, water purification, cooling systems, gas treatment, equipment flushing, and staff usage, in compliance with the GB 30484-2013 standard. We have set up three wastewater treatment stations with a daily treatment capacity of more than 30,000m³ per day to meet our wastewater treatment needs;
- ***Gas pollutants discharge.*** We employ a dedicated waste gas emission tower to remove pollutants from exhaust gases using acid/base neutralization, activated carbon absorption, and dust collectors, complying with atmospheric emission standards. The primary sources of our emissions are process gases, including those from texturing, diffusion, etching, film deposition, screen printing drying and sintering, and odorous gases from our wastewater treatment facility;
- ***Solid waste discharge.*** We handle general solid and hazardous waste in strict accordance with GB5085-2007. We have established management systems for hazardous waste and sludge shed management to enhance the oversight of different types of waste. We employ a variety of strict measures for the disposal of solid waste based on its classification;

BUSINESS

- **Hazardous substances.** We identify and control hazardous chemicals and other substances released into the environment to ensure that these substances are handled, transported, stored, used, recycled or reused and disposed of in a safe manner. The treatment of hazardous substances is delegated to qualified units for professional disposal: after filing an official declaration and filing a registration in relation to the waste to be disposed, the hazardous waste is mostly likely sent to disposal in various ways; and
- **Supplier management.** During our selection process, we consider social responsibilities and other dimensions, including environment, safety hazardous substances, trade safety and other aspects. We also research suppliers' qualifications, compliance with laws and regulations, industry experience, quality control, R&D abilities and scale, prioritizing partnerships with industry leaders.

To ensure effective adoption of these measures, we have also implemented comprehensive emergency plans and regular training so that our staff are endowed with requisite knowledge and equipment to handle emergencies effectively.

Our manufacturing operations are subject to relevant environmental laws and regulations in the PRC. The environmental protection inspection department of the local government conducts regular inspections to ensure compliance. Our PRC Legal Advisor has advised us that, during the Track Record Period, we have not been subject to significant penalties by the governmental authorities for non-compliance with the applicable PRC environmental laws and regulations, nor have we experienced any major environmental incidents or complaints that have a material adverse effect on our business, financial condition or results of operations during this period.

In 2021, 2022 and the nine months ended September 30, 2023, our total cost of compliance with environmental protection and safety laws and regulations amounted to approximately RMB8.6 million, RMB50.4 million and RMB56.2 million, respectively, and we expect such cost to increase in line with our growth in scale.

Social Matters

Regarding social matters, we prioritize creating a fair and supportive work environment for our employees. We have been certified under the TÜV Nord SA8000 standard, which encourages socially acceptable practices in the workplace. Our policies on compensation, dismissal, equal opportunities, and anti-discrimination are transparent and in compliance with applicable laws and regulations, and we conduct induction training for every employee and keep them informed of our systems and policies to keep them abreast with their relevant rights and duties in our Group. We hire employees based on their merits and maintain a corporate policy that promotes equal opportunities and fair compensation for all. If employees experience discrimination, we encourage them to seek immediate assistance, allowing us to promptly investigate and address the situation. Additionally, we offer training programs to keep our employees updated on industry and regulatory developments. We also organize community outreach events, where our employees could provide care to the elderly at senior care homes, promote health and well-being through taking part in voluntary blood donation, and provide support and aid to other employees facing hardships.

BUSINESS

In addition, we prioritize occupational health and safety and adhere to PRC laws and regulations to safeguard employee well-being and prevent workplace hazards. We have obtained the ISO45001 certification, signifying our ability to meet international standard for health and safety at work. During the Track Record Period, all of our employees working in positions with occupational disease risks participated in medical examination, and we had zero fatality due to work-related injuries. As of the Latest Practicable Date, we have around 58 full-time safety personnel. Our health and safety management system, certified by third-party institutions, includes comprehensive policies regarding preventing, recording and handling accidents and meets ISO45001 standards. We consistently perform internal and external safety reviews, with incident rates below the industry average, as confirmed by Frost & Sullivan. To ensure observance of our occupational health and safety guidelines, we conduct pre-job training, environmental safety training and assessment for all new employees. We also organize scheduled trainings on regular basis, helping our trainees obtain a nearly 100% qualification rate. We also distribute safety-related manuals to employees and post bulletins setting forth safety instructions, guidelines and policies throughout our facilities. Due to our efforts, we did not have any material accidents during the Track Record Period.

DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

We are committed to ensuring data privacy and information security. In the course of conducting our business, the privacy data we collect mainly pertains to employee information, customer and supplier contact information, and other data necessary for operation and management. We make sure to obtain adequate authorization and consent from our employees, customers and suppliers for collecting and processing their private information. In addition, due to the limited number of our employees, customers and suppliers, the amount of data we collect is limited. We do not engage in collecting private information through public channels such as operational websites, apps, or mini-programs on internet platforms.

We have implemented robust protective measures for the privacy data we collect. These measures include (i) establishing internal control systems such as Data Security Management System and System & Application Security Management System. These systems clearly stipulate our management of data confidentiality, data approval authority, data usage rights, data classification and grading, data security responsibilities, and encryption strategy change management, and we have effectively implemented and executed these systems; (ii) strictly minimizing the access and circulation rights of private information and requiring stringent system authorization for the use of such information; (iii) adopting technical measures such as global encryption and anti-leakage to protect information; and (iv) we have established an information isolation system to ensure information security. Especially, we strictly limit the access to and management of our employees' personal information database to our dedicated personnel, and we silo the information by department to further safeguard our information security from unauthorized internal accesses.

BUSINESS

In addition, we provide data privacy trainings to employees on a periodic basis to increase their compliance awareness. Employees are required to sign an integrity and intellectual property agreement with us, whose confidentiality provisions prohibit them from disclosing any confidential information relating to their work without our consent. We also organize annual comprehensive risk assessment of information assets, and adjust strategies for information risk control and security management. We have an emergency response mechanism for information security and we carry out emergency drills on a regular basis and improve our information management system accordingly.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of operating or transaction data. As confirmed by our PRC Legal Advisor, we were in compliance with the applicable PRC laws and regulations relating to the collection or use or of privacy data in material respects as of the Latest Practicable Date.

INTELLECTUAL PROPERTY

Owing to the efforts of our R&D team, we have been able to develop and own a series of important intellectual properties and several key technologies. See “— Research and Development — Key Technologies.”

As of the Latest Practicable Date, we possessed 157 patents (50 of which are inventions), three domain names, 41 trademarks and one computer software copyrights, and we were in the process of applying for 84 additional patents as of the same date.

During the Track Record Period, we focused our research and development efforts on N-type TOPCon technology, and our patents primarily focus on the manufacturing process and production of N-type TOPCon cells. We recognize the utmost importance of intellectual property rights for our success in the PV market. Therefore, we rely primarily on a combination of trade secrets, patents, copyrights, trademarks, unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. Each of our employees is required to sign an integrity and intellectual property agreement when they join us, which contains non-compete and non-solicitation provisions. We also strictly control access to our facilities via a secure entry system, and we adopt comprehensive policies to prevent unauthorized communication of sensitive information to external parties. In employees’ integrity and intellectual property agreements and some commercial agreements we enter into, we generally state all rights and obligations regarding the ownership and protection of intellectual properties. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, (ii) deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual properties, (iii) timely registration, filing and application for ownership of our intellectual properties, (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (v) engaging professional intellectual property service providers.

BUSINESS

As of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties’ intellectual property rights in the PRC.

EMPLOYEES

We recognize the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives. Especially, we maintain Employee Incentive Schemes for our employees, having covered more than 500 employees as of September 30, 2023. For details, please see “Appendix VI — Statutory and General Information — Employee Incentive Schemes.” We typically sign non-competition agreement with our senior management or other key employees. Our employees are periodically reviewed on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We adopt a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online job sites and internal referrals. We provide on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. We also strive to create a multifaceted incentive mechanism and a friendly working environment to fulfil our employees’ full potential. To accelerate endogenous and organic growth of talents, we have established an “E-Learning” online educational platform and integrated it with our training system. In our system, new and junior employees are able to test and hone their management and technical skills through progressing along a clearly-defined, meritocratic pathway to senior positions, which we believe will ultimately allow us to achieve maximum efficiency in talent allocation.

As of the Latest Practicable Date, we had 6,007 full-time employees, all of whom are based in China, around 25% of whom were females. The following table sets forth the numbers of our employees categorized by function as of the date indicated:

	As of the Latest Practicable Date
Employees Categorized by Function	
R&D	2,532
Manufacturing	2,230
Administrative	967
Management	157
Financial	64
Sales & Marketing	57
Total	<u>6,007</u>

BUSINESS

We currently have a labor union for our employees. We believe that we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, basic medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing fund plans.

INSURANCE

As of the Latest Practicable Date, we maintained applicable commercial insurance in the PRC, and we also maintained insurance on properties, equipment, EHS (Environmental, Health, and Safety), fire and product liability insurance. Our Directors are of the view that our insurance coverage is sufficient and adequate and is in line with customary industry practices.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims.

SEASONALITY

We were not subject to material seasonality during the Track Record Period, though the cyclicity of the PV market affected the supply-demand mechanism of our industry and subjected us to changes in raw material prices and the average selling prices of our PV cells. For price changes relating to our raw materials, please see “— Supply Chain Management — Supply-Demand of Raw Materials.” in this section. For changes of the average selling prices of our PV cells, please see “— Our Products and Services.”

PROPERTIES

Owned Properties

Land

As of the Latest Practicable Date, we owned land use rights of five parcels of land with a total site area of 349,612.5 sq.m., which were primarily used for industrial purposes. As of the Latest Practicable Date, we had obtained real estate ownership certificates for the five aforementioned parcels of land.

BUSINESS

Buildings

As of the Latest Practicable Date, we had 33 buildings with an aggregated GFA of approximately 182,895.5 sq.m., which were primarily used for daily operation and production. Among them, we have obtained property ownership certificates for 20 buildings with an aggregated GFA of 177,998.1 sq.m.

As of the Latest Practicable Date, we had not yet obtained the property ownership certificates of the remaining 13 buildings, with a GFA of 4,897.5 sq.m., which were still in the application process due to the changes of ownership of the properties and/or the change of name of Jietai Technology. All the aforementioned 13 properties were located on the site of our Shangrao Plant and were auxiliary and supporting facilities or buildings that are highly replaceable, from which we did not generate revenues directly during the Track Record Period. According to the written confirmation issued by the relevant competent authorities, there was no material legal impediment for us to obtain the property ownership certificates, and we had received no administrative penalty related to violating laws and regulations on construction projects or buildings. In addition, through comprehensive internal safety regulations, we ensure that the safety conditions of buildings which have not obtained building ownership certificates align with local rules and regulations. In the event that our use of properties is successfully challenged and we are forced to relocate, we have contractual right to seek indemnification from the relevant parties, including Zhanyu New Energy and Shangrao Zhanhong, for most of the properties. Based on the aforementioned written confirmation, our PRC Legal Advisor is of the view that there is no substantial legal impediment for us to obtain the relevant property ownership certificates, that any failure to obtain such property ownership certificates will not have a material adverse effect on our production and operation, and that we are subject to no risk of administrative penalties due to the lack of these ownership certificates. For enhanced internal control measures to prevent recurrence of similar incidents, see “— Risk Management and Internal Control.”

Leased Properties

According to the respective agreements that we entered into with the Management Committee of Lai’an Chahe Economic and Technological Development Zone and the People’s Government of Lianshui County, which are typical in China’s renewable energy industry, as confirmed by Frost & Sullivan, the relevant government authorities are responsible for the construction of the production plants and related ancillary buildings used on our Chuzhou and Huai’an Plants. We lease and use the properties upon completion of the construction and will purchase the properties within an agreed timeframe. As of the Latest Practicable Date, the aggregate GFA of the relevant properties was 636,911.86 sq.m..

As of the Latest Practicable Date, the property ownership certificates of the aforementioned properties were still in the process of application preparation and thus have not been obtained. However, according to the written confirmation issued by the Management Committee of Lai’an Chahe Economic and Technological Development Zone, the People’s Government of Lianshui County, the current absence of these property ownership certificates

BUSINESS

will not affect our normal production or operation, and there is no material legal impediment to obtain the relevant property certificates. Based on the aforementioned, PRC Legal Advisor is of the view, and our Directors concur, that the current absence of relevant property ownership certificates will not affect our legal right to use such relevant properties or our normal production and operation.

As of the Latest Practicable Date, apart from the aforementioned leased properties with purchase arrangement, we leased nine properties in various locations with an aggregated GFA of approximately 22,183.2 sq.m. for offices and employee dormitories.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. There are six lease agreements of our Group which have not been registered and filed with the relevant PRC authorities as of the Latest Practicable Date. Our PRC Legal Advisor is of the view that any failure to register and file these lease agreements with relevant PRC authorities will not affect the validity of the lease contracts and the legal use of the leased properties, but relevant local housing authorities may require us to complete the filing within the prescribed period, and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of delay in filing for each of such properties. Accordingly, we believe that the failure to register these lease agreements will not have any material adverse effect on our operations or financial position.

During the Track Record Period and up to the Latest Practicable Date, our leases for the leased property with registration defects were not challenged by relevant authorities that had resulted or involved us as the defendant in disputes, lawsuits or claims in connection with the rights to lease and use such property occupied by us. After the expiration of these lease agreements, we will evaluate the legal risks associated with their renewal. In light of the nature of the defect mentioned above, should these issues prevent the continued use of the leased property, we anticipate being able to promptly locate suitable alternative premises without incurring significant losses. Our Directors are of the view that these defects will not have a materially adverse impact on our business, operations, or financial results.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to our interests in properties, for the reason that, as of September 30, 2023, none of the properties owned and leased by us had a carrying amount of 15% or more of our consolidated total assets.

BUSINESS

CERTIFICATES, LICENSES AND PERMITS

As advised by our PRC Legal Advisor, our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had obtained all material certificates, licenses, approvals and permits from relevant authorities for our operations in material respects. Such certificates, licenses, approvals and permits include those for emissions and imports-exports and were within expiry as of the Latest Practicable Date. We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations and we do not expect any material difficulties in such renewals so long as we comply with the applicable requirements and conditions set by the relevant laws and regulations.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, financial condition, results of operations, reputation or compliance. During the same period, we were not involved in any non-compliance incidents which would, individually or in aggregate, have a material adverse effect on our business as a whole. As confirmed by our PRC Legal Advisor, our business operations had been carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board has established a comprehensive risk management and internal control process through which we address risks associated with every aspect of our business operation and ensure a compliance culture. We have put in place a set of operational risk analysis and response measures to achieve risk aversion, risk reduction and risk response by properly identifying, categorizing and analyzing various risks. We have implemented risk management policies and procedures that are designed to identify, evaluate, and manage the significant risks we may encounter, including market, credit, and operational risks. These policies and procedures are integral components of our internal control systems, which are regularly reviewed to ensure they effectively address the risks. This ongoing process supports our commitment to maintain robust risk oversight and ensure that these risks are managed in a manner that is aligned with the best interests of our shareholders and the long-term objectives of our Company.

In managing our risks, we endeavor to thoroughly consider the exposure of each of our different business departments, and we periodically review the effectiveness of our risk management and internal control measures to ensure timely and robust implementation. We adopted an internal control procedure of risk and opportunity identification and evaluation, to

BUSINESS

follow a systematic process and selection criteria to identify, assess, and prioritize material risks, including ESG-related risks. In particular, we have adopted the following measures to mitigate the risks on bribery and corruption:

- a policy relating to anti-bribery and anti-corruption was issued by us to mitigate the risks on bribery and corruption. Our administrative department is responsible for monitoring, accepting escalation, processing investigation and reporting of incompliance behavior including bribery and corruption;
- a whistle-blower mechanism was set up by us, including report channels (hotline and mailbox), investigation procedures and responding to detected problems; and
- compliance training is provided to all employees including new employees.

Guided by our Board and given the evolving business and regulatory environment in which we operate, we have adopted, or expected to adopt, a series of changes in our internal control policies, programs and procedures to strengthen our risk management and internal control capability and prevent non-compliance event from happening. These measures include:

- the engagement of an independent internal control consultant who performed a review on our internal controls over financial reporting in November 2023 and provided recommendation accordingly. We have adopted the corresponding remediation actions to improve our internal control system. The Internal Control Consultant performed a follow-up review with regard to those actions taken by us, and there was no further material finding identified in the design of internal control process of the follow up review;
- the improvement of our existing system that monitors and records the status of requisite certificates, licenses and permits to ensure operation of production plants and the mechanism to update this system from time to time based on the requirements of the local authorities and advices given to us;
- the engagement of external legal advisor to facilitate compliance with the relevant requirements under the Listing Rules after [REDACTED];
- the regular training provided by external legal advisor to our Directors and senior management after [REDACTED] on the subject of compliance of relevant Listing Rules requirements and applicable PRC laws and regulations; and
- the establishment of our Audit Committee which comprised of three independent non-executive Directors to oversee our risk management and internal control systems, and review the financial statements of our Company from the perspective of compliance with applicable rules and regulations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of ten Directors, including five executive Directors, one non-executive Director and four independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The table below sets out certain information of our Directors:

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Ms. Lu Xiaohong (陸小紅)	57	Executive Director and chairperson of the Board	June 2019	August 2004	Responsible for the leadership, overall strategic planning, business development and major investment and decision making of the Group	Spouse of Mr. Xu Xiaoping
Mr. Xu Xiaoping (徐曉平)	57	Executive Director and deputy general manager	April 2004	April 2004	Responsible for the leadership, overall strategic planning, business development and major investment and decision making of the Group	Spouse of Ms. Lu Xiaohong
Mr. Zhang Manliang (張滿良)	43	Executive Director and general manager	April 2021	April 2021	Responsible for overall management and daily operation of the Group and overseeing R&D	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Zheng Hongwei (鄭洪偉)	57	Executive Director, vice chairman and deputy general manager	October 2021	October 2021	Responsible for overseeing overall strategic planning, investment, merger and acquisition and capital market matters of the Group	None
Ms. Zheng Tong (鄭彤)	52	Executive Director, secretary of the Board and joint company secretary	July 2017	July 2017	Responsible for the company secretarial matters of the Group and corporate governance practices; providing support to other Directors and maintaining the public relations	None
Mr. Xu Yong (徐勇)	55	Non-executive Director	May 2012	June 2004	Responsible for providing strategic advice on the development of the Group	Brother-in-law of Ms. Lu Xiaohong
Mr. Zhao Hang (趙航)	68	Independent non-executive Director	October 2018	October 2018	Responsible for providing independent advice and judgement to the Board	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Shen Wenzhong (沈文忠)	55	Independent non-executive Director	June 2022	June 2022	Responsible for providing independent advice and judgement to the Board	None
Mr. Yang Youjun (楊友雋)	59	Independent non-executive Director	October 2018	October 2018	Responsible for providing independent advice and judgement to the Board	None
Mr. Zhang Liang (張亮)	41	Independent non-executive Director	[REDACTED]	[REDACTED]	Responsible for providing independent advice and judgement to the Board	None

Executive Directors

Ms. Lu Xiaohong (陸小紅), aged 57, an executive Director and the chairperson of the Board of our Company. Ms. Lu joined our Group in August 2004 as deputy director of the general office for over 14 years. She served as a deputy general manager from October 2018 to June 2019 and general manager from September 2019 to June 2022. She was appointed as a Director and the chairperson of the Board in June 2019 and was re-designated as an executive Director in February 2024, with effect from the [REDACTED]. She is primarily responsible for the leadership, overall strategic planning, business development and major investment and decision making of the Group.

Ms. Lu has been the chairperson of the Board of Jietai Technology, one of our wholly-owned subsidiaries, since October 2021. Prior to joining our Group, Ms. Lu has been the director of Suzhou Longxin Plastic Electrical Co., Ltd. (蘇州隆新塑料電器有限公司) (formerly known as Suzhou Longxin Plastic Electrical Printing Co., Ltd. (蘇州隆新塑料電器印刷有限公司)) (“**Suzhou Longxin**”) since January 2003.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Xu Xiaoping (徐曉平), aged 57, an executive Director and deputy general manager of our Company. Mr. Xu was appointed as a Director in April 2004 and was re-designated as an executive Director in February 2024, with effect from the [REDACTED]. He was appointed as the chairperson of our Company in June 2012 and changed the position to vice chairperson from October 2018 to June 2022. He has been serving as deputy general manager since June 2019. He is primarily responsible for the leadership, overall strategic planning, business development and major investment and decision making of the Group.

Mr. Xu has been serving as the chairperson of the board of Suzhou Longxin since January 2003.

Mr. Zhang Manliang (張滿良), aged 43, an executive Director and general manager of our Company. Mr. Zhang joined our Group in April 2021 as a Director and deputy general manager of our Company and was later promoted as general manager of our Company in June 2022. Mr. Zhang was re-designated as an executive Director in February 2024, with effect from the [REDACTED]. Mr. Zhang also holds the following positions in other members of our Group and he is primarily responsible for overall management and daily operation of the Group.

<u>Other members of the Group</u>	<u>Positions held with other members of the Group</u>	<u>Date of appointment</u>
Jietai Technology	Director and general manager	June 2021 and December 2020
Hongye New Energy	Executive director and general manager	April 2021
Chuzhou Jietai	Executive director and general manager	December 2021
Huai'an Jietai	Executive director and general manager	October 2022
Minghong New Energy	Executive director and general manager	April 2021

Mr. Zhang has over 15 years of experience in the photovoltaic cell industry. Prior to joining the Group, Mr. Zhang served as general manager of Oriental Risheng (Changzhou) New Energy Co., Ltd. (東方日升(常州)新能源有限公司) from August 2018 to November 2020. From May 2016 to August 2018, he worked at GCL System Integration Technology (Suzhou) Co., Ltd. (協鑫集成科技(蘇州)有限公司). From December 2009 to May 2016, he served as a deputy foundation general manager of Hairun Photovoltaic Technology Co., Ltd. (海潤光伏科技有限公司), a company primarily engaged in production of solar cells, and was responsible for assisting the foundation general manager relating to the production and management and operation of the foundation branch office. From July 2006 to August 2009, he worked at JA Solar Co., Ltd. (晶澳太陽能有限公司), a solar energy related production company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang received his bachelor’s degree in electronic science and technology from Hebei University (河北大學) in the PRC in June 2006. Mr. Zhang also received his master’s degree of business administration by online courses from University of North Alabama in the United States in December 2019.

Mr. Zheng Hongwei (鄭洪偉), aged 57, an executive Director and deputy general manager of our Company. He joined our Group in October 2021 as a Director and deputy general manager of our Company. Mr. Zheng was appointed as a vice chairman in January 2024 and was re-designated as an executive Director in February 2024, with effect from the [REDACTED]. He is primarily responsible for overseeing overall strategic planning, investment, merger and acquisition and capital market matters of the Group.

Mr. Zheng has been a deputy general manager of Jietai Technology, one of our wholly-owned subsidiaries, since his joining in Jietai Technology in December 2019 and has been responsible for assisting the general manager of Jietai Technology in management and operation of Jietai Technology.

Prior to his joining in our Group, Mr. Zheng serviced as deputy general manager for Oriental Children Painting (Shanghai) Education Technology Co., Ltd. (東方童畫(上海)教育科技有限公司) from October 2018 to June 2019 and board secretary of Ribo Fashion Group Co., Ltd. (日播時尚集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603196.SH), from June 2017 to December 2017. From June 2009 to June 2017, Mr. Zheng worked at Zhejiang Semir Garment Co., Ltd. (浙江森馬服飾股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002563.SZ), where he served as the board secretary from June 2009 and also took on the role of deputy general manager in March 2011. Prior to this, Mr. Zheng worked at Fujian SBS Zipper Science and Technology Co., Ltd. (福建潯興拉鍊科技股份有限公司) from March 2003 to June 2009, a company listed on the Shenzhen Stock Exchange (stock code: 002098.SZ), serving as a board secretary from March 2003 and also a deputy general manager in September 2005. He was responsible for information disclosure and investor relations, equity affairs management, corporate governance, equity investment, preparation of board of directors and shareholders’ meetings of the above-mentioned companies.

Mr. Zheng received his bachelor’s degree in chemical process machinery from Dalian University of Technology (大連理工大學) in the PRC in July 1987 and subsequently obtained the master’s degree in chemical process machinery from Zhejiang University (浙江大學) in the PRC in March 1993. Mr. Zheng completed the postgraduate course in finance from Xiamen University (廈門大學) in the PRC in July 2005. He also obtained the qualification of board secretary for the Shenzhen Stock Exchange in September 2007.

Ms. Zheng Tong (鄭彤), aged 52, an executive Director, board secretary and joint company secretary of our Company. Ms. Zheng joined our Group in July 2017 as a Director, the chief financial officer and secretary of the Board of our Company. She ceased to be a Director and chief financial officer in March 2021 and May 2022, respectively. Mr. Zheng was re-appointed as a Director in June 2022. She was re-designated as an executive Director in February 2024 and joint company secretary of our Company in January 2024, with both effect from the [REDACTED]. She is primarily responsible for the company secretarial matters of the Group and corporate governance practices, providing support for other Directors and maintaining the public relations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zheng has been serving as a director of Jietai Technology since October 2021. Prior to joining our Group, she worked at the securities department of Haima Automobile Group Co., Ltd. (海馬汽車集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000572.SZ), from August 2004 to June 2017 as the securities affairs representative of the group and was responsible for the company’s securities related matters.

Ms. Zheng received her bachelor’s degree in textile design from China Textile University (中國紡織大學) (currently known as Donghua University (東華大學)) in the PRC in July 1993. She also obtained the qualification of board secretary for the Shenzhen Stock Exchange in June 1997.

Non-executive Director

Mr. Xu Yong (徐勇), aged 55, an non-executive Director of our Company. Mr. Xu Yong joined our Group in June 2004 as a deputy general manager and left in March 2005. Mr. Xu Yong rejoined our Group as a Director in May 2012 and was re-designated as a non-executive Director of our Company in February 2024. He served as a general manager from May 2012 and changed the position as the vice chairperson from October 2018 to June 2022. He is primarily responsible for providing strategic advice on the development of the Group.

Mr. Xu Yong served as general manager of Suzhou Longxin from April 2005 to July 2012 and was responsible for daily management and operation of such company.

Mr. Xu Yong completed his high school study in the PRC in July 1988. He was awarded as Senior Economist (高級經濟師) by Department of Human Resources and Social Security of Jiangsu Province (江蘇省人力資源和社會保障廳) in October 2011.

Independent Non-executive Directors

Mr. Zhao Hang (趙航), aged 68, an independent non-executive Director of our Company. Mr. Zhao joined our Group in October 2018 and has been an independent Director since then. He was re-designated as independent-non executive Director in February 2024, with effect from the [REDACTED]. He is primarily responsible for providing independent advice and judgement to the Board.

Mr. Zhao has been serving as the chairman of China Development Alliance Investment Co., Ltd. (中發聯投資有限公司), a company primarily engaged in equity investment, since May 2017 and has been responsible for overall management and daily operation of this company. He retired from China Automotive Technology and Research Center (中國汽車技術研究中心) in November 2015 with his last position as a director of the center.

Since January 2022, Mr. Zhao has been serving as an independent director of Hunan Lead Power Technology Group Co., Ltd. (湖南領湃科技集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300530.SZ). Since April 2016, he has been serving as an independent non-executive director of Sinotruk (Hong Kong) Limited, a company listed on the Stock Exchange (stock code: 3808.HK). From December 2016 to December 2022, Mr. Zhao was an independent director of Shanghai Baolong Automotive Corporation (上海保隆汽車科技

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603197.SH). From October 2018 to August 2023, he was an independent director of Liaoning SG Automotive Group Co., Ltd. (遼寧曙光汽車集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600303.SH). From March 2017 to October 2023, he was a director of Faw Group Co., Ltd. (中國第一汽車股份有限公司).

Mr. Zhao received his bachelor’s degree in automotive from Jilin Institute of Technology (吉林工業大學) (currently known as Jilin University (吉林大學)) in the PRC in August 1982. He further received his master’s degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in October 2003.

Mr. Shen Wenzhong (沈文忠), aged 55, an independent non-executive Director of our Company. Mr. Shen joined our Group in June 2022 and has been an independent Director since then. He was re-designated as independent-non executive Director in February 2024, with effect from the [REDACTED]. He is primarily responsible for providing independent advice and judgement to the Board.

Mr. Shen has strong academic background and more than 20 years’ experience in solar energy industry. Mr. Shen has been a professor and PhD tutor of Shanghai Jiao Tong University (上海交通大學) since September 1999 and has been engaged in R&D of solar energy cells.

Since July 2015, Mr. Shen has been serving as a director of Shanghai Optech Science and Technology Co., Ltd. (上海歐普泰科技創業股份有限公司), a company listed on the Beijing Stock Exchange (stock code: 836414.BJ). Since June 2015, he has been serving as an independent non-executive director of GCL Technology Holdings Limited (協鑫科技控股有限公司), a company listed on the Stock Exchange (stock code: 3800.HK). Since June 2023, he was an independent director of Zhejiang Bangjie Holding Group Co., Ltd. (浙江棒傑控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002634.SZ). From July 2017 to March 2023, he was an independent director of Jolywood (Suzhou) Sunwatt Co., Ltd. (蘇州中來光伏新材股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300393.SZ). From September 2017 to June 2022, he was an independent director of Arctech Solar Holding Co., Ltd. (江蘇中信博新能源科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688408.SH).

He received his doctoral degree in Semiconductor Physics from Shanghai Institute of Technical Physics Chinese Academy of Sciences (中國科學院上海技術物理研究所) in the PRC in September 1995. Mr. Shen was awarded as Cheung Kong Scholars by Cheung Kong Scholars Programme (長江學者獎勵計劃特聘教授) by Ministry of Education of the People’s Republic of China (中華人民共和國教育部) in 2000.

Mr. Yang Youjun (楊友雋), aged 59, an independent non-executive Director of our Company. Mr. Yang joined our Group in October 2018 and has been an independent Director since then. He was re-designated as independent-non executive Director in February 2024, with effect from the [REDACTED]. He is primarily responsible for providing independent advice and judgement to the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yang has more than 20 year’s experiences in accounting. Mr. Yang has been worked in various accounting firms including: (i) as an executive director and chief accountant of Suzhou Ruiya Accounting Firm Co., Ltd. (蘇州瑞亞會計師事務所有限公司) since November 2015; (ii) as the chairman and chief accountant of Jiangsu Xinzhongda Accounting Firm (江蘇新中大會計師事務所) from December 2004 to October 2015; (iii) as a director and deputy chief accountant of Jiangsu Runhua Accounting Firm Co., Ltd. (江蘇潤華會計師事務所有限公司) from October 2003 to November 2004; and (iv) as a project manager of Jiangsu Huaxing Accounting Firm Co., Ltd. (江蘇華星會計師事務所有限公司) from October 2000 to October 2003. Since October 2022, he has been serving an independent director of Tongding Interconnection Information Co., Ltd. (通鼎互聯信息股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002491.SZ).

Mr. Yang completed the degree course in foreign economy from Jiangsu Provincial Party School Cadre Correspondence College (江蘇省委黨校幹部函授學院) in the PRC in July 1991. Mr. Yang was qualified as a Certified Public Accountant by China Institute of Certified Public Accountants in December 1999.

Mr. Zhang Liang (張亮), aged 41, an independent non-executive Director of our Company. Mr. Zhang was appointed as an independent non-executive Director in February 2024, with effect from the [REDACTED]. He is primarily responsible for providing independent advice and judgement to the Board.

Mr. Zhang has been served as an executive director, chief financial officer and joint company secretary of Rainmed Medical Limited (潤邁德醫療有限公司) (“**Rainmed**”), a medical device company listed on the main board of the Stock Exchange (stock code: 2297.HK), since December 2021, and has been responsible for supervising the internal financial control and securities works. He also has been serving as the chief financial officer of Suzhou Rainmed Medical Technology Co., Ltd. (蘇州潤邁德醫療科技有限公司), a wholly-owned subsidiary of Rainmed since March 2021. He joined Yunnan Water Investment Co., Limited (雲南水務投資股份有限公司) (“**Yunnan Water**”), a company listed on the main board of the Stock Exchange (stock code: 6839.HK), and served as the board secretary from September 2015 to December 2016 and rejoined as the board secretary from September 2017 to February 2021. Then he served as an alternate to the authorized representative of Yunnan Water from November 2019 to November 2021, where he was responsible for compliance and acted as the channel of communication between the company and the Stock Exchange. He was the founder, chief technology officer and chief financial officer of H.C. operation capital limited (港陸資本運營有限公司), a company engaged in enterprise management consulting services, and he was responsible for project operations and quality control from October 2015 to December 2020. He was also the board secretary of Shenzhen Wangtong E-commerce Company Limited (深圳市網通電子商務有限公司) from July 2014 to June 2015, an E-commerce company. In addition, he served as the vice president and board secretary of Shenzhen Jinxin Industry Group Co., Ltd. (深圳金信實業集團有限公司), a financial affairs service company, and he was responsible for capital operation and management from May 2013 to June 2014. He was also the board secretary and deputy investment general manager of Leoch International Technology Limited (理士國際技術有限公司) (stock code: 0842.HK), a company listed on the Stock Exchange which is mainly engaged in R&D and sales of batteries, and he was responsible for the internal control and public affairs from November 2006 to May 2013.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang obtained an undergraduate diploma in lawyer from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2004. He further obtained his master’s degree in executive business administration from Jilin University (吉林大學) in the PRC in December 2017. He was qualified as the board secretary from the Shenzhen Stock Exchange in September 2016.

General

Each of our Directors has confirmed that:

- (1) he/she obtained the legal advice referred to under Rule 3.09D of the Listing Rules on January 27, 2024, and understood his/her obligations as a director of a [REDACTED];
- (2) save as disclosed in the paragraph headed “Further Information about Our Directors, Supervisors and Substantial Shareholders — 2. Service Contracts” in Appendix VI to this document, he/she does not have any existing or proposed service contract with our Company other than contracts expiring or determinable by the relevant member of our Company within one year without payment of compensation (other than statutory compensation);
- (3) save as disclosed in the paragraph headed “Further Information about Our Directors, Supervisors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix VI to this document and above, he/she has no interest in the Shares within the meaning of Part XV of the SFO;
- (4) save as disclosed in “— Board of Directors” in this section, he/she has not been a director of any other publicly listed company during the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and
- (5) save as disclosed in “— Board of Directors” in this section, he/she did not completed his/her respective education programs as disclosed in this section by way of attendance of long distance learning or online courses.

Each of our independent non-executive Directors has confirmed:

- (1) his independence after taking into consideration each of the factors referred to under Rules 3.13(1) to 3.13(8) of the Listing Rules;
- (2) that he does not have any past or present financial or other interest in the business of our Company or our subsidiaries, or any connection with any core connected person of our Company; and
- (3) there are no other factors which may affect his independence at the time of his appointment as our independent non-executive Director.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed in this document, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries:

- (1) there is no other matter with respect to the appointment of our Directors that needs to be brought to the attention to the Shareholders as of the Latest Practicable Date; and
- (2) there is no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

SUPERVISORY COMMITTEE

Our Supervisory Committee consists of three Supervisors. The following table sets out certain information of our Supervisors:

Name	Age	Position(s)	Date of appointment as Supervisor	Date of joining our Group	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Ms. Wang Menglin (汪夢琳)	30	Employee representative Supervisor, chairperson of the Supervisory Committee and human resources officer of Jietai Technology	September 2023	January 2020	Responsible for supervising and providing independent advice to our Board	None
Ms. Lin Caiying (林彩英)	57	Supervisor	February 2024	October 2021	Responsible for supervising and providing independent advice to our Board	None
Ms. Lin Ting (林婷)	33	Employee representative Supervisor and senior officer of the administration department of Jietai Technology	January 2024	April 2021	Responsible for supervising and providing independent advice to our Board	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Wang Menglin (汪夢琳), aged 30, has been a Supervisor of our Company since September 2023 and the chairperson of the Supervisory Committee since January 2024. She has also been serving as a human resources officer of Jietai Technology since January 2020 and a supervisor of Chuzhou Jietai since January 2024. She is primarily responsible for supervising and providing independent advice to our Board.

Prior to joining our Group, Ms. Wang served as a human resources officer at Jiangxi Uniex New Energy Co., Ltd. (江西展宇新能源股份有限公司) from March 2017 to December 2019. She also worked at Jiangxi Fuzhou Technology Co., Ltd. (江西福舟科技有限公司) from September 2016 to March 2017.

Ms. Wang received her bachelor’s degree in human resource management from Jiangxi University of Technology (江西科技學院) in the PRC in July 2016.

Ms. Lin Caiying (林彩英), aged 57, served as a Supervisor of our Company from October 2021 to May 2022 and was re-appointed as a Supervisor in February 2024. She is primarily responsible for supervising and providing independent advice to our Board.

Prior to joining our Group, Ms. Lin has worked at Suzhou Ruiya Accounting Firm Co., Ltd. (蘇州瑞亞會計師事務所有限公司) and Suxin United Accounting Firm (蘇州市蘇信聯合會計師事務所). She also worked at Jiangsu Xindazhong Accounting Firm Co., Ltd. (江蘇新中大會計師事務所有限公司) from December 2006 to November 2015.

Ms. Lin received her college degree in industrial enterprise management from Jiangsu Radio and Television University (江蘇廣播電視大學) (currently known as Jiangsu Open University (江蘇開放大學)) in the PRC in July 1988. Ms. Lin became a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2002.

Ms. Lin Ting (林婷), aged 33, has been a Supervisor of our Company since January 2024. She has also been appointed as senior officer of the administration department of Jietai Technology since April 2021. She is primarily responsible for supervising and providing independent advice to our Board.

Prior to joining our Group, Ms. Lin worked at Hanteng Automobile Co., Ltd. (漢騰汽車有限公司) from May 2018 to September 2020. From July 2015 to April 2018, she worked at Jiangxi Uniex New Energy Co., Ltd. (江西展宇新能源股份有限公司).

Ms. Lin completed the correspondence undergraduate program in Chinese language and literature by long distance learning from Jiangxi Agricultural University (江西農業大學) in the PRC in January 2020.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

General

Save as disclosed in “— Supervisory Committee” in this section, each of our Supervisors has confirmed that:

- (1) she does not hold and has not held any other positions in our Company and any other members of our Company as at the Latest Practicable Date;
- (2) she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date;
- (3) other than being a Supervisor, none of our Supervisors has any relationship with any other Directors, Supervisors, senior management or substantial Shareholders of our Company; and
- (4) she has not completed her education programs as disclosed in this section by way of attendance of long distance learning or online courses.

Save as disclosed in this document, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries:

- (1) there is no other matter with respect to the appointment of our Supervisors that needs to be brought to the attention to the Shareholders as of the Latest Practicable Date; and
- (2) there is no other information relating to our Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of business of our Company. The table below sets out certain information of the senior management of our Company:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>	<u>Date of appointment as Senior Management</u>	<u>Date of joining our Company</u>	<u>Roles and responsibilities</u>	<u>Relationship with other Directors, Supervisors or senior management</u>
Ms. Lu Xiaohong (陸小紅)	57	Executive Director and Chairperson of the Board	June 2019	August 2004	Responsible for the leadership, overall strategic planning, business development and major investment and decision making of the Group	Spouse of Mr. Xu Xiaoping

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of appointment as Senior Management	Date of joining our Company	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Mr. Xu Xiaoping (徐曉平)	57	Executive Director, vice chairman and deputy general manager	April 2004	April 2004	Responsible for the leadership, overall strategic planning, business development and major investment and decision making of the Group	Spouse of Ms. Lu Xiaohong
Mr. Zhang Manliang (張滿良)	43	Executive Director and general manager	April 2021	April 2021	Responsible for overall management and daily operation of the Group	None
Mr. Zheng Hongwei (鄭洪偉)	57	Executive Director and deputy general manager	October 2021	October 2021	Responsible for overseeing overall strategic planning, investment, merger and acquisition and capital market matters of the Group	None
Ms. Zheng Tong (鄭彤)	52	Executive Director, secretary of the Board and joint company secretary	July 2017	July 2017	Responsible for the company secretarial matters of the Group and corporate governance practices; providing support to other Directors and maintaining the public relations	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of appointment as Senior Management	Date of joining our Company	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Ms. Huang Falian (黃發連)	47	Chief financial officer	October 2021	October 2021	Responsible for overseeing the financial operation and management of the Group, formulating annual revenue goals and financial strategies of the Group, shaping investment portfolio strategies and major investment and financing decision, overseeing the internal control systems, the assessment, guidance, monitoring, controlling of the risk management system and optimizing the capital structure of the Group, ensuring the compliance of financial statements, reports and disclosures, budgeting and cost management and managing and forecasting the cash flow of the Group	None

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of appointment as Senior Management	Date of joining our Company	Roles and responsibilities	Relationship with other Directors, Supervisors or senior management
Ms. Chen Pingxian (陳平仙)	37	Chief marketing officer	October 2021	October 2021	Responsible for overseeing all marketing and sales activities of the Group, shaping marketing demand for the Group’s products offering, creating development and marketing strategy and annual sales target, building and managing the brand image and reputation of the Group, driving customer acquisition and retention, measuring and analyzing marketing performance, allocating sales and marketing resources and marketing activities of the Group	None

Ms. Lu Xiaohong (陸小紅), see “— Board of Directors — Executive Directors” in this section for details.

Mr. Xu Xiaoping (徐曉平), see “— Board of Directors — Executive Directors” in this section for details.

Mr. Zhang Manliang (張滿良), see “— Board of Directors — Executive Directors” in this section for details.

Mr. Zheng Hongwei (鄭洪偉), see “— Board of Directors — Executive Directors” in this section for details.

Ms. Zheng Tong (鄭彤), see “— Board of Directors — Executive Directors” in this section for details.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Huang Falian (黃發連), aged 47, has been the chief financial officer of our Company since June 2022. She also has been the chief financial officer and deputy general manager of Jietai Technology since June 2020 and May 2023, respectively. She is primarily responsible for overseeing the financial operation and management of the Group, formulating annual revenue goals and financial strategies of the Group, shaping investment portfolio strategies and major investment and financing decision, overseeing the internal control systems, the assessment, guidance, monitoring, controlling of the risk management system and optimizing the capital structure of the Group, ensuring the compliance of financial statements, reports and disclosures, budgeting and cost management and managing and forecasting the cash flow of the Group.

Prior to joining our Group, Ms. Huang served as the chief financial officer of HC SemiTek (Suzhou) Co., Ltd. (華燦光電(蘇州)有限公司), a subsidiary of a Shenzhen Stock Exchange listed company named HC SemiTek Corporation (華燦光電股份有限公司) (stock code: 300323.SZ), from May 2016 to June 2020. From June 2014 to May 2016, she served as the finance chief of Zhongyuan Union Stem Cell & Gene Engineering Co., Ltd. (中源協和細胞基因工程股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600645.SH) and was responsible for financial management. From November 2007 to June 2014, she served as a financial manager of Nanjing Meirui Pharma Co., Ltd. (南京美瑞製藥有限公司).

Ms. Huang received her bachelor’s degree in accounting from China Coal Economics College (中國煤炭經濟學院) (currently known as Shandong Technology and Business University (山東工商學院)) in the PRC in 2000. She further obtained her master of business administration degree from Nanjing University (南京大學) in the PRC in March 2017.

Ms. Chen Pingxian (陳平仙), aged 37, has been the chief marketing officer of our Company since October 2021. She also has been the deputy general manager and chief marketing officer of Jietai Technology since December 2019. She is primarily responsible for overseeing all marketing and sales activities of the Group, shaping marketing demand for the Group’s products offering, creating development and marketing strategy and annual sales target, building and managing the brand image and reputation of the Group, driving customer acquisition and retention, measuring and analyzing marketing performance, allocating sales and marketing resources and marketing activities of the Group.

Prior to joining our Group, Ms. Chen worked as a commercial director at Jinko Solar Co., Ltd. (晶科能源股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688223.SH) from February 2008 to August 2017. From August 2017 to December 2019, she worked as a general manager assistant at Jiangxi Uniex New Energy Co., Ltd. (江西展宇新能源股份有限公司).

Ms. Chen obtained her executive master’s degree in business administration from United Business Institutes in the PRC in 2018.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

General

Save as disclosed in “— Senior Management” in this section, each of our senior management has confirmed that:

- (1) he/she does not hold and has not held any other positions in our Company and any other members of our Company as at the Latest Practicable Date;
- (2) he/she does not hold and has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date and as at the Latest Practicable Date; and
- (3) he/she has not completed his/her education programs as disclosed in this section by way of attendance of long distance learning or online courses.

JOINT COMPANY SECRETARIES

Ms. Zheng Tong (鄭彤), see “— Board of Directors — Executive Directors.” in this section for details.

Ms. Yu Wing Sze (余詠詩) was appointed as our joint company secretary of the Company in January 2024 with effective from [REDACTED]. Ms. Yu is a manager of TMF Hong Kong Limited. She has over 15 years of working experience in company secretarial profession. Ms. Yu received a bachelor’s degree of business administration from the Chinese University of Hong Kong. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

OTHER INFORMATION ABOUT MS. LU AND MS. ZHENG TONG (鄭彤)

In October 2023, our Company received an Order to Make Rectifications against Hainan Drinda New Energy Technology Co., Ltd., Ms. Lu and Ms. Zheng Tong (鄭彤) (“**Ms. Zheng**”) (關於對海南鈞達新能源科技股份有限公司、陸小紅、鄭彤採取責令改正措施的決定) (the “**Order**”) issued by Hainan Regulatory Bureau (the “**Hainan CSRC**”) of China Securities Regulatory Commission (the “**Incident**”), which indicated that our Company failed to strictly comply with the Regulatory Guidelines for Listed Companies No. 5 — Registration and Management System for Insider Information of Listed Companies (《上市公司監管指引第5號—上市公司內幕信息知情人登記管理制度》) (the “**No. 5 Guidelines**”). According to the No. 5 Guidelines, the board of a listed company shall timely file and register inside information materials when the inside information is formed. In relation to our Company’s major asset restructure related activities in 2022, our Company used the kick-off meeting with reference for determining the timing of formation of inside information, while the Hainan CSRC is of the view that inside information should have been formed upon Company’s preliminary planning,

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

discussion and/or conducting research. As a record procedure, the regulatory measure was filed in the corresponding database, the Capital Market Integrity Files (資本市場誠信檔案) (the “Database”). The recording of the Order in the Database is valid for public inspection for three years.

Our Company has submitted a rectification completion report to the Hainan CSRC (the “**Rectification Completion Report**”), pursuant to which, our Company has conducted following corrective measures:

- (i) provided training regarding relevant requirements under relevant laws and regulation for the Directors, supervisors, senior management members and relevant personnel responsible for the Incident;
- (ii) rectified the relevant registration materials submitted to the Shenzhen Stock Exchange; and
- (iii) undertook to enhance communication with the regulatory authorities to obtain relevant guidance in the future.

As advised by our PRC Legal Advisor, pursuant to the relevant PRC laws and regulations, the Rectification Completion Report is required to be submitted to the stock exchange where our Company is listed for disclosure after no objection is raised by the CSRC. Our Company further confirmed that the Hainan CSRC did not raise objection to the Rectification Completion Report. The Rectification Completion Report was published on the website of the Shenzhen Stock Exchange on November 18, 2023. As a result, our Company has completed the rectification.

In addition, as advised by our PRC Legal Advisor, with which the PRC legal advisor of the Joint Sponsors concurred, (i) the Order is not an administrative penalty, instead it is a regulatory measure which is minor and mild in nature; (ii) the Order is a standard record procedure only and no integrity issue was indicated; (iii) the Database is not a “blacklist” and will not affect Ms. Lu or Ms. Zheng’s eligibility to serve as a director, supervisor or senior management member of any PRC companies (including listed companies); (iv) the Order and the Incident will not affect eligibility of our Company for overseas listing on the Stock Exchange under PRC laws and regulations and filing with the CSRC; (v) the Incident does not constitute a situation in which the relevant laws and regulations of the PRC prohibit the Company, Ms. Lu and Ms. Zheng from engaging in civil and commercial activities (including borrowing bank loans); (vi) the Incident did not constitute material non-compliance nor did it involve any other illegal activities relating to our Company, Ms. Lu or Ms. Zheng such as insider trading; and (vii) except for the Order, since our Company’s listing on the Shenzhen Stock Exchange in April 2017, our Company, Ms. Lu, Ms. Zheng and all other Directors have not been subject to any administrative penalty, regulatory measures taken by the CSRC, its branch offices, stock exchanges or other securities regulatory authorities or disciplined by Shenzhen Stock Exchange, nor have they been included in the list of dishonest persons subject to enforcement.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Having considered (i) our PRC Legal Advisor’s above opinion, (ii) neither our Company, Ms. Lu nor Ms. Zheng had intended to violate the No. 5 Guidelines or conducted any other non-compliance or any illegal activities, such as insider trading, (iii) after the Order, our Company has taken rectification measures to ensure compliance with relevant rules and regulations regarding filings of inside information materials in line with the Hainan CSRC’s guidance, and has submitted the Rectification Completion Report to the Hainan CSRC, (iv) the Hainan CSRC has no further enquiry or comments, and (v) all the Directors attended the trainings regarding the No. 5 Guidelines and other rules relating to the Incident to ensure no recurrence of such violation, our Directors believe that the Incident does not affect the suitability of Directors of our Company to act as Directors under Rules 3.08 and 3.09 and our Company’s suitability under Rule 8.04 of the Listing Rules. In particular, our Directors are of the view that both Ms. Lu and Ms. Zheng are competent to act as Directors since (i) Ms. Lu and Ms. Zheng met all relevant requirements of the PRC law and regulations being directors; and (ii) both Ms. Lu and Ms. Zheng possesses extensive experience in corporate management.

Based on the independent due diligence conducted by the Joint Sponsors on the Incident, nothing has come to the attention of the Joint Sponsors which casts reasonable doubt on the above Directors’ view that the Incident does not affect Ms. Lu’s and Ms. Zheng’s or any other Directors’ suitability to act as Directors under Rule 3.08 and Rule 3.09 and the Company’s suitability under Rule 8.04 of the Listing Rules.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the [REDACTED] makes an inquiry of us regarding unusual price movement and [REDACTED] volume or other issues under Rule 13.10 of the Listing Rules.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The terms of the appointment shall commence on the [REDACTED] and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the [REDACTED].

BOARD COMMITTEES

In accordance with the relevant PRC laws and regulations and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”), the Company [has established] five committees on the Board of Directors, including the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, the Strategy Committee and ESG (Environmental, Social, and Governance) committee.

Audit Committee

The Company [has established] the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Mr. Yang Youjun (楊友雋), Mr. Xu Yong (徐勇) and Mr. Zhao Hang (趙航) with Mr. Yang Youjun (楊友雋) serving as the chairman. Mr. Yang Youjun (楊友雋) holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to the Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;
- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to the Board; and
- dealing with other matters that are authorized by the Board.

Remuneration and Appraisal Committee

The Company [has established] the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the Corporate Governance Code. The Remuneration and Appraisal Committee consists of three Directors, namely Mr. Zhao Hang (趙航), Mr. Yang Youjun (楊友雋) and Mr. Zheng Hongwei (鄭洪偉), with Mr. Zhao Hang (趙航) serving as the chairman. The primary duties of the Remuneration Committee include, but not limited to, the following:

- advising the Board on the overall remuneration plan and structure of Directors, Supervisors and senior management and the establishment of transparent formal procedures for determining remuneration policy of our Company;

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

- examining the criteria of performance evaluation of Directors, Supervisors and the senior management of our Company, conducting performance evaluation and making recommendations to the Board;
- formulating individual remuneration plans for Directors, Supervisors and members of the senior management in accordance with the terms of reference of the importance of their positions, the time they spend on such positions as well as the remuneration benchmarks for the relevant positions in the other comparable companies; and
- dealing with other matters that are authorized by the Board, and if necessary, engaging external experts to provide relevant independent services.

Nomination Committee

The Company [has established] the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of Part 2 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Mr. Yang Youjun (楊友雋), Mr. Zheng Hongwei (鄭洪偉) and Mr. Zhang Liang (張亮), with Mr. Yang Youjun (楊友雋) as the chairman. The primary functions of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to the Board suitable candidates for Directors, general managers and other members of the senior management;
- overseeing the implementation of Board diversity policy; taking into account various factors when determining the composition of the Board, including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and service tenure;
- examining the size and composition of the Board and its members in respect of their skills, knowledge, experience and diversity at least once every year, and making recommendations to the Board on any change in Board composition in accordance with our Company’s strategies;
- researching and developing standards and procedures for the election of the Board members, general managers and members of the senior management, and making recommendations to the Board; and
- dealing with other matters that are authorized by the Board.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Strategy Committee

Our Company [has established] the Strategy Committee, which consists of Ms. Lu Xiaohong (陸小紅), Mr. Zhang Manliang (張滿良) and Mr. Shen Wenzhong (沈文忠) and is chaired by Ms. Lu Xiaohong (陸小紅). The main duties of the Strategy Committee include but are not limited to:

- researching and recommending on long-term development strategy of our Company;
- researching and recommending on significant investment and financing plans of our Company;
- researching and recommending on major capital operation and asset management project, and annual financial budget plan of our Company;
- researching and recommending on significant matters relating to the development of our Company;
- monitoring the above matters and assessing, examining and recommending on significant changes; and
- performing such other duties determined by the Board.

ESG Committee

Our Company [has established] the ESG Committee, which consists of Mr. Zhang Manliang (張滿良), Mr. Zheng Hongwei (鄭洪偉) and Ms. Zheng Tong (鄭彤) and is chaired by Mr. Zhang Manliang (張滿良). For the main duties of the ESG Committee, please refer to the section headed “Business — Environmental, Social and Governance (“ESG”) — Governance.”

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with the corporate governance requirements under the Corporate Governance Code after the [REDACTED].

BOARD DIVERSITY

We [have adopted] a board diversity policy (the “**Board Diversity Policy**”) to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a range of diversity perspectives with reference to the Company’s business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, finance and accounting and research and development. They obtained degrees in various majors including mechanical, economics and accounting, etc.. Furthermore, our Board has a relatively wide range of ages, ranging from 41 years old to 68 years old and consists of eight male members and two female members.

The Board of Directors is of the view that the Board satisfies the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board, reviewing the Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing the Board Diversity Policy, and monitoring the progress on achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. In particular, our Company will take opportunities to increase the proportion of female members of the Board when selecting and recommending suitable candidates for Board appointments to help enhance gender diversity in accordance with stakeholder expectations and recommended best practices. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to the Board. We believe that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole.

COMPENSATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Our Company offers executive Directors, Supervisors and members of our senior management, who are also employees of our Company, emolument in the form of salaries, allowances, discretionary bonus and benefits in kind (if applicable). Our independent non-executive Directors receive emolument based on their responsibilities (including being members or the chair of our board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

The aggregate amount of remuneration paid to our Directors and Supervisors for the financial years ended December 31, 2021 and 2022 and nine months ended September 30, 2023 were RMB3.4 million, RMB14.5 million and RMB17.0 million, respectively.

It is estimated that remuneration and benefits in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB20.6 million in aggregate will be paid and granted to our Directors and Supervisors by us in respect of the financial year ending December 31, 2023 under arrangements in force at the date of this document.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the financial years ended December 31, 2021 and 2022 and nine months ended September 30, 2023, the aggregate amount of emolument paid to the five highest paid individuals of our Company (excluding our Directors and Supervisors) were nil, RMB10.8 million and RMB25.6 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors, Supervisors or the five highest paid individuals of our Group as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Except as disclosed above, no other payments have been paid, or are payable, by our Company to our Directors, Supervisors or the five highest paid individuals of our Company during the Track Record Period.

For further details, please see Notes 11 of the Accountants’ Report set out in Appendix I to this document.

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

As of the Latest Practicable Date, pursuant to the Acting-in-Concert Agreement, the Yang Family and their controlled entities (Yang Family Investment and Hainan Jindi), collectively being our Single Largest Group of Shareholders, were able to exercise an aggregate of approximately 22.78% voting rights in our Company. Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Employee Incentive Schemes), the Yang Family and their controlled entities (Yang Family Investment and Hainan Jindi) are expected to be entitled to exercise an aggregate of approximately [REDACTED]% voting rights in our Company. Yang Family together with Yang Family Investment and Hainan Jindi will remain as our Single Largest Group of Shareholders upon the [REDACTED].

INDEPENDENCE FROM OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently of our Single Largest Group of Shareholders and their close associates after the [REDACTED], taking into consideration of the factors below.

Management Independence

Our Board comprises ten Directors, including five executive Directors, one non-executive Director and four independent non-executive Directors. We believe that our Board as a whole, together with our senior management, is able to perform the managerial role in our Group independently from our Single Largest Group of Shareholders for the following considerations:

- (a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operation decisions are made by all our executive Directors and senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to make business decisions that are in the best interest of our Group. For details of the industry experience of our senior management, please see the section headed “Directors, Supervisors and Senior Management”;
- (c) we have appointed four independent non-executive Directors, comprising more than one-third of the total members of our Board, who have sufficient knowledge, experience and competence with a view to bringing independent judgment to the decision-making process of our Board;

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting; and
- (a) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Single Largest Group of Shareholders which would support our independent management. For further details, please refer to the paragraph headed "Corporate Governance Measures" in this section.

In light of the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that our Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate independently from our Single Largest Group of Shareholders and their close associates. We hold all the requisite licenses, intellectual property rights and qualifications that are material to carry on our principal business. We also have independent access to suppliers and customers and have sufficient capital, facilities and employees to operate our business independently from our Single Largest Group of Shareholders and their close associates.

Based on the above, our Directors believe that we will be able to operate independently from our Single Largest Group of Shareholders and their close associates.

Financial Independence

We have an independent financial system. We make financial decisions according to our own business needs and neither our Single Largest Group of Shareholders nor their close associates intervene with our use of funds. We have established an independent finance department with a team of financial staff and an independent audit, accounting and financial management system.

In addition, we have been and are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Single Largest Group of Shareholders or their close associates. As of the Latest Practicable Date, there was no loan, advance or guarantee provided by our Single Largest Group of Shareholders or their close associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently of and do not place undue reliance on our Single Largest Group of Shareholders and their close associates after the [REDACTED].

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Single Largest Group of Shareholders:

- (a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Single Largest Group of Shareholders or any of their associates has a material interest, our Single Largest Group of Shareholders or their associate will not vote on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Single Largest Group of Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) our Board consists of a balanced composition of executive Directors, non-executive Director and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Single Largest Group of Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- (e) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors believe that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Single Largest Group of Shareholders and to protect our Shareholders' interests as a whole after the [REDACTED].

RELATIONSHIP WITH OUR SINGLE LARGEST GROUP OF SHAREHOLDERS

INTEREST IN COMPETING BUSINESS OF OUR SINGLE LARGEST GROUP OF SHAREHOLDERS AND THE DIRECTORS

None of the members of our Single Largest Group of Shareholders or our Directors was, as of the Latest Practicable Date, interested in or engaged in any business, other than our Company, which, competes or is likely to compete, either directly or indirectly, with our Group’s businesses and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and without taking into account any H Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED], the following persons will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Number and type of Shares to be held after the [REDACTED]	Approximate percentage of shareholding in the relevant type of Shares immediately after the [REDACTED] (%)	Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED] (%)
Hainan Jindi ⁽¹⁾	Beneficial owner	[REDACTED] A Share	[REDACTED]	[REDACTED]
Yang Family Investment ⁽¹⁾	Interest in controlled corporations	[REDACTED] A Share	[REDACTED]	[REDACTED]
Ms. Lu ⁽¹⁾	Beneficial owner	[REDACTED] A Share	[REDACTED]	[REDACTED]
	Interest in controlled corporations and held jointly with other persons	[REDACTED] A Share	[REDACTED]	[REDACTED]
Mr. Xu ⁽¹⁾	Interest in controlled corporations and held jointly with other persons	[REDACTED] A Share	[REDACTED]	[REDACTED]
Mr. Lu Xuyang (陸徐楊) ⁽¹⁾	Interest in controlled corporations and held jointly with other persons	[REDACTED] A Share	[REDACTED]	[REDACTED]
Mr. Yang Renyuan (楊仁元) ⁽¹⁾	Interest in controlled corporations and held jointly with other persons	[REDACTED] A Share	[REDACTED]	[REDACTED]
Ms. Lu Huifen (陸惠芬) ⁽¹⁾	Interest in controlled corporations and held jointly with other persons	[REDACTED] A Share	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Number and type of Shares to be held after the [REDACTED]	Approximate percentage of shareholding in the relevant type of Shares immediately after the [REDACTED]	Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED]
			(%)	(%)
Mr. Xu Weidong (徐衛東) ⁽¹⁾	Interest in controlled corporations and held jointly with other persons	[REDACTED] A Share	[REDACTED]	[REDACTED]
Ms. Lu Yuhong (陸玉紅) ⁽¹⁾	Interest in controlled corporations and held jointly with other persons	[REDACTED] A Share	[REDACTED]	[REDACTED]
Mr. Xu Yong (徐勇) ⁽¹⁾	Interest in controlled corporations and held jointly with other persons	[REDACTED] A Share	[REDACTED]	[REDACTED]
Ms. Lu Xiaowen (陸小文) ⁽¹⁾	Interest in controlled corporations and held jointly with other persons	[REDACTED] A Share	[REDACTED]	[REDACTED]
Shangrao Economic and Technological Development Zone Industrial Development Investment Co., Ltd. (上饒經濟技術開發區產業發展投資有限公司) (“Shangrao Development Zone”) ⁽²⁾	Beneficial owner	[REDACTED] A Share	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Number and type of Shares to be held after the [REDACTED]	Approximate percentage of shareholding in the relevant type of Shares immediately after the [REDACTED] (%)	Approximate percentage of shareholding in the total share capital of our Company immediately after the [REDACTED] (%)
Shangrao Economic Development Zone Talent Attraction Group Co., Ltd. (上饒經濟區招才引資集團有限公司) (“Shangrao Talent”) ⁽²⁾	Interest in controlled corporations	[REDACTED] A Share	[REDACTED]	[REDACTED]
Shangrao Economic and Technological Development Zone Management Committee (上饒經濟技術開發區管理委員會) (“Development Zone Committee”) ⁽²⁾	Interest in controlled corporations	[REDACTED] A Share	[REDACTED]	[REDACTED]
Mr. Su Xianze (蘇顯澤)	Beneficial owner	[REDACTED] A Share	[REDACTED]	[REDACTED]

Notes:

- (1) As of the Latest Practicable Date, 80% equity interest of Hainan Jindi was owned by Yang Family Investment which was controlled by Yang Family pursuant to the Acting-in-Concert Agreement.

Lu Xuyang (陸徐揚) is the son of Ms. Lu. Yang Renyuan (楊仁元) is the father of Ms. Lu. Ms. Lu Huifen (陸惠芬) is the mother of Ms. Lu. Lu Yuhong (陸玉紅) and Ms. Lu Xiaowen (陸小文) are the sisters of Ms. Lu. Mr. Xu Yong (徐勇) is the spouse of Ms. Lu Xiaowen (陸小文). Mr. Xu Weidong (徐衛東) is the spouse of Ms. Lu Yuhong (陸玉紅).

As such, each of Hainan Jindi, Yang Family Investment, Ms. Lu, Mr. Xu, Mr. Lu Xuyang (陸徐揚), Mr. Yang Renyuan (楊仁元), Ms. Lu Huifen (陸惠芬), Ms. Lu Yuhong (陸玉紅), Ms. Lu Xiaowen (陸小文), Mr. Xu Weidong (徐衛東) and Mr. Xu Yong (徐勇) was deemed to be interested in the [46,517,062] A Shares held by Hainan Jindi and [5,286,803] A Shares held by Ms. Lu.

As of the Latest Practicable Date, to secure the obligations under certain financial loans provided by certain commercial banks to Yang Family’s business other than our Group, Hainan Jindi pledged 7,784,235 A Shares in our Company in favour of respective commercial banks (the “Share Pledge”). The Share Pledge will be released upon the repayment of relevant financial loans. Our Company has obtained an undertaking from Hainan Jindi and Yang Family Investment to repay the relevant financial loans in the event that the lendee is unable to repay.

SUBSTANTIAL SHAREHOLDERS

- (2) As of the Latest Practicable Date, 60% equity interest of Shangrao Development Zone was owned by Shangrao Talent, which was a wholly-owned subsidiary of Development Zone Committee. As such, each of Shangrao Talent and Development Zone Committee was deemed to be interested in the [22,244,267] A Shares held by Shangrao Development Zone.

For details of the substantial Shareholders who will be, directly and/or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, please refer to the section headed “Appendix VI — Statutory and General Information — Further Information about our Directors, Supervisors and Substantial Shareholders — 1. Disclosure of Interests — (b) Interests of the Substantial Shareholders.”

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), without taking into account the [REDACTED] that may be taken up under the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

This section presents certain information regarding our share capital prior to and upon the completion of the [REDACTED].

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB 227,394,526 comprising 227,394,526 A Shares with a nominal value of RMB1.00 each (without taking into account any A Shares to be issued upon exercise of the share options granted under the Employee Incentive Schemes), which are all listed on the Shenzhen Stock Exchange.

UPON COMPLETION OF THE [REDACTED]

Immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Employee Incentive Schemes, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of the total issued share capital</u> (%)
A Shares	227,394,526	[REDACTED]
H Shares to be [REDACTED] pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[100.00]</u>

Immediately upon completion of the [REDACTED], assuming the [REDACTED] is fully exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Employee Incentive Schemes, the share capital of our Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate percentage of the total issued share capital</u> (%)
A Shares	227,394,526	[REDACTED]
H Shares to be [REDACTED] pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[100.00]</u>

SHARE CAPITAL

OUR SHARE

Our H Shares in [REDACTED] upon completion of the [REDACTED], and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shenzhen-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by mainland Chinese investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under Shenzhen-Hong Kong Stock Connect, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shenzhen-Hong Kong Stock Connect. Our [REDACTED] can be [REDACTED] for or [REDACTED] by Hong Kong and other overseas [REDACTED] and qualified domestic institutional [REDACTED]. If our [REDACTED] are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by mainland Chinese investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO [REDACTED] FOR [REDACTED] AND [REDACTED] ON THE [REDACTED]

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請“全流通”業務指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for [REDACTED] and [REDACTED] on the [REDACTED].

SHARE CAPITAL

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

We have obtained approval from our holders of A Shares to [REDACTED] H Shares and seek the [REDACTED] of H Shares on the Hong Kong Stock Exchange. Such approval was obtained at the Shareholders’ general meeting of our Company held on February 5, 2024 upon, among other things, the following major terms:

(1) Size of the [REDACTED]

The proposed number of H Shares to be [REDACTED] initially shall not exceed [REDACTED]% of the total number of [REDACTED] Shares as enlarged by the H Shares to be [REDACTED] pursuant to the [REDACTED] and before the exercise of the [REDACTED]. The number of H Shares to be [REDACTED] pursuant to the exercise of the [REDACTED] shall not exceed [REDACTED]% of the total number of H Shares to be [REDACTED] initially pursuant to the [REDACTED].

(2) Method of [REDACTED]

The method of [REDACTED] shall be by way of a [REDACTED] for [REDACTED] in Hong Kong and an international [REDACTED] to institutional and professional [REDACTED].

(3) Target [REDACTED]

The H Shares shall be [REDACTED] to overseas professional organizations, institutions, individual [REDACTED], the public and other eligible [REDACTED].

(4) [REDACTED] basis

The [REDACTED] of the H Shares will be determined after due consideration of, among others, the interests of existing Shareholders, the acceptance of [REDACTED] and the risks related to the [REDACTED] and in accordance with international practices through the demands for [REDACTED] and [REDACTED], subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(5) Validity period

The approval is valid for 18 months from the date of passing of the resolutions at the Shareholders’ general meeting of our Company held on February 5, 2024.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

For details of circumstances under which our Shareholders’ general meeting is required, please refer to the sections headed Appendix IV — Summary of Principal Legal and Regulatory Provisions and Appendix V — Summary of Articles of Association.

EMPLOYEE INCENTIVE SCHEMES

We have adopted the Employee Incentive Schemes. Please refer to the section headed “Appendix VI — Statutory and General Information — Employee Incentive Schemes” for details of the Employee Incentive Schemes.

FINANCIAL INFORMATION

You should note that our First Acquisition of Jietai Technology, our principal subsidiary primarily engaging in the PV Cell Business, was completed in September 2021. As a result, the financial results of Jietai Technology prior to the First Acquisition were not consolidated into our financial results during the Track Record Period, and the historical operating and financial conditions of our Group in 2021 only covered a three-month operation period from October 1 to December 31, 2021 for our PV Cells Business. To comply with the requirements of Rule 4.05A of the Listing Rules, the pre-acquisition consolidated financial information of Jietai Technology for the period from January 1 to September 30, 2021, which was drawn up in conformity with accounting policies adopted by our Group, has been disclosed (see Note 33 to the Accountants’ Report in Appendix I to this document). In addition, we disposed of the Discontinued Business in June 2022. The financial performance of the Discontinued Business is presented as a discontinued operation. See “– Discontinued Business.” in this section and Note 32 to the Accountants’ Report in Appendix I to this document for details.

You should read the following discussion and analysis together with the consolidated financial information together with the accompanying notes in the Appendix I and Appendix IA to this document. Our historical financial information and the consolidated financial statements of our Group have been prepared in accordance with the IFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the whole Appendix I and Appendix IA and not rely merely on the information contained in this section. Unless the context otherwise requires, historical financial information in this section is described on a consolidated basis for the continuing operation.

The discussion and analysis set forth in this section contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by us 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. Our actual results may differ significantly from those projected. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections headed “Risk Factors” and “Business” and elsewhere in this document. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this document may be due to rounding.

FINANCIAL INFORMATION

OVERVIEW

We are a globally leading specialized manufacturer of PV cells. We, together with our subsidiary, Jietai Technology, have been continuously focusing on the R&D, production, and sales of high-efficiency PV cells. Leveraging our R&D innovation and key technologies, we continue to rank at the forefront of the industry across different generations of mainstream PV cells, including both N-type TOPCon cells and P-type PERC cells. In particular, we have been leading the global PV cell industry transition from P-type PERC cells towards N-type cells, achieving cost-efficient large-scale mass production while implementing technology innovation. According to Frost & Sullivan, based on the shipment volume in the six months ended June 30, 2023, our N-type TOPCon cells’ market share reached approximately 57.4% and ranked first globally, and our PV cells’ market share reached approximately 10.8% and ranked fifth globally.

We generate revenue primarily from the sales of PV cells and the provision of manufacturing services. We have experienced substantial growth during the Track Record Period. In 2021, 2022 and the nine months ended September 30, 2022 and 2023, our revenue was RMB1,639.4 million, RMB11,085.7 million, RMB6,926.3 million and RMB14,342.2 million, respectively. We had net profits of RMB53.7 million, RMB616.9 million, RMB314.8 million and RMB1,638.2 million in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our historical and results of operations have been affected by a number of important factors which we believe will continue to affect our financial condition and results of operations in the future. Our results are primarily affected by the following factors:

General Conditions and the Growth of Overall PV Cell Market

We primarily engaged in the R&D, production and sales of high-efficiency PV cells. Accordingly, our growth, result of operations and financial condition are significantly affected by the market demand for PV cells. The global PV industry has been, and is expected to continue experiencing rapid growth. The global PV cell market size, as measured by shipment volume, has reached 325.8 GW in 2022. By 2030, the global PV cells market size, as measured by shipment volume is expected to reach 1,187.5 GW at a CAGR of 14.0% from 2023 to 2030.

The PV cells market in China, where we derived a significant majority of our revenue during the Track Record Period, experienced rapid growth in recent years. In particular, PV cells manufactured by factories located in China hold a dominant position in global market with a shipment volume of 297.5 GW in 2022, accounting for approximately 91.3% of the global market share. During the Track Record Period, our sales volume of PV cells reached 1.8 GW and 10.7 GW in 2021 and 2022, and 6.9 GW and 19.6 GW in the nine months ended September 30, 2022 and 2023, respectively.

FINANCIAL INFORMATION

Within the PV cells industry, P-type cells have been the mainstream technology in recent years. However, driven by increasing market demand and advancement in technology, N-type cells are gradually taking more market shares due to its superior performance and increasing cost efficiency. According to Frost & Sullivan, in the future, N-type cells are expected to surpass P-type cells as the absolute mainstream in the market, marking a significant shift in the landscape of PV cell technology. By 2030, the shipment volume of N-type cells is expected to reach 1,135.3 GW, constituting 95.6% of the expected PV cell shipment volume in that year globally. Among various types of N-type cells, TOPCon cells currently lead N-type cell commercialization and are expected to continue being a main beneficiary in the transition from P-type to N-type cells. See “Industry Overview — Global PV Cell Market Breakdown,” “— Global PV Cell Market in the P-N transition,” and “Summary — Recent Development.” for details. We led the development, manufacture and sales of TOPCon cells. According to Frost & Sullivan, while TOPCon cells entered large-scale mass production in 2022, we ranked first among specialized manufacturers with a shipment volume of 1.8 GW TOPCon cells and a global market share that exceeds 75% in terms of shipment volume in 2022, and in the six months ended June 30, 2023, our TOPCon cells’ global market share reached approximately 57.4% and ranked first globally.

Capitalizing on our strong technology capacity and leading market position that allow us to effectively capture market opportunities brought up by the growing market demand of PV cells in China and around the world, our revenue increased significantly during the Track Record Period. We derived revenue of RMB1,639.4 million and RMB11,085.7 million in 2021 and 2022, respectively, and RMB6,926.3 million and RMB14,342.2 million in the nine months ended September 30, 2022 and 2023, respectively.

In recent years, nations across the globe, including China, have implemented policies and taken initiatives to prioritize the development of renewable energy sources, aiming to achieve carbon neutrality. Solar power, being the fastest-growing primary renewable energy source, is well positioned to continue dominating the renewable energy market in the foreseeable future. In particular, as part of global collaborative action to combating climate change, the Chinese government has established a series of favorable policies and regulation regarding the development and implementation of renewable energy technologies. Particularly, in February 2021, the NDRC, the Ministry of Finance, the NEA and the People’s Bank of China jointly promulgated the *Notice on Guiding to Increase Financial Support to Promote the Healthy and Orderly Development of Wind Power and Photovoltaic Power Generation Industries* (《關於引導加大金融支持力度促進風電和光伏發電等行業健康有序發展的通知》), and the NDRC and the NEA promulgated the *Notice on Matters Concerning Promoting the Sound Development of the Photovoltaic Industry Chain* (《關於促進光伏產業鏈健康發展有關事項的通知》) in September 2022. See “Industry Overview — Global Renewable Energy Power Generation Market — Market Drivers of Global Renewable Energy Market — Supportive Policies to Achieve Carbon Neutrality and Address Energy Security Concerns.” for details. Going forward, leveraging our established leading market position and strong technology capacity fueled by successful innovation, we are well-positioned to capture future market opportunities to achieve continuous growth.

FINANCIAL INFORMATION

Expansion of Our Production Capacity

In observation of significant growth in market demand, including growth driven by the P-N transition, the growth in our revenue and market share during the Track Record Period largely relied upon, and is expected to continue depend on our ability to successfully expand our production capacity. It is critical for us to successfully manage production ramp-up and quality control so as to deliver products in adequate volume and of high quality to customers. In the past few years, we have significantly expanded our production capacity and output by establishing new and expanding our existing production plants. The construction periods of our Chuzhou and Huai’an Plants, i.e. the time between breaking ground and the manufacturing of the first PV cell, were only approximately five and four months, respectively. Our ability to establish our production plants in such short construction periods allowed us to effectively capture the first-mover advantages and related market opportunities, which further enhanced our industry leading position. This also demonstrated our strong technological leadership, extensive experience in selecting and tuning production equipment, strong production management capabilities and abundance of experience in the industry. As of September 30, 2023, we had three manufacturing facilities in China, with an aggregated annual production capacity of approximately 31.0 GW of N-type TOPCon cells and approximately 9.5 GW of P-type PERC cells, respectively. For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, the utilization rates of our manufacturing facilities were 93.3%, 94.8% and 96.6%, respectively. For further details, see “Business — Our Production — Our Plants.”

Given the strong and continuing growth in global market demand for PV cells and the initial success of our global strategy, we have been proactively identifying and seeking suitable opportunities of overseas production capacity expansion to better serve relevant markets. In the future, we plan to reach an overseas annual production capacity of around 14 GW to serve the overseas market demands, subject to our successful initiation and execution of appropriate projects based on feasibility studies and market condition, regulatory environment and competition in the candidate regions. Please see “Business — Our Strategies — Catalyze global market development and capitalize on market opportunities through overseas expansion.” Our future growth and results of operations will be affected by our investment in and continual maintenance and upgrading of manufacturing facilities and processes. Going forward, we expect that the further improvement of our production efficiency will be key to further improve our profitability.

Competition and Pricing

We face competition in the global PV cell markets. We believe the factors that are critical to our competitiveness in these markets include research and development capabilities, quality of our products, relationship with our customers, marketing and distribution channels, competitive pricing, brand recognition and after-sales services. We believe that we have enjoyed certain competitive advantages as a result of our technological superiority, quality of our product offerings at competitive prices, strong relationships with our customers, extensive sales, marketing and after-sale services network and a high level of brand recognition, among other factors. However, increased competition or our inability to sustain our competitive advantage could adversely affect our results of operations.

FINANCIAL INFORMATION

Our pricing directly affects our revenue, gross profit margin and results of operations. When pricing our products, we consider various factors, such as prevailing market prices and conditions, costs of production, years of business relationship, government awards policy and expected margins. During the Track Record Period, the average selling prices for our products experienced an overall downward trend with fluctuation, which was generally in line with the industry trend as confirmed by Frost & Sullivan. For details, see “— Description of Major Components of Our Results of Operations — Revenue.” in this section.

Ability to Control Cost of Raw Materials and Improvement in Production Efficiency

Our business results, profitability and future growth are affected by, among other things, our ability to continuously enhance and improve our production efficiency and cost optimization. Our cost of sales primarily consists of costs of raw materials, overhead, direct labor costs, and impairment loss of inventory. The cost of raw materials amounted to RMB1,280.5 million, RMB8,904.6 million, RMB5,654.3 million and RMB10,190.1 million in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively, accounting for 89.4%, 90.2%, 91.0% and 86.0% of our total cost of sales in the respective periods. Among the raw materials of PV cells, silicon wafers are the largest component, often exceeding 60% of the total material cost, followed by silver paste. Therefore, we are subject to the risks of fluctuations in the price of these materials. Changes in the availability and price of raw materials could have a significant impact on our operating costs, profit margin and results of operations. In the future, we intend to intensify the cooperation with upstream raw material suppliers, such as signing long-term partnership agreements to secure critical raw materials, which would ensure stability and continuity in our supply chain and help us to mitigate the risk of fluctuations in the price of raw materials.

During the Track Record Period, we continuously improved the manufacturing workflow and raw material utilization, successfully increasing raw material consumption and waste management efficiency during the manufacturing process. Leveraging our technological strength, we have successfully implemented comprehensive measures for production efficiency improvement, including adopting advanced production technology and equipment and implementing pioneering production processes and techniques.

Investment in R&D and Advance in Technology

The PV cell industry is characterized by evolving technologies and standards. These technological evolutions and developments place increasing demands on the improvement of our products, such as requiring PV cells to have higher conversion efficiency and lifetime electricity generation. During the Track Record Period, we primarily relied on our in-house R&D team to develop key technologies and ensure a rapid pace of innovation. We have also established close and deep R&D collaboration with numerous renowned domestic and international institutions for joint research and product development to widen our lead in the industry.

FINANCIAL INFORMATION

We focused on the advanced technology of PV cells and built our core competitiveness through continuous R&D. We have invested in talented developers and engineers to grow our strength in the new and key technologies of PV cells. While exploring new technological frontiers in the PV cell industry, we also continued to optimize the performance of our existing products through our R&D efforts. As the market evolves, the performance of our products also require consistent enhancement. Our ability to develop more advanced technologies and design innovative products that tailor to customers’ changing requirements has been and will continue to be critical to our ability to maintain our competitive edge and excel in the market. Therefore, the outcome and effectiveness of our research efforts could affect our profitability and future results of operations.

BASIS OF PREPARATION

The consolidated financial statements of our Group for the Track Record Period, on which the historical financial information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and were audited by Deloitte Touche Tohmatsu in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The historical financial information has been prepared in accordance with the accounting policies set out in Note 3 to the Accountants’ Report in Appendix I to this document which conform with IFRSs.

Our Group has not early adopted the following amendments to IFRSs that have been issued but are not yet effective. The directors of our Company anticipate that the application of all these amendments to IFRSs will have no material impact on our Group’s consolidated financial statements in the foreseeable future.

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	to be determined
Amendments to IFRS 16 .	Lease Liability in a Sale and Leaseback	January 1, 2024
Amendments to IAS 1 . . .	Classification of Liabilities as Current or Non- current	January 1, 2024

FINANCIAL INFORMATION

	Effective for annual periods beginning on or after
Amendments to IAS 1 . . . Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21 . . Lack of Exchangeability	January 1, 2025

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our historical financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We set out below some of the accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, judgments and estimates, which are important for understanding our financial condition and results of operations, are set out in further details in Notes 3, 4 and 5 to the Accountants’ Report in Appendix I to this document.

Sale of Photovoltaic Cell Products and Related Services

Our Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue arising from sales of photovoltaic cell products is recognized at a point in time when the goods are accepted by the customers after delivery to the customers’ premises and revenue arising from services is recognized upon completion of the services contracts, since only by that time our Group passes control of the goods or services to the customers. We generally do not grant any credit period to our customers.

Customers are generally required to make full payment before we deliver the products to customers. Contract liabilities are recognized when consideration is received in which revenue has yet been recognized.

Business Combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organized workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

FINANCIAL INFORMATION

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by our Group, liabilities incurred by our Group to the former owners of the acquiree and the equity interests issued by our Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by the IASB in March 2018 (the “Conceptual Framework”) except for transactions and events within the scope of IAS 37 or IFRIC 21, in which our Group applies IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 – Int 21 *Levies*, in which our Group applies IAS 37 or IFRIC – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognized.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits” respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within twelve months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets or at fair value.

FINANCIAL INFORMATION

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of our Group’s cash-generating units (“CGUs”) (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When our Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

FINANCIAL INFORMATION

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible Assets Acquired Separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research Expenditure

Expenditure on research activities is recognized as an expense in the year in which it is incurred.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which our Group must incur to make the sale.

FINANCIAL INFORMATION

Impairment on Goodwill, Property, Plant and Equipment, Right-of-use Assets and Intangible Assets

At the end of each reporting period, our Group reviews the carrying amounts of its goodwill, property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of goodwill, property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, our Group estimates the recoverable amount of the CGU to which the asset belongs. In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, our Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit of the Group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

FINANCIAL INFORMATION

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires our Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Revenue	1,639,380	100.0	11,085,713	100.0	6,926,309	100.0	14,342,220	100.0
Cost of sales	(1,432,158)	(87.4)	(9,870,370)	(89.0)	(6,214,544)	(89.7)	(11,854,395)	(82.7)
Gross profits	207,222	12.6	1,215,343	11.0	711,765	10.3	2,487,825	17.3
Other income	47,472	2.9	24,111	0.2	18,380	0.3	55,461	0.4
Other gains and losses .	(226)	(0.0)	(3,481)	(0.0)	(1,362)	(0.0)	6,577	0.0
Selling and marketing expenses	(1,361)	(0.1)	(16,449)	(0.1)	(9,917)	(0.1)	(51,114)	(0.4)
Administrative expenses	(26,995)	(1.6)	(146,043)	(1.3)	(87,153)	(1.3)	(252,236)	(1.8)
Research and development expenses	(56,894)	(3.5)	(235,207)	(2.1)	(179,503)	(2.6)	(233,028)	(1.6)
Net impairment losses under expected credit loss model	(974)	(0.1)	(11,761)	(0.1)	(428)	(0.0)	(591)	(0.0)
Other expenses	(52,343)	(3.2)	(535)	(0.0)	(1,204)	0.0	(3,630)	0.0
Finance costs	(33,441)	(2.0)	(146,042)	(1.3)	(91,529)	(1.3)	(188,489)	(1.3)
Profit before tax	82,460	5.0	679,936	6.1	359,049	5.2	1,820,775	12.7
Income tax expense . . .	(28,729)	(1.8)	(63,036)	(0.6)	(44,205)	(0.6)	(182,539)	(1.3)
Profit and total comprehensive income for the year/period from continuing operation	53,731	3.3	616,900	5.6	314,844	4.5	1,638,236	11.4

FINANCIAL INFORMATION

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Discontinued operation								
(Loss) profit and total comprehensive (expenses) income for the year/period from discontinued operation	<u>(188,140)</u>	<u>(11.5)</u>	<u>204,087</u>	<u>1.8</u>	<u>204,087</u>	<u>2.9</u>	<u>—</u>	<u>—</u>
(Loss) profit and total comprehensive (expenses) income for the year/period	<u>(134,409)</u>	<u>(8.2)</u>	<u>820,987</u>	<u>7.4</u>	<u>518,931</u>	<u>7.5</u>	<u>1,638,236</u>	<u>11.4</u>
(Loss) profit and total comprehensive (expenses) income for the year/period attributable to owners of the Company:								
– from continuing operation	9,505	0.6	512,858	4.6	210,802	3.0	1,638,236	11.4
– from discontinued operation	<u>(188,140)</u>	<u>(11.5)</u>	<u>204,087</u>	<u>1.8</u>	<u>204,087</u>	<u>2.9</u>	<u>—</u>	<u>—</u>
	<u>(178,635)</u>	<u>(10.9)</u>	<u>716,945</u>	<u>6.5</u>	<u>414,889</u>	<u>6.0</u>	<u>1,638,236</u>	<u>11.4</u>
Profit and total comprehensive income for the year/period attributable to non-controlling interests:								
– from continuing operation	44,226	2.7	104,042	0.9	104,042	1.5	—	—
– from discontinued operation	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>44,226</u>	<u>2.7</u>	<u>104,042</u>	<u>0.9</u>	<u>104,042</u>	<u>1.5</u>	<u>—</u>	<u>—</u>

FINANCIAL INFORMATION

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
(Loss) profit and total comprehensive (expenses) income for the year/period attributable to:								
– Owners of the Company	(178,635)	(10.9)	716,945	6.5	414,889	6.0	1,638,236	11.4
– Non-controlling interest	<u>44,226</u>	<u>2.7</u>	<u>104,042</u>	<u>0.9</u>	<u>104,042</u>	<u>1.5</u>	<u>–</u>	<u>–</u>
	<u>(134,409)</u>	<u>(8.2)</u>	<u>820,987</u>	<u>7.4</u>	<u>518,931</u>	<u>7.5</u>	<u>1,638,236</u>	<u>11.4</u>

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we derived revenue from sales of our N-type TOPCon cells and P-type PERC cells to our customers, and the provision of manufacturing services, primarily for P-type PERC cells to our customers.

Our total revenue increased significantly from RMB1,639.4 million in 2021 to RMB11,085.7 million in 2022. The increase was primarily due to our First Acquisition of Jietai Technology, which was completed in September 2021, resulting in a three-month operation period from October 1, 2021 to December 31, 2021 for our PV Cells Business in 2021, while we had a full year operation of PV Cells Business in 2022. In addition, the increase in revenue was also because we successfully expanded the scale of our business by promoting the sales of our P-type PERC cells and launched N-type TOPCon cells in 2022.

Our total revenue increased by 107.1% from RMB6,926.3 million for the nine months ended September 30, 2022 to RMB14,342.2 million for the nine months ended September 30, 2023, mainly due to the increase in the revenue generated from the sale of our N-Type TOPCon cells, as we focused on expanding the market of N-type TOPCon cells, the effect of which was partially offset by the decrease in revenue generated from the sale of P-type PERC cells, as we strategically shifted our focus and increased our investment in the manufacture and sales of N-Type TOPCon cells, in line with the general P-N transition in the global PV cell market.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
				<i>(unaudited)</i>			<i>(unaudited)</i>	
N-type TOPCon	–	–	2,057,893	18.6	495,914	7.2	9,750,695	68.0
P-type PERC	1,625,885	99.2	8,872,274	80.0	6,335,645	91.5	3,977,373	27.7
Others*	13,495	0.8	155,546	1.4	94,750	1.3	614,152	4.3
Total	<u>1,639,380</u>	<u>100.0</u>	<u>11,085,713</u>	<u>100.0</u>	<u>6,926,309</u>	<u>100.0</u>	<u>14,342,220</u>	<u>100.0</u>

Note: Others mainly represented revenue generated through manufacturing services during the Track Record Period. For details, see “Business — Our Business — Our Products and Services.”

The table below sets out details on sales volume of our PV cells and our manufacturing service during the Track Record Period:

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>GW</i>	%	<i>GW</i>	%	<i>GW</i>	%	<i>GW</i>	%
Sales Volume								
N-type								
TOPCon	–	–	1.8	16.8	0.4	6.2	12.1	61.7
P-type								
PERC	1.7	96.1	8.3	77.7	6.1	88.2	5.0	25.7
Others*	0.1	3.9	0.6	5.5	0.4	5.6	2.5	12.6
Total	<u>1.8</u>	<u>100.0</u>	<u>10.7</u>	<u>100.0</u>	<u>6.9</u>	<u>100.0</u>	<u>19.6</u>	<u>100.0</u>

Note: Others mainly represented manufacturing services during the Track Record Period.

The table below sets out details on the average selling price (net of tax) of our PV cells and other service.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021 ⁽¹⁾	2022	2022	2023
	<i>RMB/W</i>	<i>RMB/W</i>	<i>RMB/W</i>	<i>RMB/W</i>
Average Selling Price				
N-type TOPCon	–	1.14	1.16	0.81
P-type PERC	0.96	1.06	1.04	0.79
Others*	0.20	0.26	0.24	0.25

Note: Represents our manufacturing service revenue divided by our manufacturing service sales volume.

FINANCIAL INFORMATION

N-type TOPCon Cells

We recorded a revenue of RMB2,057.9 million generated from the sales of our N-type TOPCon cells in 2022, after we first launched our N-type TOPCon cells in August 2022. The revenue generated from the sales of our N-type TOPCon cells increased significantly from RMB495.9 million for the nine months ended September 30, 2022 to RMB9,750.7 million for the same period in 2023, mainly due to the increase in the sales volume, the effect of which was partially offset by the decrease in average selling price of our N-type TOPCon cells.

The sales volume of our N-type TOPCon cells increased from 0.4 GW for the nine months ended September 30, 2022 to 12.1 GW for the nine months ended September 30, 2023, which was mainly driven by the rapid growth in the market demand for our N-type TOPCon cells in recognition of the premium quality and our leading position in manufacturing the N-type TOPCon cells. In addition, the growth in the market demand of our N-type TOPCon cells was also supported by the increase in our production capacity. Our production capacity of N-type TOPCon cells increased from 0.6 GW in the nine months ended September 30, 2022 to 13.3 GW in the same period in 2023, as we ramped up the production of our Chuzhou and Huai’an Plants.

The average selling price of our N-type TOPCon cells decreased from RMB1.16 per watt for the nine months ended September 30, 2022 to RMB0.81 per watt for the nine months ended September 30, 2023, mainly due to the decrease in the prevailing market price of N-type cells, primarily reflecting the decreased market price of silicon wafers in 2023.

P-type PERC Cells

The revenue generated from the sales of our P-type PERC cells increased significantly from RMB1,625.9 million in 2021 to RMB8,872.3 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. In addition, the increase in revenue was also attributable to the fact that we successfully promoted the sales of our P-type PERC cells in 2022.

The revenue generated from the sales of our P-type PERC cells decreased by 37.3% from RMB6,335.6 million for the nine months ended September 30, 2022 to RMB3,977.4 million for the nine months ended September 30, 2023, mainly due to (i) the decrease in the average selling price of our P-type PERC cells, and (ii) the decrease in the sales volume of our P-type PERC cells.

The average selling price of our P-type PERC cells decreased from RMB1.04 per watt for the nine months ended September 30, 2022 to RMB0.79 per watt for the nine months ended September 30, 2023, mainly due to the decrease in the prevailing market price of P-type PERC cells caused by (i) the decreased market price of silicon wafers in 2023 and (ii) the prevailing supply and demand mechanism in the market during the Track Record Period.

FINANCIAL INFORMATION

The sales volume of our P-type PERC cells decreased from 6.1 GW for the nine months ended September 30, 2022 to 5.0 GW for the same period in 2023, mainly because we strategically shifted our focus to promote the sales of our N-type TOPCon cells to capture the competitive advantages in the industry trend of P-N transition. However, to properly utilize our P-type PERC cell production capacity, we provided manufacturing services to serve customers’ demand for P-type PERC cells.

Others

The revenue generated from our manufacturing service increased significantly from RMB13.5 million in 2021 to RMB155.5 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition was completed in September 2021, as compared with a full year of operations in 2022.

The revenue generated from our manufacturing service increased significantly from RMB94.8 million for the nine months ended September 30, 2022 to RMB614.2 million for the same period in 2023. Such increase was mainly due to the increased sales volume of the PV cells we manufactured on behalf of our customers from 0.4 GW for the nine months ended September 30, 2022 to 2.5 GW for the same period in 2023, driven by the growing market demand from our customers in recognition of our premium manufacturing service. In addition, the increase in revenue was also attributable to the increase in the average selling price that we charged our customers for manufacturing service from RMB0.24 per watt for the nine months ended September 30, 2022 to RMB0.25 per watt for the same period in 2023.

Revenue by Region

During the Track Record Period, mainland China was our major market, accounting for over 95.0% of our total revenue. Our revenue generated from mainland China increased significantly from RMB1,633.9 million in 2021 to RMB11,054.5 million in 2022, primarily because we only recorded three months of performance in 2021 as the First Acquisition was completed in September 2021, as compared with a full year operation in 2022.

Our revenue generated from mainland China increased from RMB6,926.3 million for the nine months ended September 30, 2022 to RMB13,671.9 million for the nine months ended September 30, 2023, mainly due to the increased market demands in Mainland China for our PV cells.

The revenue generated outside mainland China increased from RMB5.5 million in 2021 to RMB31.2 million in 2022, and increased from RMB9.0 thousand for the nine months ended September 30, 2022 to RMB670.3 million for the same period in 2023. Such increases was resulted from our expansion of production capacity and our marketing efforts to explore overseas markets such as Turkey and India.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue by region for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,				
	2021		2022		2022		2023		
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	
						<i>(unaudited)</i>	<i>(unaudited)</i>		
Mainland									
China	1,633,882	99.7	11,054,542	99.7	6,926,300	100.0	13,671,884	95.3	
Outside									
Mainland									
China	5,498	0.3	31,171	0.3	9	0.0	670,336	4.7	
Total	<u>1,639,380</u>	<u>100.0</u>	<u>11,085,713</u>	<u>100.0</u>	<u>6,926,309</u>	<u>100.0</u>	<u>14,342,220</u>	<u>100.0</u>	

Cost of Sales

Our cost of sales primarily consists of raw materials, overhead, direct labor costs, and impairment loss of inventory. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,				
	2021		2022		2022		2023		
	<i>RMB'000</i>	% of <i>revenue</i>	<i>RMB'000</i>	% of <i>revenue</i>	<i>RMB'000</i>	% of <i>revenue</i>	<i>RMB'000</i>	% of <i>revenue</i>	
						<i>(unaudited)</i>	<i>(unaudited)</i>		
Cost of raw									
materials	1,280,496	78.1	8,904,620	80.3	5,654,285	81.6	10,190,086	71.0	
Overhead	133,591	8.1	796,921	7.2	478,015	6.9	1,395,021	9.7	
Direct labor									
costs	16,366	1.0	115,992	1.0	76,767	1.1	221,316	1.5	
Impairment loss									
of inventory	-	-	44,368	0.4	-	-	31,481	0.2	
Others*	1,705	0.1	8,469	0.1	5,477	0.1	16,491	0.1	
Total	<u>1,432,158</u>	<u>87.3</u>	<u>9,870,370</u>	<u>89.0</u>	<u>6,214,544</u>	<u>89.7</u>	<u>11,854,395</u>	<u>82.5</u>	

Note: Others mainly include transportation costs.

Cost of Raw Materials

Cost of raw materials remained the largest component of our cost of sales throughout the Track Record Period and primarily consists of the cost of silicon wafers, silver pastes, and other auxiliary materials.

FINANCIAL INFORMATION

Our cost of raw materials increased significantly from RMB1,280.5 million in 2021 to RMB8,904.6 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. Our cost of raw materials accounted for 78.1% and 80.3%, respectively, of our total revenue in 2021 and 2022.

Our cost of raw materials increased by 80.2% from RMB5,654.3 million for the nine months ended September 30, 2022 to RMB10,190.1 million for the same period in 2023, mainly due to the increase in the sales volume of our N-type TOPCon cells. Our cost of raw materials accounted for 81.6% and 71.0%, respectively, of our total revenue for the nine months ended September 30, 2022 and 2023. The decrease in the percentage of raw material to our total revenue was mainly due to (i) the decrease in the market price of silicon wafers in 2023 and (ii) our effort to control our cost of raw materials, including diversifying our pool of suppliers, enhancing our centralized procurement, and improving the utilization efficiency of our raw material.

Sensitivity Analysis

	Impact on profit/(loss) before tax			
	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in price of raw materials				
-/+ 5%	64,025	445,231	282,714	509,504
-/+ 10%	128,050	890,462	565,429	1,019,009

Overhead

Overhead primarily consists of depreciation of our plants and manufacturing machinery, costs of utilities, indirect labor costs, and maintenance costs of manufacturing machinery.

Our overhead increased significantly from RMB133.6 million in 2021 to RMB796.9 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. Our overhead accounted for 8.1% and 7.2%, respectively, of our total revenue in 2021 and 2022. The decrease in the percentage of overhead to our total revenue was mainly due to the economies of scale derived from our increased production volume and our effort to improve production efficiency.

Our overhead increased by 191.8% from RMB478.0 million for the nine months ended September 30, 2022 to RMB1,395.0 million for the same period in 2023. Such increase was primarily due to the substantial increase in our production volume, driven by the increased market demand for our products. For the nine months ended September 30, 2022 and 2023, our overhead accounted for 6.9% and 9.7%, respectively, of our total revenue in the respective

FINANCIAL INFORMATION

periods. The increase in the percentage of overhead to our total revenue was mainly because we acquired more manufacturing equipment and expanded our plants to support the growth of our business, resulting in the increased depreciation of our plants and manufacturing machinery.

Direct Labor Costs

Our direct labor costs represent salaries, bonus, and welfare benefits for our manufacturing staff.

Our direct labor costs increased significantly from RMB16.4 million in 2021 to RMB116.0 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition was completed in September 2021, as compared with a full year of operations in 2022. In 2021 and 2022, our direct labor costs accounted for 1.0% and 1.0%, respectively, of our total revenue in the respective periods.

Our direct labor costs increased by 188.3% from RMB76.8 million for the nine months ended September 30, 2022 to RMB221.3 million for the same period in 2023. For the nine months ended September 30, 2022 and 2023, our direct labor costs accounted for 1.1% and 1.5%, respectively, of our total revenue in the respective periods. The increase in the percentage of direct labor costs to our total revenue was mainly due to the increases in the headcounts and average salaries of our manufacturing staff, as we expanded our Chuzhou Plant and established our Huai’an Plant in 2023 which required us to attract more talent to support our business expansion.

Cost of Sales Breakdown

The following table sets forth a breakdown of our cost of sales for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
N-type								
TOPCon . . .	–	–	1,863,734	18.9	461,409	7.4	7,987,852	67.4
P-type PERC . . .	1,420,668	99.2	7,913,776	80.2	5,694,245	91.6	3,486,459	29.4
Others*	11,490	0.8	92,860	0.9	58,890	0.9	380,084	3.2
Total	<u>1,432,158</u>	<u>100.0</u>	<u>9,870,370</u>	<u>100.0</u>	<u>6,214,544</u>	<u>100.0</u>	<u>11,854,395</u>	<u>100.0</u>

Note: Others mainly represented the cost of sales of manufacturing services we provided during the Track Record Period.

FINANCIAL INFORMATION

N-type TOPCon Cells

The following table sets forth a breakdown of the cost of sales of our N-type TOPCon cells and the percentage to the revenue of N-type TOPCon cells for the periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,					
	2021	2022	2022		2023			
	<i>% of</i>	<i>% of</i>	<i>% of</i>		<i>% of</i>			
	<i>RMB'000</i>	<i>Revenue</i>	<i>RMB'000</i>	<i>Revenue</i>	<i>RMB'000</i>	<i>Revenue</i>		
					<i>(unaudited)</i>	<i>(unaudited)</i>		
Cost of raw materials	–	–	1,639,136	79.7	411,308	82.9	6,957,976	71.4
Overhead	–	–	170,237	8.3	36,500	7.4	848,176	8.7
Direct labor costs	–	–	33,609	1.6	13,520	2.7	141,903	1.5
Impairment loss of inventory	–	–	19,877	1.0	–	–	30,308	0.3
Others*	–	–	875	0.0	81	0.0	9,489	0.1
Total	–	–	<u>1,863,734</u>	<u>90.6</u>	<u>461,409</u>	<u>93.0</u>	<u>7,987,852</u>	<u>82.0</u>

Note: Others mainly include transportation costs.

We recorded cost of sales of RMB1,863.7 million for our N-type TOPCon cells in 2022, after we launched our N-type TOPCon cells in August 2022. The cost of sales of our N-type TOPCon cells increased significantly from RMB461.4 million for the nine months ended September 30, 2022 to RMB7,987.9 million for the same period in 2023, mainly due to the increased sales volume of our N-type TOPCon cells from 0.4 GW for the nine months ended September 30, 2022 to 12.1 GW for the same period in 2023. The percentage of cost of sales to the revenue of our N-type TOPCon cells decreased from 93.0% for the nine months ended September 30, 2022 to 82.0% for the same period in 2023, mainly due to decrease in the market price of silicon wafers in 2023.

FINANCIAL INFORMATION

P-type PERC Cells

The following table sets forth a breakdown of the cost of sales of our P-type PERC cells and the percentage to the revenue of P-type PERC cells for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>% of</i>		<i>% of</i>		<i>% of</i>		<i>% of</i>	
	<i>RMB'000</i>	<i>Revenue</i>	<i>RMB'000</i>	<i>Revenue</i>	<i>RMB'000</i>	<i>Revenue</i>	<i>RMB'000</i>	<i>Revenue</i>
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Cost of raw materials	1,275,029	78.4	7,223,235	81.4	5,216,100	82.3	3,063,055	77.0
Overhead	128,028	7.9	582,839	6.6	413,805	6.5	364,739	9.2
Direct labor costs	15,979	1.0	76,107	0.9	59,283	0.9	52,837	1.3
Impairment loss of inventory	–	–	24,491	0.3	–	–	1,173	0.0
Others*	1,632	0.1	7,104	0.1	5,057	0.1	4,655	0.1
Total	<u>1,420,668</u>	<u>87.4</u>	<u>7,913,776</u>	<u>89.3</u>	<u>5,694,245</u>	<u>89.8</u>	<u>3,486,459</u>	<u>87.6</u>

Note: Others mainly include transportation costs.

The cost of sales of our P-type PERC cells increased significantly from RMB1,420.7 million in 2021 to RMB7,913.8 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. Our cost of sales accounted for 87.4% and 89.3%, respectively, of the revenue of P-type PERC cells in 2021 and 2022.

The cost of sales of our P-type PERC cells decreased by 38.8% from RMB5,694.2 million for the nine months ended September 30, 2022 to RMB3,486.5 million for the same period in 2023, mainly due to the decrease in the sales volume of our P-type PERC cells, as the sales volume of our P-type PERC cells decreased from 6.1 GW for the nine months ended September 30, 2022 to 5.0 GW for the same period in 2023. The percentage of cost of sales to the revenue of our P-type PERC cells decreased from 89.8% for the nine months ended September 30, 2022 to 87.6% for the same period in 2023, mainly due to the decrease in the market price of silicon wafers in 2023.

FINANCIAL INFORMATION

Others

The cost of sales of our manufacturing service increased significantly from RMB11.5 million in 2021 to RMB92.9 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022.

The cost of sales of our manufacturing service increased significantly from RMB58.9 million for the nine months ended September 30, 2022 to RMB380.1 million for the same period in 2023, mainly due to the increased sales volume of the PV cells we manufactured on behalf of our customers from 0.4 GW for the nine months ended September 30, 2022 to 2.5 GW for the same period in 2023.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB207.2 million in 2021 to RMB1,215.3 million in 2022. Our gross profit increased from RMB711.8 million for the nine months ended September 30, 2022 to RMB2,487.8 million for the same period in 2023. Our gross profit margin was 12.6% and 11.0%, respectively, in 2021 and 2022, and 10.3% and 17.3%, respectively, in the nine months ended September 30, 2022 and 2023.

The following table sets forth our gross profit and gross profit margin for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
N-type								
TOPCon	–	–	194,159	9.4	34,505	7.0	1,762,843	18.1
P-type								
PERC	205,217	12.6	958,498	10.8	641,400	10.1	490,914	12.3
Others*	2,005	14.9	62,686	40.3	35,860	37.8	234,068	38.1
Total	<u>207,222</u>	<u>12.6</u>	<u>1,215,343</u>	<u>11.0</u>	<u>711,765</u>	<u>10.3</u>	<u>2,487,825</u>	<u>17.3</u>

Note: Others mainly represented the gross profit and gross profit margin of the manufacturing service we provided during the Track Record Period.

FINANCIAL INFORMATION

N-type TOPCon Cells

The gross profit of N-type TOPCon cells increased significantly from RMB34.5 million in the nine months ended September 30, 2022 to RMB1,762.8 million for the same period in 2023, primarily due to rapid growth in the sales volume of N-type TOPCon cells after we launched our N-type TOPCon cells in August 2022. The gross profit margin increased from 7.0% for the nine months ended September 30, 2022 to 18.1% for the same period in 2023. We recorded a lower gross profit margin for the nine months ended September 30, 2022, mainly because our N-type TOPCon cells, after being firstly introduced to the market in August 2022, were at an early stage of commercialization leading to a higher cost of sales. The increase in the gross profit margin was also attributable to (i) the decrease in the cost of raw materials as the market price for silicon wafers dropped in 2023, (ii) our ability to charge customers a higher premium for N-type TOPCon cells, due to the recognition of our industry-leading product quality and advanced technology specifications, and (iii) the decrease in our direct labor costs per watt of N-type TOPCon cells as we achieved economies of scale and improved our production efficiency.

P-type PERC Cells

The gross profit of P-type PERC cells increased significantly from RMB205.2 million in 2021 to RMB958.5 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. The gross profit margin of P-type PERC cells was 12.6% and 10.8%, respectively, in 2021 and 2022.

The gross profit of P-type PERC cells decreased by 23.5% from RMB641.4 million for the nine months ended September 30, 2022 to RMB490.9 million for the same period in 2023, mainly due to the decrease in the sales volume of P-type PERC cells. The gross profit margin of P-type PERC cells increased from 10.1% for the nine months ended September 30, 2022 to 12.3% for the same period in 2023, mainly due to the factors that (i) the market price of silicon wafers decreased in 2023, resulting in a decrease in the cost for raw materials for P-type PERC cells, and (ii) we are able to charge customers a higher premium for P-type PERC cells due to the recognition of our product quality.

Others

The gross profits of our manufacturing service increased significantly from RMB2.0 million in 2021 to RMB62.7 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. The gross profit margin of our manufacturing service increased from 14.9% in 2021 to 40.3% in 2022, primary because we were engaged by our customers to manufacture more PV cells with higher average selling price in 2022, in recognition of our technology and production capacity. The average selling price of the PV cells we manufactured for our customers increased from RMB0.20 per watt in 2021 to RMB0.26 per watt in 2022.

FINANCIAL INFORMATION

The gross profits of our manufacturing service increased significantly from RMB35.9 million for the nine months ended September 30, 2022 to RMB234.1 million for the same period in 2023, mainly due to the increased sales volume of the PV cells we manufactured on behalf of our customers from 0.4 GW for the nine months ended September 30, 2022 to 2.5 GW for the same period in 2023. The gross profit margin of our manufacturing service remained relatively stable at 37.8% and 38.1% for the nine months ended September 30, 2022 and 2023, respectively.

Other Income

Our other income primarily consists of (i) bank interest income, (ii) sales of materials, and (iii) government grants. The following table sets forth a breakdown of our other income for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Bank interest								
income	495	1.0	10,734	44.5	5,959	32.4	33,013	59.5
Sales of								
materials	46,946	98.9	11,013	45.7	10,106	55.0	16,876	30.4
Government								
grants	31	0.1	2,364	9.8	2,315	12.6	5,572	10.0
Total	<u>47,472</u>	<u>100.0</u>	<u>24,111</u>	<u>100.0</u>	<u>18,380</u>	<u>100.0</u>	<u>55,461</u>	<u>100.0</u>

Bank interest income represents the interest income we obtained from our bank deposits. Our bank interest income increased significantly from RMB0.5 million in 2021 to RMB10.7 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. In addition, the increase in our bank interest income was also attributable to the interest income generated from the deposits for the bank’s acceptance bill we used to facilitate the construction of our Chuzhou Plant. The bank interest income increased significantly from RMB6.0 million for the nine months ended September 30, 2022 to RMB33.0 million for the same period in 2023, mainly due to (i) the bank interest income generated from the proceeds of our non-public offering in May 2023, and (ii) the interest income generated from our increased bank deposits in relation to the bank’s acceptance bill we used to pay for the construction of our Huai’an Plant and the expansion of our Chuzhou Plant.

FINANCIAL INFORMATION

Sales of materials represent the income we obtained from the disposal of raw materials and scrapped products. Our gain on sales of raw and other materials decreased from RMB46.9 million in 2021 to RMB11.0 million in 2022, mainly because in 2021, we conducted a one-off transaction relating the sale of silicon materials. The gain on sales of raw and other materials increased from RMB10.1 million for the nine months ended September 30, 2022 to RMB16.9 million for the same period in 2023, mainly because we disposed of more scrapped products, due to the growth of our business scale and our enhanced R&D activities.

Government grants represent grants received from local governments in connection with the support and incentives for enterprise development and innovation capability. Our government grants increased significantly from RMB31.0 thousand in 2021 to RMB2.4 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. The government grants increased from RMB2.3 million for the nine months September 30, 2022 to RMB5.6 million for the same period in 2023, mainly attributable to the subsidies we received in relation to support for the manufacturing industry.

Other Gains and Losses

Our gains and losses consist of (i) net gain on disposal of property, plant and equipment, (ii) net foreign exchange gains/(losses), and (iii) others.

We recorded other losses of RMB0.2 million and RMB3.5 million in 2021 and 2022, respectively. We recorded other losses of RMB1.4 million for the nine months ended September 30, 2022, and recorded other gains of RMB6.6 million for the same period in 2023, mainly due to the increase in our net foreign exchange gains resulting from the appreciation of US dollars against Renminbi in 2023.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) employee salaries and benefit expenses, (ii) share-based payment expenses, (iii) advertising expenses, (iv) entertainment expenses, (v) consulting service expenses, and (vi) sample products expenses. The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>	<i>RMB'000</i>	<i>% of Revenue</i>
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Employee salaries and benefits expenses . . .	921	67.7	8,315	50.6	4,199	42.3	16,797	32.9
Share-based payment expenses . . .	–	–	3,356	20.4	3,391	34.2	20,475	40.1
Advertising expenses . . .	59	4.3	466	2.8	175	1.8	3,425	6.7
Entertainment expenses . . .	159	11.7	1,513	9.2	845	8.5	2,638	5.2
Travelling expenses . . .	110	8.1	428	2.6	207	2.1	1,685	3.3
Consulting service expenses . . .	–	–	370	2.2	240	2.4	1,587	3.1
Sample products expenses . . .	64	4.7	651	4.0	410	4.1	545	1.1
Others*	48	3.5	1,350	8.2	448	4.6	3,962	7.6
Total	<u>1,361</u>	<u>100.0</u>	<u>16,449</u>	<u>100.0</u>	<u>9,915</u>	<u>100.0</u>	<u>51,114</u>	<u>100.0</u>

Note: Others include insurance expenses and leasing expenses.

The employee salaries and benefits expenses represent salaries, bonus and employee benefits paid to our employees involved in the selling and marketing activities. Our employee salaries and benefits expenses increased significantly from RMB0.9 million in 2021 to RMB8.3 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. Our employee salaries and benefits expenses increased significantly from RMB4.2 million for the nine months ended September 30, 2022 to RMB16.8 million for the same period of 2023, mainly due to the enlargement of our selling and marketing team and the increase in the average salary paid to our selling and marketing team, as we attracted more selling and marketing talent to expand our market share.

FINANCIAL INFORMATION

The share-based payment expenses represent share-based incentive we paid to our key marketing personnels. Our share-based payment expenses increased from RMB3.4 million for the nine months ended September 30, 2022 to RMB20.5 million for the same period in 2023, mainly because we issued more share-based payment to our key marketing personnels in 2023.

The advertising expenses represent fees we incurred in relation to the advertisement and promotion of our PV cells. Our advertising expenses increased from RMB0.1 million in 2021 to RMB0.5 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. Our advertising expenses increased from RMB0.2 million for the nine months ended September 30, 2022 to RMB3.4 million for the same period in 2023, mainly due to our increased marketing effort to promote the sales of our N-type TOPCon cells.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, (ii) share-based payment expenses, (iii) consulting service expenses, (iv) handling expenses, (v) tax and surcharges, (vi) depreciation and amortization expenses, (vii) entertainment expenses, and (viii) utilities expenses. The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000 <i>(unaudited)</i>	% of Revenue	RMB'000 <i>(unaudited)</i>	% of Revenue
Employee salaries and benefits expenses . . .	12,486	46.3	58,506	40.1	34,754	39.9	130,470	51.7
Share-based payment expenses . . .	2,982	11.0	21,869	15.0	15,706	18.0	39,254	15.6
Consulting service expenses . . .	5,669	21.0	23,306	16.0	14,278	16.4	22,025	8.7
Handling expenses . . .	2,198	8.1	6,927	4.7	938	1.1	2,344	0.9
Tax and surcharges . .	1,867	6.9	19,663	13.5	12,730	14.6	22,523	8.9
Depreciation and amortization expenses . . .	898	3.3	5,133	3.5	3,251	3.7	6,666	2.6
Entertainment expenses . . .	302	1.1	2,161	1.5	1,189	1.4	4,119	1.6
Utilities expenses . . .	178	0.8	638	0.3	324	0.4	2,493	1.0
Others*	415	1.5	7,837	5.4	3,983	4.5	22,342	8.9
Total	26,995	100.0	146,043	100.0	87,153	100.0	252,236	100.0

Note: Others mainly include costs incurred in relation to hold conference, training program and business trips.

FINANCIAL INFORMATION

Our employee salaries and benefits expenses represent salaries, bonus and employee benefits paid to our administrative employees. Our employee benefit expenses increased significantly from RMB12.5 million in 2021 to RMB58.5 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. Our employee benefit expenses increased from RMB34.8 million for the nine months ended September 30, 2022 to RMB130.5 million for the same period in 2023, mainly because we recruited more administrative staff to support the operation of our Huai’an Plant in 2023.

The share-based payment expenses represent share-based incentive we paid to our key administrative personnels. Our share-based payment increased significantly from RMB3.0 million in 2021 to RMB21.9 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. Our share-based payment expenses increased from RMB15.7 million for the nine months ended September 30, 2022 to RMB39.3 million for the same period in 2023, mainly because we issued more share-based payment to our key administrative personnels.

Our consulting service expenses represent fees we paid for the strategic consulting service. The increases in the consulting service expenses during the Track Record Period were mainly because we engaged more consulting service regarding our business operation and administrative strategy to support the expansion of our business. In addition, the increase in consulting service expenses from RMB14.3 million for the nine months ended September 30, 2022 to RMB22.0 million for the same period in 2023 was also attributable to the consulting service we engaged in relation to our non-public offering in May 2023.

Our handling expenses represent the fees we paid to the banks for completing transactions in the ordinary course of our business. Our handling expenses increased from RMB1.0 million for the nine months ended September 30, 2022 to RMB2.3 million for the same period in 2023, mainly due to the increased frequency and size of the transactions we engaged in, in line with our business expansion.

Research and Development Expenses

Our research and development expenses primarily consist of (i) staff costs, (ii) materials consumed, (iii) cost of utilities, and (iv) depreciation and amortization. The following table sets forth a breakdown of our research expenditure for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Staff costs . . .	7,815	13.7	61,290	26.1	39,205	21.8	133,398	57.2
Materials consumed . .	36,448	64.1	139,982	59.5	107,223	59.7	91,174	39.1
Cost of utilities	4,662	8.2	15,729	6.7	15,729	8.8	2,718	1.2
Depreciation and amortization .	3,455	6.1	11,171	4.7	11,630	6.5	1,996	0.9
Others	4,514	7.9	7,035	3.0	5,716	3.2	3,742	1.6
Total	<u>56,894</u>	<u>100.0</u>	<u>235,207</u>	<u>100.0</u>	<u>179,503</u>	<u>100.0</u>	<u>233,028</u>	<u>100.0</u>

FINANCIAL INFORMATION

Staff costs represent salaries and bonus paid to our employees involved in the R&D activities. Our staff costs increased significantly from RMB7.8 million in 2021 to RMB61.3 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. Our staff costs increased significantly from RMB39.2 million for the nine months ended September 30, 2022 to RMB133.4 million for the same period of 2023, mainly due to the enlargement of our R&D team and the expansion of our business scale, as we attracted more R&D talent to our Chouzhou Plant and Huai’an Plant to strengthen our leading position in the PV cells technology and support the expansion of our business.

Materials consumed represent the cost of raw materials we used in the process of our R&D activities. The materials consumed increased significantly from RMB36.4 million in 2021 to RMB140.0 million in 2022, mainly because we only recorded three months of performance in 2021 as the First Acquisition completed in September 2021, as compared with a full year of operations in 2022. Our material consumed decreased from RMB107.2 million for the nine months ended September 30, 2022 to RMB91.2 million for the same period of 2023, mainly due to the decrease in the market price of silicon wafers.

Net Impairment Losses Under Expected Credit Loss Model

Our net impairment losses under expected credit loss model mainly represent net impairment losses on trade receivable, bills receivables and other receivables subjected to the expected credit loss model. We had net impairment losses under expected credit loss model of RMB1.0 million, RMB11.8 million, RMB0.4 million and RMB0.6 million in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

Other Expenses

Our other expenses primarily represent materials cost. We had other expenses of RMB52.3 million, RMB0.5 million, RMB1.2 million and RMB3.6 million in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. We recorded a higher other expenses in 2021, mainly due to the expense of silicon materials associated with a one-off transaction for the sale of silicon materials we made in 2021. Our other expenses increased from RMB1.2 million for the nine months ended September 30, 2022 to RMB3.6 million for the same period in 2023, mainly due to the materials cost associated with the inventories we disposed of for the nine months ended September 30, 2023.

FINANCIAL INFORMATION

Finance Costs

Our finance costs include (i) interest on bank and other borrowings, (ii) interest on discounting bills receivables and receivables at FVTOCI, (iii) interest expense on lease liabilities, (iv) interest on payables for acquisition of property, plant and equipment, and (v) interest on consideration payables. The following table sets forth a breakdown of our finance costs for the periods indicated.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
					<i>(unaudited)</i>		<i>(unaudited)</i>	
Interest on bank and other borrowings	28,276	84.6	112,546	77.1	87,124	95.2	121,594	64.5
Interest on discounting bills receivables and receivables at FVTOCI	5,143	15.4	11,012	7.5	4,348	4.8	8,470	4.5
Interest on lease liabilities	22	–	119	0.1	57	–	228	0.1
Interest on payables of acquisition of property, plant and equipment	–	–	10,243	7.0	–	–	46,836	24.8
Interest on consideration payables	–	–	12,122	8.3	–	–	11,361	6.1
Total	<u>33,441</u>	<u>100.0</u>	<u>146,042</u>	<u>100.0</u>	<u>91,529</u>	<u>100.0</u>	<u>188,489</u>	<u>100.0</u>

FINANCIAL INFORMATION

Income Tax Expenses

The following table sets forth a breakdown of our income tax expenses for the periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>	<i>(unaudited)</i>
PRC Enterprise Income Tax (“EIT”)	3,391	10,401	38,466	245,140
Deferred tax expenses (credit)	25,338	52,635	5,739	(62,601)
Total	<u>28,729</u>	<u>63,036</u>	<u>44,205</u>	<u>182,539</u>

Our income tax expenses was RMB28.7 million and RMB63.0 million for the year ended December 31, 2021 and 2022, respectively. Our income tax expenses was RMB44.2 million and RMB182.5 million in the nine months ended September 30, 2022 and 2023, respectively.

The Company and Jietai Technology obtained the “High Technology Enterprise” certification in October and November 2021, respectively, and was therefore entitled to a preferential tax rate of 15% for a period of 3 years from 2021 to 2023. The other PRC subsidiaries are subjected to PRC EIT rate of 25% during the Track Record Period.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2023 Compared with Nine Months Ended September 30, 2022

Revenue

Our revenue increased significantly from RMB6,926.3 million for the nine months ended September 30, 2022 to RMB14,342.2 million for the nine months ended September 30, 2023 primarily due to the increase in the revenue generated from the sale of our N-type TOPCon cells, which increased from RMB495.9 million for the nine months ended September 30, 2022 to RMB9,750.7 million for the same period in 2023, as we continued to focus on expanding the market of N-type TOPCon cells to capture the competitive advantage in the industry trend of P-N transition. In addition, the increase in revenue was also attributable to the increase of revenue generated from our manufacturing service, from RMB94.8 million for the nine months ended September 30, 2022 to RMB614.2 million for the same period in 2023.

FINANCIAL INFORMATION

The increases in the revenue generated from the sale of our N-type TOPCon cells and our manufacturing service were partially offset by the decrease in the revenue generated from the sales of P-type PERC cells, which decreased from RMB6,335.6 million for the nine months ended September 30, 2022 to RMB3,977.4 million for the same period in 2023, mainly due to the decreases in the average selling price and the sales volume of our P-type PERC cells for the nine months ended September 30, 2023.

Cost of Sales

Our cost of sales increased significantly from RMB6,214.5 million for the nine months ended September 30, 2022 to RMB11,854.4 million for the same period in 2023, primarily due to the increase in the sales volume of our N-type TOPCon cells.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB711.8 million for the nine months ended September 30, 2022 to RMB2,487.8 million for the nine months ended September 30, 2023. Our gross profit margin increased from 10.3% for the nine months ended September 30, 2022 to 17.3% for the same period in 2023, mainly due to the increased revenue contribution of our N-type TOPCon cells, which carried a higher profit margin in the nine months ended September 30, 2023 than they did in the same period in 2022. The revenue contribution of our N-type TOPCon cells to the total revenue increased from 7.2% for the nine months ended September 30, 2022 to 68.0% for the same period in 2023, as we focused on expanding the market and promoting the sales of our N-type TOPCon cells. The gross profit margin of N-type TOPCon cells increased from 7.0% for the nine months ended September 30, 2022 to 18.1% for the same period in 2023. To a lesser extent, the increase in our gross profit margin was also due to the increased revenue contribution of our manufacturing services, which carried a higher profit margin.

Other Income

Our other income increased significantly from RMB18.4 million for the nine months ended September 30, 2022 to RMB55.5 million for the same period in 2023, primarily due to (i) the increase in bank interest income, and (ii) the increase in sales of materials as we disposed of more scrapped products in the nine months ended September 30, 2023.

Other Gains and Losses

We recorded other losses of RMB1.4 million for the nine months ended September 30, 2022 and other gains of RMB6.6 million for the nine months ended September 30, 2023, primarily due to the increase in net foreign exchange gains.

FINANCIAL INFORMATION

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB9.9 million for the nine months ended September 30, 2022 to RMB51.1 million for the same period in 2023, primarily due to the increase in the share-based payment expenses and the employee salaries and benefits expenses.

Administrative Expenses

Our administrative expenses increased significantly from RMB87.2 million for the nine months ended September 30, 2022 to RMB252.2 million for the nine months ended September 30, 2023, primarily due to the increases in employee benefit expenses, and share-based payment expenses, in line with the expansion of business.

Research and Development Expenses

Our research and development expenses increased from RMB179.5 million for the nine months ended September 30, 2022 to RMB[REDACTED] million for the same period in 2023, primary due to the increase in the staff costs, the effect of which was partially offset by the decrease in the materials consumed.

Other Expenses

Our other expenses increased from RMB1.2 million for the nine months ended September 30, 2022 to RMB3.6 million for the same period in 2023, primarily due to the increased materials cost associated with the inventories we disposed of for the nine months ended September 30, 2023.

Finance Costs

Our finance costs increased significantly from RMB91.5 million for the nine months ended September 30, 2022 to RMB188.5 million for the nine months ended September 30, 2023, primarily due to the increase in interest on bank and other borrowings to support our business expansion and production capacity enhancement.

Profit for the Period

As a result of the above, our profit for the period increased significantly from RMB314.8 million for the nine months ended September 30, 2022 to RMB1,638.2 million for the same period in 2023.

FINANCIAL INFORMATION

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

Revenue

Our total revenue increased significantly from RMB1,639.4 million in 2021 to RMB11,085.7 million in 2022. The increase was primarily due to our First Acquisition of Jietai Technology in September 2021, resulting in a three-month operation period from October 1, 2021 to December 31, 2021 for our PV Cells Business in 2021, while we had a full year operation of PV Cells Business in 2022. In addition, the increase in revenue was also attributable to the fact that we successfully expanded the scale of our business by promoting the sales of our P-type PERC cells and we launched N-type TOPCon cells in 2022.

Cost of Sales

Our cost of sales increased significantly from RMB1,432.2 million in 2021 to RMB9,870.4 million in 2022. The increase was primarily due to the fact that we acquired Jietai Technology in September 2021, resulting in a three-month operation period from October 1, 2021 to December 31, 2021 for our PV Cells Business in 2021, while we had a full year operation of PV Cells Business in 2022. In addition, the increase in cost of sales was also attributable to the fact that we successfully expanded the scale of our business by promoting the sales of our P-type PERC cells and we launched N-type TOPCon cells in 2022.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB207.2 million in 2021 to RMB1,215.3 million in 2022. The increase was primarily due to the fact that we acquired Jietai Technology in September 2021, resulting in a three-month operation period from October 1, 2021 to December 31, 2021 for our PV Cells Business in 2021, while we had a full year operation of PV Cells Business in 2022.

Our gross profit margin decreased from 12.6% in 2021 to 11.0% in 2022 primarily because we launched our N-type TOPCon cells in August 2022, the profit margin of which remained relatively low in 2022 as our N-type TOPCon cells were at early stage of commercialization and had not enjoyed the benefits from economics of scale.

Other Income

Our other income decreased from RMB47.5 million in 2021 to RMB24.1 million in 2022, primarily because we recorded a gain on sales of materials of RMB46.9 million in 2021, due to a one-off transaction relating to the sale of silicon materials we made in 2021.

FINANCIAL INFORMATION

Other Gains and Losses

Our other losses increased significantly from RMB0.2 million in 2021 to RMB3.5 million in 2022, primarily due to the fact that we acquired Jietai Technology in September 2021, resulting in a three-month operation period from October 1, 2021 to December 31, 2021 for our PV Cells Business in 2021, while we had a full year operation of PV Cells Business in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly from RMB1.4 million in 2021 to RMB16.4 million in 2022, primarily due to the fact that we acquired Jietai Technology in September 2021, resulting in a three-month operation period from October 1, 2021 to December 31, 2021 for our PV Cells Business in 2021, while we had a full year operation of PV Cells Business in 2022.

Administrative Expenses

Our administrative expenses increased significantly from RMB27.0 million in 2021 to RMB146.0 million in 2022, primarily due to the fact that we acquired Jietai Technology in September 2021, resulting in a three-month operation period from October 1, 2021 to December 31, 2021 for our PV Cells Business in 2021, while we had a full year operation of PV Cells Business in 2022.

Research and Development Expenses

Our research and development expenses increased significantly from RMB56.9 million in 2021 to RMB235.2 million in 2022, primarily due to the fact that we acquired Jietai Technology in September 2021, resulting in a three-month operation period from October 1, 2021 to December 31, 2021 for our PV Cells Business in 2021, while we had a full year operation of PV Cells Business in 2022.

Other Expenses

Our other expenses decreased significantly from RMB52.3 million in 2021 to RMB0.5 million in 2022. We recorded a higher other expenses in 2021, mainly due to the material costs associated with a one-off transaction relating to the sale of silicon materials we made in 2021.

Finance Costs

Our finance costs increased significantly from RMB33.4 million in 2021 to RMB146.0 million in 2022, primarily due to the fact that we acquired Jietai Technology in September 2021, resulting in a three-month operation period from October 1, 2021 to December 31, 2021 for our PV Cells Business in 2021, while we had a full year operation of PV Cells Business in 2022.

Profit for the Year

As a result of the above, our profit for the year increased from RMB53.7 million in 2021 to RMB616.9 million in 2022.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of
			September 30,
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	2,966,707	4,073,434	9,930,445
Right-of-use assets	173,101	68,156	167,922
Investment properties	10,626	–	–
Intangible assets	128,494	96,242	80,144
Goodwill	863,332	860,510	858,816
Interest in associates	43,870	–	–
Deferred tax assets	17,743	2,685	232,338
Deposits paid for acquisition of property, plant and equipment	67,509	98,816	215,844
Other receivables	25,605	80,506	65,954
Total non-current assets	<u>4,296,987</u>	<u>5,280,349</u>	<u>11,551,463</u>
Current assets			
Inventories	437,736	338,924	1,007,725
Trade, bills and other receivables	324,513	169,048	795,955
Receivables at fair value through other comprehensive income (“FVTOCI”)	294,041	1,014,656	2,663,041
Value-added tax recoverable	130,403	163,624	300,819
Income tax recoverable	3,851	–	–
Financial assets at fair value through profits or loss (“FVTPL”)	–	–	200,000
Restricted bank deposits	277,415	629,122	1,779,116
Cash and cash equivalents	214,079	1,243,953	1,348,141
Total current assets	<u>1,682,038</u>	<u>3,559,327</u>	<u>8,094,797</u>

FINANCIAL INFORMATION

	As of December 31,		As of September 30,
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
LIABILITIES			
Current liabilities			
Trade, bills and other payables	2,361,337	2,851,690	5,267,304
Contract liabilities	93,398	317,134	462,270
Tax payable	4,975	2,787	222,895
Bank and other borrowings	557,334	1,204,167	1,232,733
Lease liabilities	1,208	1,694	1,982
Total current liabilities	<u>3,018,252</u>	<u>4,377,472</u>	<u>7,187,184</u>
Net current (liabilities)/assets	<u>(1,336,214)</u>	<u>(818,145)</u>	<u>907,613</u>
Total assets less current liabilities.	<u>2,960,773</u>	<u>4,462,204</u>	<u>12,459,076</u>
Non-current liabilities			
Other payables.	600,000	663,422	3,256,441
Bank and other borrowings	693,316	2,503,682	3,056,481
Lease liabilities	1,149	2,497	1,596
Deferred income	–	220,328	461,471
Deferred tax liabilities.	104	21,445	183,260
Convertible loan notes.	61,936	–	–
Total non-current liabilities.	<u>1,356,505</u>	<u>3,411,374</u>	<u>6,959,249</u>
Capital and reserves			
Share capital	137,291	141,524	227,395
Share premium	656,925	9,351	2,822,336
Reserves	207,612	899,955	2,450,096
Equity attributable to owners of the Company	1,001,828	1,050,830	5,499,827
Non-controlling interests	602,440	–	–
Total equity	<u>1,604,268</u>	<u>1,050,830</u>	<u>5,499,827</u>

FINANCIAL INFORMATION

Property, Plant and Equipment

Our property, plant and equipment primarily consist of buildings, plant, machinery, office equipment, motor vehicles, and construction in progress. Our property, plant and equipment increased from RMB2,966.7 million as of December 31, 2021 to RMB4,073.4 million as of December 31, 2022, mainly attributable to the increases of our buildings, plant, and machinery associated with the construction of our Chuzhou Plant in 2022.

Our property, plant and equipment increased further to RMB9,930.4 million as of September 30, 2023, mainly due to the increases in our buildings, plant and machinery, as we further expanded the scale of our Chuzhou Plant and set up our Huai’an Plant in 2023.

Right-of-use Assets

The right-of-use assets mainly related to our leasehold lands, staff quarters and office properties. Our right-of-use assets decreased from RMB173.1 million as of December 31, 2021 to RMB68.2 million as of December 31, 2022, mainly due to the disposal of the Discontinued Business in 2022. Our right-of-use assets increased from RMB68.2 million as of December 31, 2022 to RMB167.9 million as of September 30, 2023, mainly associated with the expansion of our Chuzhou Plant and the establishment of Huai’an Plant, as we rented more land, staff quarters and working space to support our business growth.

Goodwill

Our goodwill arose from our acquisition of Jetai Technology in 2021. The carrying amount of goodwill was RMB863.3 million as of December 31, 2021, RMB860.5 million as of December 31, 2022, and RMB858.8 million as of September 30, 2023. For details on the impairment assessment on goodwill, see Note 17A to the Accountants’ Report in Appendix I to this document.

FINANCIAL INFORMATION

Inventories

Our inventories include (i) raw materials, (ii) work-in-progress, (iii) finished goods and (iv) goods in transit. For more information on our inventory management, see “Business — Warehousing, Logistics and Inventory Management.” The following table sets forth our inventories as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
<i>Current Business</i>			
Raw materials	71,865	114,427	557,867
Work-in-progress	60,880	63,662	159,782
Finished goods	15,895	68,179	206,296
Goods in transit	7,457	92,656	83,780
	156,097	338,924	1,007,725
<i>Discontinued Business</i>			
Raw materials	52,213	N/A	N/A
Work-in-progress	60,445	N/A	N/A
Finished goods	61,342	N/A	N/A
Goods in transit	107,639	N/A	N/A
	281,639	N/A	N/A
Total	437,736	338,924	1,007,725

Our inventories decreased from RMB437.7 million as of December 31, 2021 to RMB338.9 million as of December 31, 2022, mainly due to our disposal of the Discontinued Business in 2022, partially offset by the increase in the inventories for our Current Business as our business scale expanded in 2022. Our inventories increased from RMB338.9 million as of December 31, 2022 to RMB1,007.7 million as of September 30, 2023, mainly due to the increases in raw materials, finished goods and work-in-progress, as we increased our inventory level to meet the increasing market demands for our products and support our business growth.

FINANCIAL INFORMATION

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

	Year Ended December 31,		Nine Months Ended September 30,
	2021	2022	2023
	<i>(unaudited)</i>		
Inventory turnover days*	78.8	14.2	15.3

Note: Inventory turnover days for each year equals the average of the beginning and ending balances of inventory for that year/period divided by the corresponding cost of sales from continuing operation for the year/period, multiplied by 360 days for a year and 270 days for a nine-month period.

Our inventory turnover days decreased from 78.8 days in 2021 to 14.2 days in 2022, mainly due to the disposal of the Discontinued Business. Our inventory turnover days increased from 14.2 days in 2022 to 15.3 days for the nine months ended September 30, 2023, mainly because we had relatively high balance of inventory at the end of third quarter as we increased our inventory level to guarantee the steady supply of raw materials for our manufacturing activities during the National Day holiday in China.

As of December 31, 2023, RMB904.4 million, or 89.7% of our inventories outstanding as of September 30, 2023 had been subsequently sold or utilized.

Trade, Bills and Other Receivables

We had trade, bill and other receivables of RMB350.1 million, RMB249.6 million and RMB224.7 million as of December 31, 2021, 2022 and as of September 30, 2023. The table below sets forth our trade, bills and other receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>(unaudited)</i>			
Trade receivables	191,263	47,954	12,831
Bills receivables	51,318	7,987	149,989
<i>Less: Impairment loss allowance for trade and bills receivables</i>	<i>(25,296)</i>	<i>(1,560)</i>	<i>(2,361)</i>
Other receivables and prepayments	135,590	206,237	712,304
<i>Less: Impairment loss allowance for other receivables</i>	<i>(2,757)</i>	<i>(11,064)</i>	<i>(10,854)</i>
Total	<u>350,118</u>	<u>249,554</u>	<u>861,909</u>

FINANCIAL INFORMATION

Trade and Bills Receivables

Our trade and bills receivables primarily represent the outstanding amounts due from customers in connection with the PV cells we sold and the manufacturing services we provided. For our Current Business, we generally did not grant any credit period to our customers and required payment before delivery.

Our trade receivables decreased from RMB191.3 million as of December 31, 2021 to RMB48.0 million as of December 31, 2022, mainly due to the disposal of the Discontinued Business. Our trade receivables decreased from RMB48.0 million as of December 31, 2022 to RMB12.8 million as of September 30, 2023, mainly because more trade receivables were settled as of September 30, 2023 due to our enhanced receivable collection effort.

The following is an aging analysis of trade receivables, net of impairment loss allowance, presented based on revenue recognition date at the end of each reporting period indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
<i>Current Business</i>			
0-1 years	13,020	46,015	5,993
1-2 years	42	423	5,974
2-3 years	—	37	—
	13,062	46,475	11,967
<i>Discontinued Business</i>			
0-1 years	150,375	N/A	N/A
1-2 years	2,741	N/A	N/A
2-3 years	302	N/A	N/A
	153,418	N/A	N/A

Our Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Our bills receivables decreased from RMB51.3 million as of December 31, 2021 to RMB8.0 million as of December 31, 2022, mainly due to (i) the disposal of the Discontinued Business, and (ii) the fact that we demanded our customers to settle payment with bills issued by banks of high credit rating, the amount of which we recorded under receivables at FVTOCI based on our accounting policy. Our bills receivables increased from RMB8.0 million as of December 31, 2022 to RMB150.0 million, mainly due to the increased amount of letter of credit we received, in line with the growth in our sales volumes and scale of business.

FINANCIAL INFORMATION

The following is an aging analysis of bills receivables, net of impairment loss allowance, presented based on the issue dates of bills receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
<i>Current Business</i>			
0 to 180 days	45,289	7,906	148,492
<i>Discontinued Business</i>			
181 days to 1 year	5,516	N/A	N/A

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

	Year Ended December 31,		Nine Months Ended September 30,
	2021	2022	2023
	<i>(unaudited)</i>		
Trade and bills receivables turnover days*	47.4	4.4	2.0

Note: Trade and bills receivables turnover days were calculated using the average of the opening and closing balance of the trade and bills receivables for the relevant year/period, divided by the corresponding revenue from continuing operation for the year/period, multiplied by 360 days for a year and 270 days for a nine-month period.

Our trade and bills receivables turnover days decreased from 47.4 days in 2021 to 4.4 days in 2022, and further decreased to 2.0 days for the nine months ended September 30, 2023, mainly due to the disposal of the Discontinued Business.

As of December 31, 2023, RMB156.3 million, or 96.0%, of our trade and bills receivables as of September 30, 2023 had been subsequently settled.

FINANCIAL INFORMATION

Other Receivables and Prepayments

Other receivables and prepayments consist primarily of advance to suppliers, deposits paid for sales and leaseback arrangement, and other receivables. Our other receivables and prepayments increased from RMB135.6 million as of December 31, 2021 to RMB206.2 million as of December 31, 2022, and further increased to RMB712.3 million as of September 30, 2023, mainly due to the increased advance to our suppliers as we increased our procurement of raw materials to support our business expansion.

Receivables at FVTOCI

Our receivables at FVTOCI consist primarily of the acceptance bills issued by banks of high credit rating which we received from the sales of our products. Our receivables at FVTOCI increased from RMB294.0 million as of December 31, 2021 to RMB1,014.7 million as of December 31, 2022 and further increased to RMB2,663.0 million as of September 30, 2023, mainly due to the expansion of business scale.

Restricted Bank Deposits

Our restricted bank deposits were deposited to banks for the issue of bank borrowings, bills payable and letter of credits. We had restricted bank deposits of RMB277.4 million, RMB629.1 million and RMB1,779.1 million as of December 31, 2021 and 2022, and September 30, 2023, respectively. The increases in the restricted bank deposits were mainly due to the growth of our business.

Cash and Cash Equivalents

We had cash and cash equivalents of RMB214.1 million, RMB1,244.0 million and RMB1,348.1 million as of December 31, 2021 and 2022 and September 30, 2023, respectively. See “— Liquidity and Capital Resources — Cash Flow Analysis.” for more details.

FINANCIAL INFORMATION

Trade, Bills and Other Payables

We had trade, bills and other payables of RMB2,961.3 million, RMB3,515.1 million and RMB8,523.7 million as of December 31, 2021, 2022 and September 30, 2023. The table below sets forth our trade, bills and other payables as of the dates indicated.

	As of December 31,		As of
			September 30,
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (<i>unaudited</i>)
Trade payables	609,301	500,786	908,165
Bills payables	449,101	509,102	1,826,682
Other payables			
– Payables for acquisition of property, plant and equipment.	382,229	1,169,148	4,907,896
– Consideration payables and related interest payables	584,176	788,608	23,483
– Accrued payroll and welfare	53,092	60,402	137,396
– Other taxes payables	18,561	70,031	158,652
– Amount due to an independent third party	–	20,000	20,000
– Amounts due to Yang Family and the Vendors	600,000	2,140	2,135
– Amounts due to other related parties	248,439	–	–
– Dividend payables	3,247	90	90
– Other payables	13,191	102,903	66,835
– Deposits received from customers . .	–	291,902	472,411
	<u>1,902,935</u>	<u>2,505,224</u>	<u>5,788,898</u>
Total	<u>2,961,337</u>	<u>3,515,112</u>	<u>8,523,745</u>
Analyzed as			
Current	2,361,337	2,851,690	5,267,304
Non-current	600,000	663,422	3,256,441
Total	<u>2,961,337</u>	<u>3,515,112</u>	<u>8,523,745</u>

FINANCIAL INFORMATION

Trade Payables

Our trade payables were outstanding amount due to third parties, mainly our suppliers for raw materials and service providers.

Our trade payables decreased from RMB609.3 million as of December 31, 2021 to RMB500.8 million as of December 31, 2022, mainly due to the disposal of the Discontinued Business in 2022. Our trade payables increased from RMB500.8 million as of December 31, 2022 to RMB908.2 million as of September 30, 2023, mainly because we increased our procurement for raw materials to satisfy the increased market demand and sales volume of our product.

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

	As of December 31,		As of September 30,
	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
0 to 1 year	342,375	499,409	903,738
1 year to 2 years	845	676	3,640
Over 2 years	204	701	787
	343,424	500,786	908,165

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

	Year Ended December 31,		Nine Months Ended September 30,
	2021	2022	2023
	<i>(unaudited)</i>		
Trade payables turnover days*	104.0	20.2	16.0

Note: Trade payables turnover days were calculated using the average of the opening and closing balance of the trade payables for the relevant year/period, divided by the corresponding cost of revenues from continuing operation for the year/period, multiplied by 360 days for a year and 270 days for a nine-month period.

Our trade payables turnover days decreased from 104.0 days in 2021 to 20.2 days in 2022, and further decreased from 20.2 days in 2022 to 16.0 days in the nine months ended September 30, 2023, mainly due to the disposal of the Discontinued Business.

FINANCIAL INFORMATION

Bills Payables

Our bills payables increased from RMB449.1 million as of December 31, 2021 to RMB509.1 million as of December 31, 2022, mainly due to our increased procurement of raw materials to satisfy our increased sales volume. Our bills payables further increased to RMB1,826.7 million as of September 30, 2023, mainly due to (i) our increased raw material procurement, and (ii) the increased bill payables related to the construction of our Huai’an Plant and the expansion of our Chuzhou Plant.

The following table sets forth an aging analysis of bills payables presented based on issue dates as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
<i>Current Business</i>			
0 to 180 days	371,598	458,524	1,826,682
Over 180 days	—	50,578	—
	371,598	509,102	1,826,682
<i>Discontinued Business</i>			
0 to 181 days	77,503	N/A	N/A

As of December 31, 2023, RMB1,812.6 million, or 66.3%, of our trade and bills payables as of September 30, 2023 had been subsequently settled.

Other Payables

Our other payables primarily consists of (i) payables for acquisition of property, plant and equipment, (ii) consideration payables and related interest payables, (iii) other tax payables and (iv) accrued payroll and welfare. Our other payables increased from RMB1,902.9 million as of December 31, 2021 to RMB2,505.2 million as of December 31, 2022, mainly due to (i) the increase in our payables for acquisition of property, plant and equipment, resulting from the construction of our Chuzhou Plant, and (ii) the increases in our consideration payables and related interest payables in relation to our First Acquisition. Our other payables further increased to RMB5,788.9 million as of September 30, 2023, mainly due to the increase in our payables for acquisition of property, plant and equipment, resulting from the expansion in the scale of our Chuzhou Plant and the establishment of our Huai’an Plant in 2023.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

The following table sets forth our consolidated statements of cash flows for the periods indicated.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
(Loss) profit before tax from continuing and discontinued operations . . .	(101,122)	891,709	570,823	1,820,775
Operating cash flows before movements in working capital	234,937	1,346,937	807,165	2,434,518
Increase in inventories	(25,239)	(271,574)	(368,585)	(654,989)
Decrease (increase) in trade, bills and other receivables .	100,191	(934,246)	(1,132,174)	(607,295)
Increase in receivables at FVTOCI	(16,960)	(795,397)	(572,438)	(3,475,719)
Decrease (increase) in value-added tax recoverable	7,692	(65,757)	51,337	(137,194)
Increase in trade, bills and other payables	132,145	375,388	643,782	1,294,637
Increase in contract liabilities	42,044	255,627	417,714	466,809
Cash generated/(used in) operations	474,810	(89,022)	(153,199)	(679,233)
PRC Enterprise Income Tax paid	(7,734)	(10,344)	(10,344)	(25,033)
Net cash flows generated/(used in) operating activities	467,076	(99,366)	(163,543)	(704,266)
Net cash flows used in investing activities	(567,346)	(521,646)	(369,837)	(1,412,548)
Net cash flows generated from financing activities . .	7,737	1,650,886	868,345	2,219,851
Net (decrease)/increase in cash and cash equivalents .	(92,533)	1,029,874	334,965	103,037
Effect of exchange rate changes	—	—	—	1,151
Cash and cash equivalents at beginning of the year/period	306,612	214,079	214,079	1,243,953
Cash and cash equivalents at end of the year/period .	<u>214,079</u>	<u>1,243,953</u>	<u>549,044</u>	<u>1,348,141</u>

FINANCIAL INFORMATION

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

For the nine months ended September 30, 2023, our net cash flows used in operating activities was RMB704.3 million. This net cash inflow was primarily attributable to our (loss) profit before tax of RMB1,821.0 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of the depreciation and amortisation of property, plant and equipment of RMB345.4 million, the Share-based payment expenses of RMB110.3 million and the finance costs of RMB188.5 million; and (ii) changes in working capital, which primarily resulted from the increase in inventories of RMB655.0 million, the increase in trade, bills and other receivables of RMB607.3 million, the increase in receivables at FVTOCI of RMB3,475.7 million, the increase in value-added tax recoverable of RMB137.2 million and the increase in trade, bills and other payables of RMB1,294.6 million, primarily due to the growth of our business scale.

For the year ended December 31, 2022, our net cash used in operating activities was RMB99.4 million. This net cash outflow was primarily attributable to our profit before income tax from continuing and discontinued operations of RMB891.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of the depreciation of property, plant and equipment of RMB379.6 million, the gain on disposal of Discontinued Business of RMB214.5 million, and the finance costs of RMB151.8 million; and (ii) changes in working capital, which primarily resulted from the increase in trade, bill and other receivables of RMB934.2 million, the increase in receivables at FVTOCI of RMB795.4 million, and the increase in contract liabilities of RMB255.6 million, all of which were generally in line with our business expansion and revenue growth.

For the year ended December 31, 2021, our net cash generated from operating activities was RMB467.1 million. This net cash inflow was primarily attributable to our loss before tax from continuing and discontinued operations of RMB101.1 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of the depreciation of property, plant and equipment of RMB170.4 million, the impairment loss on property, plant and equipment of RMB87.2 million, and the finance costs of RMB43.5 million; and (ii) changes in working capital, which primarily resulted from the decrease in trade, bills and other receivables of RMB100.2 million, the increase in trade, bills and other payables of RMB132.1 million, and the increase in contract liabilities of RMB42.0 million.

Net Cash Flows Used in Investing Activities

For the nine months ended September 30, 2023, our net cash used in investing activities was RMB1,412.5 million. This cash outflow was primarily due to (i) purchase of and deposits paid for property, plant and equipment of RMB1,029.5 million, and (ii) placement of restricted bank deposits of RMB3,223.7 million, the effect of which was partially offset by (i) withdrawal of restricted bank deposits of RMB2,085.0 million, and (ii) receipts of asset-related government grants of RMB929.3 million.

FINANCIAL INFORMATION

For the year ended December 31, 2022, our net cash used in investing activities was RMB521.6 million. This cash outflow was primarily due to (i) the placement of restricted bank deposits of RMB1,340.2 million, and (ii) the net cash outflow on acquisition of Jietai Technology of RMB584.2 million, the effect of which was partially offset by (i) the withdrawal of restricted bank deposits of RMB957 million, and (ii) the receipt of government grant related property, plant and equipment of RMB620.0 million.

For the year ended December 31, 2021, our net cash used in investing activities was RMB567.3 million. This cash outflow was primarily due to (i) the placement of restricted bank deposits of RMB276.1 million, (ii) the net cash outflow on acquisition of Jietai Technology of RMB262.3 million, and (iii) the purchase of property, plant and equipment of RMB231.8 million, the effect of which was partially offset by the withdrawal of restricted bank deposits of RMB275.8 million.

Net Cash Flows Generated From Financing Activities

For the nine months ended September 30, 2023, our net cash from financing activities was RMB2,219.9 million. This cash inflow was primarily due to (i) proceeds on issuance of ordinary shares of RMB2,738.2 million, and (ii) new bank and other borrowings raised of RMB2,662.0 million, the effect of which was partially offset by (i) repayment of bank and other borrowings of RMB1,946.1 million and (ii) the acquisition of non-controlling interests of Jietai Technology of RMB776.5 million.

For the year ended December 31, 2022, our net cash from financing activities was RMB1,650.9 million. This cash inflow was primarily attributable to new bank and other borrowing raised of RMB3,528.6 million, the effect of which was partially offset by (i) the acquisition of non-controlling interests of Jietai Technology of RMB742.5 million, (ii) repayment of bank and other borrowings of RMB1,058.7 million, and (iii) interest paid of RMB64.9 million.

For the year ended December 31, 2021, our net cash from financing activities was RMB7.7 million. This cash inflow was primarily attributable to new bank and other borrowing raised of RMB346.3 million, the effect of which was partially offset by repayment of bank and other borrowings of RMB332.0 million.

FINANCIAL INFORMATION

Net Current Assets/Liabilities

	As of December 31,		As of	As of
	2021	2022	September 30,	December 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>	<i>(unaudited)</i>
Current assets				
Inventories	437,736	338,924	1,007,725	759,666
Trade, bills and other receivables	324,513	169,048	795,955	424,753
Receivables at FVTOCI . .	294,041	1,014,656	2,663,041	1,739,083
Value-added tax recoverable	130,403	163,624	300,819	445,828
Income tax recoverable . .	3,851	–	–	29,286
Financial assets at FVTPL	–	–	200,000	–
Restricted bank deposits . .	277,415	629,122	1,779,116	958,534
Cash and cash equivalents	214,079	1,243,953	1,348,141	2,649,852
Total current assets	<u>1,682,038</u>	<u>3,559,327</u>	<u>8,094,797</u>	<u>7,007,002</u>
Current liabilities				
Trade, bills and other payables	2,361,337	2,851,690	5,267,304	4,722,846
Contract liabilities	93,398	317,134	462,270	474,622
Tax payable	4,975	2,787	222,895	5,968
Bank and other borrowings	557,334	1,204,167	1,232,733	1,293,266
Lease liabilities	1,208	1,694	1,982	2,452
Total current liabilities . .	<u>3,018,252</u>	<u>4,377,472</u>	<u>7,187,184</u>	<u>6,499,154</u>
Net current (liabilities)/assets	<u>(1,336,214)</u>	<u>(818,145)</u>	<u>907,613</u>	<u>507,848</u>

FINANCIAL INFORMATION

Our net current liabilities decreased from RMB1,336.2 million as of December 31, 2021 to RMB818.1 million as of December 31, 2022, mainly due to the increases in the our cash and cash equivalent and in our receivables at FVTOCI resulting from our expanded business scale, partially offset by the increases in our bank and other borrowings, and in our trade, bills and other payables, as we expanded our business scale.

We recorded a net current assets of RMB907.6 million as of September 30, 2023, mainly due to the increases in our receivables at FVTOCI, inventories and restricted bank deposits, partially offset by the increase in our trade, bills and other payables, reflecting the expanded scale of our business.

Our net current assets decreased from RMB907.6 million as of September 30, 2023 to RMB507.8 million as of December 31, 2023, mainly due to (i) the decrease in receivables at FVTOCI as we settled more bank’s acceptance bills at the end of the year, (ii) the decrease in the restricted bank deposits resulting from the decrease in our bank deposits for bills payable, as we settled part of our bills payable at the end of the year, and (iii) the decrease in the trade, bills and other receivables as we settled more trade, bills and other receivables at the end of the year, partially offset by the increase in the cash and cash equivalents.

Working Capital Sufficiency

Taking into account our available financial resources that, as of December 31, 2023,

- (i) our unutilized bank facilities amounted to RMB6,238.1 million;
- (ii) our cash and cash equivalents of RMB2,649.9 million as of December 31, 2023;
- (iii) we recorded net cash inflow from operating activities during the Track Record Period;
- (iv) we had no material default in the repayment of bank borrowing and we have not experienced any withdrawal of facilities nor request for early repayment of bank borrowings during the Track Record Period; and
- (v) the estimated net [REDACTED] from the [REDACTED],

FINANCIAL INFORMATION

our Directors are of the view that we have sufficient financial resources to operate for at least the next 12 months from the date of this document, and there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on our ability to continue operation. After making reasonable inquiries of our management about our working capital, the Joint Sponsors concur with the Directors’ view.

Our Directors have confirmed that, up to the date of this document, there have been no material defaults in payment of trade and non-trade payables and borrowings, and/or no breaches of covenants during the Track Record Period.

INDEBTEDNESS

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

	As of December 31,		As of	As of
	2021	2022	September 30,	December 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			<i>(unaudited)</i>	<i>(unaudited)</i>
Bank and other borrowings				
– Non-current	693,316	2,503,682	3,056,481	3,040,231
– Current	557,334	1,204,167	1,232,733	1,293,266
Total bank and other borrowings	<u>1,250,650</u>	<u>3,707,849</u>	<u>4,289,214</u>	<u>4,333,497</u>
Lease liabilities				
– Non-current	1,149	2,497	1,596	716
– Current	1,208	1,694	1,982	2,452
Total lease liabilities	<u>2,357</u>	<u>4,191</u>	<u>3,578</u>	<u>3,168</u>
Payables for acquisition of property, plant and equipment	–	653,665	2,886,672	3,257,715
Amount due to an independent third party	–	20,000	20,000	20,000
Amounts due to Yang Family and the Vendors	600,000	2,140	2,135	–
Amounts due to other related parties in relation to Discontinued Business	248,439	N/A	N/A	N/A
Convertible loan notes	61,936	–	–	–
Total	<u>2,163,382</u>	<u>4,387,845</u>	<u>7,201,599</u>	<u>7,614,380</u>

FINANCIAL INFORMATION

Bank and Other Borrowings

Our bank and other borrowings increased from RMB1,250.7 million as of December 31, 2021 to RMB3,707.8 million as of December 31, 2022, and further increased to RMB4,289.2 million as of September 30, 2023, mainly because we incurred more bank loans and other borrowings to satisfy our financial needs for the construction of our Chuzhou Plant and Huai’an Plant.

Certain of our bank and other borrowings was secured by buildings, leasehold land, trade and bills receivables or equity interest, and/or guaranteed by our shareholder or independent third party. The ranges of effective interest rates (which are also equal to contracted interest rates) on our borrowings are as follows:

	At December 31,	
	2021	2022
Effective interest rates:		
Fixed-rate borrowings	0.37% to 12.66%	1.52% to 12.66% LPR-70 basis points to LPR+25 basis
Variable-rate borrowings	<u>points</u>	<u>points</u> LPR+165 basis

For more details, see Note 26 to the Accountants’ Report in Appendix I to this document. For maturity analysis of our financial liabilities, see Note 39 to the Accountants’ Report in Appendix I to this document.

During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants pursuant to the applicable loan agreements we entered into with the banks. We are not subject to other material financial covenants under any agreements with respect to any bank loans or other borrowings. There was no delay or default in the repayment of borrowings during the Track Record Period. Taking our financial position into consideration, we are able to abide by these covenants amid current market conditions, and that our capital raising abilities were not materially affected as of December 31, 2023.

As of December 31, 2023, we had banking facilities of RMB9,089.3 million for bank and other borrowings, of which RMB2,851.2 million had been utilized.

Lease Liabilities

Our lease liabilities represent the present value of outstanding lease payments under our lease agreements for our office and employee apartment.

FINANCIAL INFORMATION

Our lease liabilities increased from RMB2.4 million as of December 31, 2021 to RMB4.2 million as of December 31, 2022, primarily because we leased more offices to support our business expansion. Our lease liabilities decreased from RMB4.2 million as of December 31, 2022 to RMB3.6 million as of September 30, 2023, mainly due to our settlement of rental expenses.

Amount Due to An Independent Third Party

As of December 31, 2021 and 2022, September 30, 2023, and December 31, 2023, our amount due to an independent third party was nil, RMB20.0 million, RMB20.0 million, and RMB20.0 million, respectively. See Note 24 to the Accountants’ Report included in Appendix I and Note 14 to the Report on Review of Condensed Consolidated Financial Statements included in Appendix IA to this document.

Amounts Due to Yang Family and the Vendors

As of December 31, 2021 and 2022, September 30, 2023 and December 31, 2023, our amount due to Yang Family and the Vendors was RMB600.0 million, RMB2.1 million, RMB2.1 million and nil, respectively. In 2022, the amounts due to Yang Family and the Vendors of RMB600.0 million was offset with the consideration in relation to the disposal of Discontinued Business. See Note 24 to the Accountants’ Report included in Appendix I and Note 14 to the Report on Review of Condensed Consolidated Financial Statements included in Appendix IA to this document.

Amounts Due to Other Related Parties in Relation to Discontinued Business

As of December 31, 2021, our amount due to other related parties in relation to Discontinued Business was RMB248.4 million. See Note 24 and Note 32 (d) to the Accountants’ Report included in Appendix I to this document.

Except as disclosed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of December 31, 2023. After due and careful consideration, our Directors confirm that there had been no material adverse change in our indebtedness since December 31, 2023 and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of December 31, 2021 and 2022, and September 30, 2023.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 41 to the Accountants’ Report in Appendix I to this document.

Our Directors are of the view that each of the related party transactions set out in Note 41 to the Accountants’ Report in Appendix I to this document was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

CAPITAL EXPENDITURES

We regularly incur capital expenditures to expand our factories, upgrade our facilities and acquire our equipment. Our capital expenditures represent payment for purchases and deposits of property, plant and equipment, during the Track Record Period. In 2021, 2022 and the nine months ended September 30, 2023, we incurred capital expenditure of RMB231.8 million, RMB571.0 million, and RMB1,029.5 million, respectively.

CAPITAL COMMITMENTS

In 2021, 2022 and the nine months ended September 30, 2023, our capital commitments were RMB24.4 million, RMB2,668.4 million and RMB3,193.6 million, respectively, which were the capital expenditures in respect of the acquisition of property, plant and equipment we contracted for but not provided in the financial statements.

KEY FINANCIAL RATIO

The table below sets forth our key financial ratio for the years/periods, or as of the dates indicated.

	Year Ended/ As of December 31,		Nine Months Ended/ As of September 30,
	2021	2022	2023
			<i>(unaudited)</i>
Gross Margin ⁽¹⁾	12.6%	11.0%	17.3%
Profit Margin ⁽²⁾	3.3%	5.6%	11.4%
Debt to Asset Ratio ⁽³⁾	73.2%	88.1%	72.0%
Current Ratio ⁽⁴⁾	0.6	0.8	1.1
Return on Equity ⁽⁵⁾	4.1%	46.5%	50.0%

FINANCIAL INFORMATION

Notes:

- (1) Gross margin is calculated using gross profit from continuing operation divided by revenue from continuing operation for the year/period and multiplied by 100%.
- (2) Profit margin is calculated using profit and total comprehensive income for the year/period from continuing operation divided by revenue from continuing operation for the year/period and multiplied by 100%.
- (3) Debt to asset ratio is calculated using total liabilities divided by total assets as of the end of the year/period and multiplied by 100%.
- (4) Current ratio is calculated using current assets divided by current liabilities as of the end of the year/period.
- (5) Return on equity is calculated using net profit from continuing operation for the year/period divided by the average of total equity as of the beginning and ending of the year/period and multiplied by 100%.

MARKET RISK DISCLOSURE

Our Group's major financial instruments include trade, bills and other receivables, receivables at FVTOCI, restricted bank deposits, cash and cash equivalents, trade, bills and other payables, bank and other borrowings and convertible loan notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of our Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. See note 39 to the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

Interest Rate Risk

Our Group is exposed to fair value interest rate risk in relation to fixed-rate payables for acquisition of property, plant and equipment, bank and other borrowings, lease liabilities and convertible loan notes. Our Group currently does not have formal interest rate hedging policies. The management of our Group monitors our exposures on an on-going basis and will consider hedging interest rate risk should the need arises.

Our Group is also exposed to cash flow interest rate risk in relation to floating-rate restricted bank deposits, cash and cash equivalents and bank and other borrowings. In the opinion of the management of our Group, the exposure of cash flow interest rate risk arising from floating-rate restricted bank deposits, cash and cash equivalents and bank and other borrowings is insignificant and thus no sensitivity analysis is prepared.

Credit Risk and Impairment Assessment

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to our Group. Our Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

FINANCIAL INFORMATION

Our Group’s maximum exposure to credit risk in the event of the counterparties’ failure to perform their obligations at the end of each reporting period in relation to each class of recognized financial assets is the carrying amount of those assets stated in the consolidated statements of financial position. Our Group’s credit risk is primarily attributable to our trade, bills and other receivables, receivables at FVTOCI, restricted bank deposits and bank balances.

In order to minimize the credit risk, the management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of our Group considers that our Group’s credit risk is significantly reduced.

The restricted bank deposits, bank balances, bills receivables and receivables at FVTOCI are determined to have low credit risk at the end of each reporting period. The credit risk on restricted bank deposits, bank balances, bills receivables and receivables at FVTOCI is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Our Group has concentration of credit risk as nil and 5.32% of the total trade receivables was due from our Group’s largest customer of the continuing operation at December 31, 2021 and 2022, respectively. Also, our Group has concentration of credit risk as 1.01% and 44.36% of the total trade receivables was due from our Group’s five largest customers of the continuing operation at December 31, 2021 and 2022, respectively.

In addition to the credit risk limit management and other mitigation measures as described above, our Group monitors all financial assets, that are subjected to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, our Group will measure the impairment loss allowance based on lifetime ECL rather than 12m ECL.

For more details on the credit risk and impairment assessment, see note 39 to the Accountants’ Report in Appendix I to this document.

Liquidity Risk

The management of our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group’s operations and mitigate the effects of fluctuations in cash flows. For more details on our Group’s remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms, see note 39 to the Accountants’ Report in Appendix I to this document.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and as of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDENDS

Subject to relevant PRC laws and applicable regulations, and our Article of Association, we currently target to distribute cash dividends to our Shareholders no less than 10% of our distributable profit for the year from the year of 2023 to 2025 in accordance with applicable laws and regulations, except for certain occasions. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that we have entered into or may enter into in the future.

In April 2023, we declared cash dividend of RMB84.9 million and stock dividend of 56.6 million A Shares for the year ended December 31, 2022, which has been fully distributed in June 2023. We believe that the distribution of the dividends will not have a material impact on the sufficiency of our working capital after the [REDACTED] and we will be able to maintain sufficient funds to meet our working capital requirements and debt obligations.

DISTRIBUTABLE RESERVES

As of September 30, 2023, we had approximately RMB2,309.7 million of retained earnings available for distribution to our shareholders.

FINANCIAL INFORMATION

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] commission, and other fees incurred in connection with the [REDACTED]. As of September 30, 2023, we incurred [REDACTED] in [REDACTED].

We estimate that additional [REDACTED] of approximately RMB[REDACTED] (HK\$[REDACTED]), including (1) [REDACTED] expenses, which consist of [REDACTED] fee and [REDACTED] commissions, of approximately RMB[REDACTED] (HK\$ [REDACTED]), and (2) [REDACTED] expenses of approximately RMB[REDACTED] (HK\$[REDACTED]), which consist of (i) fees and expenses of legal advisors of approximately RMB[REDACTED] (HK\$[REDACTED]), (ii) fees and expenses of our Reporting Accountant of approximately RMB[REDACTED] (HK\$[REDACTED]), and (iii) other fees and expenses of approximately RMB[REDACTED] (HK\$[REDACTED]), assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] stated in the document), will be incurred by our Company, approximately RMB[REDACTED] (HK\$[REDACTED]) of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] (HK\$ [REDACTED]) of which is attributable to the [REDACTED] of shares and will be deducted from equity upon [REDACTED]. Our [REDACTED] as a percentage of gross [REDACTED] is [REDACTED]%, at an [REDACTED] of HK\$[REDACTED] per Share, and assuming the [REDACTED] is not exercised. The [REDACTED] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP ATTRIBUTABLE TO OWNERS OF OUR COMPANY

[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

FINANCIAL INFORMATION

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial, operational or prospects since September 30, 2023, being the latest balance sheet date of our condensed consolidated financial statements as set out in the Report on Review of Condensed Consolidated Financial Statements in Appendix IA to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

DISCONTINUED BUSINESS

Historically, we have engaged in the R&D, manufacturing and sales of car plastic accessories (“**Discontinued Business**”). The principal subsidiaries engaged in the Discontinued Business were Suzhou Junda Automobile Technology Co., Ltd. (蘇州鈞達車業科技有限公司) (“**Suzhou Junda**”) and Hainan Xinsu Mould Plastic Industrial Trade Co., Ltd. (海南新蘇模塑工貿有限公司) (“**Hainan Xinsu**”).

On March 12, 2022, we entered into a transfer agreement with Yang Family pursuant to which we agreed to sell and Yang Family agreed to acquire 100% equity interest of Suzhou Junda and Hainan Xinsu, as well as all assets relating to the Discontinued Business for a cash consideration of RMB1,015,056,000. Pursuant to the completion of the share transfer registration, the disposal of Suzhou Junda and Hainan Xinsu were completed on April 30, 2022 and June 6, 2022, respectively, on which dates the control of Suzhou Junda and Hainan Xinsu were passed to Yang Family (“Date of Disposal”). For details, see “History, Development and Corporate Structure — Major Acquisition and Disposal of Our Group during the Track Record Period.”

In 2021 and 2022, we recorded a loss from discontinued operations of RMB188.1 million and gain of RMB204.1 million (including gain on disposal of Discontinued Business of RMB214.5 million), respectively. The table below sets forth the consolidated statement of profit or loss and other comprehensive income from the Discontinued Business for the periods indicated.

	Year Ended December 31, 2021	For the period from 1 January 2022 to Date of Disposal
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	1,153,025	464,356
Cost of sales	<u>(1,129,052)</u>	<u>(409,570)</u>

FINANCIAL INFORMATION

	Year Ended December 31, 2021	For the period from 1 January 2022 to Date of Disposal
	<i>RMB'000</i>	<i>RMB'000</i>
Gross profits	23,973	54,786
Other income	20,851	17,755
Other gains and losses	(1,315)	(1,936)
Selling and marketing expenses	(18,345)	(4,263)
Administrative expenses	(104,190)	(30,245)
Research and development expenses	(66,529)	(14,260)
Net impairment losses under expected credit loss model	(2,240)	(2,020)
Share of results of associates	(8,116)	(2,940)
Other expenses	(17,636)	(13,871)
Finance costs	<u>(10,035)</u>	<u>(5,734)</u>
Loss before tax	(183,582)	(2,728)
Income tax expenses	<u>(4,558)</u>	<u>(7,686)</u>
Loss and total comprehensive expense for the year/period	<u>(188,140)</u>	<u>(10,414)</u>

Analysis of assets and liabilities over which control was lost on the Date of Disposal of Discontinued Business:

	<i>RMB'000</i>
Property, plant and equipment	699,746
Right-of-use assets	130,655
Investment properties	10,122
Intangible assets	6,956
Interests in associates	40,930
Deferred tax assets	13,678
Inventories	316,453
Trade, bills and other receivables	1,047,537
Receivables at FVTOCI	63,769
Value-added tax recoverable	32,536
Financial assets at FVTPL	3,000
Restricted bank deposits	34,161
Cash and cash equivalents	38,830
Trade, bills and other payables	(1,447,011)
Contract liabilities	(31,892)
Tax payable	(2,625)
Bank and other borrowings	<u>(156,290)</u>
Net assets disposed of	<u><u>800,555</u></u>

FINANCIAL INFORMATION

For more details regarding results of Discontinued Business included in our financial statements, see Note 32 to the Accountants’ Report in Appendix I in this document.

PRE-ACQUISITION FINANCIAL INFORMATION OF JIETAI TECHNOLOGY

The following information relates to Jietai Technology, a limited liability company established in the PRC, and its subsidiary on December 6, 2019. On September 26, 2021, we acquired Jietai Technology. See “History, Development and Corporate Structure — Major Acquisition and Disposal of Our Group during the Track Record Period.” for more details.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Nine months ended September 30, 2021
	<i>RMB’000</i>
Revenue	3,226,011
Cost of sales	<u>(2,924,973)</u>
Gross profit	301,038
Other income	144,698
Other gains and losses	(1,436)
Selling and marketing expenses	(3,956)
Administrative expenses	(29,797)
Research and development expenses	(119,493)
Net impairment losses under expected credit loss model	(171)
Other expenses	(114,597)
Finance costs	<u>(45,204)</u>
Profit before tax	131,082
Income tax expenses	<u>(2,888)</u>
Profit and total comprehensive income for the period	<u><u>128,194</u></u>
Profit and total comprehensive income for the period attributable to:	
– Owners of Jietai Technology	126,002
– Non-controlling interests	<u>2,192</u>
	<u><u>128,194</u></u>

Revenue

Jietai Technology recorded revenue of RMB3,226.0 million for the nine months ended September 30, 2021. The revenue of Jietai Technology was generated from the sale of PV cells and related services.

FINANCIAL INFORMATION

Cost of Sales

For the nine months ended September 30, 2021, the cost of sales of Jietai Technology primarily consisted of cost of raw materials, overhead, and direct labor costs. Jietai Technology recorded cost of sales of RMB2,925.0 million for the nine months ended September 30, 2021.

Gross Profits and Gross Profit Margin

Jietai Technology recorded gross profit of RMB301.0 million for the nine months ended September 30, 2021. Jietai Technology recorded gross profit margin of 9.3% for the nine months ended September 30, 2021.

Other Income

For the nine months ended September 30, 2021, the other income of Jietai Technology primarily consisted of sales of material, bank interest income and government grants. Jietai Technology recorded other income of RMB144.7 million for the nine months ended September 30, 2021.

Other Gains and Losses

For the nine months ended September 30, 2021, the other gains and losses of Jietai Technology primarily consisted of net loss on disposal of property, plant and equipment, and net foreign exchange losses. Jietai Technology recorded other gains and losses of RMB1.4 million for the nine months ended September 30, 2021.

Selling and Marketing Expenses

For the nine months ended September 30, 2021, the selling and marketing expenses of Jietai Technology primarily consisted of employee salaries and benefits expenses. Jietai Technology recorded selling and marketing expenses of RMB4.0 million for the nine months ended September 30, 2021.

Administrative Expenses

For the nine months ended September 30, 2021, the administrative expenses of Jietai Technology primarily consisted of employee benefit expenses and depreciation and amortization expenses. Jietai Technology recorded administrative expenses of RMB29.8 million for the nine months ended September 30, 2021.

Research and Development Expenses

For the nine months ended September 30, 2021, the research and development expenses of Jietai Technology primarily consisted of material consumed and staff costs. Jietai Technology recorded research and development expenses of RMB119.5 million for the nine months ended September 30, 2021.

FINANCIAL INFORMATION

Other Expense

For the nine months ended September 30, 2021, the other expenses of Jietai Technology primarily consisted of materials cost. Jietai Technology recorded other expenses of RMB114.6 million for the nine months ended September 30, 2021.

Finance Costs

For the nine months ended September 30, 2021, finance costs of Jietai Technology consisted of interest on bank and other borrowings, discounting bills receivables and receivables at FVTOCI, and lease liabilities. Jietai Technology recorded finance costs of RMB45.2 million for the nine months ended September 30, 2021.

Income Tax Expenses

Jietai Technology and its subsidiary is subjected to PRC EIT rate of 25% for the nine months ended September 30, 2021. Jietai Technology recorded income tax expenses of RMB2.9 million for the nine months ended September 30, 2021.

Profit and Total Comprehensive Income for the Period

Jietai Technology recorded profit and total comprehensive income for the period of RMB128.2 million for the nine months ended September 30, 2021.

For other financial information of Jietai Technology prior to the First Acquisition, as of and for the nine months ended September 30, 2021 is included in the note 33 to the Accountants’ report in Appendix I to this document.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please see “Business — Our Strategies.” for a detailed discussion of our future plans.

USE OF [REDACTED]

We estimate the net [REDACTED] of the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the [REDACTED] stated in the document), will be approximately HK\$[REDACTED], after deduction of [REDACTED] fees and commissions and estimated [REDACTED] payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

In accordance with our strategy, we plan to use the [REDACTED] for the following intended purposes in the amounts set forth below:

- approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for our construction of an overseas PV cell production plant with an annual production capacity of approximately 7 GW, which is expected to commence commercial production by the end of 2025 (the “**Overseas Plant**”), subject to our successful initiation and execution of appropriate projects based on feasibility studies and market condition, regulatory environment and competition in the candidate regions. Through the Overseas Plant, we seek to better serve our existing and prospective overseas clientele, furthering our overseas expansion strategy. The main [REDACTED] include the funds required for land acquisition, building construction, production machinery and equipment purchases, and operational costs of the plant, of which:
 - i. approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used to acquire the land needed for the construction of the Overseas Plant with a total GFA of approximately 167 thousand sq.m.. As a foundational step in our expansion strategy, land acquisition involves purchasing strategically located land parcels that offer accessibility, suitable infrastructure, proximity to key customers and suppliers. This is essential for establishing a robust base for our Overseas Plant. The main [REDACTED] include purchase price of the land, surveying costs, environmental assessment fees, and other transaction [REDACTED].
 - ii. approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used towards constructing buildings of the Overseas Plant. This includes designing and constructing buildings that are optimized for high-efficiency PV cell manufacturing, with considerations for environmental sustainability, energy efficiency, and scalability to accommodate future growth and technological advancements. The main [REDACTED] include the funds required for the material and labor costs of the buildings, infrastructure and utility [REDACTED], and other pre-construction preparation inputs in relation to the project.

FUTURE PLANS AND USE OF [REDACTED]

- iii. approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used towards the development of essential power infrastructure of the Overseas Plant. This encompasses the establishment of robust electrical systems, including machinery power, high and low voltage electrical systems, and peripheral power systems. The allocated funds in this area serve multiple purposes. Firstly, they guarantee the construction of industry-standard buildings. Secondly, they facilitate the incorporation of advanced technology to enhance energy efficiency and scalability. Vital [REDACTED] include material and labor costs, infrastructure development, and crucial pre-construction inputs, underscoring the dedication to enhancing the operational capacities of the Overseas Plant.
- iv. approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used to pay [REDACTED] for the purchase and installment of production equipment and machinery. It includes acquiring advanced manufacturing tools, automation systems, quality control apparatus, and other necessary technical equipment to ensure high production efficiency, quality output, and safety standards in the production lines.
- v. approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used to pay [REDACTED] for the initial operation of the Overseas Plant. It covers [REDACTED] such as staffing, training, raw material procurement, utility costs after construction completion, and other operational [REDACTED] necessary to kickstart and sustain the daily activities of the Overseas Plant.

In determining the investment amount in the Overseas Plant, we referred to various factors, including the feasibility study report issued by third-parties, while taking into account the planned production capacity, the expected timeline of construction, the logistics of production facility procurement and our overseas sales and marketing network. As of the Latest Practicable Date, we are still in the selection process of the country and location of the Overseas Plant. As we estimate that the total investment amount of the Overseas Plant will exceed [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]), the shortfall amount may come from other sources, including capital contribution, our operating cashflow, local partners and project loans.

We believe that providing local PV module manufacturers with high-efficiency, low-cost quality PV cells from our Overseas Plant align with our overseas expansion strategy. According to Frost & Sullivan, from 2023 to 2030, the global PV market is expected to continue to maintain rapid growth, continuing to drive the expansion of the PV cell market. By 2030, the global shipment volume of PV cells is expected to reach 1,187.5 GW at a CAGR of 14.0% from 2023 to 2030, with the overseas market expected to grow at a CAGR of 23.4% during the same period and promising great growth opportunities. In addition, we have already experienced success of our global strategy, evidenced by our rapid growth in overseas revenue during the Track Record Period. In view of the above, we believe the establishment of the Overseas

FUTURE PLANS AND USE OF [REDACTED]

Plant will allow us to capture the rapidly growing overseas market demand for our PV cells. For more details on our need for overseas expansion, please see “Business — Our Strategies — Catalyze global market development and capitalize on market opportunities through overseas expansion.” Subject to the final decision on location, we expect to fund the establishment of Overseas Plant primarily with the allocated net [REDACTED] of the [REDACTED], and in the event that allocated net [REDACTED] of the [REDACTED] are not sufficient to cover all the investment cost, we will finance the remaining part by other resources including our operating cash flow and project loans.

- approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for R&D of advanced technologies to maintain our technological leadership in PV cells and its production process, which include:
 - i. approximately [REDACTED]% (approximately HK\$[REDACTED]) will be used for the R&D and material procurement for new technologies applicable in advanced PV cells. We will continue R&D in HJT and perovskite tandem PV cell technologies and xBC and push towards mass production. Our primary focus is on the R&D of xBC cells, as xBC cells have a higher conversion efficiency, averaging 26.0%, with a theoretical cap of 29.1%, surpassing the cap of TOPCon cells. We will invest further to achieve mass production of TOPCon cells, and we will also invest in our effort to achieve pilot-scale experiment for perovskite tandem PV cells, which have the potential to reach approximately 30% conversion efficiency.
 - ii. approximately [REDACTED]% (approximately HK\$[REDACTED]) will be used for the establishment of a global R&D center to comprehensively enhance our R&D capabilities. The establishment of a worldwide research and development (R&D) center aims to bolster our R&D endeavors and significantly improve our overall R&D capabilities. Our forthcoming technological research and development will prioritize both “consolidation” and “innovation” approaches. This means reinforcing our existing strengths by enhancing the efficiency and reducing the costs of TOPCon cells, while simultaneously pushing the boundaries of scientific innovation in the PV cell industry. For instance, we will explore the feasibility of mass-producing PV cells incorporating xBC and other types of PV cells, thereby maintaining our industry’s leadership in quality capacity development.

Our commitment to the R&D of cutting-edge technologies, evidenced by our philosophy of “researching one generation ahead, pilot testing the next, and mass-producing the current”, is forward-thinking. This strategic approach establishes a robust groundwork for technological evolution, consistent expansion of our production capabilities, and swift business growth. The allocated funds for advancing technology development will accelerate the pace of PV cell innovation, ensuring our sustained leadership in the field of PV cell technology and product advancement.

FUTURE PLANS AND USE OF [REDACTED]

- iii. approximately [REDACTED]% (approximately HK\$[REDACTED]) will be used for the recruitment of R&D and technical personnel with relevant industry experience. This includes recruiting individuals with expertise in PV cell R&D, chemistry and engineering. Moreover, we plan to provide training to our employees for technical skills, soft skills, and industry-specific training opportunities.

The above investment aims to research and develop advanced technologies and continuously optimize the production process and reduce potential quality control risks, improving the quality of the PV cells provided to our customers to increase the sales and revenue of our PV cells, ensuring that we will continue to introduce quality products to the market.

- approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for establishing and enhancing our overseas sales operations and distribution channels. By expanding our global footprint and cementing our presence in key international markets, we would be able to maximize the potential of our existing production capacity and the Overseas Plant.
- approximately [REDACTED]% of the [REDACTED] (approximately HK\$[REDACTED]) will be used for working capital and general corporate purposes. We will deposit such [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions.

If the [REDACTED] is fixed at HK\$[REDACTED] per H Share (being the high end of the [REDACTED] stated in this document), we will receive additional net [REDACTED] of approximately HK\$[REDACTED], assuming the [REDACTED] is not exercised. If the [REDACTED] is fixed at HK\$[REDACTED] per H Share (being the low end of the [REDACTED] range stated in this document), the net [REDACTED] we receive will be reduced by approximately HK\$[REDACTED], assuming the [REDACTED] is not exercised. The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the midpoint of the estimated [REDACTED].

In the event that the [REDACTED] is exercised in full, the additional net [REDACTED] that we would receive would be HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] stated in the document). Additional net [REDACTED] received due to the exercise of any [REDACTED] will be used for the above purposes accordingly on a pro rata basis if the [REDACTED] is exercised.

To the extent that the net [REDACTED] from the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, so long as it is deemed to be in the best interests of the Company, we will only hold such [REDACTED] in short-term demand deposits with licensed banks or authorized financial institutions (as defined under the Securities and Futures Ordinance) in Hong Kong. We will issue an appropriate announcement if there is any material change to the above use of [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I**ACCOUNTANTS’ REPORT**

The following is the text of a report set out on pages I-1 to I-94, received from the Company’s reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HAINAN DRINDA NEW ENERGY TECHNOLOGY CO., LTD., HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, CMB INTERNATIONAL CAPITAL LIMITED AND DEUTSCHE SECURITIES ASIA LIMITED

Introduction

We report on the historical financial information of Hainan Drinda New Energy Technology Co., Ltd.* (海南鈞達新能源科技股份有限公司) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-94, which comprises the consolidated statements of financial position of the Group at 31 December 2021 and 2022, the statements of financial position of the Company at 31 December 2021 and 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended 31 December 2022 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-94 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of [REDACTED] of the Company on the [REDACTED] of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS' REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position at 31 December 2021 and 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]

Certified Public Accountants

Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December	
		2021	2022
		RMB’000	RMB’000
Continuing operation			
Revenue	5	1,639,380	11,085,713
Cost of sales		(1,432,158)	(9,870,370)
Gross profit		207,222	1,215,343
Other income	6	47,472	24,111
Other gains and losses	7	(226)	(3,481)
Selling and marketing expenses		(1,361)	(16,449)
Administrative expenses		(26,995)	(146,043)
Research and development expenses	9	(56,894)	(235,207)
Net impairment losses under expected credit loss (“ECL”) model	9	(974)	(11,761)
Other expenses		(52,343)	(535)
Finance costs	8	(33,441)	(146,042)
Profit before tax	9	82,460	679,936
Income tax expenses	10	(28,729)	(63,036)
Profit and total comprehensive income for the year from continuing operation		53,731	616,900
Discontinued operation			
(Loss) profit and total comprehensive (expenses) income for the year from discontinued operation	32	(188,140)	204,087
(Loss) profit and total comprehensive (expenses) income for the year		(134,409)	820,987
(Loss) profit and total comprehensive (expenses) income for the year attributable to owners of the Company:			
– from continuing operation		9,505	512,858
– from discontinued operation		(188,140)	204,087
		(178,635)	716,945
Profit and total comprehensive income for the year attributable to non-controlling interests:			
– from continuing operation		44,226	104,042
– from discontinued operation		–	–
		44,226	104,042
(Loss) profit and total comprehensive (expenses) income for the year attributable to:			
– Owners of the Company		(178,635)	716,945
– Non-controlling interests		44,226	104,042
		(134,409)	820,987
(Loss) earnings per share (RMB)	13		
From continuing and discontinued operations:			
– Basic		(0.96)	3.73
– Diluted		(0.96)	3.66
From continuing operation:			
– Basic		0.05	2.67
– Diluted		0.05	2.62

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December	
		2021	2022
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	2,966,707	4,073,434
Right-of-use assets	15	173,101	68,156
Investment properties	15A	10,626	–
Intangible assets	16	128,494	96,242
Goodwill	17	863,332	860,510
Interests in associates	18	43,870	–
Deferred tax assets	19	17,743	2,685
Deposits paid for acquisition of property, plant and equipment		67,509	98,816
Other receivables	21	25,605	80,506
		<u>4,296,987</u>	<u>5,280,349</u>
CURRENT ASSETS			
Inventories	20	437,736	338,924
Trade, bills and other receivables	21	324,513	169,048
Receivables at fair value through other comprehensive income (“FVTOCI”)	22	294,041	1,014,656
Value-added tax recoverable		130,403	163,624
Income tax recoverable		3,851	–
Restricted bank deposits	23	277,415	629,122
Cash and cash equivalents	23	214,079	1,243,953
		<u>1,682,038</u>	<u>3,559,327</u>
CURRENT LIABILITIES			
Trade, bills and other payables	24	2,361,337	2,851,690
Contract liabilities	25	93,398	317,134
Tax payable		4,975	2,787
Bank and other borrowings	26	557,334	1,204,167
Lease liabilities	27	1,208	1,694
		<u>3,018,252</u>	<u>4,377,472</u>
NET CURRENT LIABILITIES		<u>(1,336,214)</u>	<u>(818,145)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>2,960,773</u>	<u>4,462,204</u>
CAPITAL AND RESERVES			
Share capital	30	137,291	141,524
Share premium		656,925	9,351
Reserves		207,612	899,955
Equity attributable to owners of the Company		1,001,828	1,050,830
Non-controlling interests		602,440	–
TOTAL EQUITY		<u>1,604,268</u>	<u>1,050,830</u>
NON-CURRENT LIABILITIES			
Other payables	24	600,000	663,422
Bank and other borrowings	26	693,316	2,503,682
Lease liabilities	27	1,149	2,497
Deferred income	29	–	220,328
Deferred tax liabilities	19	104	21,445
Convertible loan notes	28	61,936	–
		<u>1,356,505</u>	<u>3,411,374</u>
		<u>2,960,773</u>	<u>4,462,204</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	At 31 December	
		2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	14	45,232	–
Right-of-use assets		–	291
Deferred tax assets		2,866	3,433
Investments in subsidiaries	42	<u>1,981,567</u>	<u>3,159,532</u>
		<u>2,029,665</u>	<u>3,163,256</u>
CURRENT ASSETS			
Trade, bills and other receivables	21	748,422	1,655
Receivables at FVTOCI	22	11,388	–
Value-added tax recoverable		1,627	–
Income tax recoverable		105	–
Restricted bank deposits	23	20,448	–
Cash and cash equivalents	23	<u>12,547</u>	<u>2,433</u>
		<u>794,537</u>	<u>4,088</u>
CURRENT LIABILITIES			
Trade, bills and other payables	24	828,257	1,212,509
Contract liabilities	25	22,577	–
Bank and other borrowings	26	60,163	177,955
Lease liabilities		–	119
		<u>910,997</u>	<u>1,390,583</u>
NET CURRENT LIABILITIES		<u>(116,460)</u>	<u>(1,386,495)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,913,205</u>	<u>1,776,761</u>
CAPITAL AND RESERVES			
Share capital	30	137,291	141,524
Share premium	42	660,083	728,235
Reserves	42	<u>377,806</u>	<u>311,533</u>
Equity attributable to owners of the Company		<u>1,175,180</u>	<u>1,181,292</u>
NON-CURRENT LIABILITIES			
Other payables	24	600,000	–
Bank and other borrowings	26	76,089	595,200
Lease liabilities		–	269
Convertible loan notes	28	<u>61,936</u>	<u>–</u>
		<u>738,025</u>	<u>595,469</u>
		<u>1,913,205</u>	<u>1,776,761</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital	Treasury share	Share premium	Convertible loan notes equity reserve	Capital surplus reserve	Share-based payment reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	128,806	(4,727)	511,470	33,174	31,343	1,037	346,751	1,047,854	-	1,047,854
(Loss) profit and total comprehensive (expenses) income for the year	-	-	-	-	-	-	(178,635)	(178,635)	44,226	(134,409)
Transferred to capital surplus reserve	-	-	-	-	12,225	-	(12,225)	-	-	-
Dividends recognised as distribution (note 12)	-	-	-	-	-	-	(6,623)	(6,623)	-	(6,623)
Repurchased and cancelled of restricted share units	(432)	4,727	(4,139)	-	-	-	-	156	-	156
Conversion of convertible loan notes	8,917	-	140,243	(22,417)	-	-	-	126,743	-	126,743
Recognition of equity-settled share-based payment (note 34)	-	-	-	-	-	2,982	-	2,982	-	2,982
Acquisition of Jietai Technology Group (note 31)	-	-	9,351	-	-	-	-	9,351	558,214	567,565
At 31 December 2021	137,291	-	656,925	10,757	43,568	4,019	149,268	1,001,828	602,440	1,604,268
Profit and total comprehensive income for the year	-	-	-	-	-	-	716,945	716,945	104,042	820,987
Acquisition of non-controlling interests (note b)	-	-	(715,726)	-	(43,568)	-	(53,224)	(812,518)	(706,482)	(1,519,000)
Conversion of convertible loan notes	4,233	-	68,152	(10,757)	-	-	-	61,628	-	61,628
Recognition of equity-settled share-based payment (note 34)	-	-	-	-	-	49,579	-	49,579	-	49,579
Recognition of deferred tax assets arising from share-based payment expenses (note 19)	-	-	-	-	-	33,368	-	33,368	-	33,368
At 31 December 2022	141,524	-	9,351	-	-	86,966	812,989	1,050,830	-	1,050,830

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- a. In accordance with the articles of association of the subsidiaries established in the People’s Republic of China (the “PRC”), the subsidiaries are required to transfer at least 10% of their profit after tax in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC before any distribution of dividends to owner each year to capital surplus reserve until the reserve reaches 50% of their respective registered capital. The capital surplus reserve can be used to make up for previous years’ losses, expand the existing operations or convert into additional capital of the subsidiaries.
- b. On 8 July 2022, the Company acquired the remaining 49% equity interest of Shangrao Jietai New Energy Technology Co., Ltd.* (上饒捷泰新能源科技有限公司) (“Jietai Technology”) at a cash consideration of RMB1,519,000,000. Upon completion of the acquisition, Jietai Technology became a wholly-owned subsidiary of the Company. The difference between the cash consideration and net assets of Jietai Technology attributable to the non-controlling shareholders amounting to RMB726,459,000 is debited to capital surplus reserve, share premium and retained profits.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES		
(Loss) profit before tax from continuing and discontinued operations	(101,122)	891,709
Adjustments for:		
Finance costs	43,476	151,776
Bank interest income	(1,197)	(10,868)
Depreciation of property, plant and equipment	170,355	379,585
Depreciation of right-of-use assets	2,525	3,474
Amortisation of intangible assets	3,252	26,910
Depreciation of investment properties	1,333	504
Decrease in goodwill	–	2,822
Impairment loss on property, plant and equipment	87,197	–
Net impairment losses under ECL model	3,214	13,781
Net loss on disposal of property, plant and equipment	2,117	3,640
Provision for inventories	12,689	53,933
Share of loss of associates	8,116	2,940
Share-based payment expenses	2,982	49,579
Gain on disposal of Discontinued Business (as defined in note 1)	–	(214,501)
Income from government grants	–	(8,347)
Operating cash flows before movements in working capital	234,937	1,346,937
Increase in inventories	(25,239)	(271,574)
Decrease (increase) in trade, bills and other receivables	100,191	(934,246)
Increase in receivables at FVTOCI	(16,960)	(795,397)
Decrease (increase) in value-added tax recoverable	7,692	(65,757)
Increase in trade, bills and other payables	132,145	375,388
Increase in contract liabilities	42,044	255,627
Cash generated from (used in) operations	474,810	(89,022)
PRC enterprise income tax paid	(7,734)	(10,344)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	467,076	(99,366)
INVESTING ACTIVITIES		
Withdrawal of restricted bank deposits	275,814	956,975
Placement of restricted bank deposits	(276,084)	(1,340,178)
Purchase of and deposits paid for property, plant and equipment	(231,845)	(570,994)
Proceeds on disposal of property, plant and equipment	71,998	16,913
Purchase of intangible assets	(85)	(1,614)
Dividends received from an associate	4,000	–
Bank interest received	1,197	8,202
Capital injection in an associate	(150,000)	–
Net cash outflow on acquisition of Jietai Technology Group (note 31)	(262,341)	(584,176)
Purchase of financial assets at fair value through profit or loss (“FVTPL”)	–	(3,000)
Net cash inflow on disposal of Discontinued Business (note 32)	–	376,226
Receipt of government grants related to property, plant and equipment	–	620,000
NET CASH USED IN INVESTING ACTIVITIES	(567,346)	(521,646)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
FINANCING ACTIVITIES		
New bank and other borrowings raised.	346,319	3,528,550
Repayment of bank and other borrowings.	(331,974)	(1,058,710)
Dividends paid	(3,466)	(3,157)
Interest paid	(13,763)	(64,887)
Repurchased and cancelled of restricted share units	(4,571)	–
Advance from Yang Family (as defined in note 1)	15,192	–
Payments of lease liabilities	–	(2,905)
Payment for redemption of convertible loan notes.	–	(733)
Payments on sales and leaseback arrangement	–	(24,758)
Acquisition of non-controlling interests of Jietai Technology Group	–	(742,514)
Advance from an independent third party	–	20,000
NET CASH FROM FINANCING ACTIVITIES.	<u>7,737</u>	<u>1,650,886</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(92,533)	1,029,874
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>306,612</u>	<u>214,079</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>214,079</u></u>	<u><u>1,243,953</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated and registered in the PRC on 3 April 2003 as a limited liability company. In August 2012, the Company was converted into a joint stock company with limited liability under the Company Laws of the PRC. In March 2017, the Company was listed on the Shenzhen Stock Exchange (stock code: 002865). The addresses of the registered office and the principal place of business of the Company is Hainan Drinda Building, No. 168 Nanhai Avenue, Haikou Free Trade Zone, Haikou City, the PRC.

The Group is principally engaged in the research and development, manufacturing and sales of photovoltaic cells (“Current Business”).

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 3 which conform with IFRSs.

Historically, the Group principally engaged in the research and development, manufacturing and sales of car plastic accessories (“Discontinued Business”). On 26 September 2021, the Group acquired 51% equity interests of Jietai Technology, which mainly engaged in the Current Business, and subsequently on 8 July 2022, the Group further acquired the remaining 49% equity interests of Jietai Technology from independent third parties of the Group. In the first half of 2022, the Group disposed of the Discontinued Business to Hainan Yang Family Technology Investment Co., Ltd.* (海南楊氏家族科技投資有限公司) (“Yang Family”), a company controlled by a group of shareholders collectively holding 22.78% equity interest of the Company.

The financial performance of the Discontinued Business is presented as a discontinued operation. Further details are set out in note 32.

The directors of the Company have, at the time of approving the Historical Financial Information, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Historical Financial Information.

2. APPLICATION OF AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied International Accounting Standards (“IASs”), IFRSs, amendments and the related Interpretations (“IFRICs”) (herein collectively referred to as the IFRSs) issued by IASB, which are effective for the Group’s financial year beginning on 1 January 2023 throughout the Track Record Period.

Amendments to IFRSs in issue but not yet effective

The Group has not early adopted the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements ²
Amendments to IAS 21	Lack of Exchangeability ³

1 Effective for annual periods beginning on or after a date to be determined

2 Effective for annual periods beginning on or after 1 January 2024

3 Effective for annual periods beginning on or after 1 January 2025

The directors of the Company anticipate that the application of all these amendments to IFRSs will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with IFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of assets.”

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

APPENDIX I

ACCOUNTANTS’ REPORT

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group’s interests in existing subsidiaries

Changes in the Group’s interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group’s and the non-controlling interests’ proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the “Conceptual Framework”) except for transactions and events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 – Int 21 *Leases*, in which the Group applies IAS 37 or IFRIC – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 “Income Taxes” and IAS 19 “Employee Benefits” respectively;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

APPENDIX I

ACCOUNTANTS’ REPORT

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (“CGUs”) (or group of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group’s policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

Information about the Group’s accounting policies relating to contracts with customers is provided in notes 5 and 25.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

APPENDIX I

ACCOUNTANTS’ REPORT

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 Revenue from Contracts with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

APPENDIX I

ACCOUNTANTS’ REPORT

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant assets in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. For government grants received but had yet purchased, constructed or otherwise required, the related non-current assets are recorded as “deferred income.”

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under “other income.”

Employee benefits

Retirement benefit costs

Payments to government managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

APPENDIX I

ACCOUNTANTS' REPORT

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary difference. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

APPENDIX I

ACCOUNTANTS’ REPORT

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the right of use assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group’s accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

APPENDIX I

ACCOUNTANTS' REPORT

Research expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit of the Group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost or receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the “other gains and losses” line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade, bills and other receivables, receivables at FVTOCI, restricted bank deposits, cash and cash equivalents) which are subjected to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, bills receivables and receivables at FVTOCI. The ECL on these assets are assessed on an individual basis for customers with high credit risk and the remaining is collectively using provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the impairment loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

APPENDIX I

ACCOUNTANTS’ REPORT

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a deregistration event. Any subsequent recoveries are recognised in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate determined at initial recognition.

Lifetime ECL for trade, bills and other receivables, receivables at FVTOCI (except for trade receivables from customers with high credit risk) and bank balances are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for receivables at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, bills receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For receivables at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of receivables at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserves is reclassified to profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial liabilities or equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Convertible loan notes

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross [REDACTED]. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

APPENDIX I

ACCOUNTANTS’ REPORT

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Recognition of deferred tax assets

The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future profits generated are higher or less than expected, the deferred tax assets will be adjusted accordingly and recognised the corresponding amount in the consolidated statement of profit or loss and other comprehensive income in the periods in which such a situation takes place.

The carrying amount of deferred tax assets at 31 December 2021 and 2022 is RMB17,743,000 and RMB2,685,000, respectively. Details of recognition of deferred tax assets are disclosed in note 19.

Useful lives of property, plant and equipment, right-of-use assets and intangible assets

The Group’s management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment, right-of-use assets and intangible assets. This estimate is referenced to useful lives of property, plant and equipment, right-of-use assets and intangible assets of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold. The carrying amount of property, plant and equipment at 31 December 2021 and 2022 is approximately RMB2,966,707,000 and RMB4,073,434,000, respectively, as disclosed in note 14. The carrying amount of right-of-use assets at 31 December 2021 and 2022 is approximately RMB173,101,000 and RMB68,156,000, respectively, as disclosed in note 15. The carrying amount of intangible assets at 31 December 2021 and 2022 is approximately RMB128,494,000 and RMB96,242,000, respectively, as disclosed in note 16.

Estimated impairment of property, plant and equipment, right-of-use assets, intangible assets and goodwill related to the Current Business

Determining whether property, plant and equipment, right-of-use assets, intangible assets and goodwill is impaired requires an estimation of the recoverable amount of the CGU (or group of CGUs), which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU (or a group of CGUs) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of the subjected assets at 31 December 2021 and 2022 is RMB3,184,093,000 and RMB3,900,325,000, respectively. Details of the recoverable amount calculation are disclosed in note 17A.

APPENDIX I

ACCOUNTANTS’ REPORT

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the sale of photovoltaic cell products and related services, net of sales related taxes, during the Track Record Period.

	Year ended 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing Operation		
Sale of photovoltaic cell products and related services		
– Tunnel Oxide Passivating Contacts (“TOPCon”)	–	2,057,893
– Passivated Emitter and Rear Cell (“PERC”)	1,625,885	8,872,274
– Others (<i>note</i>)	13,495	155,546
	<u>1,639,380</u>	<u>11,085,713</u>

Note: The amount represents sales of manufacturing services.

Sale of photovoltaic cell products and related services

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue arising from sales of photovoltaic cell products is recognised at a point in time when the goods are accepted by the customers after delivery to the customers’ premises and revenue arising from services is recognised upon completion of the services contracts, since only by that time the Group passes control of the goods or services to the customers. The Group generally does not grant any credit period to its customers.

Customers are generally required to make full payment before the Group deliver the products to customers. Contract liabilities are recognised when consideration is received in which revenue has yet been recognised.

Transaction price allocated to the remaining performance obligations for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Group’s contract has an original expected duration of less than one year.

Segment information

For the purpose of resource allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out above. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Entity-wide disclosures

Geographical information

The Group’s non-current assets are all located in the PRC. The geographical information of the Group’s revenue, determined based on geographical location of the registered office of the immediate customers, during the Track Record Period is as follows:

	Year ended 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Continuing Operation		
Mainland China	1,633,882	11,054,542
Outside Mainland China	5,498	31,171
	<u>1,639,380</u>	<u>11,085,713</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Information about major customers

Revenue from customer contributing over 10% of the total revenue of the Group during the Track Record Period is as follows:

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Customer A	883,591	3,336,682

6. OTHER INCOME

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Continuing Operation		
Bank interest income	495	10,734
Government grants (<i>note</i>)	31	2,364
Sales of materials	46,946	11,013
	<u>47,472</u>	<u>24,111</u>

Note: The amount represents unconditional government grants received from local government in connection with the enterprise development support and innovation capability incentives.

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Continuing Operation		
Net gain on disposal of property, plant and equipment	127	–
Net foreign exchange gain (loss)	300	(821)
Others	(653)	(2,660)
	<u>(226)</u>	<u>(3,481)</u>

8. FINANCE COSTS

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Continuing Operation		
Interest on lease liabilities	22	119
Interest on discounting bills receivables and receivables at FVTOCI	5,143	11,012
Interest on bank and other borrowings	28,276	112,546
Interest on payables for acquisition of property, plant and equipment	–	10,243
Interest on consideration payables	–	12,122
	<u>33,441</u>	<u>146,042</u>

APPENDIX I

ACCOUNTANTS’ REPORT

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Continuing Operation		
Depreciation of property, plant and equipment	49,000	261,167
Depreciation of right-of-use assets	383	2,699
Amortisation of intangible assets	3,145	26,642
	<u>52,528</u>	<u>290,508</u>
Capitalised in inventories	(37,814)	(212,509)
Total depreciation and amortisation charged to profit or loss . .	<u>14,714</u>	<u>77,999</u>
Auditors’ remuneration	–	2,345
Cost of inventories recognised as cost of sales	1,424,365	9,798,330
Write-down of inventories	–	44,369
Directors’ and supervisors’ remuneration (<i>note 11</i>)	3,401	14,503
Other staff costs		
– Salaries and other benefits	29,208	320,203
– Retirement benefit scheme contributions	1,699	11,441
– Discretionary performance related bonus	2,362	17,422
– Share-based payment expenses	2,531	43,644
	<u>39,201</u>	<u>407,213</u>
Capitalised in inventories	(18,354)	(196,960)
Capitalised in construction in progress	(974)	(50,545)
Total staff costs charged to profit or loss	<u>19,873</u>	<u>159,708</u>
Research and development expenses		
– Staff costs	7,815	61,290
– Depreciation and amortisation	3,455	11,171
– Water and electricity fee	4,662	15,729
– Materials consumed	36,448	139,982
– Others	4,514	7,035
	<u>56,894</u>	<u>235,207</u>
Net (reversal of) impairment losses under ECL model		
Trade and bills receivables	(1,390)	696
Other receivables	2,364	11,065
	<u>974</u>	<u>11,761</u>

APPENDIX I

ACCOUNTANTS’ REPORT

10. INCOME TAX EXPENSES

	Year ended 31 December	
	2021	2022
	RMB’000	RMB’000
Continuing Operation		
PRC Enterprise Income Tax (“EIT”).	3,391	10,401
Deferred tax expenses	25,338	52,635
	<u>28,729</u>	<u>63,036</u>

No provision of Hong Kong Profits Tax was made in the Historical Financial Information as the Group had no assessable profit subject to Hong Kong Profits Tax during the Track Record Period.

The Company and Jietai Technology obtained the “High Technology Enterprise” certification in October and November 2021, respectively, and was therefore entitled to a preferential tax rate of 15% for a period of 3 years from 2021 to 2023.

The other PRC subsidiaries are subjected to PRC EIT rate of 25% during the Track Record Period.

Income tax expenses for the year can be reconciled to profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2021	2022
	RMB’000	RMB’000
Continuing Operation		
Profit before tax	82,460	679,936
Tax at PRC EIT rate of 25%	20,615	169,984
Tax effect of income not taxable for tax purpose	(14)	–
Tax effect of expense not deductible for tax purpose	1,637	2,645
Tax effect of tax losses not recognised	3,925	21,266
Tax effect attributable to the additional qualified tax deduction relating to research and development expenditures and acquisition of equipment (<i>note</i>)	(14,376)	(111,903)
Decrease in deferred tax assets resulting from a decrease in applicable tax rate	16,942	–
Tax effect of concessions granted to the Company and Jietai Technology	–	(18,956)
Income tax expenses	<u>28,729</u>	<u>63,036</u>

Note: Pursuant to relevant laws and regulations in the PRC, the Group enjoys super deduction of 200% on qualifying research and development expenditures throughout the Track Record Period. In addition, the State Taxation Administration of the PRC announced that High Technology Enterprise would entitle to claim 200% of their acquisition of equipment as super deduction effective from 1 October 2022 to 31 December 2022.

APPENDIX I

ACCOUNTANTS’ REPORT

11. DIRECTORS’, SUPERVISORS’, CHIEF EXECUTIVE’S AND EMPLOYEES’ EMOLUMENTS

(A) Directors’, Supervisors’ and the chief executive’s emoluments

During the Track Record Period, directors’, supervisors’ and chief executive’s remuneration disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

	Date of appointment	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2021							
Executive directors							
Ms. Lu Xiaohong (陸小紅)	13 June						
(“Ms. Lu”) (note v)	2019	–	500	–	–	–	500
Mr. Xu Xiaoping (徐曉平)	20 April						
(“Mr. Xu”)	2004	–	509	5	–	–	514
Mr. Xu Yong (徐勇)	16 May						
(“Mr. Xu Y.”)	2012	–	504	5	–	–	509
Mr Zhang Manliang (張滿良)	8 April						
(“Mr. Zhang”)	2021	–	201	11	73	236	521
Mr Zheng Hongwei (鄭洪偉)	19 October						
(“Mr. Zheng”)	2021	–	231	5	66	215	517
Mr Chen Kangren (陳康仁)	16 May						
(“Mr. Chen K.”) (note i)	2012	–	–	–	–	–	–
Supervisors							
Mr Zheng Gongzhi (鄭共智)	19 October						
(“Mr. Zheng G.”) (note iii)	2021	–	95	–	–	–	95
Ms. Jiang Caifang (蔣彩芳)	19 October						
(“Ms. Jiang”) (note iii)	2021	–	122	6	–	–	128
Mr Zhang Jiatao (陳家濤)	16 May						
(“Mr. Chen”) (note iv)	2012	–	182	7	2	–	191
Mr. Han Aiming (韓愛明)	26 October						
(“Mr. Han”) (note iv)	2018	–	206	7	–	–	213
Mr. Zhang Tao (張濤)	19 October						
(“Mr. Zhang T.”)	2021	–	–	–	–	–	–
Ms. Lin Caiying (林彩英)	19 October						
(“Ms. Lin”) (note i)	2021	–	–	–	–	–	–
Mr. Tan Hao (譚浩) (“Mr. Tan”) (note i)	16 May						
	2012	–	–	–	–	–	–
Mr. Wu Fucai (吳福財) (“Mr. Wu F.”) (note iv)	16 May						
	2012	–	–	–	–	–	–
Mr. Wang Shiyi (王世毅) (“Mr. Wang S.”) (note iv)	16 May						
	2012	–	–	–	–	–	–
Non-executive directors							
Mr Yang Youjun (楊友隽)	26 October						
(“Mr Yang”)	2018	71	–	–	–	–	71
Mr. Zhao Hang (趙航)	26 October						
(“Mr. Zhao”)	2018	71	–	–	–	–	71
Mr. Le Hongwei (樂宏偉) (“Mr. Le”) (note ii)	26 October						
	2018	71	–	–	–	–	71
		<u>213</u>	<u>2,550</u>	<u>46</u>	<u>141</u>	<u>451</u>	<u>3,401</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Date of appointment	Fees	Salaries and allowances	Retirement benefit scheme contributions	Discretionary performance related bonus	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022							
Executive directors							
	13 June						
Ms. Lu (note v)	2019	–	1,333	–	–	–	1,333
	20 April						
Mr. Xu	2004	–	930	11	333	–	1,274
	16 May						
Mr. Xu Y.	2012	–	253	3	–	–	256
	8 April						
Mr. Zhang	2021	–	1,057	40	960	3,282	5,339
	19 October						
Mr. Zheng	2021	–	1,291	19	660	1,889	3,859
Ms. Zheng Tong (鄭彤) (“Ms. Zheng T.”)	13 June 2022	–	411	8	33	764	1,216
	16 May						
Mr. Chen K. (note i)	2012	–	–	–	–	–	–
Supervisors							
Ms. Zheng Yuyao (鄭玉瑤) (“Ms. Zheng Y.”)	10 June 2022	–	91	7	12	–	110
	19 October						
Mr. Zhang T.	2021	–	–	–	–	–	–
Ms. Wang Xiaomei (王小妹) (“Ms. Wang X.”)	10 June 2022	–	101	7	12	–	120
	19 October						
Mr. Zheng G. (note iii)	2021	–	387	10	144	–	541
	19 October						
Ms. Jiang (note iii)	2021	–	129	8	10	–	147
	19 October						
Ms. Lin (note i)	2021	–	–	–	–	–	–
	16 May						
Mr. Tan (note i)	2012	–	–	–	–	–	–
Non-executive directors							
Mr. Shen Wenzhong (沈文忠) (“Mr. Shen”)	13 June 2022	58	–	–	–	–	58
	26 October						
Mr. Yang	2018	100	–	–	–	–	100
	26 October						
Mr. Zhao	2018	100	–	–	–	–	100
	26 October						
Mr. Le (note ii)	2018	50	–	–	–	–	50
		<u>308</u>	<u>5,983</u>	<u>113</u>	<u>2,164</u>	<u>5,935</u>	<u>14,503</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) Mr. Chen K., Ms. Lin and Mr. Tan resigned as executive director and supervisors of the Company with effect from 30 May 2022.
- (ii) Mr. Le resigned as non-executive director of the Company with effect from 13 June 2022.
- (iii) Mr. Zheng G. and Ms. Jiang resigned as supervisors of the Company with effect from 10 June 2022.
- (iv) Mr. Chen, Mr. Han, Mr. Wu F. and Mr. Wang S. resigned as supervisors with effect from 18 October 2021.
- (v) Ms. Lu is the Chief Executive Officer of the Company.

The executive directors’ and chief executive’s emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group during the Track Record Period.

The non-executive directors’ and supervisors’ emoluments shown above were for their services as directors and supervisors of the Company during the Track Record Period.

The independent non-executive directors’ emoluments shown above were for their services as directors of the Company.

During the Track Record Period, there was no arrangement under which a director or supervisors or the chief executive waived or agreed to waive any emolument, and no emoluments were paid by the Group to any of the directors or supervisors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

(B) Five highest paid employees

The five highest paid employees of the Group include 5 and 2 directors of the Company whose emoluments, are set out above for the Track Record Period. The emoluments of the remaining nil and 3 employees for each of the year ended 31 December 2021 and 2022, respectively, are as follows:

	Year ended 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Salaries and other benefits	–	2,664
Retirement benefit scheme contributions	–	60
Discretionary performance related bonus (<i>note</i>)	–	1,378
Share-based payment expenses	–	6,720
	–	<u>10,822</u>
	<u>–</u>	<u>10,822</u>

Note: Discretionary performance related bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.

APPENDIX I

ACCOUNTANTS’ REPORT

The number of the five highest paid individuals are within the following bands presented in Hong Kong Dollar (“HK\$”):

	Year ended December 31,	
	2021	2022
HK\$500,001 to HK\$1,000,000	5	–
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$4,000,001 to HK\$4,500,000	–	1
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	–	1
HK\$6,000,001 to HK\$6,500,000	–	1
Total	5	5

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

	Year ended 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend for ordinary shareholders of the Company	6,623	–

During the year ended 31 December 2021, the Company declared cash dividend of RMB0.05 per ordinary share, in aggregate of RMB6,623,000, to ordinary shareholders of the Company.

13. (LOSS) EARNINGS PER SHARE

For Continuing Operation

The calculation of basic and diluted (loss) earnings per share from continuing operation attributable to owners of the Company is based on the following data:

	Year ended 31 December	
	2021	2022
Earnings (RMB'000):		
(Loss) profit for the year attributable to owners of the Company	(178,635)	716,945
Less:		
Loss (profit) for the year from discontinued operation	188,140	(204,087)
Earnings for the purpose of basic earnings per share from continuing operation	9,505	512,858
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	186,156	192,208
Effect of dilutive potential ordinary shares:		
Share options of the Company	108	3,695
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	186,264	195,903

In April 2023, the Company declared and distributed stock dividend of 0.398 ordinary share per ordinary share. Accordingly, the weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share for the year ended 31 December 2021 and 2022 were pro rata adjusted.

For discontinued operation

Basic loss per share for the discontinued operation is RMB1.01 per share for the year ended 31 December 2021 and basic earnings per share for the discontinued operation is RMB1.06 per share for the year ended 31 December 2022 based on the loss for the year from the discontinued operation of RMB188,140,000 for the year ended 31 December 2021 and earnings for the year from the discontinued operation of RMB204,087,000 for the year ended 31 December 2022, and the denominators detailed above for basic (loss) earnings per share.

APPENDIX I

ACCOUNTANTS’ REPORT

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At 1 January 2021	260,575	679,914	38,645	12,828	96,398	1,088,360
Additions	7,094	248,681	27,056	3,079	65,959	351,869
Transfers from construction in progress	58,890	227,325	270	–	(286,485)	–
Transfers to construction in progress	–	(261,888)	–	–	208,938	(52,950)
Acquired on acquisition of Jietai Technology Group (note 31)	440,278	1,611,837	5,146	1,821	152,556	2,211,638
Disposals	–	(85,817)	(1,834)	(1,386)	–	(89,037)
At 31 December 2021	766,837	2,420,052	69,283	16,342	237,366	3,509,880
Additions	298,204	78,016	11,872	2,722	1,810,534	2,201,348
Transfers from construction in progress	89,246	1,828,217	3,751	–	(1,921,214)	–
Transfers to construction in progress	–	(246,427)	–	–	196,555	(49,872)
Disposal of Discontinued Business (note 32)	(321,946)	(862,714)	(67,950)	(12,229)	(14,786)	(1,279,625)
Disposals	–	(55,727)	(41)	(2,637)	–	(58,405)
At 31 December 2022	832,341	3,161,417	16,915	4,198	308,455	4,323,326
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2021	(76,623)	(254,742)	(12,742)	(9,678)	–	(353,785)
Provided for the year	(17,043)	(131,556)	(20,086)	(1,670)	–	(170,355)
Impairment loss recognised in profit or loss included in cost of sales of Discontinued Business	–	(87,169)	(28)	–	–	(87,197)
Transfer to construction in progress	–	52,950	–	–	–	52,950
Eliminated on disposals	–	12,773	1,608	833	–	15,214
At 31 December 2021	(93,666)	(407,744)	(31,248)	(10,515)	–	(543,173)
Provided for the year	(25,566)	(341,135)	(11,315)	(1,569)	–	(379,585)
Transfer to construction in progress	–	49,872	–	–	–	49,872
Disposal of Discontinued Business (note 32)	95,669	437,151	38,683	8,376	–	579,879
Eliminated on disposals	–	40,694	12	2,409	–	43,115
At 31 December 2022	(23,563)	(221,162)	(3,868)	(1,299)	–	(249,892)
CARRYING VALUE						
At 31 December 2021	673,171	2,012,308	38,035	5,827	237,366	2,966,707
At 31 December 2022	808,778	2,940,255	13,047	2,899	308,455	4,073,434

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST					
At 1 January 2021	14,738	124,582	2,892	4,546	146,758
Additions	722	42,444	–	–	43,166
Disposals	<u>(15,460)</u>	<u>(65,816)</u>	<u>(2,892)</u>	<u>(2,134)</u>	<u>(86,302)</u>
At 31 December 2021	–	101,210	–	2,412	103,622
Additions	–	171	–	–	171
Disposals	–	<u>(55,264)</u>	–	<u>(2,412)</u>	<u>(57,676)</u>
At 31 December 2022	–	<u>46,117</u>	–	–	<u>46,117</u>
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 January 2021	(3,633)	(61,979)	(2,385)	(3,940)	(71,937)
Provided for the year	(160)	(6,629)	(40)	(81)	(6,910)
Impairment loss recognised in profit or loss included in cost of sales	–	(15,064)	–	–	(15,064)
Eliminated on disposals	<u>3,793</u>	<u>27,476</u>	<u>2,425</u>	<u>1,827</u>	<u>35,521</u>
At 31 December 2021	–	(56,196)	–	(2,194)	(58,390)
Provided for the year	–	(30,570)	–	(24)	(30,594)
Eliminated on disposals	–	<u>40,649</u>	–	<u>2,218</u>	<u>42,867</u>
At 31 December 2022	–	<u>(46,117)</u>	–	–	<u>(46,117)</u>
CARRYING VALUE					
At 31 December 2021	<u>–</u>	<u>45,014</u>	<u>–</u>	<u>218</u>	<u>45,232</u>
At 31 December 2022	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives after taking into account their estimated residual values:

	<u>Useful lives</u>	<u>Estimated residual values</u>
	<i>Years</i>	
Buildings	20-30	5%
Plant and machinery	10	5%
Office equipment	3-5	5%
Motor vehicles	<u>4-5</u>	<u>5%</u>

APPENDIX I

ACCOUNTANTS’ REPORT

15. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands	Staff quarters	Office properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST				
At 1 January 2021	147,501	–	–	147,501
Acquired on acquisition of Jietai Technology Group (<i>note 31</i>)	39,720	2,408	–	42,128
At 31 December 2021	187,221	2,408	–	189,629
Additions	24,652	–	4,532	29,184
Disposal of Discontinued Business (<i>note 32</i>)	(146,833)	–	–	(146,833)
At 31 December 2022	65,040	2,408	4,532	71,980
ACCUMULATED DEPRECIATION				
At 1 January 2021	(14,003)	–	–	(14,003)
Provided for the year	(2,383)	(142)	–	(2,525)
At 31 December 2021	(16,386)	(142)	–	(16,528)
Provided for the year	(1,817)	(579)	(1,078)	(3,474)
Disposal of Discontinued Business (<i>note 32</i>)	16,178	–	–	16,178
At 31 December 2022	(2,025)	(721)	(1,078)	(3,824)
CARRYING VALUE				
At 31 December 2021	170,835	2,266	–	173,101
At 31 December 2022	63,015	1,687	3,454	68,156

	Year ended 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Expenses relating to short-term leases	4,137	2,181
Total cash outflow for leases	4,137	5,494

During the Track Record Period, the Group leases lands from independent third parties for its operations. Lease contract is entered into for a fixed term of 50 years. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group obtained the property ownership certificates for all buildings except for buildings with carrying amount of RMB11,523,000 and RMB361,062,000 at 31 December 2021 and 2022, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

In addition, the Group has made lump sum payments upfront to government for leasehold lands. The Group obtained the land use right certificates for all such leasehold lands except for leasehold lands with carrying amount of nil and RMB24,486,000 at 31 December 2021 and 2022, respectively.

The Group regularly entered into short-term leases. At 31 December 2021 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB2,357,000 and RMB4,191,000 are recognised with related right-of-use assets of RMB2,266,000 and RMB5,141,000 at 31 December 2021 and 2022, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Sale and leaseback transactions – seller-lessee

To better manage the Group’s capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery leases. These legal transfers do not satisfy the requirements of IFRS 15 to be accounted for as a sale of the machinery. During the year ended 31 December 2021 and 2022, the Group raised RMB492,475,000 and RMB691,469,000 borrowings in respect of such sale and leaseback arrangements.

15A. INVESTMENT PROPERTIES

The Group

	Buildings
	<i>RMB’000</i>
COST	
At 1 January 2021	26,682
Additions	171
At 31 December 2021	26,853
Disposal of Discontinued Business (<i>note 32</i>)	(26,853)
At 31 December 2022	–
ACCUMULATED DEPRECIATION	
At 1 January 2021	(14,894)
Provided for the year	(1,333)
At 31 December 2021	(16,227)
Provided for the year	(504)
Disposal of Discontinued Business (<i>note 32</i>)	16,731
At 31 December 2022	–
CARRYING VALUE	
At 31 December 2021	<u>10,626</u>
At 31 December 2022	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

16. INTANGIBLE ASSETS

The Group

	<u>Patent</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST			
At 1 January 2021	–	8,794	8,794
Additions	–	85	85
Acquired on acquisition of Jietai Technology Group (<i>note 31</i>)	<u>123,566</u>	<u>1,006</u>	<u>124,572</u>
At 31 December 2021	123,566	9,885	133,451
Additions	–	1,614	1,614
Disposal of Discontinued Business (<i>note 32</i>)	<u>–</u>	<u>(9,033)</u>	<u>(9,033)</u>
At 31 December 2022	<u>123,566</u>	<u>2,466</u>	<u>126,032</u>
ACCUMULATED DEPRECIATION			
At 1 January 2021	–	(1,705)	(1,705)
Provide for the year	<u>(3,089)</u>	<u>(163)</u>	<u>(3,252)</u>
At 31 December 2021	(3,089)	(1,868)	(4,957)
Provided for the year	<u>(26,331)</u>	<u>(579)</u>	<u>(26,910)</u>
Disposal of Discontinued Business (<i>note 32</i>)	<u>–</u>	<u>2,077</u>	<u>2,077</u>
At 31 December 2022	<u>(29,420)</u>	<u>(370)</u>	<u>(29,790)</u>
CARRYING VALUE			
At 31 December 2021	<u>120,477</u>	<u>8,017</u>	<u>128,494</u>
At 31 December 2022	<u>94,146</u>	<u>2,096</u>	<u>96,242</u>

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Patent	5.25 years
Software	<u>10 years</u>

17. GOODWILL

The Group

RMB'000

COST AND CARRYING VALUE	
At 1 January 2021	–
Acquisition of Jietai Technology Group (<i>note 31</i>)	<u>863,332</u>
At 31 December 2021	863,332
Decrease	<u>(2,822)</u>
At 31 December 2022	<u>860,510</u>

Particulars regarding impairment testing on goodwill are disclosed in note 17A.

APPENDIX I

ACCOUNTANTS’ REPORT

17A. IMPAIRMENT ASSESSMENT ON PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS, INTANGIBLE ASSETS AND GOODWILL

The Group

At 31 December 2021, due to the unsatisfactory performance of the Discontinued Business, the management concluded that there was indication for impairment and conducted impairment assessment on recoverable amounts of certain property, plant and equipment with carrying amounts of RMB118,627,000. Consequently an impairment of the related property, plant and equipment of RMB87,197,000 has been recognised included in profit or loss in the cost of sales line item of the Discontinued Business. The directors of the Company have estimated the recoverable amount of the property, plant and equipment using the fair value less costs of disposal.

For the purpose of impairment testing, patent included in intangible assets and goodwill as set out in notes 16 and 17 in relation to the acquisition of Jietai Technology Group has been assessed as a CGU. The carrying amount of Jietai Technology CGU (including property, plant and equipment, right-of-use assets and allocation of corporate assets) that generate cash flows together with the related goodwill are also included in Jietai Technology CGU for the purpose of impairment assessment. At 31 December 2022, the carrying amount of Jietai Technology CGU amounted to RMB3,900,325,000.

The basis of the recoverable amounts of Jietai Technology CGU and its major underlying assumptions are summarised below:

The recoverable amount has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and pre-tax discount rate of 13.06% per annum at 31 December 2022. The management of the Group did not assume any growth to the cash flows subsequent to the 5-year period. This is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and expenses, such estimation is based on Jietai Technology CGU’s past performance and management’s expectations for the market development.

18. INTERESTS IN ASSOCIATES

The Group

	At 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of investments, unlisted	55,986	–
Share of post-acquisition losses and other comprehensive expenses, net of dividends received.	(12,116)	–
	<u>43,870</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Details of the Group’s associates during the Track Record Period and the date of this report are as follows:

Name of associates	Place of operation and principal place of operation	Proportion of ownership interest held by the Group			Proportion of voting right held by the Group			Principal activities
		At 31 December		At date of report	At 31 December		At date of report	
		2021	2022		2021	2022		
Kaifeng Hexi Automotive Parts Co., Ltd.* 開封河西汽車飾件有限公司 (“Kaifeng Hexi”)	The PRC	40%	N/A	N/A	40%	N/A	N/A	Manufacturing and sales of automotive part products
Wuhan Heda Automotive Parts Co., Ltd.* 武漢河達汽車飾件有限公司 (“Wuhan Heda”).	The PRC	40%	N/A	N/A	40%	N/A	N/A	Manufacturing and sales of automotive part products

Summarised financial information of Kaifeng Hexi

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Current assets	38,506	N/A
Non-current assets.	50,252	N/A
Current liabilities	17,619	N/A

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Revenue	56,133	N/A
Loss and total comprehensive expense for the year	(11,666)	N/A
Dividends received from Kaifeng Hexi	4,000	N/A

Summarised financial information of Wuhan Heda

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Current assets	16,896	N/A
Non-current assets.	26,467	N/A
Current liabilities	4,829	N/A

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Revenue	163	N/A
Loss and total comprehensive expense for the year	(8,625)	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the Historical Financial Information:

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Net assets of Kaifeng Hexi	71,139	N/A
Proportion of the Group’s ownership interest in Kaifeng Hexi	40%	N/A
Carrying amount of the Group’s interest in Kaifeng Hexi	28,456	N/A
Net assets of Wuhan Heda	38,534	N/A
Proportion of the Group’s ownership interest in Wuhan Heda	40%	N/A
Carrying amount of the Group’s interest in Wuhan Heda	15,414	N/A

19. DEFERRED TAXATION

The Group

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Deferred tax assets	17,743	2,685
Deferred tax liabilities	(104)	(21,445)
	<u>17,639</u>	<u>(18,760)</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The following are the major deferred tax balances recognised and movements thereon during the Track Record Period:

	Accelerated tax depreciation	Tax losses	Fair value adjustment arising from business combination	Impairment loss on assets	Deferred income	Share-based payment expense	Accrued expense and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	–	8,263	–	5,695	–	–	1,398	15,356
(Charge) credit to profit or loss	–	(26,649)	1,523	3,069	–	745	3,929	(17,383)
Acquisition of Jietai Technology Group (note 31)	–	41,446	(42,643)	590	–	11,863	8,295	19,551
(Decrease) increase in deferred tax assets resulting from a decrease in applicable tax rate	–	(7,472)	16,448	(333)	–	(5,043)	(3,485)	115
At 31 December 2021	–	15,588	(24,672)	9,021	–	7,565	10,137	17,639
(Charge) credit to profit or loss	(259,696)	39,168	4,620	8,457	152,913	1,237	(2,788)	(56,089)
Elimination on disposal of Discontinued Business (note 32)	–	(6,245)	–	(6,628)	–	–	(805)	(13,678)
Credit to reserves	–	–	–	–	–	33,368	–	33,368
At 31 December 2022	(259,696)	48,511	(20,052)	10,850	152,913	42,170	6,544	(18,760)

At 31 December 2021 and 2022, the Group has unused tax losses of RMB92,239,000 and RMB218,959,000, respectively, available for offset against future profits of which deferred tax assets has been recognised in respect of RMB15,588,000 and RMB48,511,000, respectively, of such losses. At 31 December 2021 and 2022, no deferred tax asset has been recognised in respect of the remaining RMB177,909,000 and RMB127,232,000, respectively, due to the unpredictability of future profit streams. At 31 December 2021 and 2022, included in unrecognised tax losses are losses of RMB177,909,000 and RMB127,232,000, respectively, with expiry dates ranging from 2022 to 2031 and 2023 to 2032, respectively.

At 31 December 2021 and 2022, the Group has deductible temporary differences of RMB275,860,000 and RMB929,759,000, respectively. At 31 December 2021 and 2022, deferred tax assets of RMB26,723,000 and RMB212,477,000, respectively, have been recognised in respect of such deductible temporary differences. No deferred tax asset has been recognised in relation to the remaining deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

There were no other significant unrecognised temporary differences at the end of each reporting period.

20. INVENTORIES

The Group

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Current Business		
Raw materials	71,865	114,427
Work-in-progress	60,880	63,662
Finished goods	15,895	68,179
Goods in transit	7,457	92,656
	<u>156,097</u>	<u>338,924</u>
Discontinued Business		
Raw materials	52,213	N/A
Work-in-progress	60,445	N/A
Finished goods	61,342	N/A
Goods in transit	107,639	N/A
	<u>281,639</u>	<u>N/A</u>
	<u>437,736</u>	<u>338,924</u>

APPENDIX I

ACCOUNTANTS’ REPORT

21. TRADE, BILLS AND OTHER RECEIVABLES

The Group

	At 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Current Business	13,469	47,954
– Discontinued Business	177,794	N/A
	<u>191,263</u>	<u>47,954</u>
Bills receivables		
– Current Business	45,746	7,987
– Discontinued Business	5,572	N/A
	<u>51,318</u>	<u>7,987</u>
	242,581	55,941
Less: Impairment loss allowance for trade and bills receivables	(25,296)	(1,560)
	<u>217,285</u>	<u>54,381</u>
Other receivables and prepayments		
Advances to suppliers	93,533	143,440
Amounts due from associates (<i>note i</i>)	1,400	–
Deposits paid for sales and leaseback arrangement	25,605	41,541
Other receivables	15,052	21,256
	<u>135,590</u>	<u>206,237</u>
Less: Impairment loss allowance for other receivables	(2,757)	(11,064)
	<u>132,833</u>	<u>195,173</u>
	<u>350,118</u>	<u>249,554</u>
Analysed as:		
Current	324,513	169,048
Non-current	25,605	80,506
	<u>350,118</u>	<u>249,554</u>

The Company

	At 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Discontinued Business (<i>note ii</i>)	75,302	N/A
Less: Impairment loss allowance for trade receivables	(15,916)	N/A
	<u>59,386</u>	<u>N/A</u>
Other receivables and prepayments		
Advances to suppliers	4,603	630
Amounts due from subsidiaries	563,219	1,000
Dividend receivables	118,822	–
Other receivables	5,101	26
	<u>691,745</u>	<u>1,656</u>
Less: Impairment loss allowance for other receivables	(2,709)	(1)
	<u>689,036</u>	<u>1,655</u>
	<u>748,422</u>	<u>1,655</u>

Notes:

- (i) The amounts due from associates were non-trade in nature, unsecured, interest-free and repayable on demand. The maximum amount outstanding during the year ended 31 December 2021 and 2022 is RMB1,400,000.
- (ii) At 31 December 2021, the balance included trade receivables from the Company’s subsidiaries of RMB56,326,000.

APPENDIX I

ACCOUNTANTS’ REPORT

At 1 January 2021, the Group’s and the Company’s trade receivables arising from Discontinued Business amounted to RMB234,027,000 and RMB70,363,000 (net of impairment loss allowance of RMB19,569,000 and RMB9,184,000), respectively, and no bills receivables.

The Group normally does not grant any credit period to its customers of the Current Business while the Group generally allows the credit period ranged from 60 to 90 days to its customers of the Discontinued Business.

The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on revenue recognition date at the end of each reporting period.

The Group

	At 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
<i>Current Business</i>		
0 to 1 year	13,020	46,015
1 to 2 years	42	423
2 to 3 years	–	37
	<u>13,062</u>	<u>46,475</u>
<i>Discontinued Business</i>		
0 to 1 year	150,375	N/A
1 to 2 years	2,741	N/A
2 to 3 years	302	N/A
	<u>153,418</u>	<u>N/A</u>

The Company

	At 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
<i>Discontinued Business</i>		
0 to 1 year	57,318	N/A
1 to 2 years	2,068	N/A
	<u>59,386</u>	<u>N/A</u>

At 31 December 2021 and 2022, the Group’s trade receivables arising from Current Business of RMB13,062,000 and RMB46,475,000, respectively, and trade receivables arising from Discontinued Business of RMB153,418,000 and nil, respectively, which are past due is not considered as in default because the management of the Group, according to the historical settlement pattern, industry practice and the Group’s historical actual loss experience, had assessed that the probability of settlement from their customers was high.

APPENDIX I

ACCOUNTANTS’ REPORT

The following is an aged analysis of bills receivables, net of impairment loss allowance presented based on the issue dates of bills receivables.

The Group

	At 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Current Business</i>		
0 to 180 days.	45,289	7,906
<i>Discontinued Business</i>		
181 days to 1 year	5,516	N/A

The following is a maturity analysis of bills receivables, net of impairment loss allowance, presented based on the remaining dates to maturity of bills receivables at the end of each reporting period.

The Group

	At 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Current Business</i>		
0 to 180 days.	45,289	7,906
<i>Discontinued Business</i>		
0 to 180 days.	5,516	N/A

Movements of impairment loss allowance on trade, bills and other receivables

Movement of impairment loss allowance at lifetime ECL on trade and bills receivables for the Track Record Period:

The Group

	Lifetime ECL not credit-impaired
	<i>RMB'000</i>
<i>Current Business</i>	
At 1 January 2021.	–
Impairment loss allowance reversed	(1,390)
Acquisition of Jietai Technology Group (<i>note 31</i>)	2,254
At 31 December 2021	864
Impairment loss allowance recognised	696
At 31 December 2022	1,560

APPENDIX I

ACCOUNTANTS’ REPORT

The Group

	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Discontinued Business			
At 1 January 2021	14,785	4,784	19,569
Impairment loss allowance recognised	8,275	10,826	19,101
Impairment loss allowance reversed	<u>(14,238)</u>	<u>–</u>	<u>(14,238)</u>
At 31 December 2021	8,822	15,610	24,432
Impairment loss allowance recognised	1,480	–	1,480
Effect of disposal of Discontinued Business	<u>(10,302)</u>	<u>(15,610)</u>	<u>(25,912)</u>
At 31 December 2022	<u>–</u>	<u>–</u>	<u>–</u>

Movement of impairment loss allowance on other receivables for the Track Record Period:

The Group

	12m ECL	Lifetime ECL	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	218	2,694	2,912
Acquisition of Jietai Technology Group (<i>note 31</i>)	104	–	104
Impairment loss allowance reversed	<u>(259)</u>	<u>–</u>	<u>(259)</u>
At 31 December 2021	63	2,694	2,757
Impairment loss allowance recognised	1,366	10,239	11,605
Effect of disposal of Discontinued Business	<u>(604)</u>	<u>(2,694)</u>	<u>(3,298)</u>
At 31 December 2022	<u>825</u>	<u>10,239</u>	<u>11,064</u>

22. RECEIVABLES AT FVTOCI

The Group

	At 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables at FVTOCI comprise:		
Bills receivables		
– Current Business	187,352	1,014,656
– Discontinued Business	106,689	N/A
	<u>294,041</u>	<u>1,014,656</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	At 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Receivables at FVTOCI comprise:		
Bills receivables		
– Discontinued Business	11,388	N/A

The Group’s and the Company’s receivables at FVTOCI were bills receivables with the following maturity:

The Group

	At 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Current Business</i>		
0 to 180 days.	187,252	834,722
181 days to 1 year	100	179,934
	<u>187,352</u>	<u>1,014,656</u>
<i>Discontinued Business</i>		
0 to 180 days.	105,739	N/A
181 days to 1 year	950	N/A
	<u>106,689</u>	<u>N/A</u>

The Company

	At 31 December	
	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Discontinued Business</i>		
0 to 180 days.	11,388	N/A

22A. TRANSFERS OF FINANCIAL ASSETS

At 31 December 2021 and 2022, included in the Group’s bills receivables arising from Current Business amounted to RMB37,691,000 and nil, respectively, being endorsed to certain suppliers for settlement of trade payables or being discounted to certain banks to obtain bank loans on a full recourse basis. If the bills are not paid on maturity, the suppliers and banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to the bills receivables to its suppliers upon endorsement, it continues to recognise the full carrying amount of bills receivables and has recognised the payables from the endorsement of the bills with full recourse. For bills receivables discounted to banks with full recourse, as the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount of bills receivables and has recognised the bank and other borrowings for the discounted amounts received.

APPENDIX I

ACCOUNTANTS’ REPORT

At 31 December 2021

The Group

	Bills discounted to banks with full recourse	Bills endorsed to suppliers with full recourse
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Current Business</i>		
Carrying amount of transferred assets	10,721	26,970
Carrying amount of associated liabilities	(10,721)	(26,970)
	<u>—</u>	<u>—</u>

At 31 December 2021 and 2022, the Group had derecognised bills discounted to banks or endorsed to certain suppliers on a full recourse basis amounting to RMB1,938,471,000 and RMB4,849,602,000, respectively. These bills were issued or guaranteed by reputable PRC banks with high credit ratings, therefore the directors of the Company considered the substantial risks in relation to these bills were interest risk as the credit risk arising from these bills were minimal, the Group had transferred substantially all the risks of these bills to relevant banks or suppliers. However, if the bills cannot be accepted at maturity, the banks or suppliers have the right to require the Group pay off the outstanding balance. Therefore, the Group continued involve in them.

23. RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

The Group’s and the Company’s restricted bank deposits are deposited to banks for the issue of bank borrowings, bills payables and letter of credit by the Group and the Company and are therefore classified as current assets. The restricted bank deposits will be released upon the settlement of relevant bank borrowings, bills payables and letter of credit.

Bank balances and restricted bank deposits carry interest at market rates ranging from 0.25% to 2.25% and 0.25% to 1.90% per annum at 31 December 2021 and 2022, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

24. TRADE, BILLS AND OTHER PAYABLES

The Group

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Trade payables		
– Current Business	343,424	500,786
– Discontinued Business	265,877	N/A
	<u>609,301</u>	<u>500,786</u>
Bills payables		
– Current Business	371,598	509,102
– Discontinued Business	77,503	N/A
	<u>449,101</u>	<u>509,102</u>
	<u>1,058,402</u>	<u>1,009,888</u>
Payables for acquisition of property, plant and equipment (note iv)	382,229	1,169,148
Consideration payables and related interest payables (note iii). Deposits received from customers (note v)	584,176	788,608
Accrued payroll and welfare	–	291,902
Other taxes payables	53,092	60,402
Amount due to an independent third party (note i)	18,561	70,031
Amounts due to Yang Family and the Vendors (as defined in note 31) (note ii)	–	20,000
Amounts due to other related parties in relation to Discontinued Business (note ii) (note 32(d))	600,000	2,140
Dividend payables	248,439	N/A
Other payables	3,247	90
	<u>13,191</u>	<u>102,903</u>
	<u>1,902,935</u>	<u>2,505,224</u>
	<u>2,961,337</u>	<u>3,515,112</u>
Analysed as:		
Current	2,361,337	2,851,690
Non-current	600,000	663,422
	<u>2,961,337</u>	<u>3,515,112</u>

The Company

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Trade payables		
– Discontinued Business	4,549	N/A
Bills payables		
– Discontinued Business	74,800	N/A
	<u>79,349</u>	<u>N/A</u>
Payables for acquisition of property, plant and equipment . . .	878	–
Consideration payables and related interest payables (note iii)	584,176	788,608
Accrued payroll and welfare	1,579	3,382
Other taxes payables	3,054	1,070
Amounts due to subsidiaries	147,965	410,958
Amounts due to Yang Family and the Vendors (as defined in note 31) (note ii)	600,000	–
Dividend payables	3,272	90
Other payables	7,984	8,401
	<u>1,348,908</u>	<u>1,212,509</u>
	<u>1,428,257</u>	<u>1,212,509</u>
Analysed as		
Current	828,257	1,212,509
Non-current	600,000	–
	<u>1,428,257</u>	<u>1,212,509</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) Amounts are non-trade in nature, secured by certain of Company’s equity interests in Shangrao Hongye New Energy Co., Ltd.* (上饒市弘業新能源有限公司) (“Hongye New Energy”), unguaranteed, interest-free and repayable on demand.
- (ii) Amounts are non-trade in nature, unsecured, unguaranteed, interest-free and repayable on demand. In 2022, the amounts due to Yang Family and the Vendors of RMB600,000,000 was offset with the consideration in relation to the disposal of Discontinued Business.
- (iii) The amount represents the consideration payables and related interest payables resulted from the Group’s acquisition of 51% and 49% equity interests in Jietai Technology Group, The balance was unsecured, interest-free (excluding amount of RMB672,149,000 at 31 December 2022 which carried interest at 3.7% per annum) and repayable on demand.
- (iv) Amount included nil and RMB643,422,000 which carried interest at 4.9% per annum at 31 December 2021 and 2022, respectively, payable to the respective local governments as the Group’s Chuzhou and Huai’an plants and their related ancillary buildings were constructed by the local government on the Group’s behalf. Pursuant to the investment cooperation agreements entered into with the respective local governments, the Group are entitled to lease the aforementioned buildings for a period of 6 years free of charge upon their completion and the Group is required to buy them back in the following 4 years.
- (v) Amount represents earnest deposits received by the Group in relation to framework agreements entered into with customers. These earnest deposits received with no specific purchase orders placed will either be offset with future purchase order transaction price or released to the customers upon maturity of the framework arrangement.

The suppliers of the Current Business generally do not allow any credit period to the Group while the suppliers of the Discontinued Business generally allow the credit period ranged from 60 to 90 days to the Group.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

The Group

	At 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
<i>Current Business</i>		
0 to 1 year	342,375	499,409
1 year to 2 years	845	676
Over 2 years	204	701
	<u>343,424</u>	<u>500,786</u>
<i>Discontinued Business</i>		
0 to 1 year	255,939	N/A
1 year to 2 years	5,846	N/A
Over 2 years	4,092	N/A
	<u>265,877</u>	<u>N/A</u>

The Company

	At 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
<i>Discontinued Business</i>		
0 to 1 year	2,750	N/A
1 year to 2 years	330	N/A
Over 2 years	1,469	N/A
	<u>4,549</u>	<u>N/A</u>

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

The following is an aged analysis of bills payables presented based on issue dates at the end of each reporting period:

The Group

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Current Business		
0 to 180 days	371,598	458,524
Over 180 days	–	50,578
	<u>371,598</u>	<u>509,102</u>
Discontinued Business		
0 to 180 days	<u>77,503</u>	<u>N/A</u>

The Company

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Discontinued Business		
0 to 180 days	<u>74,800</u>	<u>N/A</u>

The following is an aged analysis of bills payables presented based on maturity date at the end of each reporting period:

The Group

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Current Business		
0 to 180 days	271,598	508,942
Over 180 days	100,000	160
	<u>371,598</u>	<u>509,102</u>
Discontinued Business		
0 to 180 days	<u>77,503</u>	<u>N/A</u>

The Company

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Discontinued Business		
0 to 180 days	<u>74,800</u>	<u>N/A</u>

APPENDIX I

ACCOUNTANTS’ REPORT

25. CONTRACT LIABILITIES

The Group

	At 1 January	At 31 December	
	2021	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amounts received in advance in respect of			
– Current Business	N/A	31,508	317,134
– Discontinued Business	43,892	61,890	N/A
	<u>43,892</u>	<u>93,398</u>	<u>317,134</u>

The Company

	At 1 January	At 31 December	
	2021	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Amounts received in advance in respect of			
– Discontinued Business	15,203	22,577	N/A
	<u>15,203</u>	<u>22,577</u>	<u>N/A</u>

A contract liability represents the Group’s and the Company’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract liabilities that are expected to be settled within the Group’s and the Company’s normal operating cycle are classified as current liabilities based on the Group’s and the Company’s earliest obligation to transfer goods to the customers.

The following table shows how much of the revenue recognised that was included in the balance of contract liabilities at the beginning of the year.

The Group

	Year ended 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Current Business.	2,765	31,508
Discontinued Business	43,892	61,890
	<u>46,657</u>	<u>93,398</u>

The Company

	Year ended 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Discontinued Business	15,203	22,577
	<u>15,203</u>	<u>22,577</u>

During the years ended 31 December 2021 and 2022, there were no revenue recognised that related to performance obligations that were satisfied in prior year.

The significant increase in contract liabilities from Current Business for the year ended 31 December 2022 was mainly due to the expansion of the Current Business and advances received from new contracts obtained.

APPENDIX I

ACCOUNTANTS’ REPORT

26. BANK AND OTHER BORROWINGS

The Group

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Secured and guaranteed (<i>note i</i>)	–	773,155
Secured and unguaranteed (<i>note ii</i>)	1,152,243	1,545,452
Unsecured and guaranteed (<i>note iii</i>)	41,407	10,445
Unsecured and unguaranteed (<i>note iv</i>)	57,000	1,378,797
	<u>1,250,650</u>	<u>3,707,849</u>
Carrying amount repayable as follows:		
– within one year	557,334	1,204,167
– more than one year but not more than two years	229,834	725,073
– more than two years but not more than five years	63,482	1,099,531
– more than five years	400,000	679,078
	<u>1,250,650</u>	<u>3,707,849</u>
Less: Amount due for settlement within one year and shown under current liabilities	(557,334)	(1,204,167)
Amounts shown under non-current liabilities	<u>693,316</u>	<u>2,503,682</u>

The Company

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Secured and guaranteed (<i>note i</i>)	–	773,155
Secured and unguaranteed (<i>note ii</i>)	136,252	–
	<u>136,252</u>	<u>773,155</u>
Carrying amount repayable as follows:		
– within one year	60,163	177,955
– more than one year but not more than two years	41,089	191,800
– more than two years but not more than five years	35,000	403,400
	<u>136,252</u>	<u>773,155</u>
Less: Amount due for settlement within one year and shown under current liabilities	(60,163)	(177,955)
Amounts shown under non-current liabilities	<u>76,089</u>	<u>595,200</u>

Notes:

- (i) These loans are secured by certain of Yang Family’s equity interests in the Company and the Company’s equity interests in Jietai Technology, and guaranteed by a shareholder of the Company and an independent third party.
- (ii) These loans are secured by certain of the Group’s equity interests in Hongye New Energy, buildings, leasehold land, investment properties, bills receivables, receivables at FVTOCI and restricted bank deposits, and unguaranteed. Amounts included RMB400,000,000 and RMB500,000,000 which carried interest at Loan Prime Rate (“LPR”) per annum at 31 December 2021 and 2022, respectively, payable to an independent third party. Pursuant to the relevant financing agreements, the Group transferred 40% equity interest of Hongye New Energy to the independent third party and the Group is required to repurchase these 40% equity interest from the independent third party after 6 years since the date of equity interest transferred. Also pursuant to the relevant financing agreements, the independent third party committed will not involve in the operating decision of Hongye New Energy and did not have any right for returns, thus, it is in fact considered as a creditor without shareholder’s right. The independent third party is only entitled to the stated interest over the 6-year period.
- (iii) These loans are unsecured and guaranteed by an independent third party.
- (iv) These loans are unsecured and unguaranteed.

APPENDIX I

ACCOUNTANTS’ REPORT

The exposure of the Group’s and the Company’s borrowings are as follows:

The Group

	At 31 December	
	2021	2022
	RMB’000	RMB’000
Fixed-rate borrowings	1,220,605	2,563,100
Variable-rate borrowings	30,045	1,144,749
	<u>1,250,650</u>	<u>3,707,849</u>

The Company

	At 31 December	
	2021	2022
	RMB’000	RMB’000
Fixed-rate borrowings	136,252	402,780
Variable-rate borrowings	–	370,375
	<u>136,252</u>	<u>773,155</u>

	At 31 December	
	2021	2022
	RMB’000	RMB’000

The Group

Balances arising from:		
Current Business	914,818	3,707,849
Discontinued Business	335,832	N/A
	<u>1,250,650</u>	<u>3,707,849</u>

The Company

Balances arising from:		
Current Business	–	773,155
Discontinued Business	136,252	N/A
	<u>136,252</u>	<u>773,155</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s borrowings are as follows:

	At 31 December	
	2021	2022
The Group		
Effective interest rates:		
Fixed-rate borrowings	0.37% to 12.66%	1.52% to 12.66%
		LPR-70 basic points
Variable-rate borrowings	LPR+25 basic points	to LPR+165 basic points
	<u>–</u>	<u>–</u>
The Company		
Effective interest rates:		
Fixed-rate borrowings	0.42% to 4.70%	5.20%
Variable-rate borrowings	–	LPR+165 basic points
	<u>–</u>	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

In respect of bank loans with carrying amount of RMB104,000,000 and RMB402,000,000 at 31 December 2021 and 2022 raised by the Group, respectively, the Group is required to comply with the following significant financial covenants throughout the continuance of the relevant loans and/or as long as the loans are outstanding:

- the Company’s amount of investment does not exceed RMB1 billion;
- the Company’s amount of debt financing does not exceed RMB1 billion;
- Profit-making in the Group’s interim or annual reports;
- the Group’s audited net profit shall not be negative for two consecutive years since the relevant loan’s releasing date;
- Jietai Technology Group’s profit before interest and tax in each of the calendar years ended 31 December 2021, 2022 and 2023 shall be no less than RMB210 million, RMB270 million and RMB310 million.

27. LEASE LIABILITIES

The Group

	At 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Lease liabilities payable:		
Within one year	1,208	1,694
Within a period of more than one year but not exceeding two years	579	1,781
Within a period of more than two years but not exceeding five years	570	716
	<u>2,357</u>	<u>4,191</u>
Less: Amounts due for settlement within 12 months shown under current liabilities	<u>(1,208)</u>	<u>(1,694)</u>
Amounts due for settlement after 12 months shown under non-current liabilities	<u>1,149</u>	<u>2,497</u>

The Group’s incremental borrowing rates applied to lease liabilities is at 8% per annum and ranged from 6.8% to 8.66% per annum for the year ended 31 December 2021 and 2022, respectively.

28. CONVERTIBLE LOAN NOTES

The Group and the Company

The Company issued 3.2 million convertible loan notes at a par value of RMB100 each on 10 December 2018. The convertible loan notes are denominated in RMB. The notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 10 December 2024 at a conversion price of RMB21.74 per convertible loan note. The holders have the options to require the Company to redeem all or some of the convertible loan notes at par value plus accrued interest from 10 December 2022. If the notes have not been converted or redeemed, they will be redeemed on 17 December 2024 at par. Interest ranging from 0.6% to 3.0% per annum per value will be paid annually up until the settlement date.

At initial recognition, the equity component of the convertible loan notes was separated from the liability component. The equity element is presented in equity heading convertible loan notes equity reserve. The early redemption option is considered as closely related to the host debt. The effective interest rate of the liability component is 7.24% per annum.

The movement of the liability component of the convertible loan notes during the Track Record Period is set out below:

	<i>RMB’000</i>
Carrying amount at 1 January 2021	178,756
Interest charge	8,958
Conversion into share capital	<u>(125,778)</u>
Carrying amount at 31 December 2021	61,936
Interest charge	345
Redeemed	(733)
Conversion into share capital	<u>(61,548)</u>
Carrying amount at 31 December 2022	<u>–</u>

APPENDIX I

ACCOUNTANTS’ REPORT

29. DEFERRED INCOME

In 2021 and 2022, the Group received government subsidies of RMB9,290,000 and RMB620,000,000 whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets. The amounts of RMB9,290,000 and RMB399,672,000 has been deducted from the carrying amount of the relevant assets. These amounts are transferred to profit or loss in the form of reduced depreciation charges over the useful lives of the relevant assets. At 31 December 2021 and 2022, an amount of nil and RMB220,328,000 was recorded as deferred income as such government subsidies were received but had yet purchased, constructed or otherwise acquired the related non-current assets.

30. SHARE CAPITAL

All shares issued by the Company are fully paid domestic shares. The par value is RMB1. The Company’s number of shares issued and their nominal value are as follows:

	Nominal value per share	Number of shares	Amount
	<i>RMB</i>	<i>'000</i>	<i>RMB'000</i>
Registered and fully paid:			
At 1 January 2021	1	128,806	128,806
Repurchased and cancelled of restricted share unit	1	(432)	(432)
Conversion of convertible loan notes	1	8,917	8,917
At 31 December 2021	1	137,291	137,291
Conversion of convertible loan notes	1	4,233	4,233
At 31 December 2022	1	141,524	141,524

31. ACQUISITION OF SUBSIDIARIES

On 18 February 2021, the Company entered into a capital increase agreement, pursuant to which the Company agreed to subscribe an additional registered capital of RMB150,000,000 of Hongye New Energy, a subsidiary of Jietai Technology, at a consideration of the same amount. Immediately after the completion of such subscription, the Company held 12% equity interests of Hongye New Energy. Further, on 26 September 2021, the Group acquired 51% equity interest in Jietai Technology (which together with its subsidiaries, are collectively referred to as the “Jietai Technology Group”) from an independent third party for a total consideration of RMB1,433,616,000. Jietai Technology Group is principally engaged in the business of research and development, manufacturing and sales of photovoltaic cells in the PRC. As further agreed amongst the Company, Yang Family and the vendors of Jietai Technology (“Vendors”) in the consideration payment agreement (“Consideration Payment Agreement”), Yang Family and the Vendors agreed to transfer 19.14% equity interest of the Company’s shares to the Vendors for a consideration of RMB584,808,000 which Yang Family agreed to lend such amount of consideration to the Company for the acquisition of the 51% equity interest in Jietai Technology. Pursuant to the Consideration Payment Agreement, such amount of RMB584,808,000 will be offset with the Company’s consideration payable to the Vendors. During the year ended 31 December 2021 and 2022, the Group paid RMB262,341,000 (net of cash and cash equivalent acquired) and RMB584,176,000, respectively. The unpaid portion of RMB584,176,000 at 31 December 2021 is recorded as consideration payables as set out in note 24.

	<i>RMB'000</i>
Consideration transferred	1,433,616

Based on the relevant agreement, a former shareholder of Jietai Technology will compensate and pay the Group based on the agreed calculation terms if Jietai Technology Group’s profit before interest and tax in each of the calendar years ended 31 December 2021, 2022 and 2023 does not exceed RMB210 million, RMB270 million and RMB310 million, respectively.

Acquisition-related costs amounting to RMB18,457,000 have been excluded from the consideration transferred and have been recognised as an expense during the year ended 31 December 2021 within the “other expenses” line item in the consolidated statements of profit or loss and other comprehensive income.

APPENDIX I

ACCOUNTANTS’ REPORT

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB’000</i>
Property, plant and equipment	2,211,638
Right-of-use assets	42,128
Intangible assets	124,572
Deferred tax assets	19,551
Deposits paid for acquisition of property, plant and equipment	5,948
Inventories	236,207
Trade, bills and other receivables	224,714
Receivables at FVTOCI	210,530
Value-added tax recoverable	110,694
Restricted bank deposits	250,761
Cash and cash equivalents	2,291
Trade, bills and other payables	(1,219,757)
Contract liabilities	(2,765)
Tax payable	(9,316)
Bank and other borrowings	(934,539)
Lease liabilities	(2,311)
Net assets acquired	<u>1,270,346</u>

The receivables acquired (which principally comprised trade, bills and other receivables) with a fair value of RMB230,662,000 at the date of acquisition had gross contractual amounts of RMB233,020,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB2,358,000.

Non-controlling interests

The non-controlling interests (49%) in Jietai Technology recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Jietai Technology Group and amounted to RMB547,920,000.

Goodwill arising on acquisition

	<i>RMB’000</i>
Consideration transferred	1,433,616
Plus: non-controlling interests (49% in Jietai Technology)	547,920
Plus: interest in an associate (12% in Hongye New Energy)	152,142
Less: recognised amounts of net assets acquired	(1,270,346)
Goodwill arising on acquisition	<u>863,332</u>

Goodwill arose on the acquisition of Jietai Technology Group because the acquisition included the assembled workforce of Jietai Technology Group and some potential contracts which are still under negotiation with prospective new customers as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of Jietai Technology Group

	<i>RMB’000</i>
Consideration transferred	1,433,616
Less: cash and cash equivalent balances acquired	(2,291)
Less: amounts due to Yang Family and the Vendors	(584,808)
Less: consideration payables (note 24)	(584,176)
	<u>262,341</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Impact of acquisition on the results of the Group

Included in the profit for the year of the Group from continuing operation is RMB53,731,000 attributable to the additional business generated by Jietai Technology Group. Revenue for the year of the Group from continuing operation includes RMB1,639,380,000 generated from Jietai Technology Group.

Had the acquisition of Jietai Technology Group been completed on 1 January 2021, revenue for the year of the Group from continuing operation would have been RMB4,865,391,000 and profit for the year from continuing operation would have been RMB187,547,000. The [REDACTED] information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the ‘[REDACTED]’ revenue and profit of the Group had Jietai Technology Group been acquired at 1 January 2021, the directors of the Company calculated depreciation of property, plant and equipment and amortisation of intangible assets based on the recognised amounts of property, plant and equipment and intangible assets at the date of the acquisition.

32. DISCONTINUED OPERATION OF DISCONTINUED BUSINESS

On 12 March 2022, the Group entered into a transfer agreement with Yang Family pursuant to which the Group agreed to sell and Yang Family agreed to acquire 100% equity interest of Suzhou Drinda Automobile Technology Co., Ltd.* (蘇州鈞達車業科技有限公司) (“Suzhou Drinda”) and Hainan Xinsu Mould Plastic Industrial Trade Co., Ltd.* (海南新蘇模塑工貿有限公司) (“Hainan Xinsu”), which were the principal subsidiaries of the Company that engaged in the Discontinued Business, as well as all assets relating to the Discontinued Business for a cash consideration of RMB1,015,056,000. Pursuant to the completion of the share transfer registration, the disposal of Suzhou Junda and Hainan Xinsu were completed on 30 April 2022 and 6 June 2022, respectively, on which dates the control of Suzhou Junda and Hainan Xinsu were passed to Yang Family (“Date of Disposal”).

The profit (loss) for the year from the Discontinued Business included in the Group’s consolidated statements of profit or loss and other comprehensive income, which are consistently presented as discontinued operation, over the Track Record Period are set out below:

	Year ended 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Loss of Discontinued Business for the year	(188,140)	(10,414)
Gain on disposal of Discontinued Business	—	214,501
	<u>(188,140)</u>	<u>204,087</u>

The results of the Discontinued Business included in the Group’s consolidated statements of profit or loss and other comprehensive income (representing the financial information of Discontinued Business after elimination of intra-group transactions with the Group), which is consistently presented as a discontinued operation, over the Track Record Period are set out below:

	Year ended 31 December 2021	For the period from 1 January 2022 to Date of Disposal
	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	1,153,025	464,356
Cost of sales	<u>(1,129,052)</u>	<u>(409,570)</u>
Gross profit	23,973	54,786
Other income	20,851	17,755
Other gains and losses	(1,315)	(1,936)

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December 2021	For the period from 1 January 2022 to Date of Disposal
	<i>RMB’000</i>	<i>RMB’000</i>
Selling and marketing expenses	(18,345)	(4,263)
Administrative expenses	(104,190)	(30,245)
Research and development expenses	(66,529)	(14,260)
Net impairment losses under ECL model	(2,240)	(2,020)
Share of results of associates	(8,116)	(2,940)
Other expenses	(17,636)	(13,871)
Finance costs	(10,035)	(5,734)
Loss before tax	(183,582)	(2,728)
Income tax expense	(4,558)	(7,686)
Loss and total comprehensive expense for the year/period . . .	<u>(188,140)</u>	<u>(10,414)</u>

Analysis of assets and liabilities over which control was lost on the Date of Disposal of Discontinued Business:

	<i>RMB’000</i>
Property, plant and equipment	699,746
Right-of-use assets	130,655
Investment properties	10,122
Intangible assets	6,956
Interests in associates	40,930
Deferred tax assets	13,678
Inventories	316,453
Trade, bills and other receivables	1,047,537
Receivables at FVTOCI	63,769
Value-added tax recoverable	32,536
Financial assets at FVTPL	3,000
Restricted bank deposits	34,161
Cash and cash equivalents	38,830
Trade, bills and other payables	(1,447,011)
Contract liabilities	(31,892)
Tax payable	(2,625)
Bank and other borrowings	(156,290)
Net assets disposed of	<u>800,555</u>

Gain on disposal

	<i>RMB’000</i>
Consideration (<i>note</i>)	1,015,056
Less: net assets disposed of attributable to owners of the Company	(800,555)
Gain on disposal	<u>214,501</u>

Net cash inflow arising on disposal of Discontinued Business

Consideration	1,015,056
Less: cash and cash equivalent disposed of	(38,830)
Less: offset with amounts due to Yang Family and the Vendors (<i>note</i>)	(600,000)
	<u>376,226</u>

Note: Pursuant to the mutual agreement between Yang Family, the Vendors and the Company, the consideration in relation to the disposal of Discontinued Business be partially offset by the Group’s amount due to Yang Family in the amount of RMB600,000,000.

APPENDIX I

ACCOUNTANTS’ REPORT

Loss for the year from discontinued operation of Discontinued Business includes the following:

	Year ended 31 December 2021	For the period from 1 January 2022 to Date of Disposal
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment	121,355	118,418
Depreciation of right-of-use assets	2,142	775
Depreciation of investment properties	1,333	504
Amortisation of intangible assets	107	268
	<u>124,937</u>	<u>119,965</u>
Capitalised in inventories	(40,749)	(15,178)
Total depreciation and amortisation charged to profit or loss . .	<u>84,188</u>	<u>104,787</u>
Auditors’ remuneration	2,333	1,132
Impairment loss recognised on property, plant and equipment included in cost of sales	87,197	–
Cost of inventories recognised as cost of sales	987,162	356,250
Write-down of inventories	12,689	9,564
Staff costs		
– Salaries and other benefits	165,081	44,976
– Retirement benefit scheme contributions	11,426	4,379
– Discretionary performance related bonus	4,097	649
Total staff costs	<u>180,604</u>	<u>50,004</u>
Capitalised in inventories	(99,560)	(33,355)
Total staff costs charged to profit or loss	<u>81,044</u>	<u>16,649</u>
Research and development expenses		
Staff costs	25,281	7,281
Depreciation and amortisation	2,163	741
Materials consumed	29,629	4,087
Others	9,456	2,151
	<u>66,529</u>	<u>14,260</u>
Net impairment losses (reversal) under ECL model		
Trade and bills receivables	4,863	1,480
Other receivables	(2,623)	540
	<u>2,240</u>	<u>2,020</u>
Rental income from investment properties	<u>5,496</u>	<u>1,774</u>

The cash flows contributed by the Discontinued Business to the Group during the Track Record Period are as follows:

	Year ended 31 December 2021	For the period from 1 January 2022 to Date of Disposal
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in) from operating activities	(187,830)	113,540
Net cash (used in) from investing activities	(187,279)	33,085
Net cash from (used in) financing activities	141,671	(164,411)
Net cash outflows	<u>(233,438)</u>	<u>(17,786)</u>

The Discontinued Business during the Track Record Period had the following related party balances.

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Trade receivables

<u>Relationship</u>	<u>At 31 December 2021</u>	<u>At Date of Disposal</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Kaifeng Hexi	941	–
Wuhan Heda	–	21
Chongqing Senmai Automotive Parts Co., Ltd.* 重慶森邁汽車配件有限公司 (“Chongqing Senmai”).	–	96
	<u>941</u>	<u>117</u>

(b) Other receivables

<u>Relationship</u>	<u>At 31 December 2021</u>	<u>At Date of Disposal</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Kaifeng Hexi	700	–
Wuhan Heda	700	–
Yang Family	–	21,047
	<u>1,400</u>	<u>21,047</u>

Amounts were non-trade in nature, unsecured, unguaranteed, interest-free and repayable on demand.

(c) Trade payables

<u>Relationship</u>	<u>At 31 December 2021</u>	<u>At Date of Disposal</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Suzhou Xinzongda Automobile Trim Co., Ltd.* 蘇州新中達汽車飾件有限公司 (“Suzhou Xinzongda”).	226	–
Suzhou Jianning Metal Products Co., Ltd.* 蘇州市建寧金屬製品有限公司 (“Suzhou Jianning”).	1,117	–
Kaifeng Hexi	5,013	–
	<u>6,356</u>	<u>–</u>

(d) Other payables

<u>Relationship</u>	<u>At 31 December 2021</u>	<u>At Date of Disposal</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Suzhou Xinzongda	248,026	276,828
Chongqing Senmai	413	793
	<u>248,439</u>	<u>277,621</u>

Amounts were non-trade in nature, unsecured, unguaranteed, interest-free and repayable on demand.

The transactions arising from the Discontinued Business with related parties during the Track Record Period are listed out below:

APPENDIX I

ACCOUNTANTS’ REPORT

(e) Sales of goods

Relationship	Year ended 31 December 2021	Period from 1 January 2022 to Date of Disposal
	<i>RMB'000</i>	<i>RMB'000</i>
Suzhou Xinzhongda	(ii) 182,249	56,727
Chongqing Senmai	(ii) 46,912	14,887
Kaifeng Hexi	(i) 6,939	2,450
	<u>236,100</u>	<u>74,064</u>

(f) Purchase of goods

Relationship	Year ended 31 December 2021	Period from 1 January 2022 to Date of Disposal
	<i>RMB'000</i>	<i>RMB'000</i>
Kaifeng Hexi	(i) 375	40
Suzhou Jianning	(ii) 2,083	–
Suzhou Xinzhongda	(ii) 91,913	11,102
Chongqing Senmai	(ii) 7,969	933
	<u>102,340</u>	<u>12,075</u>

(g) Rental income

Relationship	Year ended 31 December 2021	Period from 1 January 2022 to Date of Disposal
	<i>RMB'000</i>	<i>RMB'000</i>
Wuhan Heda	(i) <u>1,399</u>	<u>314</u>

(h) Rental expense

Relationship	Year ended 31 December 2021	Period from 1 January 2022 to Date of Disposal
	<i>RMB'000</i>	<i>RMB'000</i>
Suzhou Xinzhongda	(ii) 3,548	1,577
Chongqing Senmai	(ii) 229	–
	<u>3,777</u>	<u>1,577</u>

Notes:

- (i) Associates of the Group.
- (ii) Entity controlled by Yang Family.
- (iii) Shareholders of the Company whom exercise significant influence over the Company.

* *English name is for identification purpose*

APPENDIX I

ACCOUNTANTS’ REPORT

33. PRE-ACQUISITION FINANCIAL INFORMATION OF JIETAI TECHNOLOGY GROUP

As stated in note 31, the Group acquired Jietai Technology Group on 26 September 2021.

In view of the financial impact is insignificant and for simplicity, the management of the Group considered the completion date of acquisition of Jietai Technology Group is 30 September 2021. The financial information of Jietai Technology Group for the nine months ended 30 September 2021 (the date prior to Jietai Technology becoming a subsidiary of the Group) (“Predecessor Track Record Period”) (the “Pre-Acquisition Financial Information”) has been prepared by the directors of Jietai Technology in accordance with the accounting policies set out in note 3 to the Historical Financial Information, which conform with IFRSs.

The Pre-Acquisition Financial Information is presented in RMB, which is also the functional currency of Jietai Technology.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Nine months ended 30 September 2021
		<i>RMB’000</i>
Revenue	<i>(i)</i>	3,226,011
Cost of sales		<u>(2,924,973)</u>
Gross profit		301,038
Other income	<i>(ii)</i>	144,698
Other gains and losses	<i>(iii)</i>	(1,436)
Selling and marketing expenses		(3,956)
Administrative expenses		(29,797)
Research and development expenses	<i>(v)</i>	(119,493)
Net impairment losses under ECL model	<i>(v)</i>	(171)
Other expenses		(114,597)
Finance costs	<i>(iv)</i>	<u>(45,204)</u>
Profit before tax	<i>(v)</i>	131,082
Income tax expenses	<i>(vi)</i>	<u>(2,888)</u>
Profit and total comprehensive income for the period		<u>128,194</u>
Profit and total comprehensive income for the period attributable to:		
– Owners of Jietai Technology		126,002
– Non-controlling interests		<u>2,192</u>
		<u>128,194</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<u>At 30 September 2021</u>
		<i>RMB'000</i>
NON-CURRENT ASSETS		
Property, plant and equipment	<i>(vii)</i>	2,169,188
Right-of-use assets	<i>(viii)</i>	40,173
Intangible assets		1,006
Deferred tax assets	<i>(ix)</i>	62,194
Deposits paid for acquisition of property, plant and equipment		5,948
Other receivables	<i>(xi)</i>	22,730
		<u>2,301,239</u>
CURRENT ASSETS		
Inventories	<i>(x)</i>	233,608
Trade, bills and other receivables	<i>(xi)</i>	201,984
Receivables at FVTOCI	<i>(xii)</i>	210,530
Value-added tax recoverable.		110,694
Restricted bank deposits	<i>(xiii)</i>	250,761
Cash and cash equivalents.	<i>(xiii)</i>	2,291
		<u>1,009,868</u>
CURRENT LIABILITIES		
Trade, bills and other payables	<i>(xiv)</i>	1,219,757
Contract liabilities.	<i>(xv)</i>	2,765
Tax payable.		9,316
Bank and other borrowings	<i>(xvi)</i>	321,270
Lease liabilities	<i>(xvii)</i>	526
		<u>1,553,634</u>
NET CURRENT LIABILITIES		<u>(543,766)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,757,473</u>
CAPITAL AND RESERVES		
Share capital	<i>(xviii)</i>	902,000
Share premium.		55,554
Reserves.		32,673
Equity attributable to owners of the Company.		990,227
Non-controlling interests.		152,192
TOTAL EQUITY		<u>1,142,419</u>
NON-CURRENT LIABILITIES		
Bank and other borrowings	<i>(xvi)</i>	613,269
Lease liabilities	<i>(xvii)</i>	1,785
		<u>615,054</u>
		<u>1,757,473</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of Jietai Technology						Total
	Share capital	Share premium	Share-based payment reserve	(Accumulated loss) retained profits	Subtotal	Non-controlling interests	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	902,000	8,104	47,450	(93,329)	864,225	–	864,225
Profit and total comprehensive income for the period	–	–	–	126,002	126,002	2,192	128,194
Exercise of share options	–	47,450	(47,450)	–	–	–	–
Capital injection into a subsidiary by the Company	–	–	–	–	–	150,000	150,000
At 30 September 2021	<u>902,000</u>	<u>55,554</u>	<u>–</u>	<u>32,673</u>	<u>990,227</u>	<u>152,192</u>	<u>1,142,419</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months ended 30 September 2021
	<i>RMB'000</i>
OPERATING ACTIVITIES	
Profit before tax	131,082
Adjustments for:	
Finance costs	45,204
Bank interest income	(8,083)
Depreciation of property, plant and equipment	110,636
Amortisation of intangible assets	160
Depreciation of right-of-use assets	1,120
Net loss on disposal of property, plant and equipment	1,338
Net impairment losses under ECL model	171
Net foreign exchange loss	143
Operating cash flows before movements in working capital	281,771
Increase in inventories	(137,739)
Increase in trade, bills and other receivables	(107,334)
Increase in receivables at FVTOCI	(190,727)
Increase in value-added tax recoverable	(88,120)
Decrease in trade, bills and other payables	(40,408)
Decrease in contract liabilities	(1,933)
Cash used in operations	(284,490)
PRC Enterprise Income Tax paid	–
NET CASH USED IN OPERATING ACTIVITIES	(284,490)
INVESTING ACTIVITIES	
Withdrawal of term deposits	342,316
Purchase of and deposits paid for property, plant and equipment	(540,821)
Proceeds on disposal of property, plant and equipment	17,282
Purchase of intangible assets	(71)
NET CASH USED IN INVESTING ACTIVITIES	(181,294)
FINANCING ACTIVITIES	
New bank and other borrowings raised	373,544
Repayment of bank and other borrowings	(182,802)
Interest paid	(33,774)
Payment of lease liabilities	(671)
Capital injection into a subsidiary by the Company	150,000
NET CASH FROM FINANCING ACTIVITIES	306,297
NET DECREASE IN CASH AND CASH EQUIVALENTS	(159,487)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	161,778
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	2,291

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

(I) REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the sale of photovoltaic cell products and related services, net of sales related taxes. Revenue arising from sales of photovoltaic cell products is recognised at a point in time when the goods are accepted by customers after delivery to the customers’ premises and revenue arising from services is recognised upon completion of the services contracts, during the nine months ended 30 September 2021.

	Nine months ended 30 September 2021
	<i>RMB’000</i>
Sale of photovoltaic cell products (PERC)	3,207,233
Others (<i>note</i>)	18,778
	<u>3,226,011</u>

Note: The amount represents sales of manufacturing services.

Segment Information

For the purpose of resource allocation and assessment of segment performance, the executive directors of Jietai Technology, being the chief operating decision makers, focus and review on the overall results and financial position of Jietai Technology Group as a whole which are prepared based on the same accounting policies. Accordingly, Jietai Technology Group has only one single operating segment and no further analysis of the single segment is presented.

Entity-wide disclosures

Geographical information

All of Jietai Technology Group’s operations and non-current assets are located in the PRC while over 99% of Jietai Technology Group’s revenue from external customers are also located in the PRC.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of Jietai Technology Group during the period are as follows:

	Nine months ended 30 September 2021
	<i>RMB’000</i>
Customer A	1,109,866
Customer B	485,788
	<u>1,595,654</u>

(II) OTHER INCOME

	Nine months ended 30 September 2021
	<i>RMB’000</i>
Bank interest income	8,083
Government grants (<i>note</i>)	550
Sale of material	136,065
	<u>144,698</u>

Note: The amount represents unconditional government grants received from local government in connection with the enterprise development support and innovation capability incentives.

APPENDIX I

ACCOUNTANTS’ REPORT

(III) OTHER GAINS AND LOSSES

	Nine months ended 30 September 2021
	<i>RMB'000</i>
Net loss on disposal of property, plant and equipment	(1,338)
Net foreign exchange loss	(143)
Others	45
	<u>(1,436)</u>

(IV) FINANCE COSTS

	Nine months ended 30 September 2021
	<i>RMB'000</i>
Interest on lease liabilities	65
Interest on discounting bills receivables and receivables at FVTOCI	8,321
Interest on bank and other borrowings	36,818
	<u>45,204</u>

(V) PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Nine months ended 30 September 2021
	<i>RMB'000</i>
Depreciation of property, plant and equipment	110,636
Depreciation of right-of-use assets	1,120
Amortisation of intangible assets	160
	111,916
Capitalised in inventories	(89,989)
Total depreciation and amortisation charged to profit or loss	<u>21,927</u>
Cost of inventories recognised as cost of sales	2,921,487
Staff costs	
– Salaries and other benefits	82,555
– Retirement benefit scheme contributions	4,055
– Discretionary performance related bonus	14,415
	101,025
Capitalised in inventories	(58,624)
Capitalised in construction in progress	(3,149)
Total staff costs charged to profit or loss	<u>39,252</u>
Research and development expenses	
Staff costs	19,459
Depreciation and amortisation	7,544
Water and electricity fee	11,210
Materials consumed	80,889
Others	391
	<u>119,493</u>
Net impairment losses (reversal) under ECL model	
Trade and bills receivables	1,755
Other receivables	(1,584)
	<u>171</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(VI) INCOME TAX EXPENSES

	Nine months ended 30 September 2021
	<i>RMB’000</i>
PRC Enterprise Income Tax (“EIT”)	3,528
Deferred tax credit (<i>note ix</i>)	(640)
	<u>2,888</u>

Jietai Technology and its PRC subsidiary is subjected to PRC EIT rate of 25% for the nine months ended 30 September 2021.

Income tax expenses for the period can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Nine months ended 30 September 2021
	<i>RMB’000</i>
Profit before tax	131,082
Tax at PRC EIT rate of 25%	32,771
Tax effect of expense not deductible for tax purpose	138
Tax effect attributable to the additional qualified tax deduction relating to research and development costs (<i>note</i>)	(30,021)
Income tax expense	<u>2,888</u>

Note: Pursuant to relevant laws and regulations in the PRC, Jietai Technology and its subsidiary enjoy super deduction of 200% on qualifying research and development expenditures during the nine months ended 30 September 2021.

(VII) PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
COST						
At 1 January 2021	172,968	836,245	4,320	1,517	197,434	1,212,484
Additions	11,751	11,708	1,558	164	1,146,137	1,171,318
Transfers from construction in progress	249,281	1,086,498	763	–	(1,336,542)	–
Transfers to construction in progress	–	(161,101)	–	–	132,749	(28,352)
Disposals	(5,291)	(13,260)	(37)	(53)	–	(18,641)
At 30 September 2021	<u>428,709</u>	<u>1,760,090</u>	<u>6,604</u>	<u>1,628</u>	<u>139,778</u>	<u>2,336,809</u>
ACCUMULATED DEPRECIATION						
At 1 January 2021	(5,369)	(77,796)	(1,547)	(646)	–	(85,358)
Provided for the period	(7,623)	(101,373)	(1,225)	(415)	–	(110,636)
Transfers to construction in progress	–	28,352	–	–	–	28,352
Eliminated on disposals	–	3	–	18	–	21
At 30 September 2021	<u>(12,992)</u>	<u>(150,814)</u>	<u>(2,772)</u>	<u>(1,043)</u>	<u>–</u>	<u>(167,621)</u>
CARRYING VALUE						
At 30 September 2021	<u>415,717</u>	<u>1,609,276</u>	<u>3,832</u>	<u>585</u>	<u>139,778</u>	<u>2,169,188</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives after taking into account their estimated residual values:

	Useful lives <i>Years</i>	Estimated residual values
Buildings	30	5%
Plant and machinery	10	5%
Office equipment	3-5	5%
Motor vehicles	5	5%
	<u> </u>	<u> </u>

(VIII) RIGHT-OF-USE ASSETS

	Leasehold lands <i>RMB'000</i>	Staff quarters <i>RMB'000</i>	Total <i>RMB'000</i>
COST			
At 1 January 2021	45,693	–	45,693
Additions	–	2,843	2,843
At 30 September 2021	<u>45,693</u>	<u>2,843</u>	<u>48,536</u>
ACCUMULATED DEPRECIATION			
At 1 January 2021	(7,243)	–	(7,243)
Provided for the period	(685)	(435)	(1,120)
At 30 September 2021	<u>(7,928)</u>	<u>(435)</u>	<u>(8,363)</u>
CARRYING VALUE			
At 30 September 2021	<u>37,765</u>	<u>2,408</u>	<u>40,173</u>

	Nine months ended 30 September 2021 <i>RMB'000</i>
Expenses relating to short-term leases	2
Total cash outflow for leases	<u>923</u>

During the nine months ended 30 September 2021, Jietai Technology Group leases lands from independent third parties for its operations. Lease contract is entered into for fixed term of 50 years. In determining the lease term and assessing the length of the non-cancellable period, Jietai Technology Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, Jietai Technology Group has made lump sum payments upfront to government for leasehold lands. Jietai Technology Group has obtained the land use right certificates for all such leasehold lands at 30 September 2021.

Jietai Technology Group regularly entered into short-term leases. At 30 September 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB2,311,000 are recognised with related right-of-use assets of RMB2,408,000 at 30 September 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

APPENDIX I

ACCOUNTANTS’ REPORT

(IX) DEFERRED TAXATION

The following are the major deferred tax balances recognised and movements thereon during the nine months ended 30 September 2021:

	Tax losses	Impairment loss on assets	Share-based payment expense	Accrued expense and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	51,478	2,017	–	8,059	61,554
(Charge) credit to profit or loss (note vi)	<u>(10,032)</u>	<u>(1,427)</u>	<u>11,863</u>	<u>236</u>	<u>640</u>
At 30 September 2021	<u>41,446</u>	<u>590</u>	<u>11,863</u>	<u>8,295</u>	<u>62,194</u>

At 30 September 2021, Jietai Technology Group has unused tax losses of RMB165,784,000 available for offset against future profits of which deferred tax assets has been recognised in respect of RMB41,446,000 of all such losses.

At 30 September 2021, the Group has deductible temporary differences of RMB84,180,000. At 30 September 2021, deferred tax assets of RMB21,045,000 have been recognised in respect of all such deductible temporary differences.

There were no other significant unrecognised temporary differences at 30 September 2021.

(X) INVENTORIES

	<u>At 30 September 2021</u>
	<i>RMB'000</i>
Raw materials	119,026
Work-in-progress	33,199
Finished goods	<u>81,383</u>
	<u>233,608</u>

(XI) TRADE, BILLS AND OTHER RECEIVABLES

	<u>At 30 September 2021</u>
	<i>RMB'000</i>
Trade receivables	60,450
Bills receivables	<u>32,840</u>
	93,290
Less: Impairment loss allowance for trade and bills receivables	<u>(2,254)</u>
	<u>91,036</u>
Other receivables and prepayments	
Advances to suppliers	107,589
Deposits paid for sales and leaseback arrangement	22,730
Other receivables	<u>3,463</u>
	133,782
Less: Impairment loss allowance for other receivables	<u>(104)</u>
	<u>133,678</u>
	<u>224,714</u>

APPENDIX I

ACCOUNTANTS’ REPORT

At 30 September 2021

RMB’000

Analysed as:

Current	201,984
Non-current	<u>22,730</u>
	<u><u>224,714</u></u>

At 1 January 2021, Jietai Technology Group’s trade receivables amounted to RMB11,794,000 (net of impairment loss allowance of RMB354,000) and bills receivables amounted to RMB14,405,000.

Jietai Technology Group normally does not grant any credit period to its customers.

The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on revenue recognition date at the end of each reporting period.

At 30 September 2021

RMB’000

0 to 1 year	57,070
1 to 2 years	<u>1,455</u>
	<u><u>58,525</u></u>

At 30 September 2021, the Group’s trade receivables of RMB58,525,000 which are past due is not considered as in default because the management of the Group, according to the historical settlement pattern, industry practice and the Group’s historical actual loss experience, had assessed that the probability of settlement from their customers was high.

The following is an aged analysis of bills receivables presented based on the issue dates of bills receivables.

At 30 September 2021

RMB’000

0 to 180 days.	<u>32,511</u>
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The following is a maturity analysis of bills receivables presented based on the remaining dates to maturity of bills receivables at the end of each reporting period.

At 30 September 2021

RMB’000

0 to 180 days.	<u>32,511</u>
------------------------	---------------

APPENDIX I

ACCOUNTANTS’ REPORT

Movements of impairment loss allowance on trade and other receivables

Movement of impairment loss allowance at lifetime ECL on trade and bills receivables for the nine months ended 30 September 2021:

	Lifetime ECL not credit-impaired
	<i>RMB’000</i>
At 1 January 2021	499
Impairment loss allowance recognised	<u>1,755</u>
At 30 September 2021	<u><u>2,254</u></u>

Movement of impairment loss allowance on other receivables for the nine months ended 30 September 2021:

	12m ECL
	<i>RMB’000</i>
At 1 January 2021	1,688
Impairment loss allowance reversed	<u>(1,584)</u>
At 30 September 2021	<u><u>104</u></u>

(XII) RECEIVABLES AT FVTOCI

	At 30 September 2021
	<i>RMB’000</i>
Receivables at FVTOCI comprise:	
Bills receivables	<u><u>210,530</u></u>

Jietai Technology Group’s receivables at FVTOCI were bills receivables with the following maturity.

	At 30 September 2021
	<i>RMB’000</i>
0 to 180 days	209,630
181 days to 1 year	<u>900</u>
	<u><u>210,530</u></u>

(XIIA) TRANSFER OF FINANCIAL ASSETS

At 30 September 2021, included in Jietai Technology Group’s bills receivables amounted to RMB19,420,000 being endorsed to certain suppliers for settlement of trade payables on a full recourse basis. If the bills are not paid on maturity, the suppliers have the right to request Jietai Technology Group to pay the unsettled balance. As Jietai Technology Group has not transferred the significant risks and rewards relating to the bills receivables to its suppliers upon endorsement, it continues to recognise the full carrying amount of bills receivables and has recognised the payables from the endorsement of the bills with full recourse.

	At 30 September 2021 Bills endorsed to suppliers with full recourse
	<i>RMB’000</i>
Carrying amount of transferred assets	19,420
Carrying amount of associated liabilities	<u>(19,420)</u>
	<u><u>-</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

At 30 September 2021, Jietai Technology Group have derecognised bills discounted to banks or endorsed to certain suppliers on a full recourse basis amounting to RMB1,516,853,000. These bills are issued or guaranteed by reputable PRC banks with high credit ratings, therefore the directors of Jietai Technology Group consider the substantial risks in relation to these bills are interest risk as the credit risk arising from these bills are minimal, Jietai Technology Group has transferred substantially all the risks of these bills to relevant banks or suppliers. However, if the bills cannot be accepted at maturity, the banks or suppliers have the right to require Jietai Technology Group pay off the outstanding balance. Therefore, Jietai Technology Group continued involve in them.

(XIII) RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Jietai Technology Group's restricted bank deposits were deposited to banks for the issue of bills payables by Jietai Technology Group and are therefore classified as current assets. The restricted bank deposits will be released upon the settlement of relevant bills payables.

Bank balances and restricted bank deposits carry interest at market rates ranging from 0.25% to 1.75% per annum at 30 September 2021.

(XIV) TRADE, BILLS AND OTHER PAYABLES

	<u>At 30 September 2021</u>
	<i>RMB'000</i>
Trade payables	351,362
Bills payables	425,485
	<u>776,847</u>
Payables for acquisition of property, plant and equipment	377,234
Other taxes payables	46,072
Accrued payroll and welfare	18,562
Accrued expense.	1,042
	<u>442,910</u>
	<u>1,219,757</u>

The suppliers generally do not allow any credit period to Jietai Technology Group.

The following is an aged analysis of trade payables, presented based on the invoice dates, at the end of each reporting period:

	<u>At 30 September 2021</u>
	<i>RMB'000</i>
0 to 1 year	350,310
1 year to 2 years	744
Over 2 years	308
	<u>351,362</u>

The following is an aged analysis of bills payables presented based on issue dates at the end of each reporting period:

	<u>At 30 September 2021</u>
	<i>RMB'000</i>
0 to 180 days.	<u>425,485</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The following is an aged analysis of bills payables presented based on maturity date at the end of each reporting period:

	<u>At 30 September 2021</u>
	<i>RMB’000</i>
0 to 180 days	<u>425,485</u>

(XV) CONTRACT LIABILITIES

	<u>At 1 January 2021</u>	<u>At 30 September 2021</u>
	<i>RMB’000</i>	<i>RMB’000</i>
Amounts received in advance	<u>4,697</u>	<u>2,765</u>

Contract liabilities that were expected to be settled within Jietai Technology Group’s normal operating cycle are classified as current liabilities.

During the nine months ended 30 September 2021, there were no revenue recognised that related to performance obligations that were satisfied in prior year. During the nine months ended 30 September 2021, the amount of revenue recognised that was included in the contract liability balance at the beginning of the period amounted to RMB4,697,000.

(XVI) BANK AND OTHER BORROWINGS

	<u>At 30 September 2021</u>
	<i>RMB’000</i>
Secured and unguaranteed (<i>note i</i>)	885,386
Unsecured and unguaranteed (<i>note ii</i>)	49,153
	<u>934,539</u>
Carrying amount repayable as follows:	
– within one year	321,270
– more than one year but not more than two years	204,983
– more than two year but not more than five years	8,286
– more than five years	400,000
	<u>934,539</u>
Less: Amount due for settlement within one year and shown under current liabilities	<u>(321,270)</u>
Amounts shown under non-current liabilities	<u>613,269</u>

Notes:

(i) These loans are secured by certain of Jietai Technology Group’s equipments and restricted bank deposits, and unguaranteed. Amount included RMB400,000,000 which carried interest at LPR per annum at 30 September 2021, payable to an independent third party. Pursuant to the relevant financing agreements, Jietai Technology Group transferred 40% equity interest of Hongye New Energy to the independent third party and the Group is required to repurchase these 40% equity interest from the independent third party after 6 years since the date of equity interest transferred. Also pursuant to the relevant financing agreements, the independent third party committed will not involve in the operating decision of Hongye New Energy and did not have any right for returns, thus, it is in fact considered as a creditor without shareholder’s right. The independent third party is only entitled to the stated interest over the 6-year period.

(ii) These loans are unsecured and unguaranteed.

The exposure of the Jietai Technology Group’s borrowings are as follows:

	<u>At 30 September 2021</u>
	<i>RMB’000</i>
Fixed-rate borrowings	<u>1,034,539</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The ranges of effective interest rates (which are also equal to contracted interest rates) on Jietai Technology Group’s borrowings are as follows:

	At 30 September 2021
Effective interest rates:	
Fixed-rate borrowings	1.73% to 12.66%

(XVII) LEASE LIABILITIES

	At 30 September 2021
	<i>RMB’000</i>
Lease liabilities payable:	
Within one year	526
Within a period of more than one year but not exceeding two years	568
Within a period of more than two years but not exceeding five years	1,217
	2,311
Less: Amounts due for settlement within 12 months shown under current liabilities	(526)
Amounts due for settlement after 12 months shown under non-current liabilities	1,785

The incremental borrowing rates applied to lease liabilities is at 8% per annum for the period ended 30 September 2021.

(XVIII) SHARE CAPITAL

All shares issued by Jietai Technology are fully paid domestic shares. The par value per share is RMB1. Jietai Technology’s number of shares issued and their nominal value are as follows:

	Nominal value per share	Number of shares	Share capital
	<i>RMB</i>	<i>’000</i>	<i>RMB’000</i>
Registered and fully paid			
At 1 January 2021 and 30 September 2021	1	902,000	902,000

(XIX) PLEDGE OF ASSETS

Save as disclosed elsewhere in these notes, the following assets have been pledged to various banks for obtaining letter of credit, securing of Jietai Technology Group’s banking facilities or the issue of bills payables at the end of the reporting period:

	At 30 September 2021
	<i>RMB’000</i>
Property, plant and equipment	719,757
Receivables at FVTOCI	41,936
Restricted bank deposits	250,761
	1,012,454

APPENDIX I

ACCOUNTANTS’ REPORT

(XX) CAPITAL COMMITMENTS

At 30 September 2021

RMB’000

Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Pre-Acquisition Financial Information	46,427
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34. SHARE-BASED PAYMENT

Equity-settled share option scheme of the Company

The Company’s 2021 and 2022 share incentive plan was adopted pursuant to resolutions passed on 16 November 2021 and 28 May 2022, respectively (the “2021 Incentive Plan” and “2022 Incentive Plan”). The primary purpose of both incentive plans is to promote the success of the Company and the interests of its shareholders by providing a mean through which the Company may grant equity-based incentives to attract, motivate, retain and reward employees and directors and to further link the eligible persons’ interests with those of the Company’s shareholders generally.

The vesting of the share options granted is subject to the eligible person remaining at all times after the date of granting and on the vesting date an eligible person of both incentive plans. Share options granted under both incentive plans consist of first-granted share options and reserved share options, and the validity period of the share options of 2021 Incentive Plan and 2022 Incentive Plan shall be maximum 4 years and 6 years from the date of grant and the share options shall lapse at the expiry of the validity period, respectively, of different batches. The share options shall have the vesting periods based on the achievement level of the performance target of each relevant grantee set by the board of directors of the Company for different batches as follows:

- (i) 30%, 30% and 40% of the share options shall vest each time on the first, second and third anniversary of the vesting commencement date;
- (ii) 50% and 50% of the share options shall vest each time on the first and second anniversary of the vesting commencement date;
- (iii) 50% and 50% of the share options shall vest each time on the five and six anniversary of the vesting commencement date.

A share option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to such share option.

The table below discloses movements of the share options held by grantees under 2021 and 2022 Incentive Plan:

For the year ended 31 December 2021

Option	Name of grantee	Date of grant	Exercise price	Outstanding at 1 January 2021	Granted during the year	Forfeited during the year	Outstanding at 31 December 2021
Option A . . .	Employees	6 December 2021	RMB40.4	–	2,356,000	(9,000)	2,347,000
Option A . . .	Directors	6 December 2021	RMB40.4	–	420,000	–	420,000
				–	2,776,000	(9,000)	2,767,000
				–	2,776,000	(9,000)	2,767,000
Exercisable at the end of the year . . .							–
Weighted average exercise price				–	RMB40.4	RMB40.4	RMB40.4
				–	RMB40.4	RMB40.4	RMB40.4

APPENDIX I

ACCOUNTANTS’ REPORT

For the year ended 31 December 2022

Option	Name of grantee	Date of grant	Exercise price	Outstanding at 1 January 2022	Granted during the year	Forfeited during the year	Outstanding at 31 December 2022
Option A	Employees	6 December 2021	RMB40.4	2,347,000	–	(445,000)	1,902,000
Option A	Directors	6 December 2021	RMB40.4	420,000	–	–	420,000
Option B	Employees	13 June 2022	RMB60.92	–	1,979,000	(221,000)	1,758,000
Option B	Directors	13 June 2022	RMB60.92	–	260,000	–	260,000
Option C	Employees	15 July 2022	RMB89.55	–	449,000	–	449,000
				<u>2,767,000</u>	<u>2,688,000</u>	<u>(666,000)</u>	<u>4,789,000</u>
Exercisable at the end of the year							–
Weighted average exercise price				<u>RMB40.4</u>	<u>RMB65.70</u>	<u>RMB47.21</u>	<u>RMB53.65</u>

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ of the Company best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. These fair values and corresponding inputs into the model were as follows:

For the year ended 31 December 2021

Option Granted	Grant date option fair value per share	Exercise price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
Option A	RMB21.59- RMB24.22	RMB40.4	19.88%- 23.19%	4 years	1.50%- 2.75%	0.27%- 0.61%

For the year ended 31 December 2022

Option Granted	Grant date option fair value per share	Exercise price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
Option B	RMB43.62- RMB49.69	RMB60.92	21.84%- 24.09%	6 years	1.50%- 2.75%	0.27%- 0.66%
Option C	RMB24.81- RMB32.29	RMB89.55	21.96%- 22.70%	4 years	1.50%- 2.75%	0.27%- 0.61%

For the years ended 31 December 2021 and 2022, the Group’s total share-based payment expenses recognised in the consolidated statements of profit or loss and other comprehensive income in relation to share option granted by the Company is RMB2,982,000 and RMB49,579,000, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

35. PLEDGE OF ASSETS

Save as disclosed elsewhere in the Historical Financial Information, the following assets have been pledged to various banks for obtaining line of credit and, securing of the Group’s banking facilities or the issue of bills payables at the end of each reporting period:

	As at 31 December	
	2021	2022
	RMB’000	RMB’000
Property, plant and equipment	977,224	929,256
Right-of-use assets	84,908	24,486
Investment properties	10,626	–
Bills receivables	10,721	–
Receivables at FVTOCI	65,836	10,000
Restricted bank deposits	277,415	629,122
	<u>1,426,730</u>	<u>1,592,864</u>

36. CAPITAL COMMITMENTS

	As at 31 December	
	2021	2022
	RMB’000	RMB’000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	<u>24,377</u>	<u>2,668,393</u>

37. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s assets and liabilities arising from financing activities, including both cash and non-cash changes. Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

	Amount due to an independent third party	Lease liabilities	Dividends payable	Bank and other borrowings	Convertible loan notes	Deposits paid for sales and leaseback arrangement	Consideration payables and related interest payables	Amounts due to Yang Family and the Vendors	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2021	–	–	90	209,209	178,756	–	–	–	388,055
Financing cash flows	–	–	(3,466)	582	–	–	–	15,192	12,308
Non-cash changes									
Dividend declared	–	–	6,623	–	–	–	–	–	6,623
Interest expenses	–	46	–	29,320	8,958	–	–	–	38,324
Acquisition of Jietai Technology Group (note 31)	–	2,311	–	934,539	–	(22,730)	–	–	914,120
Bills paid on maturity	–	–	–	77,000	–	(2,875)	–	–	74,125
Conversion into share capital	–	–	–	–	(125,778)	–	–	–	(125,778)
At 31 December 2021	–	2,357	3,247	1,250,650	61,936	(25,605)	–	15,192	1,307,777
Financing cash flows	20,000	(2,905)	(3,157)	2,404,953	(733)	(24,758)	(742,514)	–	1,650,886
Non-cash changes									
Addition of leases	–	4,532	–	–	–	–	–	–	4,532
Interest expenses	–	207	–	117,732	345	–	12,122	–	130,406
Disposal of Discontinued Business	–	–	–	(156,290)	–	–	–	–	(156,290)
Conversion into share capital	–	–	–	–	(61,548)	–	–	–	(61,548)
Bills paid on maturity	–	–	–	53,608	–	–	–	–	53,608
Acquisition of non-controlling interests of Jietai Technology Group	–	–	–	–	–	–	1,519,000	–	1,519,000
Offset with deposits paid for sales and leaseback arrangement	–	–	–	(8,822)	–	8,822	–	–	–
Recognition of value added tax	–	–	–	46,018	–	–	–	–	46,018
At 31 December 2022	<u>20,000</u>	<u>4,191</u>	<u>90</u>	<u>3,707,849</u>	<u>–</u>	<u>(41,541)</u>	<u>788,608</u>	<u>15,192</u>	<u>4,494,389</u>

APPENDIX I

ACCOUNTANTS’ REPORT

38. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged.

The capital structure of the Group consists of net debt, which includes amount due to an independent third party of non-trade nature, amounts due to Yang Family and the Vendors, bank and other borrowings, lease liabilities and convertible loan notes disclosed in notes 24, 26, 27 and 28, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

39. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	At 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets		
Amortised cost	722,474	1,937,648
FVTOCI	294,041	1,014,656
	<u>1,016,515</u>	<u>2,952,304</u>
Financial liabilities		
Amortised cost	4,202,270	6,893,486

The Company

	At 31 December	
	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets		
Amortised cost	776,814	3,458
FVTOCI	11,388	–
	<u>788,202</u>	<u>3,458</u>
Financial liabilities		
Amortised cost	1,621,812	1,981,212

Financial risk management objectives and policies

The Group’s and the Company’s major financial instruments include trade, bills and other receivables, receivables at FVTOCI, restricted bank deposits, cash and cash equivalents, trade, bills and other payables, bank and other borrowings and convertible loan notes. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

APPENDIX I

ACCOUNTANTS' REPORT

Interest rate risk

The Group and the Company is exposed to fair value interest rate risk in relation to, fixed-rate payables for acquisition of property, plant and equipment, bank and other borrowings, lease liabilities and convertible loan notes, (details are set out in notes 24, 26, 27 and 28, respectively). The Group currently does not have formal interest rate hedging policies. The management of the Group monitors the Group's exposures on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate restricted bank deposits, cash and cash equivalents and bank and other borrowings (details are set out in notes 23 and 26).

In the opinion of the management of the Group, the exposure of cash flow interest rate risk arising from floating-rate restricted bank deposits, cash and cash equivalents and bank and other borrowings is insignificant and thus no sensitivity analysis is prepared.

Credit risk and impairment assessment

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of those assets stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its trade, bills and other receivables, receivables at FVTOCI, restricted bank deposits and bank balances.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The restricted bank deposits, bank balances, bills receivables and receivables at FVTOCI are determined to have low credit risk at the end of each reporting period. The credit risk on restricted bank deposits, bank balances, bills receivables and receivables at FVTOCI is limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

The Group has concentration of credit risk as nil and 5.32% of the total trade receivables was due from the Group's largest customer at 31 December 2021 and 2022, respectively. Also, the Group has concentration of credit risk as 1.01% and 44.36% of the total trade receivables was due from the Group's five largest customers at 31 December 2021 and 2022, respectively.

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets, that are subjected to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the impairment loss allowance based on lifetime ECL rather than 12m ECL.

Trade receivables

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL. The Group determines the ECL on these items on an individual basis for customer with high credit risk and the remaining is estimated collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

APPENDIX I

ACCOUNTANTS’ REPORT

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group’s credit risk gradings to categorise exposures according to their degree of risk of default.

Other receivables

For other receivables, the Group has applied the general approach in IFRS 9 to measure the impairment loss allowance at 12m ECL, since the directors of the Company assessed that there has not been any significant increase in credit risk.

In determining the ECL, the management of the Group has taken into account the historical credit loss experience based on the past default experience of the counterparty, general economic conditions of the industry in which the counterparty operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table shows the Group’s credit risk grading framework in respect of financial assets and contract assets:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired	Trade receivables Lifetime ECL – not credit-impaired Other receivables 12m ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

APPENDIX I

ACCOUNTANTS’ REPORT

The tables below detail the credit risk exposures of the Group’s and the Company’s financial assets which are subjected to ECL assessment:

The Group

31 December 2021	<i>Notes</i>	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
<i>RMB’000</i>				
Trade receivables (<i>note</i>)				
– Current Business	21	Performing	Lifetime ECL	13,469
– Discontinued Business	21	Performing	Lifetime ECL	177,794
Bills receivables (<i>note</i>)				
– Current Business	21	Performing	Lifetime ECL	45,746
– Discontinued Business	21	Performing	Lifetime ECL	5,572
Amounts due from associates	21	Performing	12m ECL	1,400
Other receivables	21	Performing	12m ECL	15,052
Receivables at FVTOCI (<i>note</i>)	22	Performing	Lifetime ECL	294,041
Restricted bank deposits	23	Performing	12m ECL	277,415
Cash and cash equivalents	23	Performing	12m ECL	214,079

31 December 2022	<i>Notes</i>	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
<i>RMB’000</i>				
Trade receivables (<i>note</i>)				
– Current Business	21	Performing	Lifetime ECL	47,954
Bills receivables (<i>note</i>)	21	Performing	Lifetime ECL	7,987
Other receivables	21	Performing	12m ECL	21,256
Receivables at FVTOCI (<i>note</i>)	22	Performing	Lifetime ECL	1,014,656
Restricted bank deposits	23	Performing	12m ECL	629,122
Cash and cash equivalents	23	Performing	12m ECL	1,243,953

The Company

31 December 2021	<i>Notes</i>	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
<i>RMB’000</i>				
Trade receivables (<i>note</i>)				
– Discontinued Business	21	Performing	Lifetime ECL	75,302
Other receivables	21	Performing	12m ECL	687,142
Receivables at FVTOCI (<i>note</i>)	22	Performing	Lifetime ECL	11,388
Restricted bank deposits	23	Performing	12m ECL	20,448
Cash and cash equivalents	23	Performing	12m ECL	12,547

31 December 2022	<i>Notes</i>	Internal credit ratings	12m or lifetime ECL	Gross carrying amount
<i>RMB’000</i>				
Other receivables	21	Performing	12m ECL	1,026
Cash and cash equivalents	23	Performing	12m ECL	2,433

Note: For trade receivables, bills receivables and receivables at FVTOCI, the Group and the Company has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL. Except for debtors with high credit risk, the Group determines the ECL on these items by using a provision matrix grouped by internal credit rating.

APPENDIX I

ACCOUNTANTS’ REPORT

As part of the Group’s credit risk management, the Group applies internal credit rating for its customers. The following tables provide information about the exposure to credit risk for trade receivables which are assessed based on a provision matrix grouped by internal credit rating considering geographical information of the customers and aging of the receivables as at 31 December 2021 and 2022, respectively, within lifetime ECL (not credit-impaired). The Group’s and the Company’s debtors of Discontinued Business with high credit risk with gross carrying amounts of RMB15,610,000 and nil at 31 December 2021 and 2022 were assessed individually, respectively.

The Group

Gross carrying amounts as at 31 December 2021

	<u>Weighted average loss rate</u>	<u>Trade receivables</u>
		<i>RMB’000</i>
Trade receivables aged		
Current Business		
Within 1 year.	3.00%	13,423
1 to 2 years.	10.87%	<u>46</u>
		<u>13,469</u>
Discontinued Business		
Within 1 year.	5.00%	158,290
1 to 2 years.	10.02%	3,045
Over 2 years	64.13%	<u>849</u>
		<u>162,184</u>

Gross carrying amounts as 31 December 2022

	<u>Weighted average loss rate</u>	<u>Trade receivables</u>
		<i>RMB’000</i>
Trade receivables aged		
Current Business		
Within 1 year.	3.00%	47,438
1 to 2 years.	10.00%	470
Over 2 years	19.57%	<u>46</u>
		<u>47,954</u>

The Company

Gross carrying amounts as at 31 December 2021

	<u>Weighted average loss rate</u>	<u>Trade receivables</u>
		<i>RMB’000</i>
Trade receivables aged		
Discontinued Business		
Within 1 year.	0.09%	57,370
1 to 2 years.	10.01%	2,298
Over 2 years	100.00%	<u>24</u>
		<u>59,692</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2021 and 2022, based on the provision matrix, the Group’s net impairment loss allowance for trade receivables recognised amounted to RMB8,090,000 and RMB1,479,000. Provision of net impairment loss allowance of RMB10,826,000 and nil were individually made on trade receivables from debtors during the years ended 31 December 2021 and 2022 with high credit risk.

Liquidity risk

The management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

The Group

At 31 December 2021	Weighted average effective interest rate	On demand	Within 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables – interest-free	–	1,840,583	449,101	–	600,000	2,889,684	2,889,684
Lease liabilities	8.00%	–	671	671	1,286	2,628	2,357
Bank and other borrowings							
– fixed rate	8.84%	–	378,684	183,971	681,505	1,244,160	1,220,605
– variable rate	4.90%	–	735	747	42,177	43,659	30,045
Convertible loan notes	1.52%	–	62,361	–	–	62,361	61,936
		<u>1,840,583</u>	<u>891,552</u>	<u>185,389</u>	<u>1,324,968</u>	<u>4,242,492</u>	<u>4,204,627</u>

At 31 December 2022	Weighted average effective interest rate	On demand	Within 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade, bills and other payables – interest-free	–	1,907,871	603,942	160	20,000	2,531,973	2,531,973
Payables for acquisition of property, plant and equipment included in trade, bills and other payables	4.9%	–	10,243	–	832,588	842,831	653,664
Lease liabilities	8.42%	–	1,401	586	3,332	5,319	4,191
Bank and other borrowings							
– fixed rate	7.41%	–	612,304	527,898	1,572,012	2,712,214	2,563,100
– variable rate	4.80%	–	156,521	63,201	1,142,792	1,362,514	1,144,749
		<u>1,907,871</u>	<u>1,384,411</u>	<u>591,845</u>	<u>3,570,724</u>	<u>7,454,851</u>	<u>6,897,677</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

At 31 December 2021	Weighted average effective interest rate	On demand	Within 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade, bills and other payables	–	748,824	74,800	–	600,000	1,423,624	1,423,624
Bank and other borrowings							
– fixed rate	5.05%	–	73,763	9,865	79,735	163,363	136,252
Convertible loan notes	1.52%	–	62,361	–	–	62,361	61,936
		<u>748,824</u>	<u>210,924</u>	<u>9,865</u>	<u>679,735</u>	<u>1,649,348</u>	<u>1,621,812</u>

At 31 December 2022	Weighted average effective interest rate	On demand	Within 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade, bills and other payables	–	1,208,057	–	–	–	1,208,057	1,208,057
Lease liabilities	8.66%	–	144	144	144	432	388
Bank and other borrowings							
– fixed rate	5.13%	–	61,931	100,987	352,105	515,023	402,780
– variable rate	5.30%	–	79,387	7,862	325,799	413,048	370,375
		<u>1,208,057</u>	<u>141,462</u>	<u>108,993</u>	<u>678,048</u>	<u>2,136,560</u>	<u>1,981,600</u>

Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their fair values. Such fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value of the Group’s and the Company’s financial assets that are measured at fair value on a recurring basis

Some of the Group’s and the Company’s financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group

	Fair value		Fair value hierarchy	Valuation technique and key input
	At 31 December			
	2021	2022		
	<i>RMB'000</i>	<i>RMB'000</i>		
Financial assets:				
Receivables as FVTOCI	294,041	1,014,656	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables using the discount rate that reflected the credit risk of the corresponding banks which are observable

The Company

	Fair value		Fair value hierarchy	Valuation technique and key input
	At 31 December			
	2021	2022		
	<i>RMB'000</i>	<i>RMB'000</i>		
Financial assets:				
Receivables as FVTOCI	11,388	–	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables using the discount rate that reflected the credit risk of the corresponding banks which are observable

There were no transfers between level 1 and 2 during the both years.

40. MAJOR NON-CASH TRANSACTIONS

Saved as disclosed elsewhere in this report, during the year ended 31 December 2021 and 2022, the Group’s trade receivable of RMB1,165,056,000 and RMB1,665,837,000, respectively, was net off with the corresponding amounts of trade payables according to the offset agreements based on the settlement mode with certain customers and suppliers.

APPENDIX I

ACCOUNTANTS’ REPORT

41. RELATED PARTY DISCLOSURES

During the Track Record Period, the Group has the following related party transactions.

(a) Trade payables

	Relationship	At 31 December	
		2021	2022
		RMB'000	RMB'000
Hainan Xinsu.	(i)	N/A	163

(b) Other payables

	Relationship	At 31 December	
		2021	2022
		RMB'000	RMB'000
Yang Family	(ii)	219,988	2,140
Hainan Jindi Technology Investment Co., Ltd.* 海南錦迪科技投資有限公司.	(ii)	380,012	–
		<u>600,000</u>	<u>2,140</u>

These amounts mentioned above are included in the Group’s trade, bills and other payables as set out in note 24.

(c) Lease liabilities

	Relationship	At 31 December	
		2021	2022
		RMB'000	RMB'000
Hainan Xinsu.	(i)	N/A	269

(d) Rental expense of software

	Relationship	Year ended 31 December	
		2021	2022
		RMB'000	RMB'000
Hainan Xinsu.	(i)	N/A	79

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

(e) Interest on lease liabilities

	Relationship	Year ended 31 December	
		2021	2022
		RMB'000	RMB'000
Hainan Xinsu	(i)	N/A	21

* English name is for identification purpose

Notes:

- (i) An entity controlled by Yang Family.
- (ii) Shareholders of the Group.

Compensation of key management personnel

	Year ended 31 December	
	2021	2022
	RMB'000	RMB'000
Salaries and other benefits	3,881	7,602
Retirement benefits scheme contributions	53	148
Discretionary performance related bonus	141	2,352
Share-based payments	451	7,463
	<u>4,526</u>	<u>17,565</u>

The remuneration of key management personnel (being Chairman and director of the Company and other key management of the Group), is determined with reference to the performance of individuals and market trends.

Saved as disclosed elsewhere in this report, the Group and the Company has no other related party balance and transaction during the both years.

42. FINANCIAL INFORMATION OF THE COMPANY

Investments in subsidiaries

	At 31 December	
	2021	2022
	RMB'000	RMB'000
Cost of investments, unlisted	<u>1,981,567</u>	<u>3,159,532</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Movements of the Company’s reserves

	Share premium	Convertible bonds equity reserve	Capital surplus reserve	Share-based payment reserve	Retained profits	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	523,979	33,174	31,343	1,037	200,627	790,160
Profit and total comprehensive income for the year	–	–	–	–	137,683	137,683
Transferred to capital surplus reserve	–	–	12,225	–	(12,225)	–
Dividends recognised as distribution (note 12)	–	–	–	–	(6,623)	(6,623)
Repurchased and cancelled of restricted share units	(4,139)	–	–	–	–	(4,139)
Conversion of convertible loan notes	140,243	(22,417)	–	–	–	117,826
Recognition of equity-settled share-based payment (note 34)	–	–	–	2,982	–	2,982
At 31 December 2021	660,083	10,757	43,568	4,019	319,462	1,037,889
Loss and total comprehensive expenses for the year	–	–	–	–	(108,527)	(108,527)
Conversion of convertible loan notes	68,152	(10,757)	–	–	–	57,395
Recognition of equity-settled share-based payment (note 34)	–	–	–	49,579	–	49,579
Recognition of deferred tax assets arising from share-based payment expenses	–	–	–	3,432	–	3,432
At 31 December 2022	<u>728,235</u>	<u>–</u>	<u>43,568</u>	<u>57,030</u>	<u>210,935</u>	<u>1,039,768</u>

APPENDIX I

ACCOUNTANTS’ REPORT

43. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Principal place of operation and incorporation, date of incorporation	Paid-in capital	Shareholding/ equity interest attributable to the Group		At the date of this report	Principal activities	Notes
			At 31 December 2021	2022			
Jietai Technology.	Shangrao, 6 December 2019	RMB902,000,000	51%	100%	[100%]	Manufacturing and sales of photovoltaic cells	a
Huai’an Jietai New Energy Technology Co., Ltd.* (淮安捷泰新能源科技有限公司) (“Huai’an Jietai”)	Huai’an, 13 October 2022	RMB500,000,000	N/A	100%	[100%]	Manufacturing and sales of photovoltaic cells	b
Shangrao Minghong New Energy Technology Co., Ltd.* (上饒市明弘新能源科技有限公司)	Shangrao, 24 August 2020	–	51%	100%	[100%]	Manufacturing and sales of photovoltaic cells	c
Hongye New Energy (note e and 26(iv))	Shangrao, 24 August 2020	RMB600,000,000	57%	100%	[100%]	Manufacturing and sales of photovoltaic cells	a
Chuzhou Jietai New Energy Technology Co., Ltd.* (滁州捷泰新能源科技有限公司)	Chuzhou, 14 December 2021	RMB1,200,000,000	51%	100%	[100%]	Manufacturing and sales of photovoltaic cells	c
Hainan Xinsu	Hainan, 16 September 2004	RMB5,000,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d
Kaifeng Zhongda Automotive Accessories Co., Ltd.* (開封中達汽車飾件有限公司)	Kaifeng, 8 August 2007	RMB30,000,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d
Zhengzhou Drinda Automotive Accessories Co., Ltd.* (鄭州鈞達汽車飾件有限公司)	Zhengzhou, 22 February 2011	RMB70,000,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d
Zhengzhou Zhuoda Automotive Parts Manufacturing Co., Ltd.* (鄭州卓達汽車零部件製造有限公司)	Zhengzhou, 24 August 2005	RMB8,800,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d
Foshan Huashengyang Mold Plastic Manufacturing Co., Ltd.* (佛山市華盛洋模具塑料製造有限公司)	Foshan, 18 December 2006	RMB3,000,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d
Wuhan Drinda Automotive Accessories Co., Ltd.* (武漢鈞達汽車飾件有限公司)	Wuhan, 28 December 2012	RMB3,000,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d
Wuhan Drinda Changhai Precision Mold Co., Ltd.* (武漢鈞達長海精密模具有限公司)	Wuhan, 18 March 2016	RMB5,000,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d
Liuzhou Drinda Automotive Parts Co., Ltd.* (柳州鈞達汽車零部件有限公司)	Liuzhou, 20 June 2017	RMB95,000,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d

* English name is for identification purpose

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Principal place of operation and incorporation, date of incorporation	Paid-in capital	Shareholding/ equity interest attributable to the Group		At the date of this report	Principal activities	Notes
			At 31 December				
			2021	2022			
Changsha Drinda Leihai Automotive Accessories Co., Ltd.* (長沙鈞達雷海汽車飾件有限公司)	Changsha, 3 November 2017	RMB50,000,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d
Suzhou Drinda	Suzhou, 22 January 2020	RMB377,380,000	100%	N/A	N/A	Manufacturing and sales of automotive part products	d
Ningde Drinda Automotive Technology Co., Ltd.* (寧德鈞達汽車科技有限公司)	Ningde, 23 December 2020	–	100%	N/A	N/A	Manufacturing and sales of automotive part products	d

Notes:

- (a) No audited statutory financial statements were prepared for these entities for the year ended 31 December 2021 as there are no statutory audit requirements. The financial statements of these entities for the year ended 31 December 2022 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Zhonghui Certified Public Accountants (Special General Partnership)* (中匯會計師事務所(特殊普通合夥)).
- (b) The financial statements of Huai’an Jietai for the year ended 31 December 2022 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Zhonghui Certified Public Accountants (Special General Partnership)* (中匯會計師事務所(特殊普通合夥)).
- (c) No audited statutory financial statements were prepared for these entities for the years ended 31 December 2021 and 2022 as there are no statutory audit requirements.
- (d) The financial statements of these entities for the year ended 31 December 2021 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Zhongzheng Tiantong Certified Public Accountants (Special General Partnership)* (中證天通會計師事務所(特殊普通合夥)).
- (e) Pursuant to the relevant financing arrangements, the registered shareholder for the 40% equity interests of Hongye New Energy was in fact a creditor without shareholder’s right and the Group still held 100% of its beneficial interest and shareholders right in Hongye New Energy. Details are disclosed in note 26 (iv).

44. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2022 and up to the date of this report.

* English name is for identification purpose

APPENDIX IA

**REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

The following is the text of a report set out on pages IA-1 to IA-20 received from the Company’s reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of inclusion in this document.

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS TO THE BOARD OF DIRECTORS OF HAINAN DRINDA NEW
ENERGY TECHNOLOGY CO., LTD.**

Introduction

We have reviewed the condensed consolidated financial statements of Hainan Drinda New Energy Technology Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages IA-3 to IA-20, which comprise the condensed consolidated statement of financial position at 30 September 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended, and certain explanatory notes. The condensed consolidated financial statements have been prepared by the directors of the Company solely for the purpose of the [REDACTED] of [REDACTED] of the Company on the [REDACTED] of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). As a result, the condensed consolidated financial statements may not be suitable for another purpose. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

APPENDIX IA

**REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

APPENDIX IA

REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

	Notes	Nine months ended 30 September	
		2023	2022
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Continuing operation			
Revenue	3	14,342,220	6,926,309
Cost of sales		(11,854,395)	(6,214,544)
Gross profit		2,487,825	711,765
Other income	4	55,461	18,380
Other gains and losses	5	6,577	(1,362)
Selling and marketing expenses		(51,114)	(9,917)
Administrative expenses		(252,236)	(87,153)
Research and development expenses	7	(233,028)	(179,503)
Net impairment losses under expected credit loss (“ECL”) model	7	(591)	(428)
Other expenses		(3,630)	(1,204)
Finance costs	6	(188,489)	(91,529)
Profit before tax	7	1,820,775	359,049
Income tax expenses	8	(182,539)	(44,205)
Profit and total comprehensive income for the period from continuing operation		1,638,236	314,844
Discontinued operation			
Profit and total comprehensive income for the period from discontinued operation		–	204,087
Profit and total comprehensive income for the period		1,638,236	518,931
Profit and total comprehensive income for the period attributable to owners of the Company:			
– from continuing operation		1,638,236	210,802
– from discontinued operation		–	204,087
		1,638,236	414,889
Profit and total comprehensive income for the period attributable to non-controlling interests:			
– from continuing operation		–	104,042
– from discontinued operation		–	–
		–	104,042
Profit and total comprehensive income for the period attributable to:			
– Owners of the Company		1,638,236	414,889
– Non-controlling interests		–	104,042
		1,638,236	518,931
Earnings per share			
From continuing and discontinued operations			
– Basic (RMB)	10	7.87	2.10
– Diluted (RMB)		7.71	2.07
From continuing operation			
– Basic (RMB)		7.87	1.07
– Diluted (RMB)		7.71	1.05

APPENDIX IA

**REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	<u>At 30 September</u> 2023 <i>RMB'000</i> <i>(Unaudited)</i>	<u>At 31 December</u> 2022 <i>RMB'000</i> <i>(Audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	9,930,445	4,073,434
Right-of-use assets	<i>11</i>	167,922	68,156
Intangible assets	<i>11</i>	80,144	96,242
Goodwill		858,816	860,510
Deferred tax assets		232,338	2,685
Deposits paid for acquisition of property, plant and equipment		215,844	98,816
Other receivables	<i>12</i>	65,954	80,506
		<u>11,551,463</u>	<u>5,280,349</u>
CURRENT ASSETS			
Inventories		1,007,725	338,924
Trade, bills and other receivables	<i>12</i>	795,955	169,048
Receivables at fair value through other comprehensive income (“FVTOCI”)	<i>13</i>	2,663,041	1,014,656
Value-added tax recoverable		300,819	163,624
Financial assets at fair value through profits or loss (“FVTPL”)		200,000	–
Restricted bank deposits		1,779,116	629,122
Cash and cash equivalents		1,348,141	1,243,953
		<u>8,094,797</u>	<u>3,559,327</u>
CURRENT LIABILITIES			
Trade, bills and other payables	<i>14</i>	5,267,304	2,851,690
Contract liabilities		462,270	317,134
Tax payable		222,895	2,787
Bank and other borrowings	<i>15</i>	1,232,733	1,204,167
Lease liabilities		1,982	1,694
		<u>7,187,184</u>	<u>4,377,472</u>
NET CURRENT ASSETS (LIABILITIES)		<u>907,613</u>	<u>(818,145)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,459,076</u>	<u>4,462,204</u>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	227,395	141,524
Share premium		2,822,336	9,351
Reserves		2,450,096	899,955
TOTAL EQUITY		<u>5,499,827</u>	<u>1,050,830</u>
NON-CURRENT LIABILITIES			
Other payables	<i>14</i>	3,256,441	663,422
Bank and other borrowings	<i>15</i>	3,056,481	2,503,682
Lease liabilities		1,596	2,497
Deferred income	<i>16</i>	461,471	220,328
Deferred tax liabilities		183,260	21,445
		<u>6,959,249</u>	<u>3,411,374</u>
		<u>12,459,076</u>	<u>4,462,204</u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Convertible loan notes equity reserve RMB'000	Capital surplus reserve RMB'000	Share-based payment reserve RMB'000	Other reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2023 (audited)	141,524	9,351	-	-	86,966	-	812,989	1,050,830	-	1,050,830
Profit and total comprehensive income for the period	-	-	-	-	-	-	1,638,236	1,638,236	-	1,638,236
Dividends recognised as distribution (note 9)	56,610	-	-	-	-	-	(141,524)	(84,914)	-	(84,914)
Issuance of ordinary shares (note 17)	27,760	2,710,446	-	-	-	-	-	2,738,206	-	2,738,206
Recognition of equity-settled share-based payment (note 18)	-	-	-	-	86,662	-	-	86,662	-	86,662
Release of deferred tax assets arising from share-based payment expenses	-	-	-	-	5,265	-	-	5,265	-	5,265
Exercise of share options	1,501	102,539	-	-	(62,126)	23,628	-	65,542	-	65,542
At 30 September 2023 (unaudited)	227,395	2,822,336	-	-	116,767	23,628	2,309,701	5,499,827	-	5,499,827
At 1 January 2022 (audited)	137,291	656,925	10,757	43,568	4,019	-	149,268	1,001,828	602,440	1,604,268
Profit and total comprehensive income for the period	-	-	-	-	-	-	414,889	414,889	104,042	518,931
Acquisition of non-controlling interests	-	(715,726)	-	(43,568)	-	-	(53,224)	(812,518)	(706,482)	(1,519,000)
Conversion of convertible loan notes	4,233	68,152	(10,757)	-	-	-	-	61,628	-	61,628
Recognition of equity-settled share-based payment expenses (note 18)	-	-	-	-	44,193	-	-	44,193	-	44,193
Recognition of deferred tax assets arising from share-based payment expenses	-	-	-	-	24,028	-	-	24,028	-	24,028
At 30 September 2022 (unaudited)	141,524	9,351	-	-	72,240	-	510,933	734,048	-	734,048

Note:

a: In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "PRC"), the subsidiaries are required to transfer at least 10% of their profit after tax in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC before any distribution of dividends to owner each year to capital surplus reserve until the reserve reaches 50% of their respective registered capital. The capital surplus reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

APPENDIX IA

**REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months ended 30 September	
	2023	2022
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
NET CASH USED IN OPERATION ACTIVITIES . . .	<u>(704,266)</u>	<u>(163,543)</u>
INVESTING ACTIVITIES		
Withdrawal of restricted bank deposits	2,084,951	700,243
Placement of restricted bank deposits	(3,223,652)	(919,235)
Purchase of and deposits paid for property, plant and equipment	(1,029,483)	(263,276)
Proceeds on disposal of property, plant and equipment	4,652	16,800
Purchase of intangible assets	(746)	(1,614)
Bank interest received	22,433	8,195
Receipts of government grants related to property, plant and equipment	929,297	300,000
Net cash outflow on acquisition of Jietai Technology Group (as defined in Appendix I of this document) . .	–	(584,176)
Purchase of financial assets at FVTPL	(200,000)	(3,000)
Net cash inflow on disposal of Discontinued Business (as defined in note 1)	–	376,226
NET CASH USED IN INVESTING ACTIVITIES . . .	<u>(1,412,548)</u>	<u>(369,837)</u>
FINANCING ACTIVITIES		
New bank and other borrowings raised	2,662,049	2,290,517
Repayment of bank and other borrowings	(1,946,054)	(936,016)
Dividends paid	(84,914)	–
Interest paid	(437,651)	(57,230)
Payment of lease liabilities	(841)	(671)
Payment for redemption of convertible loan notes	–	(733)
Payments on sales and leaseback arrangement	–	(8)
Acquisition of non-controlling interests of Jietai Technology Group	(776,486)	(447,514)
Advance from an independent third party	–	20,000
Proceeds from exercise of share options	65,542	–
Proceeds on issuance of ordinary shares	2,738,206	–
NET CASH FROM FINANCING ACTIVITIES	<u>2,219,851</u>	<u>868,345</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	103,037	334,965
Effects of exchange rate changes	1,151	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>1,243,953</u>	<u>214,079</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>1,348,141</u></u>	<u><u>549,044</u></u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated and registered in the PRC on 3 April 2003 as a limited liability company. In August 2012, the Company was converted into a joint stock company with limited liability under the Company Laws of the PRC. In March 2017, the Company was listed on the Shenzhen Stock Exchange (stock code: 002865). The addresses of the registered office and the principal place of business of the Company is Hainan Drinda Building, No. 168 Nanhai Avenue, Haikou Free Trade Zone, Haikou City, the PRC.

The Group is principally engaged in the research and development, manufacturing and sales of photovoltaic cells (“Current Business”).

Historically, the Group principally engaged in the research and development, manufacturing and sales of car plastic accessories. On 26 September 2021, the Group acquired 51% equity interests of Jietai Technology, which mainly engaged in the Current Business, and subsequently on 8 July 2022, the Group further acquired the remaining 49% equity interests of Jietai Technology from independent third parties of the Group. In the first half of 2022, the Group disposed of the research and development, manufacturing and sales of car plastic accessories (“Discontinued Business”) to Hainan Yang Family Investment Co., Ltd.* (海南楊氏家族投資有限公司), a company controlled by a group of shareholders collectively holding 22.78% equity interest of the Company (“Yang Family”).

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standards 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

2. PRINCIPLE ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended 30 September 2023 are the same as those presented in the Group’s historical financial statements for the two years ended 31 December 2022 (the “Historical Financial Information”) included in the accountants’ report as set out in Appendix I to this document.

3. REVENUE AND OPERATING SEGMENTS

The Group’s revenue represents the fair value of amounts received and receivable from the sale of photovoltaic cell products and related services. This is consistent with the revenue information that is disclosed for each operating and reportable segment under IFRS 8 Operating Segments.

* English name is for identification purpose

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(i) Disaggregation of revenue from contracts with customers

	Nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing Operation		
Sale of photovoltaic cell products and related services		
– Tunnel Oxide Passivating Contacts (“TOPCon”)	9,750,695	495,914
– Passivated Emitter and Rear Cell (“PERC”)	3,977,373	6,335,645
– Others (<i>note</i>)	614,152	94,750
	<u>14,342,220</u>	<u>6,926,309</u>

Note: The amount represents sales of manufacturing services.

Revenue arising from sales of photovoltaic cell products is recognised at a point in time when the goods are accepted by the customers after delivery to the customers’ premises and revenue arising from services is recognised upon completion of the services contracts, since only by that time the Group passes control of the goods or services to the customers. The Group generally does not grant any credit period to its customers.

Customers are generally required to make full payment before the Group deliver the products to customers. Contract liabilities are recognised when consideration is received in which revenue has yet been recognised.

For the purpose of resource allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Entity-wide disclosures

Geographical information

The Group’s non-current assets are all located in the PRC. The geographical information of the Group’s revenue, determined based on geographical location of the registered office of the immediate customers, during the period is as follows:

	Nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing Operation		
Mainland China	13,671,884	6,926,300
Outside Mainland China	670,336	9
	<u>14,342,220</u>	<u>6,926,309</u>

Information about major customers

Revenue from customer contributing over 10% of the total revenue of the Group during the period is as follows:

	Nine months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Customer A	<u>3,721,573</u>	<u>2,075,347</u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

4. OTHER INCOME

	Nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing Operation		
Bank interest income	33,013	5,959
Government grants (<i>note</i>)	5,572	2,315
Gain on sales of raw and other materials	16,876	10,106
	<u>55,461</u>	<u>18,380</u>

Note: The amount represents unconditional government grants received from local government in connection with the enterprise development support and innovation capability incentives.

5. OTHER GAINS AND LOSSES

	Nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing Operation		
Net foreign exchange gain (loss)	6,805	(509)
Net loss on disposal of property, plant and equipment	(331)	–
Net gain on financial assets at FVTPL	714	–
Others	(611)	(853)
	<u>6,577</u>	<u>(1,362)</u>

6. FINANCE COSTS

	Nine months ended 30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing Operation		
Interest on lease liabilities	228	57
Interest on discounting bills receivables and receivables at FVTOCI	8,470	4,348
Interest on bank and other borrowings	121,594	87,124
Interest on payables for acquisition of property, plant and equipment	46,836	–
Interest on consideration payables	11,361	–
	<u>188,489</u>	<u>91,529</u>

APPENDIX IA

**REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Nine months ended 30 September	
	2023	2022
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Continuing Operation		
Depreciation of property, plant and equipment	345,435	165,690
Depreciation of right-of-use assets	3,301	1,261
Amortisation of intangible assets	17,954	9,497
	<u>366,690</u>	<u>176,448</u>
Capitalised in inventories	(323,453)	(126,889)
Total depreciation and amortisation charged to profit or loss	<u>43,237</u>	<u>49,559</u>
Auditors' remuneration	–	835
Cost of inventories recognised as cost of sales	11,807,212	6,198,902
Write-down of inventories	31,481	–
Directors' and supervisors' remuneration	17,048	11,126
Other staff costs		
– Salaries and other benefits	694,039	186,024
– Retirement benefit scheme contributions	30,346	8,328
– Discretionary performance related bonus	59,153	17,524
– Share-based payments	76,803	39,139
Total staff costs	<u>877,389</u>	<u>262,141</u>
Capitalised in inventories	(413,524)	(129,185)
Capitalised in construction in process	(110,556)	(33,064)
Total staff costs charged to profit or loss	<u>353,309</u>	<u>99,892</u>
Research and development expenses		
Staff costs	133,398	39,205
Depreciation and amortisation	1,996	11,630
Water and electricity fee	2,718	15,729
Materials consumed	91,174	107,223
Others	3,742	5,716
	<u>233,028</u>	<u>179,503</u>
Net impairment losses (reversal) under ECL model		
Trade and bills receivables	801	276
Other receivables	(210)	152
	<u>591</u>	<u>428</u>

8. INCOME TAX EXPENSES

	Nine months ended 30 September	
	2023	2022
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Continuing Operation		
PRC Enterprise Income Tax (“EIT”)	245,140	38,466
Deferred tax (credit) expense	(62,601)	5,739
	<u>182,539</u>	<u>44,205</u>

No provision of Hong Kong Profits Tax was made in the condensed consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax during the nine months ended 30 September 2022 and 2023.

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company and Jietai Technology obtained the “High Technology Enterprise” certification in 2021 and was therefore entitled to a preferential tax rate of 15% for a period of 3 years from 2021 to 2023. Chuzhou Jietai New Energy Technology Co., Ltd.* (滁州捷泰新能源科技有限公司) obtained the “High Technology Enterprise” certification in December 2023, and was therefore entitled to a preferential tax rate of 15% for a period of 3 years from 2023 to 2025.

The other PRC subsidiaries are subjected to PRC EIT rate of 25% during the nine months ended 30 September 2022 and 2023.

9. DIVIDENDS

	Nine months ended 30 September	
	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Dividend for ordinary shareholders of the Company	141,524	-

During the nine months ended 30 September 2023, the Company declared and paid cash dividend of RMB0.597 per ordinary share, in aggregate of RMB84,914,000, and stock dividend of 0.398 ordinary share per ordinary share, in aggregate of 56,610,000 shares, which is equivalent to RMB56,610,000.

10. EARNINGS PER SHARE

For Continuing Operation

The calculation of basic and diluted earnings per share from continuing operation attributable to owners of the Company is based on the following data:

	Nine months ended 30 September	
	2023	2022
	(Unaudited)	(Unaudited)
Earnings (RMB'000):		
Profit for the period attributable to owners of the Company	1,638,236	414,889
Less:		
Profit for the period from discontinued operation	-	(204,087)
Earnings for the purpose of basic earnings per share from continuing operation	<u>1,638,236</u>	<u>210,802</u>
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of basic earnings per share	208,057	197,476
Effect of dilutive potential ordinary shares:		
Share options of the Company	4,486	3,011
Weighted average number of ordinary shares for the purpose at diluted earnings per share	<u>212,543</u>	<u>200,487</u>

In April 2023, the Company declared and distributed stock dividend of 0.398 ordinary share per ordinary share. Accordingly, the weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the nine months ended 30 September 2022 and 2023 were pro rata adjusted.

* English name is for identification purpose

APPENDIX IA

**REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

For discontinued operation

Basic earnings per share for the discontinued operation is RMB1.03 per share for the nine months ended 30 September 2022, based on the profit for the period from the discontinued operation of RMB204,087,000 and the denominators detailed above for basic earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS/INTANGIBLE ASSETS

During the nine months ended 30 September 2023, the Group purchased property, plant and equipment of RMB6,243,775,000 (nine months ended 30 September 2022: RMB1,918,043,000) and intangible assets of RMB746,000 (nine months ended 30 September 2022: RMB1,614,000), and recognised right-of-use assets of RMB103,068,000 (nine months ended 30 September 2022: RMB26,869,000) from independent third parties.

As detailed in note 32 of the Historical Financial Information as set out in App I of this document, during the nine months ended 30 September 2022, the Group disposed of, and discontinued operation of, the Discontinued Business to Yang Family including property, plant and equipment, right-of-use assets, intangible assets with an aggregate carrying amount of RMB699,746,000, RMB130,655,000 and RMB6,956,000, respectively, at the Date of Disposal (as defined in note 32 of the Historical Financial Information as set out in App I of this document). Further to the disposal and discontinued operation of the Discontinued Business, during the nine months ended 30 September 2023, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of RMB4,983,000 (nine months ended 30 September 2022: RMB20,442,000), resulting in a loss on disposal of RMB331,000 (nine months ended 30 September 2022: RMB1,864,000).

12. TRADE, BILLS AND OTHER RECEIVABLES

	<u>At 30 September</u>	<u>At 31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Trade receivables	12,831	47,954
Bills receivables	149,989	7,987
	<u>162,820</u>	<u>55,941</u>
Less: Impairment loss allowance for trade and bills receivables	<u>(2,361)</u>	<u>(1,560)</u>
	<u>160,459</u>	<u>54,381</u>
Other receivables and prepayments		
Advances to suppliers	643,979	143,440
Deposits paid for sales and leaseback arrangement	49,737	41,541
Other receivables	18,588	21,256
	<u>712,304</u>	<u>206,237</u>
Less: Impairment loss allowance for other receivables	<u>(10,854)</u>	<u>(11,064)</u>
	<u>701,450</u>	<u>195,173</u>
	<u>861,909</u>	<u>249,554</u>
Analysed as:		
Current	795,955	169,048
Non-current	65,954	80,506
	<u>861,909</u>	<u>249,554</u>

The Group normally does not grant any credit period to its customers.

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following is an aged analysis of trade receivables, net of impairment loss allowance, presented based on revenue recognition date at the end of each reporting period.

	<u>At 30 September</u>	<u>At 31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 1 year	5,993	46,015
1 to 2 years	5,974	423
2 to 3 years	–	37
	<u>11,967</u>	<u>46,475</u>

The following is an aged analysis of bills receivables, net of impairments loss allowance, presented based on the issue dates of bills receivables.

	<u>At 30 September</u>	<u>At 31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 180 days	<u>148,492</u>	<u>7,906</u>

The following is a maturity analysis of bills receivables, net of impairment loss allowance, presented based on the remaining dates to maturity of bills receivables at the end of each reporting period.

	<u>At 30 September</u>	<u>At 31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 180 days	<u>148,492</u>	<u>7,906</u>

13. RECEIVABLES AT FVTOCI

	<u>At 30 September</u>	<u>At 31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Receivables at FVTOCI comprise:		
Bills receivables	<u>2,663,041</u>	<u>1,014,656</u>

The Group’s receivables at FVTOCI were bills receivables with the following maturity:

	<u>At 30 September</u>	<u>At 31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 180 days	2,663,041	834,722
181 days to 1 year	–	179,934
	<u>2,663,041</u>	<u>1,014,656</u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

13A. TRANSFER OF FINANCIAL ASSETS

At 30 September 2023 and 31 December 2022, the Group have derecognised bills discounted to banks or endorsed to certain suppliers on a full recourse basis amounting to RMB6,559,678,000 and RMB4,849,602,000. These bills are issued or guaranteed by reputable PRC banks with high credit ratings, therefore the directors of the Group consider the substantial risks in relation to these bills are interest risk as the credit risk arising from these bills are minimal, the Group has transferred substantially all the risks of these bills to relevant banks or suppliers. However, if the bills cannot be accepted at maturity, the banks or suppliers have the right to require the Group pay off the outstanding balance. Therefore, the Group continued involve in them.

14. TRADE, BILLS AND OTHER PAYABLES

	At 30 September	At 31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables	908,165	500,786
Bills payables	1,826,682	509,102
	<u>2,734,847</u>	<u>1,009,888</u>
Payables for acquisition of property, plant and equipment (note iv)	4,907,896	1,169,148
Consideration payables and related interest payables (note iii).	23,483	788,608
Deposits received from customers (note v)	472,411	291,902
Accrued payroll and welfare	137,396	60,402
Other taxes payables	158,652	70,031
Amount due to an independent third party (note i)	20,000	20,000
Amounts due to Yang Family (note ii)	2,135	2,140
Dividends payables	90	90
Other payables	66,835	102,903
	<u>5,788,898</u>	<u>2,505,224</u>
	<u>8,523,745</u>	<u>3,515,112</u>
Analysed as		
Current	5,267,304	2,851,690
Non-current	3,256,441	663,422
	<u>8,523,745</u>	<u>3,515,112</u>

Notes:

- (i) Amounts are non-trade in nature, secured by certain of Company’s equity interests in Shangrao Hongye New Energy Co., Ltd.* (上饒市弘業新能源有限公司) (“Hongye New Energy”), unguaranteed, interest-free and repayable on demand.
- (ii) Amount is non-trade in nature, unsecured, unguaranteed, interest-free and repayable on demand.
- (iii) The amount represents the consideration payables and related interest payables resulted from the Group’s acquisition of 51% and 49% equity interests in Jietai Technology Group. The balance was unsecured, carried interest rate of 3.7% per annum and repayable on demand.
- (iv) Amount included RMB2,861,593,000 (31 December 2022: RMB643,422,000) which carried interest ranging from 4.3% to 4.9% per annum at 30 September 2023 (31 December 2022: 4.9%), payable to the respective local governments as the Group’s Chuzhou and Huai’an plants and their related ancillary buildings were constructed by the local government on the Group’s behalf. Pursuant to the investment cooperation agreements entered into with the respective local governments, the Group are entitled to lease the aforementioned buildings for a period of 6 years free of charge upon their completion and the Group is required to buy them back in the following 4 years.
- (v) Amount represents earnest deposits received by the Group in relation to framework agreements entered into with customers. These earnest deposits received with no specific purchase orders placed will either be offset with future purchase order transaction price or released to the customers upon maturity of the framework arrangement.

* English name is for identification purpose

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The suppliers generally do not allow any credit period to the Group.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period:

	<u>At 30 September</u>	<u>At 31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 1 year	903,738	499,409
1 year to 2 years	3,640	676
Over 2 years	787	701
	<u>908,165</u>	<u>500,786</u>

The following is an aged analysis of bills payables presented based on issue dates at the end of each reporting period:

	<u>At 30 September</u>	<u>At 31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 180 days	1,826,682	458,524
Over 180 days	–	50,578
	<u>1,826,682</u>	<u>509,102</u>

The following is an aged analysis of bills payables presented based on maturity date at the end of each reporting period:

	<u>At 30 September</u>	<u>At 31 December</u>
	<u>2023</u>	<u>2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
0 to 180 days	1,826,682	508,942
Over 180 days	–	160
	<u>1,826,682</u>	<u>509,102</u>

15. BANK AND OTHER BORROWINGS

During the nine months ended 30 September 2023, the Group obtained new bank and other loans amounting to RMB2,662,049,000 (nine months ended 30 September 2022: RMB2,290,517,000). The loans carry fixed interest rates ranging from 1.52% to 7.56% per annum or variable interest rate ranging from Loan Prime Rate (“LPR”)-75 basic points to LPR+50 basic points per annum and are repayable in instalments over a period within 12 months to 7 years.

16. DEFERRED INCOME

During the nine months ended 30 September 2023, the Group received government subsidies of RMB929,297,000 (nine months ended 30 September 2022: RMB300,000,000) whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets. The amounts of RMB688,155,000 (nine months ended 30 September 2022: RMB299,754,000) has been deducted from the carrying amount of the relevant assets. These amounts are transferred to profit or loss in the form of reduced depreciation charges over the useful lives of the relevant assets. At 30 September 2023, an amount of RMB461,471,000 (31 December 2022: RMB220,328,000) recorded as deferred income as such government subsidies were received but had yet purchased, constructed or otherwise acquired the related non-current assets.

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SHARE CAPITAL

	Nominal value per share	Number of shares	Amount
	RMB	'000	RMB'000
Registered and fully paid			
At 1 January 2023 (audited).	1	141,524	141,524
Dividends recognised as distribution (note 9)	1	56,610	56,610
Issuance of ordinary shares (note)	1	27,760	27,760
Exercise of share options	1	1,501	1,501
At 30 September 2023 (unaudited).	1	<u>227,395</u>	<u>227,395</u>
At 1 January 2022 (audited).	1	137,291	137,291
Conversion of convertible loan notes	1	4,233	4,233
At 30 September 2022 (unaudited).	1	<u>141,524</u>	<u>141,524</u>

Note: On 23 May 2023, the Company issued 27,760,000 new shares at the subscription price of RMB100 per share. The net [REDACTED] received by the Company, after deduction of the [REDACTED] and other expenses payable by the Company, amounted to RMB2,738,206,000.

18. SHARE-BASED PAYMENT

Equity-settled share option scheme of the Company

The Company’s 2021, 2022 and 2023 share incentive plan was adopted pursuant to resolutions passed on 16 November 2021, 28 May 2022 and 16 January 2023, respectively (the “2021 Incentive Plan”, “2022 Incentive Plan” and “2023 Incentive Plan”). The primary purpose of those incentive plans is to promote the success of the Company and the interests of its shareholders by providing a mean through which the Company may grant equity-based incentives to attract, motivate, retain and reward employees and directors and to further link the eligible persons’ interests with those of the Company’s shareholders generally.

The vesting of the share options granted is subject to the eligible person remaining at all times after the date of granting and on the vesting date an eligible person of those incentive plans. Share options granted under the those incentive plans consist of first-granted share options and reserved share options, and the validity period of the share options of 2021 Incentive Plan, 2022 Incentive Plan and 2023 Incentive Plan shall be maximum 4 years, 6 years and 4 years from the date of grant and the share options shall lapse at the expiry of the validity period, respectively, of different batches. The share options shall have the vesting periods based on the achievement level of the performance target of each relevant grantee set by the board of directors of the Company for different batches as follows:

- (i) 30%, 30% and 40% of the share options shall vest each time on the first, second and third anniversary of the vesting commencement date;
- (ii) 50% and 50% of the share options shall vest each time on the first and second anniversary of the vesting commencement date;
- (iii) 50% and 50% of the share options shall vest each time on the five and six anniversary of the vesting commencement date.

A share option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to such share option.

In April 2023, the Company declared cash dividend and stock dividend. Accordingly, the management of the Group adjusted the exercise price and numbers of all outstanding options on a pro rata basis to the share options granted under 2021, 2022 and 2023 Incentive Scheme.

APPENDIX IA REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The table below discloses movements of the share options held by grantees under 2021, 2022 and 2023 Incentive Plan:

For the nine months ended 30 September 2023

Option	Name of grantee	Date of grant	Exercise price	Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at the date of adjustment
Option A . . .	Employees and key management	6 December 2021	RMB40.4	1,902,000	–	(557,100)	(40,000)	1,304,900
Option A . . .	Directors	6 December 2021	RMB40.4	420,000	–	(126,000)	–	294,000
Option B . . .	Employees and key management	13 June 2022	RMB60.92	1,758,000	–	–	(131,000)	1,627,000
Option B . . .	Directors	13 June 2022	RMB60.92	260,000	–	–	–	260,000
Option C . . .	Employees	15 July 2022	RMB89.55	449,000	–	–	–	449,000
Option D . . .	Employees	16 January 2023	RMB60.92	–	399,500	–	(30,000)	369,500
Option E . . .	Employees and key management	2 February 2023	RMB148.41	–	2,448,400	–	(312,000)	2,136,400
Option E . . .	Directors	2 February 2023	RMB148.41	–	453,000	–	–	453,000
Total				<u>4,789,000</u>	<u>3,300,900</u>	<u>(683,100)</u>	<u>(513,000)</u>	<u>6,893,800</u>
Exercisable at the end of the date of adjustment								–
Weighted average exercise price				<u>RMB53.65</u>	<u>RMB137.82</u>	<u>RMB40.4</u>	<u>RMB112.53</u>	<u>RMB90.89</u>

Option	Name of grantee	Date of grant	Exercise price (adjusted)	Outstanding at the date of adjustment	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30 September 2023
Option A . . .	Employees and key management	6 December 2021	RMB28.47	1,824,353	–	–	(76,894)	1,747,459
Option A . . .	Directors	6 December 2021	RMB28.47	411,035	–	–	–	411,035
Option B . . .	Employees and key management	13 June 2022	RMB43.15	2,274,674	–	(661,858)	(438,997)	1,173,819
Option B . . .	Directors	13 June 2022	RMB43.15	363,501	–	(25,166)	–	338,335
Option C . . .	Employees	15 July 2022	RMB63.63	627,737	–	(130,432)	–	497,305
Option D . . .	Employees	16 January 2023	RMB43.15	516,590	–	–	(34,952)	481,638
Option E . . .	Employees and key management	2 February 2023	RMB105.73	2,986,855	–	–	(542,454)	2,444,401
Option E . . .	Directors	2 February 2023	RMB105.73	633,330	–	–	–	633,330
Option F . . .	Employees	23 May 2023	RMB43.15	–	238,372	–	(34,952)	203,420
Total				<u>9,638,075</u>	<u>238,372</u>	<u>(817,456)</u>	<u>(1,128,249)</u>	<u>7,930,742</u>
Exercisable at the end of the period								<u>57,889</u>
Weighted average exercise price				<u>RMB64.58</u>	<u>RMB43.15</u>	<u>RMB46.41</u>	<u>RMB72.23</u>	<u>RMB64.72</u>

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2022

Option	Name of grantee	Date of grant	Exercise price	Outstanding at 1 January 2022	Granted during the period	Forfeited during the period	Outstanding at 30 September 2022
Option A . .	Employees	6 December 2021	RMB40.4	2,347,000	–	(300,000)	2,047,000
Option A . .	Directors	6 December 2021	RMB40.4	420,000	–	–	420,000
Option B . .	Employees	13 June 2022	RMB60.92	–	1,979,000	(74,000)	1,905,000
Option B . .	Directors	13 June 2022	RMB60.92	–	260,000	–	260,000
Option C . .	Employees	15 July 2022	RMB89.55	–	449,000	–	449,000
				<u>2,767,000</u>	<u>2,688,000</u>	<u>(374,000)</u>	<u>5,081,000</u>
Exercisable at the end of the period							<u>–</u>
Weighted average exercise price				<u>RMB40.40</u>	<u>RMB65.70</u>	<u>RMB44.46</u>	<u>RMB53.49</u>

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. These fair values and corresponding inputs into the model were as follows:

For the nine months ended 30 September 2023

Option Granted	Grant date option fair value per share	Exercise price	Expected volatility	Expected life	Risk-free rate	Expected dividend yield
Option D	RMB124.73-RMB134.56	RMB60.92	21.22%-22.79%	3 years	1.50%-2.10%	0.27%-0.50%
Option E	RMB39.18-RMB51.89	RMB148.41	21.03%-22.41%	4 years	1.50%-2.71%	0.50%-0.61%
Option F	RMB66.47-RMB66.80	RMB43.15	17.60%-19.57%	3 years	1.50%-2.10%	0.27%-0.50%

At the end of each interim period, the Group revises its estimates of the number of options that are expected to vest ultimately. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share-based payments reserve.

For the nine months ended 30 September 2023, the Group’s total share-based payment expenses recognised in the condensed consolidated statement of profit or loss and other comprehensive income in relation to share option granted by the Company is RMB86,662,000 (nine months ended 30 September 2022: RMB44,193,000).

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis and market comparable approach.

Except for financial assets measured at FVTPL and receivables at FVTOCI, the Group does not hold any other financial instruments measured at fair value.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

APPENDIX IA

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Fair value of the Group’s financial assets and financial liabilities that are measured at fair value on recurring basis:

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs
	30 September 2023	31 December 2022		
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)		
Financial assets . . .				
Financial assets at FVTPL	200,000	–	Level 2	Income approach. Discounted cash flow method was used to estimate the return from the underlying assets.
Receivables at FVTOCI	2,663,041	1,014,656	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables using the discount rate that reflected the credit risk of the corresponding banks which are observable.

20. CAPITAL COMMITMENTS

	At 30 September	At 31 December
	2023	2022
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>3,193,575</u>	<u>2,668,393</u>

21. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Nine months ended 30 September	
	2023	2022
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Salaries, bonus and other benefits	6,924	5,226
Retirement benefits scheme contributions	98	109
Discretionary performance related bonus	1,854	1,848
Share-based payments	11,442	6,003
	<u>20,318</u>	<u>13,186</u>

The remuneration of key management personnel (being directors, supervisors of the Company and other key management of the Group), is determined with reference to the performance of individuals and market trends.

APPENDIX IA

**REPORT ON REVIEW OF CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS**

22. EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period, the management of the Group observed an accelerated shift in market demand from P-type PERC cells to N-type TOPCon cells due to the latter’s superior performance and elevated cost efficiency, which quickly eroded P-type PERC cells’ remaining competitive edge. As a result, the profitability and the business prospect, even the sustainability of the Group’s P-type PERC cell business line have been and will continue to be subjected to evolving challenges. The management of the Group is closely monitoring the development of market trend and may make an impairment loss of significant amount on certain of the Group’s P-type PERC cell production lines and production facilities for the year ended 31 December 2023.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of the PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

Individual Investors

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

Pursuant to the Notice of State Administration of Taxation (the “SAT”) on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of the Document Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of H shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or otherwise, the non-foreign invested enterprise is required to withhold the tax at a rate of 20%.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”) effective as at December 29, 2018 and the Implementation Provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) amended and came into effect on April 23, 2019, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The withholding tax may be reduced pursuant to applicable treaties for the avoidance of double taxation. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》國稅函[2008]897號) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold corporate income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends of 2008 and onwards. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (Guo Shui Han [2009] No. 394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》國稅函[2009]394號) which was issued by the SAT on July 24, 2009 and effective on the same date, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the PRC company. If a Hong Kong resident directly holds 25% or more of the equity interest in a PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. Pursuant

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

to the Fourth Protocol of the SAT to the Arrangement between the Mainland and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (《國家稅務總局關於<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第四議定書》) effective as at December 29, 2015, the abovementioned provisions are not applicable to any arrangement which is primarily made for the purpose of obtaining the above taxation benefits. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC has entered into arrangements for the avoidance of double taxation with a number of countries and regions including but not limited to Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the PRC tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the PRC tax authorities.

Taxation on Share Transfer

VAT and Local Additional Tax

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui [2016] No. 36) (hereinafter referred to as “Notice 36”), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT.

According to these regulations, if the holder is a nonresident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a nonresident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

China, the holder may be required to pay the PRC VAT. However, in view of no clear regulations, whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares, there is still uncertainty in the interpretation and application of the above provisions.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "Local Additional Tax"), which shall usually equal to 12% of the VAT payable (if any).

Income tax

Individual Investors

According to the IIT Law and its implementation provisions, gains realised on the sale of equity interests in PRC resident enterprises are subject to the income tax at a rate of 20%.

Pursuant to the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the latest amended IIT Law and its implementation provisions.

However, on December 31, 2009, the MOF, SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》財稅[2009]167號), which provides that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for certain shares which are subject to sales limitations as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2010] No. 70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》財稅[2010]70號). As at the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the transfer of shares of PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the transfer of shares of PRC resident enterprises listed on overseas stock exchanges.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place. Such income tax for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) effective on October 1, 1998 and amended on January 8, 2011, the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例實施細則》) effective on October 1, 1988, and the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) issued on June 10, 2021 and effective on July 1, 2022, PRC stamp duty only applies to documents executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC. Upon the Stamp Tax Law of the PRC coming into effect on July 1, 2022, the Provisional Regulations of the PRC on Stamp Duty shall be abolished simultaneously.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

B. Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by the Company.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

2. PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), enterprises and other income-generating organizations (hereinafter collectively referred to as “enterprises”) within the territory of the People’s Republic of China are the taxpayers of enterprise income tax and shall pay enterprise income tax in accordance with the provisions of the EIT Law. The Enterprise Income Tax rate is 25%.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Enterprises are classified into resident enterprises and non-resident enterprises. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income has no actual connection to such establishment or place of business, shall pay enterprise income tax on its income within the PRC and withhold at source, where the payer is the withholding agent. The tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Meanwhile, any gains realized on the transfer of shares by such investors are subject to enterprise income tax and shall be withheld at source if such gains are regarded as income derived from the transfer of property within the PRC.

VAT

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993, and latest amended on November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on December 25, 1993 and latest amended on October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax. The tax rate for taxpayers engaging in sale of services shall be 6% and the tax rate for taxpayers engaging in sale of goods shall be 17%, unless otherwise stipulated. With the VAT reforms in the PRC, the rate of VAT has been changed several times.

Pursuant to the Implementation Rules of Pilot Reform for Transition from Business Tax to VAT (《營業稅改徵增值稅試點實施辦法》) which was promulgated on March 23, 2016, and latest amended on March 20, 2019, unless otherwise provided in the implementation rules, taxpayers incurring taxable activities are generally subject to a 6% VAT. The Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), promulgated by the MOF and SAT on April 4, 2018 and became effective as of May 1, 2018 adjusted the applicative rate of VAT, and the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (Announcement [2019] No. 14 of the MOF, SAT and General Administration of Customs), promulgated by MOF, SAT and General Administration of Customs on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

3. FOREIGN EXCHANGE

On January 29, 1996, the State Council promulgated the new Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the “Foreign Exchange Control Regulations”) which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE’s approval, while capital account items still are. The Foreign Exchange Control Regulations was subsequently amended on January 14, 1997 and August 1, 2008. The latest amended Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBOC promulgated the Provision on the Settlement and Sale of and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》) (the “Settlement Regulations”) which became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), issued by PBOC on July 21, 2005, from the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of foreign currencies such as U.S. dollar against Renminbi in the interbank foreign exchange market after the closing of the market on each working day, which will be used as the central parity for the transactions of such foreign currency against Renminbi exchange rate on the following working day.

Starting from January 4, 2006, PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD of the current day, which shall be finally decided on the weighted average of the prices of all market makers after excluding the highest and lowest quotations, and announce it at 9:15 a.m. on each working day. On August 11, 2015, PBOC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

On August 5, 2008, the State Council promulgated the revised Foreign Exchange Control Regulations (the "Revised Foreign Exchange Control Regulations"), which has made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations has improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations has enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

According to relevant PRC laws, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment for their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as the Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50), which canceled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 working days from the date of the end of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing maybe remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (Hui Fa [2015] No. 13), which came into effect on June 1, 2015. The Notice cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice of the SAFE on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This Appendix contains a summary of laws and regulations on companies and securities in the PRC as well as the additional regulatory provisions of the Stock Exchange on joint stock limited companies of the PRC. The principal objective of this summary is to provide potential [REDACTED] with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential [REDACTED]. For discussion of laws and regulations specifically governing the business of our Company, see “Regulatory Overview.”

PRC LAWS AND REGULATIONS

PRC Legal System

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the “**Constitution**”) and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2023 Amendment) (《中華人民共和國立法法(2023修正)》) (the “**Legislation Law**”), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical culture protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People’s Court of the PRC (the “Supreme People’s Court”) has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such regulations and rules.

PRC Judicial System

Under the Constitution and the PRC Law on the Organisation of the People’s Courts (2018 Revision) (《中華人民共和國人民法院組織法(2018修訂)》), the PRC judicial system is made up of the Supreme People’s Court, the local people’s courts and special people’s courts.

The local people’s courts are comprised of the primary people’s courts, the intermediate people’s courts and the higher people’s courts. The higher people’s courts supervise the primary and intermediate people’s courts. The people’s procuratorates also have the right to exercise legal supervision over the civil proceedings of people’s courts of the same level and lower levels. The Supreme People’s Court is the highest judicial organ in the PRC. It supervises the judicial administration of the people’s courts at all levels.

The PRC Civil Procedure Law (2023 Amendment) (《中華人民共和國民事訴訟法(2023修正)》) (the “**Civil Procedure Law**”), which was adopted in 1991 and amended in 2007, 2012, 2017, 2021 and 2023, sets forth the criteria for instituting a civil action, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff’s or the defendant’s domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country’s judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the principle of reciprocity to the citizens and enterprises of that foreign country within the PRC.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

If any party to a civil action refuses to comply with a judgement or ruling made by a people’s court or an award made by an arbitration panel in the PRC, the other party may apply to the people’s court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by either party, enforce the judgement in accordance with the law.

A party seeking to enforce a judgement or ruling of a people’s court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgement or ruling. Where a judgment or ruling made by a foreign court which has come into legal effect requires recognition and enforcement by a people’s court, a party may apply directly to the intermediate people’s court which has jurisdiction for recognition and enforcement, or the foreign court may, pursuant to the provisions of the international treaty concluded or acceded to by the country of the foreign country and the People’s Republic of China or under the principle of reciprocity, request for recognition and enforcement by the people’s court.

The Company Law, Overseas Listing Trial Measures and Guidance for Articles of Association

A joint stock limited company which was incorporated in the PRC and seeking a listing on the Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law (2023 Amendment) (《中華人民共和國公司法(2023修正)》) which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively and the latest amendment of which will be implemented on July 1, 2024. The version currently in effect was amended in October 2018, which will be replaced on July 1, 2024 with December 2023 revision.
- The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and five relevant guidelines which were promulgated by the CSRC on February 17, 2023 pursuant to Securities Law of the PRC, came into effect on March 31, 2023, and were applicable to the direct and indirect overseas share subscription and listing of domestic companies; and
- The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidance for Articles of Association**”) which was latest amended and came into effect on December 15, 2023 by the CSRC. The related Guidance for Articles of Association are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled “Appendix VI — Summary of the Articles of Association” in this document.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its debts for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method with offering and issuing shares to the public shall file the approval issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company’s promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the document to ensure that the document does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company may issue registered or bearer share. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered share and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorise the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations. Bearer shares are transferred by delivery of the share certificates to the transferee.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offering of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Overseas Listing Trial Measures, domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish the document and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days from the date of the resolution on the reduction;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who request and are against the resolution regarding the merger or division with

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

other companies at a shareholders' general meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorised by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be cancelled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralised trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' general meeting exercises the following principal functions:

- to decide on the company's operational policies and investment plans;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and change of company form;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors proposes; or
- other circumstances as provided for in the articles of associations.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

Under the Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Guidance for Articles of Association, after the notice of the general meeting of shareholders is issued, the general meeting of shareholders shall not be postponed or cancelled without justifiable reasons, and the proposals listed in the notice of general meeting of shareholders shall not be cancelled. In the event of postponement or cancellation, the convener shall make an announcement and explain the reasons at least two working days before the original meeting date.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Guidance for Articles of Association, the board of directors and the Secretary of the board of directors will cooperate with the general meeting of shareholders convened by the board of supervisors or shareholders. The board of directors will provide the register of shareholders on the date of equity registration. Moreover, when a general meeting of shareholders is held, all directors, supervisors and the secretary of the board of directors of the company shall attend the meeting, and managers and other senior management personnel shall attend the meeting as nonvoting delegates.

Pursuant to the Guidance for Articles of Association, shareholders who individually or jointly hold more than 3% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the general meeting of shareholders. The convener shall issue a supplementary notice of the general meeting of shareholders within two days after receiving the proposal and announce the contents of the interim proposal.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Under the Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Guidance for Articles of Association, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) equity incentive plan; (iv) the company purchases or sells major assets within one year or the amount of guarantee exceeds 30% of the company's total audited assets in the latest period; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters stipulated by laws, administrative regulations or the Articles of Association, as well as other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempted from that liability.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Guidance for Articles of Association.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person in charge of finance;
- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings as a non-voting representative.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favour of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their fiduciary duty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company which has issued shares to the public must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Guidance for Articles of Association provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Distribution of Profits

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association occurred; (ii) the shareholders' general meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked, or the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to liquidate the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to apply for deregistration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Overseas Listing Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of this article. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through the website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within 5 working days after receiving the filing materials. The issuer shall supplement the materials within 30 working days.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people’s court to declare such certificate invalid. After the people’s court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law (2019 Revision) (《中華人民共和國證券法(2019修訂)》) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

Securities Law and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council’s securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (2017 Amendment) (《中華人民共和國仲裁法(2017修正)》) (the “Arbitration Law”) was passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”) adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognise and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People’s Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People’s Court adopted the Arrangements of the Supreme People’s Court on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000 and was amended by the Supplemental Arrangement of the Supreme People’s Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (2021) (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排(2021)》). In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgement and its enforcement

According to the Arrangement of the Supreme People’s Court between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《最高人民法院關於內地與香港特別行政法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”) promulgated by the Supreme People’s Court on July 3, 2008 and implemented on August 1, 2008, in the case of final judgement, defined with payment amount and enforcement power, made between the court of PRC and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People’s Court of Mainland China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. “Choice of court agreement in written” refers to a written agreement defining the exclusive jurisdiction of either the People’s Court of Mainland China or the court of the Hong Kong Special Administrative Region in order to resolve dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the Court of Mainland China or the court of the Hong Kong Special Administrative Region to recognised and enforce the final judgement made in Mainland China or Hong Kong that meet certain conditions of the aforementioned regulations.

APPENDIX IV

**SUMMARY OF PRINCIPAL LEGAL AND
REGULATORY PROVISIONS**

On January 18, 2019, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

This Appendix mainly provides investors with an overview of the Articles of Association. As the following information is in summary form, it does not contain all the information that may be important to investors.

SHARES AND REGISTERED CAPITAL

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank pari passu with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

According to the operation and development needs of the Company, subject to the laws, regulations and the Articles of Association, the Company may increase the capital by the following ways upon approval of special resolutions at the Shareholders' general meeting:

- (1) public issuance of shares;
- (2) non-public issuance of shares;
- (3) distribution of bonus shares to existing shareholders;
- (4) capitalization of common reverse fund;
- (5) other means stipulated by laws and administrative regulations or approved by the government authorities.

Repurchase of Shares

Company shall not to repurchase its own shares, unless otherwise under the circumstances:

- (1) reducing the Company's registered capital;
- (2) merging with other companies holding our shares;
- (3) using the shares as an employee stock ownership plan or equity incentive plan;
- (4) purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a Shareholders' general meeting upon their request;

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

- (5) use of shares for conversion of convertible corporate bonds issued by the Company;
- (6) necessary for the Company to maintain its value and protect the interests of the shareholders;

A resolution shall be passed at the Shareholders' general meeting when the Company is to repurchase its own shares under the circumstances (1) and (2) set out above. In case of the circumstances stipulated in (3), (5), and (6) above, a resolution of the Company's Board shall be passed by more than two-thirds of the Directors attending the Board meeting, subject to compliance with the applicable securities regulatory rules of the stock exchange where the Company's shares are listed. After the Company has repurchased its own shares in accordance with the circumstances (1) to (6) set out above, the shares so repurchased shall be canceled within ten days from the date of purchase (under the circumstance set out in (1) above), or shall be transferred or canceled within six months (under the circumstances set out in (2) and (4) above). If the Company repurchases its shares under the circumstances set out in (3), (5) and (6) above, the total number of shares held by the Company shall not exceed ten percent of the total issued shares of the Company, and such shares shall be transferred or canceled within three years.

Subject to the approval by the relevant competent authorities of the State, the Company may repurchase its shares in one of the following ways:

- (1) open centralized trading;
- (2) other ways recognized by laws, administrative regulations, the CSRC and other stock exchanges of the place where the Company's shares are listed, and shall comply with the provisions of applicable laws, administrative regulations, departmental rules and securities regulatory rules of the place where the Company's shares are listed.

In case of the circumstances stipulated in (3), (5), and (6) above, the Company shall repurchase its shares in open centralized trading.

After the acquisition of the Company's shares, the Company shall fulfill its disclosure obligations in accordance with the provisions of the Securities Law, regulations of the securities exchange where the company's stock is listed, and other securities regulatory rules.

Transfer of Shares

Shares of the Company held by the founders shall not be transferred within one year from the date of incorporation of the Company. Shares of the Company that were issued prior to a public issue shall not be transferred within one year from the date on which shares of the Company are listed and traded on the stock exchange.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

The Directors, Supervisors and senior management of the Company shall notify the Company of their holdings of shares in the Company and the changes therein. The shares transferrable by them during each year of their tenures shall not exceed 25% of their total holdings of shares in the Company. The shares in the Company held by them shall not be transferred within one year from the date on which the Company's shares are listed for trading. The shares in the Company held by them shall not be transferred within half a year from their departure from the Company. Where the listing rules of the place where the Company's shares are listed provide otherwise in respect of the restrictions on the transfer of overseas listed shares, such rules shall prevail.

All transfers of H Shares shall be effected by instruments of transfer in writing in a general or common form or in any other form acceptable to the Board of Directors, including the standard transfer form or form of transfer specified by the Hong Kong Stock Exchange from time to time. The instruments of transfer may be signed by hand only or (where the transferor or transferee is a corporation) stamped with the corporation's chop. If the transferor or transferee is a recognized clearing house as defined by the relevant provisions that come into effect from time to time according to the laws of Hong Kong or its nominee, the instruments of transfer may be signed by hand or in a machine imprinted format. All instruments of transfer shall be deposited with the legal address of the Company or such places as the Board of Directors may designate from time to time.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

Shareholders

The Company shall establish a register of Shareholders based on the certificates provided by the securities registration authority and the register of Shareholders is sufficient evidence to prove that the Shareholders hold the shares of the Company. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

Shareholders of the Company enjoy the following rights:

- (1) to receive dividends and other forms of interest distributions in proportion to the shares they hold;
- (2) to file a petition of, to convene, hold and attend the Shareholders' general meetings either in person or by proxy and exercise their corresponding voting right according to laws;
- (3) to supervise, present suggestions on or make inquiries about the business operations of the Company;
- (4) to transfer, donate or pledge their shares in accordance with laws, administrative regulations and the Articles of Association;

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

- (5) to inspect the Articles of Association, register of Shareholders, counterfoils of corporate bonds, minutes of Shareholders' general meetings, resolutions of the Board meetings, resolutions of the meetings of Board of Supervisors, financial and accounting reports;
- (6) to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;
- (7) to request the Company to purchase their shares for the Shareholders who object to the Company's resolution on merger or division made by the Shareholders' general meetings; and
- (8) to enjoy other rights stipulated by laws, administrative regulations, departmental rules and the Articles of Association.

In the event that any resolution of the Shareholders' general meeting or resolution of the Board of Directors violates laws or administrative regulations, the Shareholder is entitled to request the People's Court to deem it as invalid. In the event that the convening procedure or voting method of the Shareholders' general meeting or the Board meeting violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the Shareholder is entitled to request the People's Court to overturn the resolution within 60 days upon the resolution was adopted.

Shareholders of the Company shall assume the following obligations:

- (1) to abide by the laws, administrative regulations and the Articles of Association;
- (2) to pay subscription monies according to the shares subscribed and the method of subscription;
- (3) not to withdraw the shares unless required by the laws and administrative regulations;
- (4) not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders, and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company; Where any shareholder of the Company abuses the shareholders' rights and incur losses to the Company or other shareholders, such shareholder shall be liable for the damages according to laws. Where shareholders of the Company abuse the Company's status as an independent legal entity and the limited liability of shareholders for the purposes of evading debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company.
- (5) other obligations imposed by the laws, administrative regulations and the Articles of Association;

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

General Provisions for Shareholders' General Meetings

The Shareholders' general meeting is the organ of authority of the Company, which exercises the following powers in accordance with applicable laws and regulations:

- (1) to decide on the Company's operational policies and investment plans;
- (2) to elect or remove the Directors and Supervisors (other than the employee representatives) and to decide on matters relating to the remuneration of Directors and Supervisors;
- (3) to examine and approve reports of the Board of Directors;
- (4) to examine and approve reports of the Board of Supervisors;
- (5) to examine and approve the Company's proposed annual financial budget and final accounts;
- (6) to examine and approve the Company's proposals for profit distribution plans, adjustment programme for profit distribution policy and loss recovery plans;
- (7) to examine and approve the Company's shareholder return planning;
- (8) to decide on any increase or decrease of the Company's registered capital;
- (9) to decide on the issue of corporate bonds by the Company;
- (10) to decide on the issue of shares, convertible corporate bonds and other types of securities recognised by the China Securities Regulatory Commission;
- (11) to decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;
- (12) to amend the Articles of Association;
- (13) resolution on appointment and dismissal of an accounting firm by the Company;
- (14) to examine and approve the provision of guarantees stipulated in Article 42;
- (15) to examine matters relating to the purchases and disposals of the Company's material assets within one year, which exceed 30% of the Company's latest audited total assets;
- (16) to examine and approve matters relating to changes in the use of proceeds;

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

- (17) to examine and approve the equity incentive plans and employee stock ownership plans;
- (18) to decide on the purchase of the Company's shares under the circumstances stipulated in Article 23 (1) and (2) of the Company's Articles of Association;
- (19) to examine other matters as required by the laws, administrative regulations, departmental rules, the Articles of Association of the Company or the securities regulatory rules of the place where the Company's shares are listed, which shall be decided by the Shareholders' general meeting.

The following provision of guarantees to third parties by the Company are subject to the consideration and approval by the Shareholders' general meeting:

- (1) any guarantee provided after the total amount of guarantee to third parties provided by the Company and its controlled subsidiaries has exceeded 50% of the Company's latest audited net assets;
- (2) any guarantee provided after the total amount of guarantee to third parties provided by the Company and its controlled subsidiaries has exceeded 30% of the Company's latest audited total assets;
- (3) a guarantee provided to a party with an asset-liability ratio of over 70%;
- (4) a single guarantee that exceeds 10% of the Company's latest audited net assets;
- (5) the guarantee to be provided to shareholders, beneficial controllers and their related parties;
- (6) the cumulative guarantee amount in the last 12 months has exceeded 30% of the Company's latest audited total assets;
- (7) other circumstances required by the laws, administrative regulations, rules, securities regulatory rules of the place where the Company's shares are listed or other regulatory documents or the Articles of Association of the Company.

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting is convened once a year and shall be held within six months after the end of the previous accounting year.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

The Company shall convene an extraordinary general meeting within two months from the date of the occurrence of any of the following circumstances:

- (1) where the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in the Articles of Association (i.e., six);
- (2) where the losses of the Company that have not been made up reach one-third of its total paid in share capital;
- (3) where it is requested by a shareholder alone or shareholders together holding more than 10 percent of the Company's shares;
- (4) the Board of Directors considers it necessary;
- (5) the Board of Supervisors proposes that such a meeting shall be held;
- (6) other circumstances conferred by the laws, administrative regulations, departmental rules and the Articles of Association.

If an extraordinary general meeting is convened in accordance with the provisions of the securities regulatory rules for the company's stock listing, the actual convening date of the extraordinary general meeting may be adjusted based on the approval progress of the securities exchange where the company's stock is listed.

Convening of Shareholders' General Meetings

The board of directors is responsible for convening the Shareholders' general meeting.

Shareholders who individually or collectively hold more than 10% of the shares of the Company and independent director shall have the right to request the Board of Directors to convene an extraordinary general meeting, and shall submit such request in writing to the Board of Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary general meeting within 10 days after receiving the request.

Where the Board of Directors agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days after the resolution of the Board of Directors is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Directors does not agree to convene an extraordinary general meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's shares have the right to propose to the Board of Supervisors to hold an extraordinary general meeting, and shall make a written request to the Board of Supervisors.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

Where the Board of Supervisors agrees to convene an extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Supervisors fails to issue a notice of the general meeting within the prescribed time limit, it shall be deemed that the Board of Supervisors has not convened and presided over the general meeting, and shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over it on their own.

Where the Board of Supervisors or shareholders decide to convene a Shareholders' general meeting by themselves, they shall notify the Board of Directors in writing and file with the Shenzhen Stock Exchange at the same time. Prior to the announcement of the resolution of the Shareholders' general meeting, the shareholding ratio of the convening shareholders shall not be less than 10%. The Board of Supervisors or the convening shareholders shall submit relevant supporting materials to the Shenzhen Stock Exchange when issuing the notice of the general meeting and the announcement of the resolutions of the Shareholders' general meeting.

The expenses necessary for the Shareholders' general meeting convened by the Board of Supervisors or the shareholders themselves shall be borne by the Company.

The Shareholders' general meeting shall be chaired by the chairman. When the chairman is unable to perform his duties or fails to perform his duties, the meeting is chaired by the Vice Chairman. When the Vice chairman is unable to perform his duties or fails to perform his duties, the chairman shall be presided over by a director jointly elected by more than half of the directors.

Notice of Shareholders' General Meeting

The convener shall notify all Shareholders by way of announcement 21 days prior to the convening of the annual general meeting, and each Shareholder shall be notified by way of announcement 15 days prior to the convening of the extraordinary general meeting. The date of the meeting shall not be included in the calculation of the commencement period.

The notice of a Shareholders' general meeting shall include the following:

- (1) the time, place and duration of the meeting;
- (2) matters and proposals submitted to the meeting for consideration;
- (3) in plain language: all Shareholders have the right to attend the general meeting of shareholders, and may entrust a proxy in writing to attend the meeting and vote. Such a proxy does not need to be a shareholder of the Company;
- (4) the shareholding registration date of the Shareholders entitled to attend the general meeting;

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

- (5) name and telephone number of the permanent contact person for conference affairs;
- (6) voting time and voting procedures on the Internet or in other ways.

The notice and supplementary notice of the Shareholders' general meeting shall fully and completely disclose all the specific contents of all proposals. Where an independent non-executive director is required to express opinions on matters to be discussed, the opinions and reasons of the independent non-executive directors shall be disclosed at the same time when the notice of Shareholders' general meeting and the supplementary notice are issued.

Proposals at Shareholders' General Meetings

The Board of Directors, the Board of Supervisors and Shareholders who individually or jointly hold more than 3% of the shares of the Company shall have the right to put forward proposals to the Company. Shareholders who individually or collectively hold more than 3% of the shares of the Company may submit an interim proposal in writing to the convener 10 days prior to the convening of the Shareholders' general meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting within 2 days after receiving the proposal, and announce the contents of the interim proposal.

Proxy for the Shareholders' General Meeting

A shareholder may attend and vote at the shareholders' general meeting in person or by proxy.

Individual shareholders attending the meeting in person shall present their personal identity cards or other valid certificates or documents or proof of shareholding. Proxies attending the meeting shall present their personal identity cards and the proxy statements from the shareholder.

Corporate shareholders shall be represented by its legal representative or proxies authorized by the legal representative. Legal representatives attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the legal representative. Proxies authorized to attend the meeting shall present their personal identity cards or the written proxy statement legally issued by the legal representative of the legal person shareholder, except for shareholders who are a recognized clearing house as defined in the relevant ordinances in force from time to time under the laws of Hong Kong or the securities regulatory rules of the place where the shares of the company are listed (hereinafter referred to as the "Recognized Clearing House") or its proxy.

If the shareholder is a Recognized Clearing House, the Recognized Clearing House may authorize one or more persons it deems fit to act as its proxy at any general meeting or any meeting of creditors; however, if more than one person is authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized may act on behalf of the Recognized Clearing House as if such person were an individual shareholder of the Company.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

If the power of attorney is signed by another person authorized by the principal, the power of attorney or other document authorizing the signature shall be notarized. The notarized power of attorney or other authorizing document, together with the instrument appointing the voting proxy, shall be deposited at the domicile of the Company or at such other place as specified in the notice of the meeting.

If the principal is a legal person, its legal representative or the person authorized by a resolution of the Board or other decision-making body shall attend the shareholders' general meeting of the Company as the representative of such legal person.

The power of attorney issued by a shareholder to appoint another person to attend a general meeting shall contain the following particulars:

- (I) name of the proxy;
- (II) with or without voting rights;
- (III) instructions to vote for, against or abstain from voting on each matter to be considered that are included on the agenda of the shareholders' general meeting, respectively;
- (IV) date of issuance and date of expiry of the power of attorney;
- (V) signature (or seal) of the principal. If the principal is a corporate shareholder, the seal of the corporate shall be affixed.

The power of attorney should state whether the proxy may vote as he/she wishes if the shareholder does not give specific instructions. If no such instruction is given, it is deemed that the proxy of the shareholder may vote as he/she wishes.

Voting at the Shareholders' General Meeting

Resolutions at shareholders' general meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution at a shareholders' general meeting shall be passed by more than half of the voting rights held by the shareholders present at the shareholders' general meeting (including proxies). A special resolution at a shareholders' general meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the shareholders' general meeting (including proxies).

Shareholders (including their proxy) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote. Where material issues affecting the interests of minority shareholders are considered at the shareholders' general meeting, the votes of minority shareholders shall be counted separately. The separate votes counting results shall be disclosed publicly in a timely manner.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

The shares held by the Company shall have no voting right, and shall not be included in the total number of shares with voting rights of shareholders present at the shareholders' general meeting.

If any shareholder, under applicable laws and regulations and Hong Kong Stock Exchange Listing Rules of the Hong Kong Stock Exchange, is required to abstain from voting on any particular matter being considered or is restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

If a shareholder purchases shares with voting rights of the Company in violation of the provisions of Article 63(1) and (2) of the Securities Law, the voting rights of such shares in excess of the prescribed proportion shall not be exercised and shall not be counted towards the total number of shares with voting rights present at the shareholders' general meeting for thirty-six months after the purchase.

The Board of Directors, independent non-executive Directors, shareholders holding more than one per cent of the shares with voting rights or investor protection agencies established in accordance with laws, administrative regulations or the provisions of the CSRC may publicly solicit shareholders' voting rights. The solicitation of shareholders' voting rights shall provide full disclosure of information such as specific voting intentions to the solicited person. The solicitation of shareholders' voting rights by way of remuneration or disguised remuneration is prohibited. Except for statutory conditions, the Company shall not impose minimum shareholding restrictions on the solicitation of voting rights.

Where a related party transaction is considered at a shareholders' general meeting, the interested shareholder(s) shall abstain from voting, and the voting shares held by the interested shareholder(s) shall not be counted in the total number of voting shares. The announcement on the resolutions of the shareholders' general meeting shall fully disclose the voting of the non-interested shareholders.

The following matters shall be passed by ordinary resolutions at the shareholders' general meeting:

- (I) work reports of the Board of Directors and the Board of Supervisors;
- (II) plans for the distribution of profits and for recovery of losses proposed by the Board;
- (III) the election and removal of the members of the Board of Directors and the Board of Supervisors and their remuneration and payment method;
- (IV) the annual financial budget and final account report of the Company;
- (V) the annual report of the Company;

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

- (VI) the issue of corporate bonds by the Company;
- (VII) resolution on appointment and dismissal of an accounting firm by the Company;
- (VIII) the guarantee matters stipulated in Article 41 (excluding those specified in Article 77, Item (V));
- (IX) the Company's shareholder return planning;
- (X) Change in the use of funds raised;
- (XI) Any other matters other than those shall be passed by special resolutions as required by laws, administrative regulations, the listing rules of the place where the shares of the Company are listed, or the Articles of Association.

The following matters shall be passed as special resolutions of a shareholders' general meeting:

- (I) the increase or reduction of the registered capital of the Company;
- (II) the division, spin-off, merger, dissolution and liquidation of the Company or change of company form;
- (III) any amendment to the Articles of Association and its appendices (including rules for general meetings of shareholders, rules for board meetings, rules for supervisory board meetings, etc.);
- (IV) the issuance shares, convertible corporate bonds and other types of securities recognised by the China Securities Regulatory Commission;
- (V) purchase or sale of significant assets within a year or guarantee which exceeds 30% of the Company's audited total assets for the latest period;
- (VI) share option incentive plan;
- (VII) any other matters stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, which have a significant impact on the Company if to be passed by an ordinary resolution of a shareholders' general meeting and which are deemed necessary to be passed as a special resolution.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors of the Company may include executive Directors, non-executive Directors and independent non-executive Directors. Non-executive Directors refer to Directors who do not hold management positions in the Company. The qualification, nomination, election procedures and powers of independent non-executive Directors and other related matters shall be implemented in accordance with laws and relevant requirements of the CSRC and the stock exchange of the place of listing.

Directors shall be elected or replaced at a shareholders' general meeting, and can be removed by a shareholders' general meeting before the expiry of the term of office. Directors' term of office shall be three years, and upon expiry of the term of office, the Director may be re-elected.

The term of office of a Director shall be from the date of appointment to the expiry of term of office of the current Board. Where re-election is not promptly carried out upon expiry of the term of office of a Director, prior to appointment of a new Director, the original Director shall continue to carry out director duties pursuant to the provisions of laws, administrative regulations, ministry rules and the Articles of Association.

The general manager or any other senior management may hold the position of Director concurrently, but the aggregate number of Directors who hold the position of general manager or any other senior management position concurrently shall not exceed half of the total number of Directors of the Company.

A Director may resign prior to expiry of his/her term of office. A resigning Director shall submit a written resignation report to the Board of Directors. The Board of Directors shall disclose the relevant information within two days. Where the resignation of the Director will render the number of Directors to fall below the statutory quorum, or if the resignation of an independent director will lead to the proportion of independent directors in the company's board of directors or its special committees not complying with legal regulations or absence of accounting professional among the independent non-executive Directors, the original Director shall continue to perform director duties pursuant to the provisions of laws, administrative regulations, ministry rules and the Articles of Association prior to appointment of his/her replacement. The resignation of the Director shall take effect upon the election of a Director in place of the leaving Director. The company shall conduct a by-election within sixty days from the date of resignation submitted by directors or independent non-executive directors, ensuring that the composition of the board of directors and its special committees complies with the provisions of laws, regulations, and this constitution.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

Chairman

The Board of Directors shall appoint a Chairman and a Vice Chairman. The Chairman and Vice Chairman shall be elected by more than one half of all Directors.

The Chairman shall exercise the following functions and powers:

- (I) to preside over shareholders' general meetings and to convene and to preside over Board meetings;
- (II) to supervise and inspect the implementation of Board resolutions;
- (III) to sign company stocks, corporate bonds, and other valuable securities;
- (IV) to sign the documents of the Board and other documents which shall be signed by the legal representative of the Company; to exercise the functions and powers as a legal representative;
- (V) in case of emergency of catastrophic natural disasters and other force majeure, to exercise the special right of disposal that is in line with the requirements of laws and interests of the Company on the matters of the Company, and report to the Board and the shareholders' general meeting afterwards; and
- (VI) to exercise other functions and powers conferred by the Board.

Board of Directors

The Board of Directors consists of ten Directors, four of whom are independent Directors and has one chairman.

The Board of Directors shall be accountable to the shareholders' general meetings and shall exercise the following functions and powers:

- (I) to convene shareholders' general meetings, and submit work reports to shareholders' general meetings;
- (II) to implement the resolutions of shareholders' general meetings;
- (III) to resolve on the Company's business plans and investment plans;
- (IV) to formulate the Company' annual financial budgets and final accounting plans;
- (V) to formulate the Company's profit distribution plan and plan for making up of losses;

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

- (VI) to formulate the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;
- (VII) to formulate the Company's plans for significant acquisition, acquisition of the Company's shares (due to circumstances provided in items (I) and (II) of Article 23 of the Articles of Association) or merger, division, dissolution and change of company form;
- (VIII) subject to compliance with securities regulatory rules of the place where the Company's shares are listed, to decide on the acquisition of the Company's shares (due to circumstances provided in items (III), (V) and (VI) of Article 24 of the Articles of Association);
- (IX) to decide, within the scope of the mandate granted by a shareholders' general meeting, on the Company's external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related party transactions, external donations, etc;
- (X) to decide on the establishment of the Company's internal management organisations and branches;
- (XI) to decide on the appointment or dismissal of the general manager, secretary to the Board and other senior management members of the Company, and to decide on their remunerations, incentives and penalties; to decide on the appointment or dismissal of senior management members such as the deputy general manager or person-in-charge of finance of the Company based on the nominations by the general manager, and to decide on their remunerations, incentives and penalties;
- (XII) to formulate and amend the basic management system of the Company;
- (XIII) to formulate the proposals for any amendment to the Articles of Association;
- (XIV) to manage information disclosure of the Company;
- (XV) to propose to a shareholders' general meeting on appointment or change of the accounting firms which provide audit services to the Company;
- (XVI) to listen to work reports of the general manager of the Company and inspect his/her work; and
- (XVII) any other functions and powers stipulated by laws, administrative regulations, ministry rules, the Articles of Association or conferred by Shareholders' general meetings.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

Meetings of the Board of Directors shall be classified into regular meetings and extraordinary meetings. The Board of Directors shall convene at least four meetings every year and the Chairman shall convene the Board meetings. A written notice of a regular meeting of the Board of Directors shall be served 14 days before the meeting on all Directors and Supervisors.

Any shareholder(s) holding 1/10 or more of the voting rights, one-third or more of the Directors or the Board of Supervisors may propose the holding of an extraordinary meeting of the Board. The Chairman shall convene and preside over a Board meeting within 10 days from receipt of such proposal.

The notice of an extraordinary meeting of the Board shall be served by telephone and written notice (including personal delivery, post, fax and e-mail). Notice of the meeting shall be served on all Directors three days before the date of the meeting. In case of an emergency, with the unanimous consent of all Directors, the convening of an extraordinary meeting of the Board may not be limited by the aforementioned notice period, but this shall be recorded in the minutes of the Board meeting.

The Board meeting shall be held upon the attendance of more than half of Directors. Resolutions made by the Board of Directors must be passed by more than half of all Directors of the Company. Voting on the resolutions of the Board of Directors shall be conducted on a one-person-one-vote basis.

If any Director has connection with the enterprise involved in the resolution made at a Board meeting, the said Director shall not vote on the said resolution for himself/herself or on behalf of another Director. The Board meeting may be held when more than half of the non-connected Directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the issue shall be submitted to the shareholders' general meeting for consideration. If there are any additional restrictions on Directors' participation in and voting at Board meetings in accordance with laws and regulations and the securities regulatory rules of the place where the Company's shares are listed, such provisions shall prevail.

Directors shall attend Board meetings in person. If any Director cannot attend the meeting for any reason, he/she may authorize in writing another Director to act on his/her behalf. The power of attorney shall set out the name of the proxy, the matters represented, scope of authorization and validity period, and shall be signed or sealed by the appointing Director. The appointed Director who attends the meeting shall exercise the Director's duties within the scope of authorization. If a Director does not attend a Board meeting in person and does not appoint a proxy to attend the meeting, he/she shall be deemed to have waived the voting rights at the meeting.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

Special Committees under the Board

The Company has established the audit committee, the remuneration and appraisal committee, the nomination committee, the strategy committee, and the ESG (Environmental, Social, and Governance) committee under the Board of Directors according to the actual situation and needs.

The special committees shall be responsible to the Board of Directors, and perform their duties according to the Articles of Association and the authorization granted by the Board of Directors. The proposals shall be submitted to the Board of Directors for consideration and approval. All members of the special committees are composed of Directors, among which the number of independent non-executive Directors shall be over half of the audit committee, remuneration and appraisal committee and nomination committee, and they shall act as the chairman of the committees. The chairman of the audit committee shall be an accounting professional. The Board of Directors is responsible for formulating the working procedures of the special committees and regulating their operations.

Secretary to the Board

The Company shall have a secretary to the Board, and shall be responsible for the preparation of the shareholders' general meeting and Board meeting, document keeping and management of information regarding the shareholders of the Company and other matters, and shall deal with information disclosure and other matters. The secretary to the Board shall comply with the relevant provisions of the laws, administrative regulations, departmental rules and the Articles of Association.

General Manager and Other Senior Management Members

The company establishes one General Manager, several Deputy General Managers, one Chief Financial Officer, and one Secretary to the Board of Directors, all of whom are appointed or dismissed by the Board of Directors.

The General Manager, Deputy General Managers, Chief Financial Officer, and Secretary to the Board of Directors are senior executives of the company.

The term of office of the general manager shall be three (3) years, renewable upon re-appointment.

The general manager shall be accountable to the Board of Directors and shall exercise the following functions and powers:

- (I) to be in charge of the Company's production, operation and management, and to organize and implement the resolutions of the Board of Directors and report on works to the Board of Directors;

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

- (II) to organize and implement the Company's annual business plan and investment proposals;
- (III) to draft plans for the establishment of the Company's internal management organizations;
- (IV) to draft the Company's basic management system;
- (V) to formulate specific rules and regulations for the Company;
- (VI) to propose to the Board of Directors on the appointment or dismissal of deputy general manager and Chief Financial Officer of the Company;
- (VII) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;
- (VIII) other functions and powers stipulated in the general manager's work rules and the Articles of Association or conferred by the Board of Directors.

The general manager shall attend meetings of the Board of Directors.

Senior management members shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders. If any senior management member causes damage to the interests of the Company and its public shareholders due to failure in faithfully performing their duties or violation of his/her fiduciary duties, he/she shall be liable for compensation in accordance with laws.

SUPERVISORS AND BOARD OF SUPERVISORS

Supervisors

The Board of Supervisors shall include shareholder representatives and employee representatives, the ratio of employee representatives shall not be less than one-third of all Supervisors. The employee representatives sitting on the Board of Supervisors shall be elected by the employees through the employee representative congress, employee congress or any other democratic form.

Each Supervisor shall serve for a term of three years. Upon expiry of the term, the Supervisor may be re-appointed upon re-election. The Directors, general manager and other senior management members, as well as their spouses and immediate family members, shall not act concurrently as Supervisors.

Supervisors may be in attendance at Board meetings, and raise questions or suggestions pertaining to Board resolutions.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

Supervisors shall comply with laws, administrative regulations and the Articles of Association and bear fiduciary obligations and diligence obligations towards the Company. They shall not abuse their authority to accept bribes or other illegal income and shall not misappropriate the properties of the Company.

Board of Supervisors

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of two Supervisors and one chairman. The chairman of the Board of Supervisors shall be elected by a simple majority of all Supervisors. The meetings of the Board of Supervisors shall be presided over and chaired by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his/her duties, such meeting shall be convened and presided over by a Supervisor nominated by not less than half of the Supervisors.

The Board of Supervisors shall exercise the following functions and powers:

- (I) to examine regular reports prepared by the Board of Directors and propose written examination suggestions;
- (II) to review the Company's financial position;
- (III) to supervise the Directors and senior management members' acts in performing their duties in the Company, and to propose a removal of any Director or senior management member in violation of any laws, administrative regulations, the Articles of Association or resolutions adopted at the shareholders' general meeting;
- (IV) to demand any Director or senior management member who acts in a manner which is harmful to the Company's interest to rectify such behaviour;
- (V) to propose to convene an extraordinary general meeting, and to convene and preside over shareholders' general meetings where the Board of Directors fails to perform its duty to do so as required by the Company Law;
- (VI) to submit proposals to shareholders' general meetings;
- (VII) to initiate legal proceedings against any Director or senior management member according to Article 151 of the Company Law;
- (VIII) to investigate into unusual operation of the Company and if necessary, to engage an accounting firm, a law firm or other professional institutions to assist in its work at the expenses of the Company;
- (IX) any other functions and powers stipulated by laws, administrative regulations, ministry rules, the Articles of Association or conferred by sShareholders' general meetings.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

Meetings of the Board of Supervisors

The Board of Supervisors shall convene a meeting at least once every six months. Supervisors may propose to convene extraordinary meetings of the Board of Supervisors. Resolutions of the Board of Supervisors shall be passed by more than half of the members of the Board of Supervisors.

QUALIFICATIONS AND RESPONSIBILITIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

A person may not serve as a Director, Supervisor, general manager or other member of senior management of the Company in any of the following circumstances:

- (I) a person who has no or restricted capacity for civil conduct;
- (II) a person who has committed an offense of corruption, bribery, infringement of property, misappropriation of property or disruption of the socialism economic order and has been punished because of committing such offense where less than five years have lapsed following the completion of the implementation of the punishment; or who has been deprived of his/her political rights for committing an offense where less than five years have lapsed following such deprivation;
- (III) a person who is a former director, factory manager or president of a company or enterprise which has entered into insolvent liquidation and is personally liable for the insolvency of such company or enterprise, where less than three years have lapsed following the date of the completion of the insolvency and liquidation of such company or enterprise;
- (IV) a person who is a former legal representative of a company or enterprise which had its business license revoked or had been ordered to close down due to violation of the laws and has incurred personal liability, where less than three years have lapsed since the date of the revocation of such business license;
- (V) a person who has a relatively large amount of debt due and outstanding;
- (VI) a person who is currently being prohibited from participating in the securities market as a director, supervisor, or senior executive of a listed company by the China Securities Regulatory Commission and such barring period has not elapsed;
- (VII) a person who is currently being publicly deemed by the securities exchange as unsuitable for serving as a director, supervisor, or senior executive of the company, and the term of such disqualification has not expired;
- (VIII) any other circumstances stipulated by laws, administrative regulations, securities regulatory rules.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the provisions stipulated by the relevant authorities of the PRC. The Company shall adopt the Gregorian calendar year for its fiscal year, i.e. the fiscal year shall be from January 1 to December 31.

The Company shall submit and disclose its annual reports to the CSRC and the stock exchange in the place where the Company's shares are listed within four months from the end of each fiscal year, and its interim reports to the relevant branch office of the CSRC and the stock exchange in the place where the Company's shares are listed within two months from the end of the first half of each fiscal year.

The aforesaid annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations and requirements of the CSRC and the stock exchange in the place where the Company's shares are listed.

The Company will not establish account books other than the statutory account books.

The assets of the Company shall not be deposited in any personal account.

The Company is required to allocate 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required. Where the statutory reserve fund of the Company is insufficient to make up the losses of the Company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph.

Subject to a resolution of the shareholders' general meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund. After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to shareholders in proportion to their shareholdings, unless otherwise stipulated in the Articles of Association.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

Reserve funds of the Company are used for recovering losses of the Company and expanding scale of operation of the Company or conversion into its capital, but capital reserve fund shall not be used for making up the Company's losses. When the statutory reserve funds are converted into capital, the remaining balance of such reserve fund must not be less than 25% of its registered capital before such conversion.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

The Company shall distribute profits in cash, shares, in a way integrating cash and shares or other ways permitted by laws. Such distribution shall not exceed the amount of the accrued distributable profits and shall in no way prejudice the Company's sustainability of operation. The profits distributed in cash in any fiscal year by the Company shall be no less than 10% of the distributable profits sustained in the same year.

The Company shall appoint one or more collection agents for H shareholders in Hong Kong. The collection agents shall collect on behalf of the relevant H shareholders the dividends distributed and other funds payable by the Company in respect of the H shares, and hold such monies in their custody pending payment to the H shareholders concerned. The collection agents appointed by the Company shall meet the requirements of the laws, regulations and the securities regulatory rules of the place where the Company's shares are listed.

INTERNAL AUDIT

The Company has implemented an internal audit system and established the internal audit department equipped with full-time auditors to conduct internal audit and supervision on the Company's financial revenues and expenditures and economic activities.

The internal audit system of the Company and the duties of the auditors shall be implemented upon approval by the Board. The person in charge of audit shall be accountable and report to the Board.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall appoint such accounting firm which has complied with the Securities Law for carrying out the audit for the accounting statements, net asset verification and other relevant consultancy services. The term of appointment is one (1) year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of the shareholders' general meetings. The Board of Directors may not appoint accounting firm before the approval of the shareholders' general meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The audit fees of an accounting firm shall be determined at the shareholders' general meeting.

If the Company removes or no longer re-appoints the accounting firm, it shall notify such accounting firm thirty (30) days in advance. When shareholders vote for the removal of such accounting firm, such accounting firm shall be entitled to state its opinions at the shareholders' general meeting.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

Where the accounting firm resigns its office, it shall make clear to the shareholders' general meeting whether or not there are irregularities in the Company.

MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION OF THE COMPANY

Merger of the Company may take the form of absorption or establishment of a new company.

In the case of merger by absorption, a company absorbs any other company and the absorbed company shall be dissolved. Merger by establishment of a new company shall refer to the establishment of a new company as a result of merger of two or more companies and dissolution of the merger parties.

In the event of a merger, the merger parties shall enter into a merger agreement, and formulate a balance sheet and an inventory list for assets. The Company shall notify its creditors within 10 days from passing of the resolution on merger, and make an announcement within 30 days on the *Securities Times*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and the websites of CNINFO (<http://www.cninfo.com.cn>) and Hong Kong Stock Exchange (www.hkexnews.hk) as designated by the Company. Creditors may require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

At the time of merger, the claims and debts of the merger parties shall be succeeded by the company which subsists after the merger or the newly-established company.

When the Company undergoes a division, its assets shall be divided accordingly. In the event of a division, a balance sheet and an inventory list for assets shall be prepared. The Company shall notify its creditors within 10 days from passing of the resolution on division, and make an announcement within 30 days on the *Securities Times*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and the websites of CNINFO (<http://www.cninfo.com.cn>) and Hong Kong Stock Exchange (www.hkexnews.hk) as designated by the Company.

The debts of the Company prior to the division shall be assumed jointly and severally by the companies arising from the division, unless provided otherwise in a written agreement reached by the Company and the creditors in respect of repayment of the debts prior to the division.

Where the Company needs to reduce its registered capital, it shall formulate a balance sheet and an inventory list for assets.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

The Company shall notify its creditors within 10 days from passing of the resolution on reduction of registered capital, and make an announcement within 30 days on the *Securities Times*, *China Securities Journal*, *Shanghai Securities News*, *Securities Daily* and the websites of CNINFO (<http://www.cninfo.com.cn>) and Hong Kong Stock Exchange (www.hkexnews.hk) as designated by the Company. The creditors shall have the right to require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

The reduced registered capital of the Company shall not be lower than the minimum statutory amount.

In the event of change in registration matters due to merger or division, the Company shall complete change registration formalities with the company registration authority pursuant to the law; where the Company is dissolved, the Company shall apply for deregistration pursuant to the law; where a new company is established, company establishment formalities shall be completed pursuant to the law.

If the Company increase or reduce its registered capital, the Company shall complete change registration formalities with the company registration authority pursuant to the law.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

- (I) expiry of term of business stipulated in the Articles of Association or occurrence of any other trigger for dissolution stipulated in the Articles of Association;
- (II) A shareholders' general meeting has resolved on dissolution of the Company;
- (III) dissolution is required due to the merger or division of the Company;
- (IV) the Company's business licence is cancelled or the Company is ordered to be closed down or deregistered pursuant to the law; or
- (V) where the Company has serious difficulties in its business management that cannot be resolved through any other means, and its subsistence will cause serious damages to the interests of its shareholders, the shareholders who hold 10% or more of the total voting rights of the Company may apply to the people's court for dissolution of the Company.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

Where the Company is dissolved pursuant to items (I), (II), (IV) or (V) above, it shall establish a liquidation committee for liquidation within 15 days after the dissolution circumstance arises. The members of the liquidation committee shall be determined by Directors or the shareholders' general meeting. If the liquidation committee is not duly set up within the specified period, the creditors may request the people's court to designate related persons to form a liquidation committee to carry out liquidation.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

- (I) to liquidate the Company's assets and compile a balance sheet and a property inventory separately;
- (II) to inform creditors by notice or announcement;
- (III) to deal with the outstanding businesses of the Company relating to liquidation;
- (IV) to pay off the taxes owed and the taxes arising during liquidation;
- (V) to clear credits and debts;
- (VI) to dispose of the remaining assets of the Company after all the debts are paid off;
- (VII) to participate in civil proceedings on behalf of the Company.

The liquidation committee shall notify all creditors within 10 days after its establishment and shall make announcements in Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily, Juchao Information Website (<http://www.cninfo.com.cn>) and HKExnews Website (www.hkexnews.hk) within 60 days. The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after announcement if the creditors haven't received the notice.

The creditors shall explain matters relating to their rights and provide relevant evidential documents.

The liquidation committee shall register the creditor's rights. The liquidation committee shall not pay off any debts to any creditors during the period of declaration of creditor's rights.

After the liquidation committee has liquidated the assets of the Company and has compiled a balance sheet and a property inventory, it shall formulate a liquidation proposal and submit it to the shareholders' general meeting or the People's Court for confirmation.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

The Company's assets shall be used respectively for payment of liquidation expenses, employees' wages, social security premiums and statutory compensation, and payment of tax in arrears and the Company's debts; the residual assets thereafter shall be distributed in accordance with the shareholding type and percentage of the shareholders.

During the liquidation period, the Company shall subsist but shall not engage in business activities unrelated to liquidation. The Company's assets shall not be distributed to shareholders prior to making repayment pursuant to the provisions of the preceding paragraph.

After the liquidation committee has liquidated the assets of the Company and compiled a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the people's court for declaration of bankruptcy of the Company.

Following a ruling by the People's Court that the Company is bankrupt, the liquidation committee shall transfer to the People's Court all matters relating to the liquidation.

Following the completion of the liquidation of the Company, the liquidation committee shall formulate a liquidation report, submit it to the shareholders' general meeting or the People's Court for confirmation, deliver it to the company registry, apply for the cancellation of the Company's registration and publicly announce the Company's termination.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

- (I) Following the revision of the Company Law or relevant laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed, the matters stipulated in the Articles of Association contradict the provisions of the revised laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are listed;
- (II) There is any change to the Company's particulars which result in inconsistency with the matters set out in the Articles of Association; or
- (III) A Shareholders' General Meeting has decided on making amendments to the Articles of Association.

If the amendment to the Articles of Association adopted by resolution of the shareholders' general meeting is subject to the approval of the competent authority, it shall be reported to the competent authority for approval; if it involves matters of company registration, the registration of the changes shall be made with the company registration authority in accordance with the law.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of Our Company

Our Company was established as a limited liability company in the PRC on April 3, 2003 and converted into a joint stock company with limited liability on August 21, 2012 under the laws of the PRC and completed the listing of our A Shares on the Shenzhen Stock Exchange (stock code: 002865) on April 25, 2017. As of the Latest Practicable Date, the registered share capital of our Company was RMB227,394,526.

Our Company has established a place of business in Hong Kong at 31/F., Tower Two, Time Square, 1 Matheson Street, Causeway Bay, Hong Kong and has registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on January 3, 2024. Ms. Yu Wing Sze (余詠詩), the joint company secretary of our Company, has been appointed as our authorized representative for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As our Company was established in the PRC, its operations are subject to the relevant laws and regulations of mainland China. A summary of the relevant aspects of laws and regulations of mainland China and the Article of Association is set out in Appendices IV and V to this document, respectively.

2. Changes in Share Capital of Our Company

On April 3, 2003, our Company was established as a limited liability company with a registered capital of RMB15 million. The following sets out changes in the share capital of our Company within the two years immediately preceding the date of this document:

On May 19, 2022, the share capital of our Company increased from RMB132,348,532 to RMB141,524,273, comprising 141,524,273 A Shares with a nominal value of RMB1.00 each.

In March and April 2023, the share capital of our Company increased from RMB141,524,273 to RMB142,207,373, comprising 142,207,373 A Shares with a nominal value of RMB1.00 each.

On April 17, 2023, the share capital of our Company increased from RMB142,207,373 to RMB198,817,070, comprising 198,817,070 A Shares with a nominal value of RMB1.00 each.

On May 25, 2023, the share capital of our Company increased from RMB198,817,070 to RMB226,577,070, comprising 226,577,070 A Shares with a nominal value of RMB1.00 each.

In August 2023, the share capital of our Company increased from RMB226,577,070 to RMB227,394,526, comprising 227,394,526 A Shares with a nominal value of RMB1.00 each.

For further details, please refer to the section headed “History, Development and Corporate Structure.” Save as aforesaid, as of the Latest Practicable Date, there has been no alteration in our share capital within two years immediately preceding the date of this document.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

3. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries as of the Latest Practicable Date are set out in the section headed “History, Development and Corporate Structure.”

Huai’an Jietai

On October 13, 2022, Huai’an Jietai was established in the PRC as a limited liability company with a registered capital of RMB1,500,000,000.

Chuzhou Jietai

On March 21, 2022, the registered capital of Chuzhou Jietai increased from RMB2,000,000 to RMB500,000,000.

On December 20, 2022, the registered capital of Chuzhou Jietai increased from RMB500,000,000 to RMB1,200,000,000.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

4. Resolutions of the Shareholders

Pursuant to the extraordinary general meeting of our Shareholders held on February 5, 2024, the following resolutions, among others, were passed by our Shareholders:

- (a) the [REDACTED] by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [REDACTED] on the [REDACTED] be [REDACTED];
- (b) the number of H Shares to be [REDACTED] shall not be more than [REDACTED] of the total issued share capital of our Company as enlarged by the [REDACTED], and the grant to the [REDACTED] (or their representatives) of the [REDACTED] of not more than [REDACTED] of the number of H Shares [REDACTED] pursuant to the [REDACTED];
- (c) subject to the completion of the [REDACTED], the adoption of the Articles of Association which shall become effective on the [REDACTED], and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and
- (d) authorization of our Board and its authorized person to handle all relevant matters relating to, among other things, the [REDACTED] and [REDACTED] of the H Shares.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of Material Contracts



We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

- (a) an asset sale agreement entered into and between our Company and Supor Group Co., Ltd. (蘇泊爾集團有限公司) (“**Supor**”) on June 15, 2022, pursuant to which our Company acquired 15.03% equity interest in Jietai Technology from Supor at a consideration of RMB465.9 million;
- (b) an asset sale agreement entered into and between our Company and Shangrao Hongfu Photovoltaic Industry Center (Limited Partnership) (上饒市宏富光伏產業中心(有限合夥)) (“**Shangrao Hongfu**”) on June 15, 2022, pursuant to which our Company acquired 33.97% equity interest in Jietai Technology from Shangrao Hongfu at a consideration of approximately RMB1,053.1 million;
- (c) an asset sale agreement entered into and between our Company and Yang Family Investment on March 12, 2022, pursuant to which Yang Family Investment acquired entire equity interest of two wholly-owned subsidiaries of our Company, namely Suzhou Drinda and Hainan Xinsu, together with all asset relating to the car accessories business of our Company at a total consideration of approximately RMB1,056.9 million; and
- (d) the [REDACTED].







2. Intellectual Property Rights

Trademarks


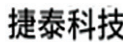


As of the Latest Practicable Date, we have registered the following trademarks in the PRC, which we considered to be material to our business:

No.	Owner	Registration No.	Place of Registration	Trademark	Class	Validity Period
1	Our Company	7985229	PRC		12	February 28, 2011 to February 27, 2031
2	Jietai Technology	56185760	PRC		6	February 7, 2022 to February 6, 2032

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Owner	Registration No.	Place of Registration	Trademark	Class	Validity Period
3	Jietai Technology	56178972	PRC		19	March 7, 2022 to March 6, 2032
4	Jietai Technology	65830705	PRC		19	December 28, 2022 to December 27, 2032
5	Jietai Technology	65831560	PRC		6	December 28, 2022 to December 27, 2032
6	Jietai Technology	65833982	PRC		9	December 28, 2022 to December 27, 2032
7	Jietai Technology	65974027	PRC		9	April 21, 2023 to April 20, 2033
8	Jietai Technology	65971335	PRC		19	April 21, 2023 to April 20, 2033

As of the Latest Practicable Date, we have applied for registration of the following trademarks, which we considered to be material to our business:

No.	Owner	Application No.	Place of Registration	Trademark	Class	Application Date
1	Company	306447169	Hong Kong	(A)  (B) 	9	January 9, 2024
2	Company	306447178	Hong Kong		9	January 9, 2024
3	Jietai Technology	1754706	Australia, Brazil, European Union, India, Republic of Korea, Thailand, Türkiye, Viet Nam		6, 9, 11, 19, 35, 37, 40	April 10, 2023

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be material to our business:

No.	Patent Description	Owner	Patent number	Place of registration
1	A back contact solar cell and its manufacturing method (一種背接觸太陽能電池及其製造方法)	Chuzhou Jietai	ZL201210472364.0	PRC
2	A method for preparing and processing SE batteries (一種SE電池製備處理方法)	Chuzhou Jietai	ZL202010338718.7	PRC
3	A solar cell based on N-type silicon substrate (一種基於N型矽基底的太陽能電池)	Chuzhou Jietai	ZL202222360826.1	PRC
4	A N-type TOPCON battery and photovoltaic module (一種N型TOPCON電池及光伏組件)	Chuzhou Jietai	ZL202222414433.4	PRC
5	A TOPCon battery (一種TOPCon電池)	Chuzhou Jietai	ZL202222666523.2	PRC
6	A Single Crystal Silicon Passivation Contact Structure and Its Preparation Method (一種單晶矽鈍化接觸結構及其製備方法)	Chuzhou Jietai	ZL202011229632.7	PRC
7	Silicon solar cells based on local nanopinhole contact and their preparation method (基於局部納米針孔接觸的矽太陽能電池及其製備方法)	Chuzhou Jietai	ZL202110425036.4	PRC
8	Phenol modified perovskite solar cells and their preparation methods (苯二酚修飾的鈣鈦礦太陽能電池及其製備方法)	Chuzhou Jietai	ZL202010155156.2	PRC
9	A controllable pinhole size and density silicon oxide passivation contact silicon solar cell (一種針孔尺寸及密度可控的氧化矽鈍化接觸矽太陽能電池)	Chuzhou Jietai	ZL202110425023.7	PRC

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent Description	Owner	Patent number	Place of registration
10	Preparation of tin lead mixed perovskite batteries passivated with p-phenyldimethylodide (對苯基二甲基碘化胺鈍化的錫鉛混合鈣鈦礦電池的製備)	Chuzhou Jietai	ZL202011097083.2	PRC
11	A high mobility transparent conductive oxide thin film and its preparation method (一種高遷移率透明導電氧化物薄膜及其製備方法)	Chuzhou Jietai	ZL202111156884.6	PRC
12	A local etching method for the passivation layer on the back of crystalline silicon solar cells (一種晶體矽太陽電池背面鈍化介質層局部刻蝕方法)	Huai'an Jietai	ZL201210044607.0	PRC
13	A Preparation Method for Selective Emitter of Solar Cells (一種太陽能電池選擇性發射極的製備方法)	Huai'an Jietai	ZL201210086038.6	PRC
14	A Phosphorus Slurry Diffusion Process for Selective Emitter Crystal Silicon Solar Cells (一種選擇性發射極晶體矽太陽電池的磷漿擴散工藝)	Huai'an Jietai	ZL201210177197.7	PRC
15	A Preparation Method for P-TOPCon Photovoltaic Solar Cell Structure (一種P-TOPCon光伏太陽能電池結構的製備方法)	Huai'an Jietai	ZL201911030560.0	PRC
16	Removal method of poly Si coating for Topcon battery production (用於Topcon電池製作的poly-Si繞鍍的去除方法)	Huai'an Jietai	ZL201910458001.3	PRC
17	A Contact Passivation Crystal Silicon Solar Cell Structure and Preparation Method (一種接觸鈍化晶體矽太陽能電池結構及製備方法)	Huai'an Jietai	ZL201811158665.X	PRC
18	A preparation method for cross finger back contact heterojunction solar cells (一種叉指型背接觸異質結太陽電池製備方法)	Huai'an Jietai	ZL201810884251.9	PRC

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent Description	Owner	Patent number	Place of registration
19	Metal halide perovskite material, preparation method thereof, solar cell device and preparation method thereof (金屬鹵化物鈣鈦礦材料,其製備方法以及太陽能電池器件及其製備方法)	Huai'an Jietai	ZL201910152238.9	PRC
20	An electron selective contact for crystalline silicon solar cells (一種面向晶矽太陽電池的電子選擇性接觸)	Huai'an Jietai	ZL202010792011.3	PRC
21	Back contact silicon heterojunction solar cells without interface doping and their preparation methods (無介面摻雜的背接觸矽異質結太陽能電池及其製備方法)	Huai'an Jietai	ZL201610465998.1	PRC
22	A preparation method for selective emitter solar cells (一種選擇性發射極太陽電池的製備方法)	Jietai Technology	ZL201210171390.X	PRC
23	Solar cells and their production methods (太陽能電池及其製作方法)	Jietai Technology	ZL201210447363.0	PRC
24	A diffusion process for improving the efficiency of crystalline silicon solar cells (一種提高晶體矽太陽能電池效率的擴散工藝)	Jietai Technology	ZL201510401290.5	PRC
25	An AlO _x deposition process for improving the back passivation performance of PERC batteries (一種提升PERC電池背鈍化性能的AlO _x 沉積工藝)	Jietai Technology	ZL201710946333.7	PRC
26	A hydrogen rich PECVD process method to enhance the hydrogen passivation ability of solar cells (一種增強太陽能電池氫鈍化能力的富氫PECVD工藝方法)	Jietai Technology	ZL201810410325.5	PRC

APPENDIX VI STATUTORY AND GENERAL INFORMATION

No.	Patent Description	Owner	Patent number	Place of registration
27	A Hydrogen Passivation Process for Improving the Light Decay Problem of Single Crystal Solar Cells (一種改善單晶太陽電池光衰問題的氫鈍化工藝)	Jietai Technology	ZL201810417130.3	PRC
28	A photovoltaic cell and its manufacturing method (一種光伏電池及其製作方法)	Jietai Technology	ZL202111150965.5	PRC

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Owner	Domain Name	Registration Date
1	Jietai Technology	www.jietaisolar.cn	October 21, 2020
2	Jietai Technology	www.jxuniex.com	August 24, 2015
3	Jietai Technology	www.jietaisolar.com	October 21, 2020

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors, Supervisors and the chief executive of our Company

Save as disclosed below, immediately following completion of the [REDACTED] (assuming that all the [REDACTED] is not exercised and no options are granted or exercised under the Employee Incentive Schemes), so far as our Directors are aware, none of our Directors, Supervisors and chief executive has any interest or short positions in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Name	Position	Nature of Interest	Number and class of Shares held	Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED]⁽¹⁾ (%)	Approximate percentage of shareholding in the total share capital of our Company after the [REDACTED]⁽¹⁾ (%)
Ms. Lu ⁽²⁾	Executive	Beneficial owner	[REDACTED]	[REDACTED]	[REDACTED]
	Director	Interest in controlled corporations and held jointly with other persons	(A Shares) [REDACTED] (A Shares)	[REDACTED]	[REDACTED]
Mr. Xu ⁽²⁾	Executive	Interest in controlled corporations and held jointly with other persons	[REDACTED]	[REDACTED]	[REDACTED]
	Director	Interest in controlled corporations and held jointly with other persons	(A Shares)	[REDACTED]	[REDACTED]
Mr. Zhang Manliang (張滿良) ⁽⁵⁾	Executive Director	Beneficial owner	[REDACTED] (A Shares)	[REDACTED]	[REDACTED]
Mr. Zheng Hongwei (鄭洪偉) ⁽⁵⁾	Executive	Interest in controlled corporations ⁽³⁾	[REDACTED] (A Shares)	[REDACTED]	[REDACTED]
	Director	Beneficial owner	[REDACTED] (A Share)	[REDACTED]	[REDACTED]
Ms. Zheng Tong (鄭彤) ⁽⁵⁾	Executive Director	Beneficial owner	[REDACTED] (A Shares)	[REDACTED]	[REDACTED] ⁽⁴⁾
Mr. Xu Yong (徐勇) ⁽²⁾	Non-executive	Interest in controlled corporations and held jointly with other persons	[REDACTED]	[REDACTED]	[REDACTED]
	Director	Interest in controlled corporations and held jointly with other persons	(A Shares)	[REDACTED]	[REDACTED]

Note:

- (1) The calculation is based on the total number of [227,394,526] A Shares in issue and [REDACTED] H Shares (assuming the [REDACTED] is not exercised and without taking into account any A Shares to be issued upon exercise of the share options granted under the Employee Incentive Schemes) in issue upon [REDACTED].
- (2) As of the Latest Practicable Date, 80% equity interest of Hainan Jindi was owned by Yang Family Investment which was controlled by Yang Family pursuant to the Acting-in-Concert Agreement. Mr. Xu is the spouse of Ms. Lu. Mr. Xu Yong (徐勇) is the spouse of Ms. Lu’s sister. As such each of Ms. Lu, Mr. Xu and Mr. Xu Yong (徐勇) was deemed to be interested in the 46,517,062 A Shares held by Hainan Jindi and 5,286,803 A Shares held by Ms. Lu.
- (3) As of the Latest Practicable Date, Mr. Zheng Hongwei (鄭洪偉) was the general partner of Shangrao Zhanhong New Energy Technology Center (Limited Partnership) (上饒展宏新能源科技中心(有限合夥)) (“**Shangrao Zhanhong**”), as such Mr. Zheng Hongwei (鄭洪偉) was deemed to be interested in the 9,265,625 A Shares held by Shangrao Zhanhong.
- (4) The percentage of 0.00% is due to the rounding.
- (5) Each of Mr. Zhang Manliang (張滿良), Mr. Zheng Hongwei (鄭洪偉) and Ms. Zheng Tong (鄭彤) was entitled to received certain numbers of A Shares pursuant to the exercise of options granted to him under the Employee Incentive Schemes, subject to the terms and conditions of these options. For details, please refer to “— Employee Incentive Schemes — (viii) Outstanding Options” under this section.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(b) Interests of the Substantial Shareholders

For the information on the persons who will, immediately following the completion of the [REDACTED], have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, please refer to the section headed “Substantial Shareholders.”

Save as set out above and Shangrao Economic and Technological Development Zone Urban Construction Engineering Management Co., Ltd. (上饒經濟技術開發區城市建設工程管理有限公司) being the 40% registered shareholder of Hongye New Energy pursuant to the relevant financing arrangement as disclosed in the section headed “History, Development and Corporate Structure — Corporate Development and Major Shareholding Changes of our Group — Our Subsidiaries — Hongye New Energy”, our Directors are not aware of any other person (other than our Directors, Supervisors or chief executive) will, immediately following completion of the [REDACTED], directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Service Contracts

We [have entered into] a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, the Articles of Association and applicable provisions on arbitration.

Each of our Directors [has entered into] a service contract with our Company. The principal particulars of these service contracts comprise (a) a term of three years commencing from the date of appointment; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders’ approval.

Each of our Supervisors [has entered into] a service contract with our Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, none of our Directors and Supervisors has or is proposed to have entered into any service contract with any member of our Group (excluding contracts expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors and Supervisors

Save as disclosed in the section headed “Directors, Supervisors and Senior Management” and “Appendix I — Accountants’ Report — Notes to The Historical Financial Information — 11. Directors’, Supervisors’, Chief Executive’s and Employees’ Emoluments” for the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

4. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors, Supervisors or any of the parties listed in “Other Information — 5. Qualifications of Experts” of this Appendix is:
 - (i) interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Company; or
 - (ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;
- (b) save in connection with the [REDACTED] and the [REDACTED], none of the parties listed in “Other Information — 5. Qualifications of Experts” of this Appendix:
 - (i) is interested legally or beneficially in any shares in any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;
- (c) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the [REDACTED] are [REDACTED] on the [REDACTED], would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; and
- (d) so far as is known to our Directors, none of our Directors or Supervisors or their respective close associates (as defined under the Listing Rules) or Shareholders who owns more than 5% of the issued shares of our Company has any interests in the five largest customers of the continuing operation or the five largest suppliers of the continuing operation of our Group.

EMPLOYEE INCENTIVE SCHEMES

The following is a summary of the principal terms of the Employee Incentive Schemes, including, Employee Incentive Scheme 2021, Employee Incentive Scheme 2022, Employee Incentive Scheme 2023-A and Employee Incentive Scheme 2023-B. Given no further share options will be granted under the Employee Incentive Schemes after the [REDACTED], the terms of the Employee Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rule.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(i) Purpose

The purpose of the Employee Incentive Schemes are to improve our Group’s incentive mechanism and incentivize our Group’s management and key employees to achieve a sustained and healthy development of our Group. The Employee Incentive Schemes are implemented to align the interests of the Shareholders with the interests of our Group and employee which will benefit the sustained development of our Group.

(ii) Administration

The Employee Incentive Schemes are subject to the approval of the Shareholders’ meeting, administration of the Board and the supervision of the board of Supervisors.

(iii) Participants

The participants of the Employee Incentive Schemes include Directors, members of senior managements, mid-level management and key personnels. The scope of participants excludes independent Directors, Supervisors and Shareholders or actual controller who individually or collectively hold 5% or more of the shares of our Company and their spouse, parents and children.

(iv) Maximum number of options

The shares underlying the options to be granted under the Employee Incentive Schemes are A Shares to be issued by our Company to the selected participants. Each option granted represents the right to purchase one A Share within the exercise period at the exercise price. The maximum number of options that can be granted under each of the Employee Incentive Schemes are as follows:

Employee Incentive Schemes	Maximum number of options under the schemes (without taking into account the adjustment pursuant to the Dividends Distribution 2023)
Employee Incentive Scheme 2021	3,305,000
Employee Incentive Scheme 2022	2,853,000
Employee Incentive Scheme 2023-A	3,642,500
Employee Incentive Scheme 2023-B	4,230,000

(v) Date of grant and duration of the incentive plan

The date on which the options are granted shall be a trading day determined by the Board within 60 days after the date of approval of the Employee Incentive Schemes by the Shareholders’ meeting. The grant of options shall be approved by the Board, registered and announced within 60 days after the approval of the Employee Incentive Schemes by the Shareholders’ meeting. The Employee Incentive Schemes shall be valid commencing from the date of the first grant of the options to all options been exercised or cancelled for a term of between 48 to 72 months.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(vii) Exercise of options

Options may be exercised by a grantee provided that (i) the conditions set out under paragraph (vi) above are fulfilled at the time of exercise of options; and (ii) the annual assessment and performance targets as set out under the Employee Incentive Schemes are achieved.

The exercise price for the option to be granted under each Employee Incentive Schemes shall be either (i) no less than 80% (75% for Employee Incentive Scheme 2023-A) of the higher of (a) the average trading price of the Shares in the trading day before the announcement of the draft plan; and (b) the average trading price of the Shares during 120 trading days (20 trading days for Employee Incentive Scheme 2023-B) before the announcement of the draft plan; (ii) RMB60.92 (without taking into account the adjustment pursuant to the Dividends Distribution 2023); (iii) RMB148.41 (without taking into account the adjustment pursuant to the Dividends Distribution 2023); or (iv) no less than 80% of the higher of (a) average trading price of the Shares in the trading day before the announcement of the Board resolution for the granting of options; and (b) one of the average trading price of the Shares during 20, 60 or 120 trading days before the announcement of the Board resolution for the granting of options. The number of options granted and the exercise prices will be adjusted upon the occurrence of certain events, including increase in the share capital by way of capitalization of capital reserves, issue of bonus shares, subdivision of shares and issue of new shares.

The exercise schedule of the options granted are either:

- (a) exercisable in tranches of 30% or 40% in each of the three exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant;
- (b) exercisable in tranches of 50% in each of the two exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 36-month anniversary of the date of grant; or
- (c) exercisable in tranches of 50% in each of the two exercise periods that occur between the first trading date after the 48-month anniversary from the date of grant and the last trading day up to the 72-month anniversary of the date of grant.

The grantees must exercise their options within the validity period of the respective options. Upon the expiry of the validity period, options granted but not exercised will cease to be exercisable and shall be canceled by our Company.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

(viii) Outstanding options

As of the Latest Practicable Date, the number of A Shares underlying the outstanding options granted under the Employee Incentive Schemes amounted to 12,709,326 A Shares, representing approximately [REDACTED]% of the issued Shares immediately following the completion of the [REDACTED] (assuming no changes to our issued and outstanding shares between the Latest Practicable Date and the [REDACTED]) and approximately up to 840,000 options will be further granted under the Employee Incentive Scheme 2023-B. As of the Latest Practicable Date, the outstanding options were held by 585 grantees. Assuming full exercise of all outstanding options granted under the Employee Incentive Schemes and the maximum number of options further granted under the Employee Incentive Scheme 2023-B, the issued and outstanding shareholding of the Shareholders immediately following completion of the [REDACTED] will be diluted by approximately [REDACTED]% (assuming the [REDACTED] is not exercised).

The following table summarizes the number of underlying A Shares of the outstanding options under the Employee Incentive Schemes as of the Latest Practicable Date. Save as disclosed below, no option under the Employee Incentive Schemes has been granted to other connected person of our Company.

Name of grantee	Position held at our Company	Address	Date of Grant	Exercise Price (RMB per Share) ⁽⁵⁾	Number of A Shares underlying the outstanding options Granted ⁽⁵⁾	Vesting period	Approximate percentage of issued Shares immediately after completion of the [REDACTED]
Mr. Zhang Manliang (張滿良)	Executive	Room 2704, Building	December 6,	28.47 ^(A)	215,304 ^(A)	Please refer to the Note 1 below	[REDACTED]
	Director and general manager	19 Zone 4, Shidai Shangcheng Garden, No. 128 Dongshahu Road, Suzhou Industrial Park	2021				
			June 13, 2022	43.15 ^(B)	279,616 ^(B)	Please refer to the Note 2 below	[REDACTED]
		Suzhou, Jiangsu, PRC	February 2, 2023	105.73 ^(C)	318,762 ^(C)	Please refer to the Note 4 below	[REDACTED]
Mr. Zheng Hongwei (鄭洪偉)	Executive	No. 31, Lane 1638,	December 6,	28.47 ^(A)	195,731 ^(A)	Please refer to the Note 1 below	[REDACTED]
	Director and deputy general manager	Huqing Road, Qingpu District, Shanghai, PRC	2021				
			February 2, 2023	105.73 ^(C)	314,568 ^(C)	Please refer to the Note 4 below	[REDACTED]

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Name of grantee	Position held at our Company	Address	Date of Grant	Exercise Price (RMB per Share) ⁽⁵⁾	Number of A Shares underlying the outstanding options Granted ⁽⁵⁾	Vesting period	Approximate percentage of issued Shares immediately after completion of the [REDACTED]
Ms. Zheng Tong (鄭彤)	Executive Director, secretary of the Board and joint company secretary	D1-2, Ruyaju, Jinpan Yayuan, No. 6 Jinlian Road, Haikou, Hainan, PRC	June 13, 2022	43.15 ^(B)	58,718 ^(B)	Please refer to the Note 3 below	[REDACTED]
Ms. Huang Falian (黃發連)	Chief financial officer	No. 601 No. 10 Shengping Lane, Wuxi, Jiangsu, PRC	June 13, 2022	43.15 ^(B)	117,438 ^(B)	Please refer to the Note 3 below	[REDACTED]
Ms. Chen Pingxian (陳平仙)	Chief marketing officer	No. 103, Building 11, No. 36 Liuqi Road, Shangrao, Jiangxi, PRC	December 6, 2021	28.47 ^(A)	78,292 ^(A)	Please refer to the Note 1 below	[REDACTED]
			July 15, 2022	63.63 ^(A)	225,782 ^(A)	Please refer to the Note 1 below	[REDACTED]
			January 16, 2023	43.15 ^(B)	186,643 ^(B)	Please refer to the Note 3 below	[REDACTED]
			May 23, 2023	43.15 ^(B)	161,478 ^(B)	Please refer to the Note 3 below	[REDACTED]
			February 2, 2023	105.73 ^(C)	250,116 ^(C)	Please refer to the Note 4 below	[REDACTED]

(A) Employee Incentive Scheme 2021

(B) Employee Incentive Scheme 2022

(C) Employee Incentive Scheme 2023-A

Notes:

- (1) 30%, 30% and 40% of the share options granted under the Employee Incentive Scheme 2021 will vest in each of the three exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant, respectively.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

- (2) 50% and 50% of the share options granted to Mr. Zhang Manliang (張滿良) under the Employee Incentive Scheme 2022 will vest in each of the two exercise periods that occur between the first trading date after the 48-month anniversary from the date of grant and the last trading day up to the 72-month anniversary of the date of grant, respectively.
- (3) 30%, 30% and 40% of the share options granted under the Employee Incentive Scheme 2022 will vest in each of the three exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant, respectively.
- (4) 30%, 30% and 40% of the share options granted under the Employee Incentive Scheme 2023-A will vest in each of the three exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant, respectively.
- (5) Taking into account the adjustment pursuant to the Dividends Distribution 2023.

The table below sets forth the details of options granted to other grantees (excluding the abovementioned three Directors and two members of senior management of our Company) under the Employee Incentive Schemes which were outstanding as of the Latest Practicable Date:

	Number of grantees ⁽⁸⁾	Date of grant	Number of A Shares underlying the outstanding options ⁽⁹⁾	Exercise price <i>(RMB)</i>	Option period	A Share underlying the outstanding options as a percentage of issued Shares immediately after completion of the [REDACTED] ⁽¹⁾
Employee Incentive Scheme 2021	78	December 6, 2021	1,739,070 ⁽⁷⁾	28.47 ⁽⁷⁾	Please refer to the Note 2 below	[REDACTED]
	1	July 15, 2022	271,523 ⁽⁷⁾	63.63 ⁽⁷⁾	Please refer to the Note 2 below	[REDACTED]
Employee Incentive Scheme 2022	87	June 13, 2022	1,446,443 ⁽⁷⁾	43.15 ⁽⁷⁾	Please refer to the Note 3 below	[REDACTED]
	11	January 16, 2023	371,889 ⁽⁷⁾	43.15 ⁽⁷⁾	Please refer to the Note 4 below	[REDACTED]
	2	May 23, 2023	76,894 ⁽⁷⁾	43.15 ⁽⁷⁾	Please refer to the Note 4 below	[REDACTED]
Employee Incentive Scheme 2023-A . . .	124	February 2, 2023	3,806,268 ⁽⁷⁾	105.73 ⁽⁷⁾	Please refer to the Note 5 below	[REDACTED]
Employee Incentive Scheme 2023-B . . .	398	October 13, 2023	3,228,120	74.99	Please refer to the Note 6 below	[REDACTED]

Notes:

(1) The calculation is based on the assumption that no new Shares are issued under the Employee Incentive Schemes, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED].

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (2) 30%, 30% and 40% of the share options granted under the Employee Incentive Scheme 2021 will vest in each of the three exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant, respectively.
- (3) 30%, 30% and 40% of the share options granted under the Employee Incentive Scheme 2022 on June 13, 2022 will vest in each of the three exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant, respectively.
- (4) 50% and 50% of the share options granted under the Employee Incentive Scheme 2022 on January 16, 2023 and May 23, 2023 will vest in each of the two exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 36-month anniversary of the date of grant, respectively.
- (5) 30%, 30% and 40% of the share options granted under the Employee Incentive Scheme 2023-A will vest in each of the three exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant, respectively.
- (6) 50% and 50% of the share options granted under the Employee Incentive Scheme 2023-B will vest in each of the two exercise periods that occur between the first trading date after the 12-month anniversary from the date of grant and the last trading day up to the 36-month anniversary of the date of grant, respectively.
- (7) Taking into account the adjustment pursuant to the Dividends Distribution 2023.
- (8) Exclude the departed employees.
- (9) Include the options granted to the employees who have departed and subject to cancellation, including: (i) 48,932 options grant on December 6, 2021 under Employee Incentive Scheme 2021 and held by 3 departed employees; (ii) 305,341 options, 89,477 options and 34,952 options granted on June 13, 2022, January 16, 2023 and May 23, 2023 under Employee Incentive Scheme 2022 and held by 13, 5 and 2 departed employees, respectively; (iii) 1,133,831 options granted on February 2, 2023 under Employee Incentive Scheme 2023-A and held by 62 departed employees; and (iv) 246,660 options granted on September 27, 2023 under Employee Incentive Scheme 2023-B and held by 24 departed employees.

OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of our subsidiaries under the laws of the PRC.

2. Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim of material importance, and, so far as we are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group, which would have a material adverse effect on our financial condition or results of operations, taken as a whole.

3. Joint Sponsors

The Joint Sponsors have made an [REDACTED] on behalf of our Company to the [REDACTED] for the [REDACTED] of, and permission to [REDACTED], our [REDACTED]. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

APPENDIX VI STATUTORY AND GENERAL INFORMATION

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules, and each of the Joint Sponsors will receive a fee of US\$300,000 to act as the sponsors to our Company in connection with the [REDACTED].

4. Preliminary expenses

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

5. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions and/or advice in this document are as follows:

Name	Qualifications
Huatai Financial Holdings (Hong Kong) Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities
CMB International Capital Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Deutsche Securities Asia Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified public accountants, and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Tian Yuan Law Firm	PRC Legal Advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

6. Consents

Each of the experts as referred to in the paragraph headed “5. Qualifications of Experts” of this Appendix has given and has not withdrawn its respective written consents to the issue of this document with the inclusion of certificates, letters, opinions or reports and the references to its name included herein in the form and context in which it respectively included.

7. Taxation of Holders of H Shares

(1) *Hong Kong*

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further details in relation to taxation, please refer to the section headed “Appendix III — Taxation and Foreign Exchange” to this document.

(2) *Consultation with professional advisers*

Potential [REDACTED] in the [REDACTED] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of [REDACTED], purchasing, holding or disposing of or dealing in our [REDACTED] (or exercising rights attached to them). None of our Company, our Directors, the Joint Sponsors, [REDACTED], [REDACTED], [REDACTED], [REDACTED], or any other person or party involved in the [REDACTED] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our [REDACTED].

8. No Material Adverse Change

Our Directors confirm that, as of the date of this document, there has been no material adverse change in the financial or trading position of our Company since September 30, 2023 (being the date to which the latest condensed consolidated financial statements of our Company were prepared).

9. Promoters

Save as disclosed in this document, within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

10. Restrictions on Repurchase

For details, please refer to the sections headed “Appendix IV — Summary of Principal Legal and Regulatory Provisions” and “Appendix V — Summary of Articles of Association” to this document.

11. Binding Effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Bilingual Document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

Save as otherwise disclosed in this document:

- (a) within the two years preceding the date of this document, (i) our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any shares of our Company;
- (b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

- (g) save for our A Shares which are listed on the Shenzhen Stock Exchange, our Company is not presently listed on any stock exchange or traded on any trading system; and

- (h) our Company is a joint stock limited company and is subject to the PRC Company Law.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (i) a copy of each of the material contracts referred to in the paragraph headed “Appendix VI — Statutory and General Information — Further Information about the Business of our Company — 1. Summary of Material Contracts” in this document; and
- (ii) the written consents referred to in the paragraph headed “Appendix VI — Statutory and General Information — Other information — 6. Consents” in this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of our Company at www.jietaisolar.com and on the website of the Stock Exchange at www.hkexnews.com up to and including the date which is 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the accountants’ report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- (c) the report on review of condensed consolidated financial statements prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix IA to this document;
- (d) the audit consolidated financial statements of our Group for the financial years ended December 31, 2021 and 2022 and the condensed consolidated financial statements of our Group for the nine months ended September 30, 2023;
- (e) the report prepared by Deloitte Touche Tohmatsu on the unaudited [REDACTED] financial information of our Group, the text of which is set out in Appendix II to this document;
- (f) the industry report issued by Frost & Sullivan referred to in the section headed “Industry Overview”;
- (g) the PRC legal opinions issued by Tian Yuan Law Firm, our PRC Legal Advisor, in respect of, among other things, the general matters and property interests of our Group under the PRC laws;

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

- (h) the material contracts referred to in the paragraph headed “Appendix VI — Statutory and General Information — Further Information about the Business of our Company — 1. Summary of Material Contracts”;
- (i) the service contracts referred to in the paragraph headed “Appendix VI — Statutory and General Information — Further Information about Our Directors, Supervisors and Substantial Shareholders — 2. Service Contracts”;
- (j) the written consents referred to in the paragraph headed “Appendix VI — Statutory and General Information — Other Information — 6. Consents”;
- (k) the terms of Employee Incentive Schemes; and
- (l) the PRC Company Law, the PRC Securities Law and the Overseas Listing Trial Measures together with unofficial English translations thereof.

DOCUMENT AVAILABLE FOR INSPECTION

A list of grantees under the Employee Incentive Schemes, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of O’Melveny&Myers, at 31/F, AIA Central, 1 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.