Application Proof of

TYSiC

Guangdong Tianyu Semiconductor Co., Ltd.
廣東天域半導體股份有限公司

(the "**Company**")

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

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Guangdong Tianyu Semiconductor Co., Ltd.

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[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] H Shares (subject to 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[REDACTED] per H Share**
[REDACTED]	:	**[REDACTED]**

Sole Sponsor, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]

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EXPECTED TIMETABLE

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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 this document in its entirety before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk Factors." You should read that section carefully before you decide to invest in the [REDACTED].

OUR MISSION

Leading the future of the semiconductor development.

OUR VISION

Become a world-leading semiconductor material manufacturer.

OVERVIEW

Who We Are

We are the first technology-leading specialized supplier of SiC epitaxial wafers in China, according to Frost & Sullivan. In 2023, we sold over 132,000 SiC epitaxial wafers (including our self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) and achieved a total revenue of RMB1,171.2 million. According to Frost & Sullivan, our market share of SiC epitaxial wafers in China reached 38.8% in 2023 in terms of revenue and 38.6% in terms of sales volume, making us a top-ranked company in China's SiC epitaxial wafer industry. Globally, our share of the epitaxial wafer market stood at around 15% both in terms of revenue and sales volume, placing us among the top three in the world, according to the same source. As one of the first third-generation semiconductor companies in China, according to Frost & Sullivan, we have been a forerunner in advancing the SiC epitaxial wafer industry. As the SiC industry's mainstream epitaxial wafers evolve from 4-inch to 6-inch, with a growing trend towards 8-inch, we have consistently led these developments. We were one of the first companies in China to achieve mass production of 4-inch and 6-inch SiC epitaxial wafers, and one of the first companies in China to possess the capability of mass production of 8-inch SiC epitaxial wafers, according to Frost & Sullivan. As of October 31, 2024, we possessed an annual production capacity of approximately 420,000 pieces of 6-inch and 8-inch epitaxial wafers, placing us one of the largest companies in China equipped with production capacity of 6-inch and 8-inch epitaxial wafers, according to the same source.

We have been striving to deliver products of exceptional quality and world-class performance. We have consistently pursued innovation in our production processes over the years, conducting in-depth and systematic R&D focusing on the industrialization of 4H-SiC epitaxial wafers, epitaxial wafer growth technology, and epitaxial wafer cleaning technology. This effort has led to breakthroughs in key technologies such as 8-inch SiC epitaxial technology, multi-layer epitaxial technology, and rapid thick film epitaxial technology, positioning us at the forefront of the SiC epitaxial wafer industry in China. Our robust scientific research capabilities not only drive the technological development of the SiC epitaxial wafer industry but also foster regional economic innovation. Our commitment to innovation has been widely recognized, earning us various honors, including designation as a national high-tech enterprise and accolades such as the national essential "Little Giant," "First Prize of the Science and Technology Progress Award in the Guangdong Province Electronic Information Science and Technology Award," "Guangdong Province Excellent High-tech Products," "Dongguan Top 100 Innovative Enterprises," and "Dongguan's Leading Enterprise in High-Quality Development." See "Business — Awards and Recognition." We have placed high focuses on the quality control at various stages in the production cycle. On the supply end, the substrates and other raw materials are principally sourced from renowned suppliers both domestically and internationally. We employ advanced production technologies and implement stringent quality control measures throughout the production process. Through independent R&D, we have mastered the key technologies and processes necessary for the entire SiC epitaxial wafer production cycle required to manufacture 600–30,000V unipolar and bipolar power devices. Our product range is comprehensive, featuring industry-leading performance metrics. Currently, we offer 4-inch and 6-inch SiC epitaxial wafers and have commenced mass production of 8-inch epitaxial wafers. With our exceptional product quality, delivery capabilities, and service, we have earned high recognition from distinguished customers both domestically and internationally. We serve as the primary supplier for major domestic and international SiC power device manufacturers across various sectors. We have integrated into the supply chains of benchmark customers and maintain good, stable relationships with them, allowing us to rapidly expand our customer network.

After years of exploration and experience in business management, we have established a mature business model that aligns with industry characteristics. We heed demand from different downstream customers, including their varying requirements for the specifications, performance, and cost of SiC epitaxial wafers, which are influenced by factors such as their technical processes, device product performance, market positioning, and cost control. To address these diverse needs, we primarily engage in direct sales to targeted customers by offering them tailored products. We procure raw materials based on the expected sales volume, with appropriate reserves, and make production plans accordingly. This approach enhances our ability to manage procurement and inventory effectively.

As a core supplier of third-generation SiC semiconductor materials, we have benefited from the rapid development of new energy-related industries in recent years both in China and globally, resulting in a significant increase in product shipments. During the Track Record Period, our sales volume (including self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) grew from 17,001 pieces in 2021 to 44,515 pieces in 2022, and further increased to 132,072 pieces in 2023, representing a CAGR of 178.7%. Our revenue increased from RMB154.6 million in 2021 to RMB436.9 million in 2022, and further to RMB1,171.2 million in 2023, with a CAGR of 175.2%. We turned from a net loss of RMB180.3 million in 2021 to a net profit of RMB2.8 million in 2022, and our net profit boosted to RMB95.9 million in 2023. Despite our business growth in previous years, our revenue decreased by 14.8% from RMB423.8 million for the six months ended June 30, 2023 to RMB361.1 million for the six months ended June 30, 2024. Our gross profit decreased significantly from RMB82.2 million for the six months ended June 30, 2023 to a gross loss of RMB43.8 million for the six months ended June 30, 2024. As a result, we recorded a net loss of RMB140.7 million for the six months ended June 30, 2024 as compared to a net profit of RMB20.7 million for the six months ended June 30, 2023. See "Business — Challenges to Our Industry and Our Business — Analysis on Recent Financial Performance."

OUR STRENGTHS

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

- China's leading SiC epitaxial wafer supplier, forerunning the SiC epitaxial wafer industry;
- Excellent product quality and world-leading performance recognized by high-profile customers;
- Mature business model and stable production capacity;
- Industry-leading technologies in key areas and continuously evolving production processes; and
- Visionary management and highly experienced staff team.

See "Business — Our Competitive Strengths."

OUR STRATEGIES

To achieve our vision and mission, we intend to pursue the following strategies:

- Expand production capacity to match market demand;
- Continue to invest in R&D to promote technological innovation and enrich product portfolio;
- Deepen customer relationships and expand cooperation ecosystem;
- Seek strategic investments and acquisitions when appropriate; and
- Continue to recruit industry elites and build talent pool.

See "Business — Our Strategies."

OUR PRODUCT AND SERVICE OFFERINGS

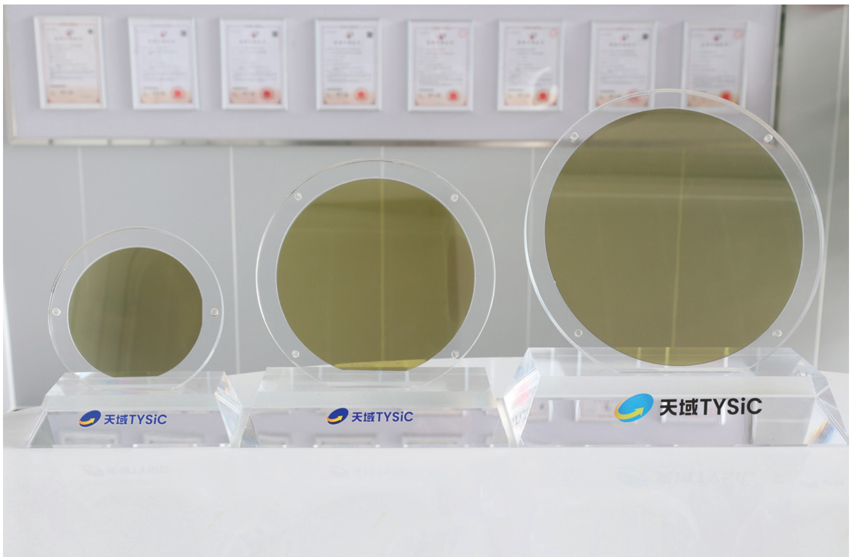
Overview

We are one of the first technology-leading suppliers of SiC epitaxial wafers in China, according to Frost & Sullivan, primarily focusing on the R&D, mass production and sales of self-developed SiC epitaxial wafers. Our product offerings include various sizes of SiC epitaxial wafers, namely 4-inch, 6-inch and 8-inch SiC epitaxial wafers. Our SiC epitaxial wafers can generally be used in end application scenarios including new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as electric vertical take-off and landing ("**eVTOL**")) and home appliances, satisfying the growing needs from these downstream industries. We believe our advanced technologies and large-scale production capacity, have enabled us to stay at the forefront of R&D of production processes and market introduction of domestic substrates, accessory consumables and core equipment, thereby promoting the domestic substitution process of major components along the SiC power semiconductor device industry value chain.

Our SiC Epitaxial Wafers

During the Track Record Period, we primarily provided 4-inch and 6-inch SiC epitaxial wafers. Larger-sized epitaxial wafers are more advantageous in total usable area and ability to control downfall defects on the epitaxial wafer surface, leading to a more efficient use. To meet the evolving downstream customer demands that require larger, more cost-effective semiconductor materials and to maintain our market position, we have continuously iterated and upgraded our manufacturing processes and R&D technologies, and gradually increase our production capacity to keep up with the industry trend of SiC epitaxial wafer providers. In particular, we are currently constructing a new production base located at Ecological Park site in Dongguan, which we expect to primarily use for the mass production of 6-inch and 8-inch SiC epitaxial wafers. See "Business — Production — Production Bases." Going forward, we anticipate bigger sales volume and revenue contribution to be brought from sales of 8-inch SiC epitaxial wafers in the near future.

The following picture illustrates our 4-inch, 6-inch and 8-inch SiC epitaxial wafers, respectively:



Our SiC epitaxial wafers are based on standardized models, with certain customization tailored to different customers' demands. For example, different customers may need to accommodate to requirements of different power devices, thereby leading to different requirements of epitaxial wafers. We also take into consideration these factors when determining the pricing for each customer. We are able to provide customized products, based on which we maintain a procurement strategy that emphasizes production based on procurement, with appropriate reserves.

Our SiC Epitaxial Wafer Related Services

Leveraging our capability and expertise in the R&D and mass production of SiC epitaxial wafers, we provide value-added SiC epitaxial wafer related services, including SiC epitaxial foundry service, epitaxial wafer cleaning service, and substrate and epitaxial wafer inspection service. We are able to clean, inspect and polish single crystal epitaxial wafers made of compound semiconductor materials, including SiC, GaN and others. Our major customers of SiC epitaxial wafer related services include scientific research institutions, universities and other upstream and downstream industry players. We primarily provide the following SiC epitaxial wafer related services:

- ***SiC epitaxial foundry service.*** Our customers provide substrates to which we provide epitaxial film foundry services.

- ***Epitaxial wafer cleaning service.*** With our metal contamination monitoring and detection facilities, we provide customers with epitaxial wafer cleaning services to erase metal contamination and meet fabrication requirements.

- ***Substrate and epitaxial wafer inspection service.*** Capitalizing on our advanced testing and characterization equipment and characterization capabilities, we provide customers with testing services for surface defects of substrates and epitaxial wafers through our Class 100 ultra clean workshop.

We charge our customers service fees for providing these services, the amount of which may vary subject to our customers' different requirements.

Our Operational Highlights

In 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, we sold 17,001 pieces, 44,515 pieces, 132,072 pieces, 48,020 pieces and 46,547 pieces of SiC epitaxial wafers*, respectively, the details of which are set forth below:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Sales Volume	%	Sales Volume	%	Sales Volume	%	Sales Volume	%	Sales Volume	%
Sales of self-manufactured SiC epitaxial wafers										
4-inch	3,551	20.9	2,777	6.3	1,818	1.4	382	0.8	318	0.7
6-inch	13,392	78.8	40,167	90.2	125,799	96.3	44,683	93.1	45,450	97.6
8-inch	—	—	—	—	15	—(1)	—	—	320	0.7
Sales of SiC epitaxial wafers under foundry services										
4-inch	12	0.1	5	—(1)	—	—	—	—	—	—
6-inch	46	0.2	1,566	3.5	3,070	2.3	2,955	6.1	459	1.0
8-inch	—	—	—	—	—	—	—	—	—	—
Total	**17,001**	**100.0**	**44,515**	**100.0**	**132,072**	**100.0**	**48,020**	**100.0**	**46,547**	**100.0**

Note:

(1) Less than 0.1%.

During the Track Record Period, we primarily provided 4-inch and 6-inch SiC epitaxial wafers in accordance with downstream customers' differentiated needs. In particular, as larger-sized epitaxial wafers are generally more advantageous in total usable area and ability to control downfall defects on the surface of epitaxial wafers, thereby resulting in a more efficient use, our sales volume of 4-inch SiC epitaxial wafers experienced a continuous decrease and we commenced sales of 8-inch SiC epitaxial wafers in 2024 leveraging our developed mass production capability.

See "Business — Our Products and Service Offerings."

* Total sales volume of SiC epitaxial wafers included the number of products under our provision of foundry services.

RESEARCH AND DEVELOPMENT

Over the years, we have been devoted to the R&D and innovation of fabrication and manufacturing processes of SiC epitaxial wafers. We consider that we possess in-depth knowledge of the technical specifications and features, functionalities and applications of SiC epitaxial wafers, based on which we perform day-to-day R&D activities along with our production and manufacturing activities. We have established an R&D center at our headquarters in Dongguan, China, where we actively engage in resolving technological and manufacturing challenges associated with mass production to bolster the overall competitiveness of our SiC epitaxial wafers. Our endeavors in R&D resulted in significant accomplishments, evidenced by a proven history of generating intellectual property and industry recognitions. As of June 30, 2024, our R&D efforts had accumulated 70 patents, consisting of 30 invention patents and 40 utility model patents. We have undertaken or participated in three national key R&D plan projects and six provincial and municipal key R&D projects. Moreover, we have led or contributed to the drafting of one international standard, 13 national standards, 12 group standards, and four enterprise standards. We have also won prizes widely recognized by the industry.

During the Track Record Period, our R&D expenses amounted to RMB22.3 million, RMB29.2 million, RMB55.3 million, RMB34.9 million and RMB35.5 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively, demonstrating our significant and continuous efforts into the R&D of our products and technologies.

See "Business — Research and Development."

PRODUCTION

We primarily adopt a sales volume-based production model, and maintain a procurement strategy that emphasizes production based on procurement, with appropriate reserves. We currently maintain a production base at our headquarters in Dongguan, China, which leads the entire production process and is primarily used for the production and manufacturing of all sizes of SiC epitaxial wafers. Our new production base located at Ecological Park site in Dongguan, which we expect to primarily use for the production of 8-inch SiC epitaxial wafers with a capability to manufacture 6-inch SiC epitaxial wafers, is currently under construction. Each year, our production center prepares a production plan based on our production capacity, equipment operation status and sales plan. The production plan, after approval by both the head of our production center and the head of our manufacturing department, is then distributed to our manufacturing department, which carries out the production tasks in accordance with the production plan and technical requirements. We impose strict quality control of our SiC epitaxial wafers, conduct product testing and quality inspections from time to time to ensure the quality of our products.

See "Business — Production."

SALES AND MARKETING

We market our SiC epitaxial wafers through our internal sales and marketing department, which is responsible for identifying suitable potential markets and customers. Our dedicated sales and marketing department leads the formulation and coordination of marketing activities and promotion campaigns. Our sales and marketing members are equipped with knowledge and expertise about our products, and are able to identify the requests of our customers. They stay abreast of emerging products and technologies that appeal to our existing and potential customers and provide our customers with pre-sale consultations and recommendations tailored to their needs.

As of June 30, 2024, our sales and marketing team consisted of 15 members who worked closely with our R&D, production and manufacturing departments to execute our marketing strategies. In 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, our selling and distribution expenses amounted to RMB5.4 million, RMB8.1 million, RMB12.0 million, RMB5.3 million and RMB8.8 million, respectively, accounting for 3.5%, 1.9%, 1.0%, 1.3% and 2.4%, respectively, of our revenue for the corresponding years/periods.

Our Customers

We mainly provide our products to customers engaging in the R&D, production and sales of semiconductor chips and other related products and their representative offices in relevant regions. Revenue contributed from our five largest customers accounted for 73.5%, 61.5%, 77.2% and 91.4% of our total revenue in 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively, while the largest customer contributed 30.9%, 21.1%, 42.0% and 52.6% of our total revenue, respectively, for the same years/periods.

Our five largest customers in each year/period comprising the Track Record Period were different. Our major customers remain good relationships with us, and continuously make purchases from us with different purchase amounts in each year/period. The shuffling of our five largest customers was primarily due to, to the best knowledge of our Directors, a change in our customers' downstream demand which resulted in a shuffling of their suppliers which, according to Frost & Sullivan, is in line with the industry practice. In addition, a significant portion of our revenue was derived from our five largest customers in the corresponding years/period. Given the significant revenue contribution by our major customers, any decrease in sales from, or loss of, one or more of our major customers would harm our business, financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business and Industry — A significant portion of our revenue was derived from our major customers in each year/period comprising the Track Record Period. Any decrease in sales from, or loss of major customers would have negative impacts on our results of operations." Frost & Sullivan has advised us that it is in line with the industry practice that a small number of customers contribute to a large portion of revenue, as downstream customers tend to make mass procurement from the same suppliers to maintain consistent standards and specifications of their products. To cope with such issue, we intend to deepen customer relationships by focusing on customer needs and enhancing customer stickiness. We also aim to acquire new customers domestically and internationally to further expand our customer base. See "Business — Our Strategies — Deepen customer relationships and expand cooperation ecosystem."

See "Business — Sales and Marketing."

PROCUREMENT AND SUPPLY

Raw Materials and Procurement

We procure from suppliers a variety of raw materials necessary for the manufacturing of our SiC epitaxial wafers, including conductive SiC substrates and other accessory materials such as graphite components, chemicals, packaging materials and special gases. We primarily adopt a production volume-based procurement model, and reserve raw materials as appropriate. We have an internal procurement department responsible for the procurement of raw materials, which formulates procurement plans annually based on the next year's sales plan and actual material needs.

Our Suppliers

We primarily purchase raw materials from raw material production companies. Occasionally, we also purchase semiconductor devices, equipment and machinery from equipment supply companies. In order to maintain the quality of the raw materials and the stability of our supply chain, we have established a supplier management and accreditation policy to select the most suitable raw material suppliers according to our procurement plans. Our procurement department organizes other relevant departments to jointly evaluate supplier candidates, and maintain a list of qualified, experienced and reputable suppliers to ensure the quality of our products. We assess and evaluate the supplier candidates annually based on their raw material quality, production capacity, delivery capability, price level, service quality, and credentials and reputation, and give preference to the raw material suppliers who have obtained ISO9001 quality management certifications and ISO14001 or QC0800000 environmental certifications. Additionally, in our commitment to meet the IATF16949 standards and safety management requirements for automotive grade materials, we consistently oversee the advancement of our suppliers' quality management systems.

In 2021, 2022, 2023 and for the six months ended June 30, 2024, purchases from our five largest suppliers amounted to RMB116.7 million, RMB236.7 million, RMB937.6 million and RMB400.9 million, respectively, accounting for 89.7%, 84.5%, 88.7% and 92.4% of our total purchases in the same years/period. For the same years/period, purchases attributable to our largest supplier amounted to RMB71.4 million, RMB149.7 million, RMB363.7 million and RMB240.0 million, respectively, accounting for 54.9%, 53.4%, 34.4% and 55.3% of our total purchases.

During the Track Record Period, we primarily procured raw materials from our top five suppliers and may be susceptible to concentration risk. See "Risk Factors — Risks Relating to our Business and Industry — Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business relationship with us." According to Frost & Sullivan, procuring raw materials from a limited number of suppliers in the semiconductor industry is common, as companies can achieve economies of scale and competitive prices benefiting from the established long-term relationship and quality raw materials and services from familiar raw material suppliers, thereby improving operational efficiency. We have maintained multiple suppliers to avoid overreliance on any of the existing suppliers. Besides, Frost & Sullivan has advised us that there are sufficient suppliers who are able to provide products and services of similar quality in the market, which helps reduce the potential supplier concentration risks. In the event of a termination of relationship with our major suppliers, we believe we are able to find alternative suppliers in a timely and efficient manner, and such replacement will not have a material adverse effect on our business operations.

See "Business — Procurement and Supply."

COMPETITIVE LANDSCAPE

The competition of China's SiC epitaxial wafer market is highly concentrated, with the top five players accounting for 85.0% of the total market in terms of revenue generated in China in 2023. To stand out from the top market players, we face intense competition in respect of the quality of our products, our ability to meet our customers' demands, supply chain and sales channels, pricing, and our experience and reputation. We believe that there are high barriers for our competitors to enter into the SiC epitaxial wafer market, which include, among other things, sufficient industry know-how, adequate resources, advancement in technology, solid sales and supply channels. Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths.

See "Industry Overview."

SUMMARY OF HISTORICAL AND FINANCIAL INFORMATION

The tables below present our summary consolidated financial data derived from our consolidated statements of profit or loss and other comprehensive income and consolidated cash flow statements during the Track Record Period and our consolidated statements of financial position as of December 31, 2021, 2022 and 2023, and June 30, 2024 included in the Accountants' Report in Appendix I to this document. The following data and discussion should be read in conjunction with our consolidated financial statements and related notes and the section headed "Financial Information."

Consolidated Statements of Profit or Loss

The following table sets forth a summary of our statements of profit or loss and other comprehensive income, with line items in absolute amounts and as a percentage of our revenue for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	**154,642**	**100.0**	**436,855**	**100.0**	**1,171,214**	**100.0**	**423,834**	**100.0**	**361,132**	**100.0**
Cost of sales	(130,437)	(84.3)	(349,369)	(80.0)	(954,596)	(81.5)	(341,585)	(80.6)	(404,886)	(112.1)
Gross profit/(loss)	**24,205**	**15.7**	**87,486**	**20.0**	**216,618**	**18.5**	**82,249**	**19.4**	**(43,754)**	**(12.1)**
Other net income	9,548	6.2	3,526	0.8	55,928	4.8	16,007	3.8	9,872	2.7
Selling and distribution expenses	(5,364)	(3.5)	(8,101)	(1.9)	(11,956)	(1.0)	(5,326)	(1.3)	(8,845)	(2.4)
Administrative and other operating expenses	(28,121)	(18.2)	(42,414)	(9.7)	(74,362)	(6.3)	(32,172)	(7.6)	(74,853)	(20.7)
Research and development expenses	(22,274)	(14.4)	(29,235)	(6.7)	(55,343)	(4.7)	(34,875)	(8.2)	(35,487)	(9.8)
(Loss)/profit from operations	**(22,006)**	**(14.2)**	**11,262**	**2.6**	**130,885**	**11.2**	**25,883**	**6.1**	**(153,067)**	**(42.4)**
Finance costs	(7,224)	(4.7)	(7,516)	(1.7)	(19,876)	(1.7)	(3,686)	(0.9)	(14,468)	(4.0)
Changes in the carrying amount of financial instruments issued to investors	(154,934)	(100.2)	—	—	—	—	—	—	—	—
(Loss)/profit before taxation	(184,164)	(119.1)	3,746	0.9	111,009	9.5	22,197	5.2	(167,535)	(46.4)
Income tax credit/(expense)	3,854	2.5	(932)	(0.2)	(15,127)	(1.3)	(1,456)	(0.3)	26,853	7.4
(Loss)/profit for the year/period	**(180,310)**	**(116.6)**	**2,814**	**0.6**	**95,882**	**8.2**	**20,741**	**4.9**	**(140,682)**	**(39.0)**
Attributable to:										
Equity shareholders of the Company	(173,451)	(112.2)	6,951	1.6	101,436	8.7	22,963	5.4	(137,118)	(38.0)
Non-controlling interests	(6,859)	(4.4)	(4,137)	(0.9)	(5,554)	(0.5)	(2,222)	(0.5)	(3,564)	(1.0)
(Loss)/profit and total comprehensive income for the year/period	**(180,310)**	**(116.6)**	**2,814**	**0.6**	**95,882**	**8.2**	**20,741**	**4.9**	**(140,682)**	**(39.0)**

Revenue

Revenue by Business Line

During the Track Record Period, we generated our revenue from (i) sales of self-manufactured SiC epitaxial wafers; and (ii) other sales and services, which mainly include the provision of SiC epitaxial wafer related services and sales of substandard SiC epitaxial wafers. From time to time, we reach out to customers and sell our substandard epitaxial wafers produced in the course of our production. These substandard products do not satisfy the original customers' specific requirements, but may meet other customers' requests due to their differentiated requirements of epitaxial wafers' quality and purposes of use. Such customers may use such epitaxial wafers for their testing or R&D purposes. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as a percentage of our revenue, for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Sales of self-manufactured SiC epitaxial wafers	148,558	96.1	398,341	91.2	1,127,097	96.2	410,602	96.9	355,597	98.5
— 4-inch	15,800	10.2	11,492	2.6	8,252	0.7	1,817	0.4	1,571	0.5
— 6-inch	132,758	85.9	386,849	88.6	1,118,328	95.5	408,785	96.5	349,666	96.8
— 8-inch	—	—	—	—	517	—(1)	—	—	4,360	1.2
Other sales and services	6,084	3.9	38,514	8.8	44,117	3.8	13,232	3.1	5,535	1.5
Total	**154,642**	**100.0**	**436,855**	**100.0**	**1,171,214**	**100.0**	**423,834**	**100.0**	**361,132**	**100.0**

Note:

(1) Less than 0.1%

Sales of self-manufactured SiC Epitaxial Wafers

We principally engaged in sales of self-manufactured SiC epitaxial wafers and generated revenue of RMB148.6 million, RMB398.3 million, RMB1,127.1 million, RMB410.6 million and RMB355.6 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 96.1%, 91.2%, 96.2%, 96.9% and 98.5% of our total revenue for the respective years/periods. During the Track Record Period, we primarily provided 4-inch and 6-inch SiC epitaxial wafers.

Revenue from sales of self-manufactured SiC epitaxial wafers is primarily driven by sales volume and our selling prices. The following table sets forth a summary of our revenue from sales of self-manufactured SiC epitaxial wafers, sales volume and average selling price ("**ASP**") for the years/periods indicated:

	Year ended December 31,								
	2021			2022			2023		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*
4-inch	15,800	3,551	4,449	11,492	2,777	4,138	8,252	1,818	4,539
6-inch	132,758	13,392	9,913	386,849	40,167	9,631	1,118,328	125,799	8,890
8-inch	—	—		—	—		517	15	34,467
	148,558	16,943	8,768	398,341	42,944	9,276	1,127,097	127,632	8,831

	Six months ended June 30,					
	2023			2024		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000 (unaudited)	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*
4-inch	1,817	382	4,757	1,571	318	4,940
6-inch	408,785	44,683	9,149	349,666	45,450	7,693
8-inch	—	—	—	4,360	320	13,625
	410,602	45,065	9,111	355,597	46,088	7,716

Our revenue generated from sales of self-manufactured SiC epitaxial wafers increased significantly from RMB148.6 million in 2021 to RMB398.3 million in 2022 and further to RMB1,127.1 million in 2023, primarily due to an increase in our sales volume of 6-inch SiC epitaxial wafers driven by our increased production capacity and downstream market demand. Such trend was generally in line with the substantial growth of global market of 6-inch SiC epitaxial wafers.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers decreased by 13.4% from RMB410.6 million for the six months ended June 30, 2023 to RMB355.6 million for the six months ended June 30, 2024, primarily due to a decrease in selling prices of SiC epitaxial wafers as we strategically reduced our selling prices to improve market penetration. We benefited from a decrease in market price of SiC substrates as a result of the manufacturing capacity expansion of upstream raw material suppliers and improvement of SiC substrates production process, thus allowing us room for price adjustments.

Other Sales and Services

During the Track Record Period, we also generated revenue from the provision of certain value-added services related to SiC epitaxial wafers, primarily including SiC epitaxial foundry service, epitaxial wafer cleaning service, and substrate and epitaxial wafer inspection service and from sales of certain substandard epitaxial wafers. From time to time, we reach out to customers and sell our substandard epitaxial wafers that customers may use such epitaxial wafers for their testing or R&D purposes. Our revenue generated from other sales and services amounted to RMB6.1 million, RMB38.5 million, RMB44.1

million, RMB13.2 million and RMB5.5 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 3.9%, 8.8%, 3.8%, 3.1% and 1.5% of our total revenue for the respective years/periods.

See "Financial Information — Description of Major Components of Our Results of Operations — Revenue — Revenue by Business Line" for details.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of our gross profit and gross profit margin by business line for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sales of self-manufactured SiC epitaxial wafer products	33,153	22.3	93,681	23.5	228,005	20.2	87,946	21.4	20,722	5.8
— 4-inch	2,181	13.8	1,893	16.5	4,387	53.2	1,007	55.4	478	30.4
— 6-inch	30,972	23.3	91,788	23.7	223,377	20.0	86,939	21.3	19,881	5.7
— 8-inch	—	—	—	—	241	46.6	—	—	363	8.3
Other sales and services	2,322	38.2	9,803	25.5	11,373	25.8	3,628	27.4	(857)	(15.5)
Subtotal	35,475	22.9	103,484	23.7	239,378	20.4	91,574	21.6	19,865	5.5
Write-down of inventories	(11,051)		(14,711)		(21,301)		(8,500)		(63,006)	
Others[(1)]	(219)		(1,287)		(1,459)		(825)		(613)	
Total	**24,205**	**15.7**	**87,486**	**20.0**	**216,618**	**18.5**	**82,249**	**19.4**	**(43,754)**	**(12.1)**

Note:

(1) Others mainly include taxes.

In 2021, 2022, 2023 and the six months ended June 30, 2023, our gross profit was RMB24.2 million, RMB87.5 million, RMB216.6 million, RMB82.2 million, respectively. We incurred a gross loss of RMB43.8 million for the six months ended June 30, 2024, primarily due to an increase in write-down on inventories from RMB8.5 million for the six months ended June 30, 2023 to RMB63.0 million for the six months ended June 30, 2024 in view of the decrease of market prices of epitaxial wafer products. As of June 30, 2024, we also made full provision for our 4-inch epitaxial wafers-related inventories, due to the uncertainties in future demand as the smaller 4-inch epitaxial wafers are gradually being phased out in favor of the larger-sized epitaxial wafers.

During the Track Record Period, our overall gross profit margin varied, primarily due to the change in our product mix, the pricing of our products/services as well as the cost of products/services, which are predominately driven by market conditions. We achieved an overall gross profit margin of 15.7%, 20.0%, 18.5% and 19.4% in 2021, 2022, 2023 and the six months ended June 30, 2023 and an overall gross loss margin of 12.1% in the six months ended June 30, 2024.

Summary of Statements of Financial Position

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	277,582	763,513	1,995,931	2,267,668
Total current assets	237,401	995,034	1,047,092	925,070
Total current liabilities	543,069	143,259	786,433	1,065,954
Total non-current liabilities	35,921	39,921	559,895	562,493
Net current (liabilities)/ assets	(305,668)	851,775	260,659	(140,884)
Net (liabilities)/assets	(64,007)	1,575,367	1,696,695	1,564,291

We recorded net current liabilities of RMB305.7 million as of December 31, 2021 while we recorded net current assets of RMB851.8 million as of December 31, 2022, primarily due to (i) an increase in cash and cash equivalents of RMB432.8 million mainly as a result of the capital contributions by investors; (ii) a decrease in carrying value of financial instruments issued to investors of RMB224.9 million; (iii) an increase in prepayments, deposits and other receivables of RMB213.3 million; (iv) a decrease in bank loans and other borrowings of RMB162.2 million; and (v) an increase in trade and bills receivables of RMB116.7 million.

Our net current assets decreased from RMB851.8 million as of December 31, 2022 to RMB260.7 million as of December 31, 2023, primarily due to (i) an increase in bank loans and other borrowings of RMB299.0 million; (ii) an increase in trade and bills payables of RMB157.9 million; and (iii) a decrease in cash and cash equivalents of RMB275.9 million as we spent cash to support our business expansion. This was partially offset by an increase in inventories of RMB304.7 million and trade and bills receivables of RMB156.0 million.

We recorded net current liabilities of RMB140.9 million as of June 30, 2024 while we recorded net current assets of RMB260.7 million as of December 31, 2023, primarily due to (i) an increase in trade and bills payables of RMB136.0 million; (ii) an increase in bank loans and other borrowings of RMB126.9 million; (iii) a decrease in cash and cash equivalents of RMB104.6 million as we spent cash to support our business expansion and (iv) a decrease in trade and bills receivables of RMB101.1 million. This was partially offset by an increase in inventories of RMB129.2 million.

Summary of Statements of Cash Flow

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

	Year ended December 31,			Six months ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash (used in)/ generated from operating activities	(6,314)	(262,186)	87,394	201,531	85,946
Net cash used in investing activities	(127,414)	(514,446)	(1,090,418)	(903,842)	(301,907)
Net cash generated from financing activities	140,428	1,210,700	726,883	503,486	111,051
Net increase/ (decrease) in cash and cash equivalents	**6,700**	**434,068**	**(276,141)**	**(198,825)**	**(104,910)**
Effect of exchange rate changes	**(306)**	**(1,257)**	**271**	**2,430**	**281**
Cash and cash equivalents at the beginning of the year/period	25,272	31,666	464,477	464,477	188,607
Cash and cash equivalents at the end of the year/ period	**31,666**	**464,477**	**188,607**	**268,082**	**83,978**

See "Financial Information — Liquidity and Capital Resources".

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of and for the years/period indicated:

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2021	2022	2023	2024
Gross profit/(loss) margin	15.7%	20.0%	18.3%	(12.1)%
Current ratio	0.4	6.9	1.3	0.9
Quick ratio	0.3	6.3	0.8	0.4
Gearing ratio	—	—	46.2%	58.3%

See "Financial Information — Key Financial Ratios."

CHALLENGES TO OUR INDUSTRY AND OUR BUSINESS

Analysis on Recent Financial Performance

We have experienced continuous business growth from 2021 to 2023. Our revenue increased from RMB154.6 million in 2021 to RMB436.9 million in 2022, and further to RMB1,171.2 million in 2023. Despite our business growth in previous years, our revenue decreased by 14.8% from RMB423.8 million for the six months ended June 30, 2023 to RMB361.1 million for the six months ended June 30, 2024. Our gross profit decreased significantly from RMB82.2 million for the six months ended June 30, 2023 to a gross loss of RMB43.8 million for the six months ended June 30, 2024. As a result, we recorded a net loss of RMB140.7 million for the six months ended June 30, 2024 as compared to a net profit of RMB20.7 million for the six months ended June 30, 2023.

We believe our significant drop on the financial performance for the six months ended June 30, 2024 as compared to June 30, 2023 is principally due to the following major factors:

- Decrease in the market price of SiC epitaxial wafers and substrates; and
- Facing the international trade tension.

In addition to the said uncontrollable factors which may remain existence in the short coming future, we believe the following major challenges may continuously affect our business operations:

- Encountering difficulties in entering framework sales contracts with price or quantity commitment; and

- Expansion of the production capacity.

Our Strategies to Tackle the Challenges

In response to the current challenges in our industry and our business, we plan to implement the following strategies to cope with the price drop challenges, substantially increase our revenue, enhance our operational efficiency and improve our profitability:

- Expand customer base and increase sales volume;
- Improve operational efficiency; and
- Advance technological aspects of products.

The Development of the SiC Epitaxial Wafer Industry

Frost & Sullivan has advised us that the demand for high-performance SiC power semiconductors from downstream industries, such as renewable energy, power electronics, automotive and telecommunication, will continuously drive the market demand for SiC epitaxial wafers. More specifically, with the advancement of technology and the growth of market demand, 8-inch SiC epitaxial wafers gradually become the new focus of the industry due to its higher output rates, reduced edge loss, and improved device performance, replacing 4-inch and 6-inch SiC epitaxial wafers. Moreover, government around the world have been enacting favorable policies with respect to SiC epitaxial wafers in recent years, including the Chinese government. See "Industry Overview — Overview of Global and China's SiC Epitaxial Wafer Market — Drivers of Global and China's SiC Epitaxial Wafer Industry." Going forward, Frost & Sullivan anticipates that more and more downstream customers are expected to place orders requesting for large quantity of 8-inch SiC epitaxial wafers. As such, we believe the SiC epitaxial wafers industry is promising with a demand switch from 4-inch and 6-inch towards 8-inch epitaxial wafers, and our business performance and financial conditions would be improved in the foreseeable future.

Based on the foregoing, despite of facing various challenges, we believe our business is sustainable and our financial performance is expected to be enhanced through adopting the aforesaid strategies while the SiC epitaxial wafers industry continues to be sun-rising with the new focus of demand.

See "Business — Challenges to Our Industry and Our Business."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period, in spite of a decrease in our revenue for the ten months ended October 31, 2024 as compared to the corresponding period in the previous year due to a decreasing trend in the selling price of our products, we are taking measures to improve our operational efficiency and profitability through different means. Due to our continuous efforts, subsequent to the Track Record Period and as of the Latest Practicable Date, we had entered into several framework agreements and sales agreements with manufacturing requests of a total expected number of more than 450,000 pieces of SiC epitaxial wafers in the coming three years, approximately 40% of which are 8-inch SiC epitaxial wafers. See "Business — Challenges to Our Industry and Our Business."

Our Directors have confirmed that, save as disclosed above, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since June 30, 2024, being the end date of our latest audited financial statements, and there had been no event since June 30, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

We [have included] in Appendix III to this document the unaudited preliminary financial information of our Group for the year ending December 31, 2024, which is prepared in compliance with the content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules and [has been] agreed with the Reporting Accountants, following their work under Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants.

[REDACTED] STATISTICS

	Based on the [REDACTED] of HK$[REDACTED] per H Share	Based on an [REDACTED] of HK$[REDACTED] per H Share
[REDACTED] of our Shares(1)	HK$[REDACTED]	HK$[REDACTED]
Unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of our Company per Share(2)	HK$[REDACTED]	HK$[REDACTED]

Notes:

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

(2) The unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of our Company per Share is calculated after the adjustment referred to in "Unaudited [REDACTED] Financial Information" in Appendix II to this document and on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised.

DIVIDENDS

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. See "Financial Information — Dividends."

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Company was controlled by (i) Mr. Li as to approximately 29.05% in his personal capacity directly, and through Dinghong Investment as to approximately 5.58%, Runsheng Investment as to approximately 3.19%, and Wanghe Investment as to approximately 2.33%, indirectly; and (ii) Mr. Au Yeung as to approximately 18.21% in his personal capacity directly. Dinghong Investment, Runsheng Investment and Wanghe Investment are limited partnerships established in the PRC and ESOP Platforms of our Group. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su Qin, the spouse of Mr. Li.

Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung acknowledged and confirmed that, except for the situations where they shall abstain from voting in relevant connected transactions, they should act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li.

As such, Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders, who collectively held 58.36% of our total issued Shares as at the Latest Practicable Date.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment will collectively hold approximately [REDACTED]% of our total issued Shares. Accordingly, Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment will remain as a group of Controlling Shareholders upon [REDACTED].

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK$[REDACTED] per Share, the total estimated [REDACTED] expenses in relation to the [REDACTED] are RMB[REDACTED] (HK$[REDACTED]), assuming the [REDACTED] is not exercised, which constitute approximately [REDACTED]% of the [REDACTED]. Our total [REDACTED] expenses consist of (i) [REDACTED]-related expenses and fees (including [REDACTED] commissions, Stock Exchange trading fee SFC and AFRC transaction levy) of RMB[REDACTED] (HK$[REDACTED]); and (ii) non-[REDACTED]-related expenses of RMB[REDACTED] (HK$[REDACTED]), including (a) fees payable to the Sole Sponsor, legal advisors and Reporting Accountants of RMB[REDACTED] (HK$[REDACTED]) and (b) other fees and expenses of RMB[REDACTED] (HK$[REDACTED]). During the Track Record Period, we did not incur any [REDACTED] expenses. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK$[REDACTED] from the [REDACTED], after deducting the estimated [REDACTED] commissions and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], assuming that an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised.

We intend to use the [REDACTED] as follows:

- approximately [REDACTED]%, or HK$[REDACTED], is expected to be used to expand our overall production capacity over the next five years, thereby enhancing our market share and product competitiveness;

- approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for enhancing our independent R&D and innovation capabilities over the next five years to improve product quality and shorten the development cycle of new products, so as to respond more quickly to the market demand;

- approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for strategic investments and/or acquisition to expand customer base, enrich our product portfolios and supplement our technologies to achieve our long-term growth strategies;

- approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for expanding our global sales and marketing network; and

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

See "Future Plans and [REDACTED]."

RISK FACTORS

Our operations and the [REDACTED] involve certain risks and uncertainties, which are set out in the section headed "Risk Factors" in this document. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

- A majority of our revenue was generated from the PRC and a substantial portion of our sales and purchases are from countries outside the PRC during the Track Record Period. As such, our business is susceptible to any policy changes affecting the semiconductor industries in China and worldwide which may materially and adversely affect our business.

- Our performance is subject to fluctuations in the raw material supplies and demands from our downstream industries that adopt our products. Any changes in the raw material costs or slowdown in the growth of these downstream industries could adversely affect our business, financial condition and results of operations.

- The price of our products may be adversely affected as the overall production capacity continues to increase in the future.

- Our business growth and prospects are affected by our ability to continuously innovate and upgrade our technologies and production processes and to penetrate new markets.

- Our historical growth may not be indicative of our future growth, and we may not be able to manage our growth or execute our business strategies effectively.

- Our business, financial condition and results of operations may be materially and adversely affected by international trade policies and international export controls and economic sanctions.

See "Risk Factors."

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this document.

DEFINITIONS

"Accountants' Report"	the accountants' report for the Track Record Period of our Company, the text of which is set out in Appendix I to this document;
"Acting-in-concert Agreement"	the acting-in-concert agreement dated June 4, 2023 entered into between Mr. Li and Mr. Au Yeung;
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the [REDACTED], a summary of which is set out in Appendix VII to this document;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of our Board;
"Board" or "Board of Directors"	our board of Directors;
[REDACTED]	[REDACTED]
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong;
[REDACTED]	[REDACTED]
"Chairman"	chairman of our Board;
"China" or "PRC"	the People's Republic of China which, for the purpose of this document and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
"close associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;

DEFINITIONS AND ACRONYMS

"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;
"Company", "our Company" or "the Company"	Guangdong Tianyu Semiconductor Co., Ltd. (廣東天域半導體股份有限公司) (formerly known as Dongguan Tianyu Semiconductor Technology Co., Ltd.* (東莞市天域半導體科技有限公司) and Dongguan Tianyu Silicon Carbide Technology Co., Ltd.* (東莞市天域碳化硅科技有限公司), a limited liability company established in the PRC on January 7, 2009 and subsequently converted into a joint stock company with limited liability on November 8, 2022;
"Company Law" or "PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time;
"Concert Parties"	refer to Mr. Li and Mr. Au Yeung, and "Concert Party" means any one of them;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, collectively refers to Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment, as further detailed in the section headed "Relationship with Our Controlling Shareholders";
[REDACTED]	[REDACTED]

"Dinghong Investment"	Dongguan Dinghong Investment Consulting Center (Limited Partnership)* (東莞市鼎弘投資諮詢中心(有限合夥)), a limited partnership established in the PRC on August 6, 2020, which is held by 48 partners, with Tianyu Gongchuang as the executive partner and general partner holding 1% of partnership interest, and 47 limited partners holding 99% of partnership interest in aggregate, including eight individuals who are Directors, Supervisors or members of senior management of our Company holding approximately 74.41% of partnership interest in aggregate and 39 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 24.59% of partnership interest in aggregate. Dinghong Investment is one of our ESOP Platforms and one of our Controlling Shareholders;
"Director(s)"	the director(s) of our Company;
"Dongguan Yuebao"	Dongguan Yuebao Digital Disc Company Limited* (東莞市粵寶數碼光盤有限公司), a limited liability company established in the PRC, and owned as to 50% by Mr. Li and 50% by Mr. Au Yeung, respectively;
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;
"Employee Incentive Scheme"	the employee equity incentive scheme of our Company which was adopted on January 22, 2022, a summary of the principal terms of which is set forth in "E. Employee Incentive Scheme" in Appendix VIII to this document;
"ESOP Platforms"	Dinghong Investment, Runsheng Investment and Wanghe Investment;
[REDACTED]	[REDACTED]
"Extreme Conditions"	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]	[REDACTED]
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party;
"F&S Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this document;
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Group"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be);
"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;
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hengxin Research Institute"	Dongguan Hengxin Third-Generation Semiconductor Research Institute* (東莞市恒信第三代半導體研究院), a private non-enterprise entity (民辦非企業單位) established under the laws of the PRC on October 5, 2019 by Southern Semiconductor;
[REDACTED]	[REDACTED]

DEFINITIONS AND ACRONYMS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong dollar(s)" or "HKD" or "HK$"	Hong Kong dollars(s), the lawful currency of Hong Kong;
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
"Independent Third Party(ies)"	individual(s) or company(ies) which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is/are not our connected persons;
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Latest Practicable Date"	December 14, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication;
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM (formerly known as the Growth Enterprise Market) of the Stock Exchange;
"Mr. Au Yeung"	Mr. Au Yeung Chung (歐陽忠), one of our founders, a non-executive Director, one of the Concert Parties and one of our Controlling Shareholders;
"Mr. Li"	Mr. Li Xiguang (李錫光), one of our founders, our Chairman, an executive Director, one of the Concert Parties and one of our Controlling Shareholders;
"Nomination Committee"	the nomination committee of our Board;
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Overseas Listing Trial Measures"	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》) promulgated by the CSRC on February 17, 2023, as amended, supplemented or otherwise modified from time to time;

[REDACTED]	[REDACTED]
"PRC Company Law"	the Company Law of the People's Republic of China (《中華人民共和國公司法》);
"PRC government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them;
"PRC Legal Advisors"	DeHeng Law Offices (Shenzhen), our legal advisors as to PRC laws in connection with the [REDACTED];
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Regulation S"	Regulation S under the U.S. Securities Act;
"Remuneration Committee"	the remuneration committee of our Board;
"Renminbi" or "RMB"	the lawful currency of the PRC;

"Reporting Accountants"	KPMG, the reporting accountants of our Company;
"Runsheng Investment"	Dongguan Runsheng Investment Consulting Center (Limited Partnership)* (東莞市潤生投資諮詢中心(有限合夥)), a limited partnership established in the PRC on August 5, 2020, which is held by 43 partners, with Tianyu Gongchuang as the executive partner and general partner holding 1% of partnership interest, and 42 limited partners holding 99% of partnership interest in aggregate, including four individuals who are Directors or Supervisors holding approximately 74.77% of partnership interest in aggregate and 38 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 24.23% of partnership interest in aggregate. Runsheng Investment is one of our ESOP Platforms and one of our Controlling Shareholders;
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong;
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each;
"Shareholder(s)"	holder(s) of the Share(s);
"Sole Sponsor"	CITIC Securities (Hong Kong) Limited;
"Southern Semiconductor"	Dongguan Southern Semiconductor Technology Co., Ltd.* (東莞南方半導體科技有限公司), a limited liability company established in the PRC on November 23, 2016, which is a direct non-wholly owned subsidiary of our Company;
[REDACTED]	[REDACTED]
"State Council"	the State Council of the PRC (中華人民共和國國務院);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Strategic and ESG Committee"	the strategic and ESG committee of our Board;
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules;
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Supervisor(s)"	member(s) of our Supervisory Committee;

"Supervisory Committee"	the supervisory committee of our Company;
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
"Tianyu Gongchuang"	Dongguan Tianyu Gongchuang Investment Consulting Co., Ltd.* (東莞市天域共創投資諮詢有限公司), a limited liability company established in the PRC on July 9, 2020, which is owned as to 99% by Mr. Li and 1% by Ms. Su Qin (蘇琴), the spouse of Mr. Li. Tianyu Gongchuang is one of our Controlling Shareholders;
"Track Record Period"	the three years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024;
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Unlisted Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which is/are not listed or traded on any stock exchange;
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"U.S. dollar(s)" or "USD" or "US$"	United States dollar(s), the lawful currency of the United States;
"U.S. persons"	U.S. persons as defined in Regulation S;
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time; and

"Wanghe Investment"	Dongguan Wanghe Investment Consulting Center (Limited Partnership)* (東莞市旺和投資諮詢中心(有限合夥)), a limited partnership established in the PRC on August 5, 2020, which is held by 28 partners, with Tianyu Gongchuang as the executive partner and general partner holding 1% of partnership interest, and 27 limited partners holding 99% of partnership interest in aggregate, including five individuals who are Directors or Supervisors of our Company holding approximately 83.22% of partnership interest in aggregate and 22 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 15.78% of partnership interest in aggregate. Wanghe Investment is one of our ESOP Platforms and one of our Controlling Shareholders.

ACRONYMS

"AFRC"	the Accounting and Financial Reporting Council established by section 6(1) of the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong), formerly known as the Financial Reporting Council;
"CAGR"	compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result;
[REDACTED]	[REDACTED]
"Comprehensively Sanctioned Countries"	Cuba, Iran, North Korea, Syria, the Crimea Region of Russia/Ukraine and the self-proclaimed Luhansk People's Republic ("**LPR**") and self-proclaimed Donetsk People's Republic ("**DPR**") regions;
"CSDC"	China Securities Depositary 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);
"EAR"	the Export Administration Regulations administered by the BIS;
"ESG"	environmental, social and governance;
[REDACTED]	[REDACTED]

"IFRS"	IFRS Accounting Standards issued by the International Accounting Standards Board;
"International Sanctions"	all applicable laws and regulations to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted administered and enforced by the U.S. Government, the European Union and its member states, the United Kingdom, the United Nations or Government of Australia;
"International Sanctions Legal Adviser"	Hogan Lovells, our legal adviser as to International Sanctions laws in connection with the [REDACTED];
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部);
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部);
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部);
"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);
"OFAC"	the U.S. Department of Treasury's Office of Foreign Assets Control;
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC;
"Primary Sanctioned Activity"	any activities in a Comprehensively Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law and regulation;
"R&D"	research and development;
"Region subject to International Sanctions"	region for which Relevant Jurisdictions maintain various forms of sanctions programs in place;

"Relevant Jurisdiction"	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purpose of this document, the Relevant Jurisdictions include the United States, the European Union, the United Nations, the United Kingdom and Australia;
"Relevant Persons"	the Company, together with its investors and shareholders and persons who might directly or indirectly, be involved in permitting the listing, trading clearing and settlement of its shares including the Stock Exchange and related group companies;
"Relevant Regions"	Afghanistan, Balkans, Belarus, Democratic Republic of the Congo, Egypt, Hong Kong, Iraq, Lebanon, Libya, Mali, Myanmar, Russia (excluding the Crimea, Kherson, Zaporizhzhia, and LPR/DPR regions), Somalia, Tunisia, Turkey, Ukraine (excluding the Crimea, Kherson, Zaporizhzhia, and LPR/DPR regions) and Zimbabwe;
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局);
"Sanctioned Country"	any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction;
"Sanctioned Target"	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Comprehensively Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii);
"SCNPC"	The Standing Committee of the National People's Congress (全國人民代表大會常務委員會);
"SDN"	Specially Designated Nationals and Blocked Persons;

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局); and
"VAT"	value-added tax.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

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

For the purpose of this document, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our Company and our business. The terminology contained in this glossary and their given meanings may not correspond to standard industry meaning or usage of these terms.

"bandgap"	the energy difference in semiconductors between the top of the valence band and the bottom of the conduction band. Wide bandgap semiconductors permit devices to operate at much higher voltages, frequencies, and temperatures than conventional semiconductors
"bidirectional structure"	a single-component power switch capable of handling power flow in both directions, offering cost and efficiency advantages in applications like EVs and renewable energy generation
"CAGR"	compound annual growth rate
"Class 100"	a category of classification of air cleanliness based on particle concentration
"CVD"	chemical vapor deposition, a process in which gaseous chemicals react on a heated wafer surface to form solid film
"DC/DC converters"	an electronic circuit that converts a source of direct current (DC) from one voltage level to another
"doping concentration"	the amount of impurity atoms intentionally added to a semiconductor material to modify its electrical properties
"epitaxial growth"	a process of crystal growth or material deposition where new crystalline layers are formed with well-defined orientations on a crystalline seed layer, enhancing the performance of semiconductor devices
"EVs"	electric vehicles
"fabless"	an integrated circuit design company that does not own a chip manufacturing plant and only focuses on design
"foundry"	a manufacturer specializing in the production and manufacture of chips in the field of integrated circuits
"frequency"	the rate at which a power electronic device, such as a switch or rectifier, operates. It is a crucial factor influencing the performance and efficiency of power systems

GLOSSARY OF TECHNICAL TERMS

"GaN"	gallium nitride, a binary III/V direct bandgap semiconductor well-suited for high-power transistors capable of operating at high temperatures. It is acknowledged for its capability to enhance power system efficiency, performance and system cost
"IATF16949"	international technical specification of automotive industry quality management system, which prepared by International Automotive Task Force (IATF) and ISO
"IDM"	integrated device manufacturer, a company that takes charge of design, manufacturing, packaging, testing and subsequent sales of the finished products
"ISO"	the International Organization for Standardization, a worldwide federation of national standards bodies
"ISO14001"	the Environmental Management System published by the ISO
"ISO45001"	the Occupational Health and Safety Management System published by the ISO
"ISO9001"	the International Quality Management System published by the ISO
"maximum available production capacity"	the maximum available operational capacity of manufacturing equipment calculated based on the maximum hourly capacity and working hours in a given year/period, which is subject to the respective timing of completion of installation and debugging of each piece of our equipment in that year/period
"modules"	packaged components that include integrated circuits or other electronic components, which are used to build larger systems or devices. They are essential for enhancing performance, efficiency, and scalability in electronic products
"moves"	the individual steps or processes that a wafer undergoes during its production process, including all transitions between equipment and processing stages. The total number of moves indicates the complexity and length of the production cycle
"OBC"	on-board charger, a power electronics device for electric vehicle batteries on EVs, which converts alternating current (AC) power from external sources, such as residential outlets, into DC power to charge the vehicle's battery pack

"on-resistance"	the total resistance between the drain and source terminals of a field-effect transistor (FET) when it is in operation. It is a critical parameter in power devices, as it directly impacts the power loss during operation, with lower on-resistance resulting in lower power loss
"power density"	the amount of power processed per unit volume or unit area
"production capacity"	the theoretical operational capacity of manufacturing equipment under the most ideal circumstances
"radiation resistance"	the ability of semiconductor devices to withstand and function in high radiation environments
"SiC"	silicon carbide, a semiconductor material used in various electronic applications
"sq.m."	square meter(s)
"substrate"	the base layer of material used in the manufacturing process of semiconductor devices and integrated circuits. It is typically a thin slice of single-crystal silicon, gallium arsenide or other semiconductor materials. Various circuit components are grown and fabricated on the substrate
"voltage resistance"	the ability of semiconductor devices to withstand overvoltage. It is usually characterized by the voltage value of the device at the time of breakdown or current reaching a specific value
"wafer"	a thin slice of semiconductor material, used in the manufacture of ICs and other microelectronic devices
"4H-SiC"	a specific polytype of SiC, characterized by its unique crystalline structure, where the "4H" refers to its hexagonal lattice structure with a periodic stacking sequence repeated every four layers. It is the most widely used SiC polytype for high-power and high-frequency electronic applications due to its exceptional material properties

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to our Company 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," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and the negative of these words and other 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. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- general political and economic conditions, including those related to the jurisdictions where we operate;
- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry or in the world and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed "Risk Factors."

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other 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 information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

RISK FACTORS

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before making an investment in our H Shares. These risks and uncertainties could materially and adversely affect our business, financial condition, results of operations or prospects. The [REDACTED] of our H Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which may differ significantly from those prevailing in other jurisdictions. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A majority of our revenue was generated from the PRC and a substantial portion of our sales and purchases are from countries outside the PRC during the Track Record Period. As such, our business is susceptible to any policy changes affecting the semiconductor industries in China and worldwide which may materially and adversely affect our business.

During the Track Record Period, substantially all of our business operations were based in China and a majority of our revenue was derived from our sales in China. As such, we are dependent on policies affecting the semiconductor industry in China. In recent years, China has been promoting and reshaping its domestic semiconductor industry through policy changes, leading to its semiconductor industry growing at a fast pace over the past few years, according to Frost & Sullivan. Many semiconductor companies, including us, have leveraged on such favorable policies. As such, our future prospects, success and continuous growth depend and will continue to depend on the strong support of the PRC government to the semiconductor industry in the foreseeable years.

In addition, in recent years, governments around the world have been enacting favorable policies related to SiC epitaxial wafers. During the Track Record Period, our revenue from countries and regions outside the PRC amounted to RMB22.7 million, RMB54.9 million, RMB518.2 million, RMB168.3 million and RMB41.2 million, respectively, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, accounting for 14.7%, 12.6%, 44.2%, 39.7% and 11.4%, respectively, of our total revenue during the same years/periods. During the Track Record Period, our purchases from countries and regions outside the PRC amounted to RMB52.1 million, RMB68.1 million, RMB38.2 million, RMB27.4 million and RMB13.4 million, respectively, for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, accounted for 40.0%, 24.3%, 3.6%, 5.6% and 3.1%, respectively, of our total purchases during the same years/periods. The sales and purchases from countries and regions outside the PRC have been substantial during the Track Record

Period. Given the significant contribution, any decrease in sales and purchases from countries and regions outside the PRC may adversely affect our business, financial condition and results of operations.

We cannot assure you that the governments in the PRC and worldwide will continue to promote and implement favorable policies for the semiconductor industry, or maintain the policies currently in effect to the semiconductor industry, and in turn, favorable to us. As a result, if such policies change or discontinue in the future, our financial performance and future business growth could be materially and adversely affected.

Our performance is subject to fluctuations in the raw material supplies and demands from our downstream industries that adopt our products. Any changes in the raw material costs or slowdown in the growth of these downstream industries could adversely affect our business, financial condition and results of operations.

Our performance is subject to the fluctuations of supply and demand from upstream and downstream industries. In particular, a fluctuation in raw material costs may disrupt our supply chain and increase our production costs. In case of material changes in raw material costs, we may need to consider adjusting our pricing policy for our SiC epitaxial wafer products, which could affect the sales volume of such products, thereby materially and adversely affecting our operational performance and financial condition.

In addition, our performance is subject to the fluctuations of demands from downstream industries. Our SiC epitaxial wafer products are primarily offered to downstream customers operating across various industries, including new energy industries (such as electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL) and home appliances. Demand for our products largely depends on growth within the markets for the end products, which is impacted by factors beyond our control. These factors include, among others:

- a decline in demand for, or negative perception of, or publicity about, products of downstream industries;
- a downturn in general economic conditions in the PRC and worldwide;
- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports of the downstream industries from the PRC;
- the inability of our customers to dedicate necessary resources to promote and commercialize their products;
- the inability of our customers to adapt to changing technological demands;
- the failure of our customers' end products in which our products are used to meet evolving industry requirements or achieve market acceptance;

- delays and project cancellations as a result of design flaws in the products developed by our customers;
- increased costs associated with potential disruptions to our customers' supply chain and other manufacturing and production operations;
- the deterioration of our customers' financial condition; and
- the effects of catastrophic and other disruptive events at our customers' offices or facilities including natural disasters, telecommunications failures, cyber-attacks, terrorist attacks, pandemics, epidemics or other outbreaks of infectious disease, breaches of security or loss of critical data.

In the event that any of the above events occur, the end product markets may not maintain robust growth and the demand for our products may be reduced. Therefore, our business, financial condition, results of operations and prospects could be materially and adversely affected.

The price of our products may be adversely affected as the overall production capacity continues to increase in the future.

The global epitaxial wafer industry is experiencing significant capacity expansion, coupled with rapid technology advancements. The selling price of our epitaxial wafer products may be adversely affected by the increasing production capacity and there is a downward trend in the selling price of our epitaxial wafer products. We cannot predict that if the production capacity of epitaxial wafer products will continue to grow rapidly in China and worldwide and to what extent that the technological development may reduce costs of production and accelerate the capacity expansion. In the event that the supply of epitaxial wafer products far exceeds the demand for such products, we may experience price reduction, which could adversely affected our profitability and results of operations.

Our business growth and prospects are affected by our ability to continuously innovate and upgrade our technologies and production processes and to penetrate new markets.

Our future success significantly depends on our ability to continue to innovate and upgrade our technologies and production processes. Product design, development, innovation and upgrade is often a complex, time-consuming and costly process involving significant investment in R&D with no assurance of return on investment. The technological advancement in the downstream industries has been accelerating continuously, and the downstream market is constantly proposing higher requirements and demands for upgraded technologies and processes. There can be no assurance that we will be able to develop and introduce new and upgraded products in a timely or efficient manner or that new and upgraded products, if developed, will achieve market acceptance and generate sufficient revenue to offset costs incurred for such development and further achieve profitability. Failure to timely innovate and upgrade our technologies and production processes could materially delay our development of new and enhanced products, which could result in loss of competitiveness and market share.

Our growth is also dependent on the ability of us and our distributors to identify and penetrate new markets where we have limited experience yet require significant investments, resources and technological advancements in order to compete effectively. Our success in these markets is subject to a number of factors such as marketing and selling efforts, competitiveness of our existing and new products, customer preference and acceptance of our products and end products in which our products are used, and competitive landscape. There can be no assurance that we will achieve success in these markets and that the markets we serve and/or target based on our business strategy will grow in the future.

Our historical growth may not be indicative of our future growth, and we may not be able to manage our growth or execute our business strategies effectively.

We experienced fast growth in our revenue during the Track Record Period. In 2021, 2022 and 2023, our revenue was RMB154.6 million, RMB436.9 million and RMB1,171.2 million, respectively, representing a CAGR of 175.2%. However, we cannot assure you that our future revenue will continue to increase or that we will continue to be profitable. Our revenue decreased by 14.8% from RMB423.8 million for the six months ended June 30, 2023 to RMB361.1 million for the same period in 2024. We incurred net losses of RMB180.3 million and RMB140.7 million, respectively, for the year ended December 31, 2021 and the six months ended June 30, 2024. We anticipate that our cost of sales and operating expenses will further increase in the foreseeable future as we continue to grow our business, expand geographically, invest and innovate our technology infrastructure, and further broaden our product and service offerings. Our revenue, expenses and profitability may vary from period to period due to various factors beyond our control, including the general economic growth, development of SiC epitaxial wafer industry, changes in laws, regulations and rules applicable to us, the expansion and performances of our existing business, our ability to control cost, competitive landscape and customer preference. Even if we recorded net profits of RMB2.8 million and RMB95.9 million, respectively, for the years ended December 31, 2022 and 2023, we cannot assure you that we may continue to achieve profitability in the future. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

In addition, we plan to invest substantial financial, management and operational resources to sustain our growth. However, we cannot assure you that we will be able to obtain these resources consistently in the future. For instance, we may not be able to obtain additional internal and external capital to support our business growth on commercially acceptable terms or at all, or to retain and attract sufficient number of competent staff to support our business development. In such event, we may not execute our business strategies and maintain our growth.

Our business, financial condition and results of operations may be materially and adversely affected by international trade policies and international export controls and economic sanctions.

International trade frictions have been escalating continuously in recent years. Certain foreign jurisdictions have imposed or may impose export controls, economic sanctions or other trade-related measures in various forms (such as heavy tariffs or harsh trade conditions) against certain countries, individuals and legal entities, which, from time to time, prohibit or restrict export and import activities to a certain extent. Export controls and economic sanctions laws or regulations could change in a way that could affect our business, exports or sales in other countries and could result in restrictions, penalties or fines. For instance, the U.S.-China trade tensions have led to the introduction of high tariffs on a host of goods trading between the two countries, including high-technology goods, semiconductors, and electronics. The trade tensions between the two countries have been rising and there is a possibility that the extent and scale of trade restrictions between the two countries be escalated if the U.S. and China fail to reach any agreement to settle the issues. There is no assurance as to how the U.S.-China trade tensions might develop or whether there will be any changes to the scope and extent of goods that are or will be being subject to such export controls, sanctions, tariffs, or new trade policies introduced by the two countries. We cannot predict the implications of the ongoing U.S.-China trade tensions and the resulting impact on our industry and the global economy. If we export our products to countries which are subject to export controls or economic sanctions in the future or if the scope of the export controls or economic sanctions are expanded, our sales to overseas customers and procurement from overseas suppliers may be adversely affected. There is no guarantee that our overseas customers will not reduce or cancel their orders due to adverse international trade policies and international export controls and economic sanctions. In addition, our expansion into other countries and regions may not be executed as planned. As a result, our business, financial condition and results of operations may be materially and adversely affected.

The United States and other jurisdictions or organization, including the European Union, the United Nations, the United Kingdom and Australia, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organization within such countries.

During the Track Record Period, we had sales to one non-sanctioned customer located in a region subject to International Sanctions. As advised by our International Sanctions Legal Adviser, these sales create secondary sanctions exposure but did not represent a Primary Sanctioned Activity nor appear to have violated applicable primary International Sanctions.

We have no control over the countries to which the downstream customers will sell and/or export their end products. There is no assurance that our downstream customers will not engage in export sale of their end products (which contain our SiC epitaxial wafers) into the U.S. or other countries and that the export sale of their end products into the U.S. or other countries will not be subject to the restrictions introduced by the U.S. or other countries. If the export sales of the downstream customers' end products are restricted, prohibited or made subject to any trade restrictions under any international trade policies or international export controls or economic sanctions imposed by any jurisdictions, the downstream customers' demand in our products may drop significantly and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

International trade policies and international export controls and economic sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Targets. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. We cannot provide any assurance that our future business will be free of sanctions risk or our business will conform to the expectations and requirements of the authorities of U.S. or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of U.S., the European Union, the United Nations, the United Kingdom, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provide a basis for a sanctions designation of our Group. For details on our business operations in the Regions subject to International Sanctions, see "Business — Legal Proceedings and Compliance — Business Activities with One Non-sanctioned Customer Located in a Region subject to International Sanctions."

We may not grow our business as planned.

Our growth depends on a number of factors beyond our control. Any unexpected circumstances could disrupt our business operations and divert our attention to original business plans. Such unpredictability inherent in the business operation is common in our industry. There is no assurance that we may grow our business as planned and become profitable. Even if we realized profits in the past, there can be no assurance that we can maintain profitability in subsequent periods. Our failure to become or remain profitable could impair our ability to raise capital, expand our business and continue our operations, which may adversely and materially affect our financial condition and results of operations.

If we are unable to offer high-quality products, it may reduce the market adoption of our products, damage our reputation or expose us to product liability and other claims.

Our customers generally have stringent requirements for quality, performance and reliability that our products must meet. Due to the complex product development and production process, our products may contain undetected defects or failures, which may be difficult to detect at an early stage of the production process and often are time-consuming, expensive or impossible to correct. If such defects and failures do exist in our products, we could experience lost revenue, increased costs, including warranty expenses and costs associated with after-sales services, cancellations or rescheduling of orders or shipments, and product returns or discounts. They may also result in claims against us by our customers or others, and subject us to liabilities and damages. Our reputation or brand may be damaged and our customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our business, financial condition and results of operations.

Our business depends on reliable and adequate transportation provided by third parties. Disruptions to the transportation could disrupt our deliveries and adversely affect our business, financial condition and results of operations.

Our products are delivered through third-party service providers. We are unable to control the process of transportation and it may be disrupted by a number of factors, such as traffic accidents, border control, natural disasters and bad weather conditions. If access to and from our production bases are significantly damaged, cut off, suspended for repair or maintenance for an extended period of time, the delivery of our products would be significantly affected, and we may fail to deliver our products on time and breach our sales contracts. Any difficulties experienced by us in transporting our products may reduce demand for our products and cause our customers to select suppliers closer to their operations and who are able to supply products with quality considerably similar to ours or to demand significant lower prices for our products. Any such adverse development could have a material adverse effect on our business, financial condition and results of operations.

Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business relationship with us.

We primarily purchase raw materials from raw material production companies, and semiconductor devices, equipment and machinery from equipment supply companies. During the Track Record Period, we made purchases primarily from a limited number of suppliers. In particular, purchases from our five largest suppliers for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 amounted to RMB116.7 million, RMB236.7 million, RMB937.6 million and RMB400.9 million, respectively, accounting for 89.7%, 84.5%, 88.7% and 92.4%, respectively, of our total purchases during the same years/period. See "Business — Procurement and Supply — Our Suppliers — Major Suppliers."

Our reliance on these major suppliers subjects us to the concentration and counterparty risk from these suppliers. We cannot assure you that we will be able to maintain relationships with our major suppliers in the future. Any decrease in purchases from, or loss of, one or more of our major suppliers would have negative impacts on our results of operations and financial condition. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business with us. For example, if our major suppliers cease to sell their products, or if the supply is disrupted or delayed, there can be no assurance that we will be able to find new suppliers with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. Should any of these occur, our business, financial condition, results of operations and profitability may be adversely affected.

A significant portion of our revenue was derived from our major customers in each year/period comprising the Track Record Period. Any decrease in sales from, or loss of major customers would have negative impacts on our results of operations.

Revenue contributed from our five largest customers accounted for 73.5%, 61.5%, 77.2% and 91.4% of our total revenue in 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively, while the largest customer contributed 30.9%, 21.1%, 42.0% and 52.6% of our total revenue, respectively, for the same years/period. See "Business — Sales and Marketing — Our Customers." There can be no assurance that we will be able to develop new customers or maintain or increase collaboration with our existing customers. Given the significant revenue contribution by our major customers, any decrease in sales from, or loss of, one or more of our major customers would harm our business, financial condition and results of operations.

We face substantial competition that requires us to respond rapidly to product development and pricing pressures.

We expect that the competition among providers of different SiC epitaxial wafer products may increase substantially in the future and we face intense technological and pricing competition in the markets in which we operate. The introduction of new products, technologies and production processes by our competitors, the market acceptance of products based on our new or alternative technologies and production processes, or our failure to anticipate or timely develop new or enhanced products, technologies or production processes in response to changing market demand, whether due to technological shifts or otherwise, could result in a decrease of customers and reduced competitiveness. Certain competitors that possess more sufficient financial, technical and management resources to develop and market products may compete favorably against our products, and business integration among our competitors may allow them to compete more effectively. In the event that we are unable to overcome pricing pressure or achieve cost efficiencies, or match the technological, product, support or manufacturing advancements of our competitors, we may lose our current market share and experience decreases in sales volume, thereby adversely affecting our business, financial condition and results of operations.

Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly.

Our products are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products designed and developed by other companies. As a result, we could be required to invest significant resources and efforts, and may incur significant expense to redesign our products to ensure compliance with relevant standards. Moreover, there can be no assurance that our efforts to meet such industry standards or requirements would success. If our products are not in compliance with prevailing industry standards or requirements, our customers may not purchase our products which in turn could have a material adverse effect on our business, financial condition and results or operations.

A fluctuation in prices of raw materials or shortage in supply may disrupt our supply chain, increase our production costs, delay deliveries of our products to customers and affect our market price, which would further affect our business, financial condition and results of operations.

We depend on third-party suppliers to provide a variety of materials necessary for the manufacturing of our SiC epitaxial wafers including conductive SiC substrates and other accessory materials such as graphite components, chemicals, packaging materials and special gases. Our material costs amounted to RMB77.7 million, RMB231.2 million, RMB667.1 million and RMB235.3 million, respectively, in 2021 and 2022 and 2023 and the six months ended June 30, 2024, representing 59.6%, 66.2%, 69.9% and 58.1%, respectively, of our total cost of sales in the same periods.

Our production volume and production costs depend on our ability to source key raw materials at competitive prices. However, the raw materials we use are subject to price volatility caused by external factors, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation and governmental regulations and policies. Any fluctuation in prices of raw materials or shortage or delay in the supply of our raw materials could result in occasional price adjustments of our products or cause delays in our production and delivery to customers. We cannot guarantee we will not in the future experience price fluctuations and supply shortages of raw materials. In such event, we may be required to seek alternate sources of supply and there is no guarantee that we will be able to find alternate sources of supply in a timely manner and with reasonable price, or at all. If we are unable to keep up with demand for our products due to the failure to supply the raw materials we need, our customers may reduce, delay or cancel their orders and our business could be adversely affected.

Any disruption to the operation of our production bases could restrict our ordinary business operations and materially and adversely affect our financial condition and results of operations.

As of the Latest Practicable Date, we had one production base at our headquarters in Dongguan, China. We are also currently constructing our new production base located at Ecological Park site in Dongguan. See "Business — Production — Production Bases." The current and future operation of our production bases may be disrupted by natural disasters, such as floods, earthquakes, typhoons, and other events such as fires, mechanical breakdowns, telecommunications failures, loss of licenses, certifications and permits, changes in governmental planning for the underlying land, and the regulatory development, many of which are beyond our control. As our production process and safety-critical operations require substantial amounts of electricity, therefore any power outage, disruption or shortage in power supply could have a materially adverse impact on our production and employee safety.

As part of our production operations, we are engaged in certain inherently risky and hazardous activities, including, among other things, use of special equipment and management of special gases. Therefore, we are subject to risks associated with these activities, including gas leakages, equipment failures, industrial accidents, fires and explosions. These accidents can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences could disrupt the operation of our production bases and result in legal liability, and thus materially and adversely affect our financial condition and results of operations.

Our business depends on our ability to protect our intellectual property rights.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with third parties to protect our intellectual property rights. There is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, as such applications are expensive and time consuming. See "Business — Intellectual Property." In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks related to the result of the proceedings, the amount of damages that we can recover, and the enforcement process. Accordingly, we may not be able to effectively protect or enforce our intellectual property rights in all relevant jurisdictions, which may have a material adverse effect on our business, financial condition and results of operations.

We also seek to protect our proprietary technology, including technology that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our collaborators, advisors, employees and consultants. We cannot assure you that these agreements will always be entered into or will not be breached or that we will have adequate remedies for any breach.

We may fail to maintain and predict inventory levels in line with demand for our products, which could cause us to face the risk of obsolescence for our inventories.

Our inventories consist of raw materials, work-in-progress and finished goods. We have taken measures to optimize our inventory level and conduct regular inventory check to reduce the risk of inventory obsolescence. See "Business — Inventory Management." As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had inventories of RMB94.2 million, RMB89.9 million, RMB394.5 million and RMB523.8 million, respectively. During the Track Record Period, we made provision for inventories amounting to RMB11.1 million, RMB14.7 million, RMB21.3 million and RMB63.0 million, respectively, for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024. We made provision for inventories as our inventories may be damaged, obsolete in whole or in part, or the net realizable value of inventories is lower than their cost, resulting in failure to recover the cost of inventories. For the same periods, our inventory turnover days were 332 days, 144 days, 113 days and 281 days, respectively. See "Financial Information — Discussion of Certain Items of Statements of Financial Position — Inventories." We primarily adopt a production volume-based procurement model, and reserve raw materials as appropriate. However, we cannot guarantee that we will be able to maintain proper inventory levels for our raw materials, work-in-progress and finished goods. We maintain our inventory levels based on our internal forecasts of customers' demand. If our forecast demand is higher than actual demand, we may be exposed to increased inventory risks due to the accumulation of excess inventory of our raw materials, work-in-progress or finished goods. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs. Therefore, our business, financial condition and results of operations may be materially and adversely affected.

Our business depends substantially on the continued services and efforts of our experienced management and research and development personnel, and our operations may be severely disrupted if we lost their service.

Our future performance depends on the service and contribution of our experienced management to oversee and execute our business plans, identify and pursue new opportunities and product innovations. We also rely on our experienced management team to ensure smooth business operations, including maintenance of distributor and supplier relationships, and management of our operations. Any loss of service of our management can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and results of operations. From time to time, there may be changes in our management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also require a significant amount of time, training and resources, and may impact our existing corporate culture.

Additionally, competition for highly skilled personnel is often intense, and we may incur significant costs to attract and retain highly skilled personnel in our research and development team. A stable and experienced R&D team is crucial for our product development, technological innovation, production efficiency and product quality improvement. Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly skilled engineers with expertise in the R&D and production of SiC epitaxial wafers. However, we cannot assure you that we will be able to develop or retain qualified staff or other highly skilled employees that we need in order to achieve our strategic objectives.

We have limited control over the operations of our distributors. Our business may be negatively affected due to risks relating to the acts of our distributors and their potential breach of distribution agreements.

We use third-party professional distributors for marketing, branding and sales of our products when necessary. The performance of our distributors, their ability and distribution network to sell our products are crucial to our rapid growth and may have direct impacts on our revenue and profitability. We have limited control over the operations of our distributors and cannot ascertain whether the distribution efforts made by our distributors could be optimized in order to achieve our sales goal.

Furthermore, there can be no assurance that we will be successful in detecting any non-compliance of our distributors with the distribution agreements. We may be exposed to the risks of fraud or other misconduct committed by our distributors. Fraud or other misconduct by our distributors may involve engaging in unauthorized misrepresentation to our customers, misappropriating third party's intellectual property and other proprietary rights and engaging in bribery or other unlawful payments. In any such event, we could, as a result, be subject to claims brought by our customers or third parties for fraud or other misconduct committed by such distributor, which could result in potential substantial financial liability and diversion of our managerial and financial resources regardless of whether the claim has merits. In such event, our business, financial condition and results of operations may be adversely affected.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our brand is critical to maintaining and expanding our business. Maintaining, promoting and enhancing our brand depends largely on our ability to continue to provide high quality products, which we cannot assure you we will do successfully in the future. Any issue caused by quality, performance, reliability and stability of our products as well as pricing may harm our reputation and brand. It is possible that our new products may not be recognized by our downstream customers. Additionally, if our downstream customers have negative experience using our products, such an encounter may affect our brand and reputation within the industry.

The successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We incurred marketing expenses in the past and may continue to allocate more resources on marketing. We cannot guarantee that our marketing efforts will be successful, or that they will yield significant benefits that justify the costs. Any such failure may result in our declining market recognition and position, and adversely affect our business, financial condition and results of operations.

Our SiC epitaxial wafer products may be subject to warranty, indemnity and/or product liability claims, which could result in significant costs and damage to our business, reputation and downstream customer relationships, market acceptance of our products, financial condition, results of operations and prospects.

SiC epitaxial wafer products are highly complex and may contain defects that affect their quality or performance. If any of our products contain defects, we may be required to incur additional development and remediation costs pursuant to warranty and indemnification provisions in our contracts and purchase orders, which may divert our technical and other resources from other product development efforts. Our downstream customers and any third party that use our products may bring claims against us for indemnification and damages resulting from the defects of our products, which may be significant in certain cases. As we offer our products to downstream customers in industries such as new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as electric vertical take-off and landing ("**eVTOL**")) and home appliances, we may be subject to product liability claims if our products, or the integration of our products, lead to system failures and further cause damage to property or persons. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our technical and management personnel, and harm our business. In addition, if any of our products contain defects, or have reliability, quality or compatibility problems not capable of being resolved, our reputation may be harmed, which could adversely affect our operating results.

The expansion into overseas markets may expose us to operational, financial and regulatory risks.

During the Track Record Period, a substantial portion of our products were sold to overseas markets. Expanding our global footprint and growing overseas sales is an important part of our future growth and strategic development, but these efforts may not be successful. Overseas operations are subject to a number of risks, including but not limited to:

- increased costs resulted from the efforts to understand the local markets and develop and maintain effective marketing and distributing presence in various countries;
- difficulties and costs related to providing after-sales services and customer support in overseas markets;

- failure to develop and implement appropriate risk management and internal control structures tailored to overseas operations;
- foreign exchange control and exchange rate fluctuations;
- difficulties and costs related to compliance with different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products or services;
- failure to obtain or maintain permits for our products or services in overseas markets;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

The occurrence of any of these events could disrupt our overseas expansion and consequently adversely affect our business, financial condition and results of operations.

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and process data primarily related to the transactions with our enterprise customers. See "Business — Data Privacy and Information Security Risk Management." The secure maintenance of such information is critical. Despite our security measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power outage or telecommunication failures. Any such breach could compromise our networks and the confidential and proprietary information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

As we have recognized net current liabilities and had net operating cash outflows in the past, there is no assurance that we may not recognize net current liabilities again and can generate net cash inflow in the future.

As of December 31, 2021 and June 30, 2024, we recorded net current liabilities of approximately RMB305.7 million and RMB140.9 million, respectively. For details of the reasons for our net current liabilities, see "Financial Information — Liquidity and Capital Resources — Current Assets/Liabilities." A net current liabilities position may impair our ability to satisfy necessary capital expenditures, develop business opportunities or expand business scale. Even if we recorded net current assets of approximately RMB851.8 million and RMB260.7 million, respectively, as of December 31, 2022 and 2023, we cannot assure you that we will be able to improve our liquidity and maintain a net current assets position in the future.

For the year ended December 31, 2021 and 2022, we had net cash flows used in operating activities of RMB6.3 million and RMB262.2 million, respectively. For a detailed analysis on our operating cash flow, see "Financial Information — Liquidity and Capital Resources" in this document. It is possible that our operating cash flow will continue to be subject to our prospective business activities and/or other matters beyond our control, such as market competition and changes to the market environment. Even if we had net cash flows generated from operating activities of RMB87.4 million and RMB85.9 million, respectively, for the years ended December 31, 2023 and the six months ended June 30, 2024, we cannot assure you that we will be able to generate net cash inflows in the future. If we are not able to generate net cash inflows, we would need to seek external financing to support our operations, such as equity or equity-linked instruments and external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we are unable to maintain adequate working capital or obtain sufficient equity or debt financings to meet our capital needs, we may be unable to continue our operations according to our strategic plans, and our business, financial condition and results of operations may be materially and adversely affected.

We may be exposed to credit risk arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of SiC epitaxial wafer products. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our gross trade receivables amounted to RMB68.9 million, RMB184.2 million, RMB306.6 million and RMB256.4 million, respectively. The credit period granted to our customers was generally 30 days to 90 days from the date of billing. We generally recovered trade receivables within four months. See "Financial Information — Discussion of Certain Items of Statements of Financial Position — Trade and Bills Receivables" in this document.

We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. Our customers may face unexpected circumstance. For example, our trade and bills receivables turnover days increased from 87 days in 2023 to 166 days for the six months ended June 30, 2024 attributable to the delay in payment by certain customers due to their worsened operational performance. As a result, we may not be able to receive such customers' payment of outstanding debts in full, or at all, and may be exposed to credit risk. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

Fluctuations in foreign currencies may adversely affect our business, financial condition and results of operations.

The exchange rate of Renminbi against the Hong Kong dollar, U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, changes in international political and economic conditions, as well as supply and demand in the local market. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements and obligations. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the Hong Kong dollar, U.S. dollar or other currencies in the future.

As a substantial portion of our revenue derived from overseas markets during the Track Record Period and our overseas sales were typically settled in U.S. dollar, any appreciation of the Renminbi may result in a decrease in the value of U.S. dollar amount, which may adversely affect our financial condition.

Furthermore, the [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against the Hong Kong dollar or any other foreign currency may result in a decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition and results of operations.

Expiration of, or changes to, certain government incentives, government grants and preferential tax treatments which we are entitled to could adversely affect our financial condition and results of operations.

During the Track Record Period, we recorded government grants of RMB10.2 million, RMB6.4 million, RMB27.6 million and RMB7.3 million in our consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively, which represent industry-specific subsidies granted by the local government authorities in China to encourage R&D projects. In addition, we benefited from preferential tax treatments from the PRC government during the Track Record Period. Our Company and our subsidiary were qualified as High and New Technology Enterprise and were entitled to a preferential income tax rate of 15% for a certain period of time. According to the Circular on Improving the Policy on Extra Super-deduction of R&D Expenses (《關於完善研究開發費用稅前加計扣除政策的通知》) promulgated by the STA, the MOF and the MOST, effective from January 1, 2016 onwards, enterprises carrying out R&D activities are entitled to claim super-deduction of R&D expenses amounting to 50% of its research and development expenses in determining its tax assessable profits for the year. The super-deduction ratio of R&D expenses increased from 50% to 75%, effective from January 1, 2018 to December 31, 2020, according to the new tax incentives policy, the Notice of Increasing the Ratio of the Super-deduction of R&D Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》) promulgated by the STA, the MOF and the MOST in September 2018. The applicable period of this policy was subsequently extended to December 31, 2023, pursuant to the Announcement of the MOF and the STA on Extending the Implementation Period of Some Preferential Tax Policies (《財政部稅務總局關於延長部分稅收優惠政策執行期限的公告》) issued on March 15, 2021. The ratio of the super-deduction of R&D expenses has been further increased to 100% for enterprises entitled to 75% super-deduction of R&D expenses during the period from October 1, 2022 to June 30, 2023, and such enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from October 1, 2022 to June 30, 2023 from the taxable income amount on a one-off basis in the current year, according to the Announcement on Increasing Super-deduction in Support of Scientific and Technological Innovation (《關於加大支持科技創新稅前扣除力度的公告》) promulgated by the STA, the MOF and the MOST in September 2022. According to the Announcement of the MOF and the STA on Further Improving the Pre-tax Deduction Policy for R&D Expenses (2023) (《財政部稅務總局關於進一步完善研發費用稅前加計扣除政策的公告(2023)》), where R&D expenses actually incurred by an enterprise when it conducts any R&D activity have not been included in the current profit and loss, from January 1, 2023 onwards, 100% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in this year, and where intangible assets have been formed, 200% of the costs of the intangible assets shall be amortized before tax. We have claimed super-deduction of R&D expenses upon above mentioned regulations in ascertaining our tax assessable profits for the Track Record Period. We cannot assure that we will continue to receive government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, financial condition and results of operations may be materially and adversely affected.

Share-based payments may cause shareholding dilution to our existing Shareholders and potentially have a material and adverse effect on our financial performance.

During the Track Record Period, we made share-based payments to our directors, senior management and key employees for their contribution to us and providing them with an incentive for outstanding future performance. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, we recognized equity-settled share-based payment expenses of nil, RMB7.9 million, RMB17.2 million and RMB8.3 million in our consolidated statements of profit or loss and other comprehensive income, respectively. To further incentivize our directors, senior management and key employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We may not be able to obtain additional funding on acceptable terms or at all, which may affect our ability to expand our business or meet unforeseen contingencies.

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations and business expansion. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our profitability, overall financial condition and results of operations;
- our market position and competitiveness in the SiC epitaxial wafer industry;
- general market conditions for capital-raising activities by our competitors in China; and
- economic, political and other conditions in China and internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity securities or incur additional indebtedness. The sale of additional equity or equity-linked securities could dilute our Shareholders' shareholding interest. The additional indebtedness and related interest expenses could lead to increased debt service obligations and restrict our operations or our ability to pay dividends to our Shareholders due to certain operating and financing covenants.

We may be subject to claims by third parties for intellectual property infringement.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business without infringing the intellectual property rights of third parties. Our products may use patents, copyrights, trademarks or other proprietary rights owned by other third parties. However, we cannot assure you that our competitors and other third parties will not bring legal claims against us for infringing on their patents, copyrights, trademarks or other intellectual property rights, whether such claims have merits or otherwise. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, are evolving, and litigation is becoming a more commonly pursued method for resolving commercial disputes. Given the foregoing and the increasing competition in the market, we are exposed to a higher litigation risk. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. There is no guarantee that we can obtain favorable judgments in all legal cases. If we are found to be liable for infringement upon intellectual property rights of certain third parties, we may be required to pay damages or cease using certain technologies or content that are critical to our products. Any resulting liabilities or expenses or any changes to our products that we have to make to limit future liabilities may have a material adverse effect on our business, financial condition and results of operations.

We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, the Stock Exchange and the SFC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China, and to new and evolving regulatory measures under applicable laws. We may also be subject to the changing social trends on the concerns regarding environmental, social and governance risks. Our efforts to comply with new and changing laws, regulations and social trends have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, as these laws, regulations and standards are subject to varying interpretations, their enforcement in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty for compliance and additional costs necessitated by ongoing updates to our disclosure and governance practices. Any failure to address and comply with these laws and regulations and any subsequent changes could subject us to substantial fines or other liabilities or require us to suspend or adversely modify our operations.

Our production process produces pollutants such as waste gas, wastewater, noise and solid waste. The discharge of waste gas and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. Should the governments impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such standards and regulations at reasonable costs, or at all. Any failure or any claim that we have failed to comply with these regulations could cause delays in our production and capacity expansion and affect our public image, either of which could harm our business.

Downturns or volatility in general economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Our sales and profitability depend significantly on general economic conditions and any adverse changes in general economic conditions, including any recession, economic slowdown or disruption of credit markets, may lead to lower demand for and price fluctuations of our products. Economic uncertainty affects our businesses in a number of ways, making it difficult to accurately forecast and plan our future business activities. A decline in end-user demand can affect the demand of the customers for our products, and the tightening of credit in financial markets may lead consumers and businesses to postpone spending, either of which may cause our customers to decrease, delay or even cancel their existing and future orders with us. In response to the decline in end-user demand and the shrunk customer base, we may consider lowering the price of our products and our profitability could be adversely affected. In addition, financial difficulties experienced by our suppliers or distributors could result in product delays, increased accounts receivable defaults and inventory obsolescence. All these factors related to general economic conditions, which are beyond our control, could adversely impact our business, financial condition and results of operations.

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

During the Track Record Period, certain of our customers (the "**Relevant Customer(s)**") settled their payments with us through third-party payors (the "**Third-party Payment Arrangement(s)**"). In 2021, 2022 and 2023 and for the six months ended June 30, 2024, the sum of third-party payments amounted to RMB0.6 million, RMB3.1 million, RMB18.3 million and RMB0.6 million, respectively, representing approximately 0.4%, 0.7%, 1.6% and 0.2% of our total revenue for the corresponding period, respectively. See "Business — Sales and Marketing — Our Customers — Third-Party Payment Arrangements" for details.

We are subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, including possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings instituted or brought against us in respect of third-party payments, we may have to spend financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

We may not have sufficient insurance coverage to cover our potential liability or losses.

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. We also plan to purchase property insurance and employer's liability insurance that we believe are customary for businesses of our size and type and in line with standard commercial practice in China. See "Business — Insurance." Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. Any uninsured occurrence including, among others, business disruption, material litigation, natural disaster or significant damages to our uninsured equipment or facilities may result in substantial costs and the diversion of resources. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any failure to obtain or continuously maintain or renew approvals, licenses or permits applicable to our business operation may have a material and adverse impact on our business, financial condition and results of operations.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses and permits in order to operate our business. If we fail to maintain compliance with such laws and regulations, or otherwise fail to obtain or maintain any of the required approvals, licenses or permits or make or complete the necessary filings in any of the jurisdiction where we operate our business, our operations may be adversely affected. For example, during the Track Record Period, our non-wholly owned subsidiary, Southern Semiconductor, had not completed the filing of occupational disease hard projects as required by the relevant PRC laws and regulations. Southern Semiconductor completed such filing in November 2024. As of the Latest Practicable Date, Southern Semiconductor had not received any rectification requirements or administrative penalties from competent authorities. As advised by our PRC Legal Advisors, the risk of competent authorities imposing administrative penalties on Southern Semiconductor is low, considering the above factors.

In addition, in the event that we are required to renew our existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, we cannot assure you that we will be able to meet the requisite conditions and requirements, or obtain all requisite approvals, licenses and permits in a timely manner or at a reasonable cost. If we are unable to obtain, or experience material delays in obtaining necessary approvals, licenses and permits, it may have a material and adverse impact on our business, financial condition and results of operations.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, financial condition, results of operations and prospects.

We may be subject to disputes or claims of various types brought by our competitors, employees, suppliers, customers, business partners or governmental entities against us relating to contractual disputes, labor disputes, intellectual property infringements or disputes involving misconducts of our employees. Such disputes and claims may evolve into litigations and damage our reputation, thereby adversely affecting our customer base. We cannot guarantee that we will not be subject to legal proceedings in the ordinary course of business. Litigation is distractive and expensive as it may cause us to incur legal fees, allocate a significant portion of our resources and divert management team's attention from our day-to-day operations, any of which could adversely affect our business. In the event of an adverse judgement against us, we may need to spend a significant amount to settle claims or pay damages, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our Controlling Shareholder has substantial influence over our Group and his interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholder has significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Immediately following the completion of the [REDACTED], the Controlling Shareholder will remain as Controlling Shareholder of our Group. The interests of our Controlling Shareholder might differ from the interests of our other Shareholders. In the event that our Controlling Shareholder causes us to pursue businesses that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Controlling Shareholder and our other Shareholders may also materially and adversely affect our operations such as the decision and implementation of our business plans, which may in turn affect our business and results of operations.

We may be subject to natural disasters, health epidemic, acts of war, terrorism or other factors beyond our control.

Natural disasters, such as floods, earthquakes, sandstorms, snowstorms, fires or floods, outbreaks of a widespread health epidemic or pandemic such as COVID-19, or other events such as acts of war, terrorism, environmental accidents, power outages or communication interruptions may result in loss of lives, injury, destruction of assets and may materially and adversely affect our business. Our operations could also be disrupted if any of our employees or employees of our business partners were suspected of having any of the epidemic or pandemic illnesses, since this could require us or them to quarantine some or all of such employees or disinfect the facilities used for our operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRINCIPAL PLACE WE OPERATE

Our business is affected by changes in China's or global economic, political or social conditions or government policies.

Substantially all of our business, assets and operations are located in China, and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in China. Similar to many other countries and regions, China regulates its economy through imposing and adjusting industrial, fiscal or monetary policies from time to time. Our business has been and would continue to be affected by China's economy, which in turn is increasingly influenced by the global economy. The uncertainties in the global economy and the geo-political or social environment in various regions around the world would continue to affect China's economic growth and may cause uncertainties in our business. Furthermore, sanctions and export control measures are unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures may have a significant impact on the targeted countries, markets and/or entities. Chinese companies may be affected by such sanctions or export control measures. We may also be exposed to risks in dealing with business partners subject to sanctions or export controls. Any future changes in economic, political, social, and regulatory conditions in China and globally may continue to affect our business, financial condition, results of operations and prospects.

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

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. In addition, under the Notice of the Ministry of Finance and State Taxation Administration of the PRC on Several Policy Issues Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), dividends paid to foreign individuals by foreign-invested enterprises are exempted from individual income tax. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realized from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realized through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

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

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

Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our H Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange regulations that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders or satisfy any other foreign exchange obligation.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and an active trading market for our H Shares may not develop.

No public market currently exists for our H Shares. The initial [REDACTED] for our H Shares to the public will be the result of negotiations between our Company and the [REDACTED] (on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the market price of our H Shares following the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and permission to deal in, the H Shares. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the H Shares will rise following the [REDACTED].

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

The market price and trading volume of our H Shares may be highly volatile. Several factors beyond our control such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in demand for our products may cause significant and sudden changes to the market price and trading volume of our H Shares. Furthermore, the market price of our H Shares could also decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities issued by the Company may also confer rights and privileges that take priority over those conferred by the H Shares. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that is not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

Since there will be a gap of several days between the pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares may fall during the period before trading of our H Shares begins.

The initial price of our H Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the [REDACTED]. As a result, investors may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the H Shares could be lower than the [REDACTED] when trading begins as a result of adverse market conditions or adverse developments that may occur between the time of sale and the time of initial trading.

Potential investors will experience immediate and substantial dilution as a result of the [REDACTED].

Potential investors will pay a price per H Share in the [REDACTED] that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities as of June 30, 2024. Therefore, purchasers of our H Shares in the [REDACTED] will experience a substantial immediate dilution in [REDACTED] net tangible assets, and our existing Shareholders will receive an increase in the [REDACTED] adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [REDACTED], potential investors would receive less than the amount they paid for their H Shares. For more information, see "Unaudited [REDACTED] Financial Information" in Appendix II to this document.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources or other sources contained in this document.

Certain facts, statistics and data contained in this document relating to China, Hong Kong and the industries in which we operate have been derived from various official government publications, industry associations, independent research institutions, third party reports and/or other publicly available sources we generally believe to be reliable. Such information has not been prepared or independently verified by us, the [REDACTED] or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials.

Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies and should not be relied upon. 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 give due consideration as to how much weight or importance you should attach to or place on such facts, forecasts or statistics.

There is no assurance whether and when we will pay dividends, which is subject to restrictions under PRC law.

No dividend had been paid or declared by our Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

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," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business 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. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, 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.

You should read this entire document carefully and should not consider or rely on any particular statements in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [REDACTED], there may have been or may be press and media coverage regarding us, our business, our industry and the [REDACTED]. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this document, we expressly disclaim responsibility for them. Accordingly, prospective investors should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to invest in our [REDACTED]. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this document, the [REDACTED], and any formal announcements made by us in Hong Kong in relation to our [REDACTED].

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM STRICT 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.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. As at the Latest Practicable Date, none of our executive Director resided in Hong Kong.

Pursuant to Rule 19A.15 of the Listing Rules, the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

Since our headquarters and principal business operations and management of our Group are carried out in the PRC, and our executive Director, namely Mr. Li, ordinarily resides outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Director or appointment of additional executive Directors. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

1. we have appointed Mr. Li, our executive Director, and Mr. Chan Pak Lun ("**Mr. Chan**"), one of our joint company secretaries as our authorised representatives (the "**Authorised Representatives**") pursuant to Rule 3.05 of the Listing Rules. The Authorised Representatives will act as our principal channel of communication with the Stock Exchange. Each of the Authorised Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

2. when the Stock Exchange wishes to contact our Directors on any matter, each of the Authorised Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any changes in the Authorised Representatives. We have provided the Stock Exchange with the contact details (i.e., mobile phone number, office phone number, fax number and email address) of each of our Authorised Representatives and Directors to facilitate communication with the Stock Exchange;

3. 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 Stock Exchange within a reasonable period of time upon request;

4. in compliance with Rule 3A.19 of the Listing Rules, we have appointed Caitong International Capital Company Limited as our compliance adviser (the "**Compliance Adviser**"), which has access at all times to our Authorised Representatives, Directors and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. Our Company will keep the Stock Exchange up to date in respect of any change to such details. Our Authorised Representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules; and

5. we shall ensure that there are adequate and efficient means of communication among our Company, our Authorised Representatives, our Directors, other officers and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

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 Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers that 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 provides that the Stock Exchange will consider the following factors in assessing an individual's "relevant experience":

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

(ii) 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;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

We have appointed Mr. Li Zhuoxing (李焯星), our Board secretary, as one of our joint company secretaries. In view of his experience within our Group and his thorough understanding of the internal administration and business operations of our Group, our Directors consider that Mr. Li Zhuoxing is a suitable person to act as a company secretary of our Company. In addition, as the core business and operations of our Group are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Mr. Li Zhuoxing as a company secretary whose presence in the headquarters of our Group enables him to attend to the day-to-day corporate secretarial matters concerning our Group.

Given Mr. Li Zhuoxing does not possess the qualification and sufficient relevant experience stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfil the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. To provide assistance to Mr. Li Zhuoxing and enable him to acquire all qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules, we have also appointed Mr. Chan, a practising solicitor of Hong Kong, 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 Mr. Li Zhuoxing for an initial period of three years from the [REDACTED].

Since Mr. Li Zhuoxing does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Li Zhuoxing may act as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 of the Guide, the waiver will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(i) 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

(ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

The waiver is valid for an initial period of three years from the [REDACTED], and is granted on the condition that Mr. Chan, as a joint company secretary of our Company, will work closely with, and provide assistance to, Mr. Li Zhuoxing in the discharge of his duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations, for an initial period of three years commencing on the [REDACTED].

Given Mr. Chan's professional qualifications and experience, he will be able to explain to both Mr. Li Zhuoxing and our Company the relevant requirements under the Listing Rules. Mr. Chan will also assist Mr. Li Zhuoxing in organising 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. He is expected to work closely with Mr. Li Zhuoxing, and will maintain regular contact with Mr. Li Zhuoxing, our Directors, Supervisors and the senior management of our Company. The waiver will be revoked immediately if Mr. Chan ceases to provide assistance to Mr. Li Zhuoxing as a joint company secretary for the three-year period after the [REDACTED] or where there are material breaches of the Listing Rules by our Company.

In addition, Mr. Li Zhuoxing will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the [REDACTED]. Mr. Li Zhuoxing will also be assisted by (a) the Compliance Adviser, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisers of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Prior to the expiration of the initial three-year period, the qualifications and experience of Mr. Li Zhuoxing 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 of Mr. Chan will continue. We will liaise with the Stock Exchange to enable it to assess whether Mr. Li Zhuoxing, having benefited from the assistance of Mr. Chan for the preceding three years, will have acquired the skills necessary to carry out the duties of 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.

For the biographical information of Mr. Li Zhuoxing and Mr. Chan, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

WAIVER AND EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS DOCUMENT

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report as set out in Appendix I to this document must include the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this document or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group for each of the three financial years immediately preceding the issue of this document including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a report by the auditors of our Company in respect of the profits and losses and assets and liabilities of our Group for each of the three financial years immediately preceding the issue of this document.

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for the three years ended December 31, 2021, 2022 and 2023 and [nine] months ended [September 30], 2024 is set out in Appendix I to this document but does not include the consolidated results of our Group in respect of the full year immediately preceding the proposed date of the [REDACTED], being full year for the year ending December 31, 2024. However, strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 4.04(1) of the Listing Rules would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the following reasons:

(i) there would not be sufficient time for our Group to finalise the financial information for the year ending December 31, 2024 for inclusion in this document, which shall be issued in the third month after the latest financial year end. If the financial information is required to be audited up to the year ending December 31, 2024, our Company and the Reporting Accountants would have to undertake a substantial amount of work to prepare, update and finalise the Accountants' Report and the relevant sections of this document will need to be updated to cover such additional period, which will lead to a delay in the [REDACTED] timetable;

(ii) our Company has included in this document (a) the Accountants' Report covering the three years ended December 31, 2021, 2022 and 2023 and [nine] months ended [September 30], 2024; (b) the unaudited preliminary financial information of our Group for the year ending December 31, 2024 as set out in Appendix III to this document, which has been agreed with our Reporting Accountants, KPMG, following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and a commentary on the results for the year as set out in Appendix III to this document, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (c) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Company and the Sole Sponsor are of the view that information included in this document have already provided potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Group. Our Directors and the Sole Sponsor confirm that all information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and profitability of our Company has been included in this document. Our Directors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and the exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prejudice the interests of the investing public;

(iii) our Directors and the Sole Sponsor confirmed that, after performing sufficient due diligence work up to the date of this document, save for the [REDACTED], there [has been no] material adverse change in our financial and trading positions or prospects since [September 30], 2024 and there has been no event since [September 30], 2024 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document, the unaudited [REDACTED] information, the unaudited preliminary financial information of our Group for the year ending December 31, 2024 as included in Appendix III to this document and the section headed "Financial Information" in this document and other parts of this document; and

(iv) our Company will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of its annual results and annual report. Our Company currently expects to issue its annual report for the year ending December 31, 2024 on or before April 30, 2025. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the year ending December 31, 2024.

In such circumstances, an application has been made to the Stock Exchange for, and the Stock Exchange [has granted] to our Company, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, on the conditions that:

(i) this document will be issued in the third month after the latest financial year end and our H Shares will be [REDACTED] on the Stock Exchange on or before March 31, 2025;

(ii) our Company will obtain a certificate of exemption from the SFC on compliance with the requirements under section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(iii) this document will include the preliminary unaudited financial information for the year ending December 31, 2024 and a commentary on the results for the year. The financial information to be included in this document must (a) follow the same content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (b) be agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and

(iv) our Company will not be in breach of our constitutional documents or laws and regulations of the PRC, where our Company is incorporated, or other regulatory requirements regarding our obligation to publish preliminary results announcements.

An application has also been made to the SFC for a certificate of exemption from strict compliance with section 342(1) in respect of the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the accountants' report for the full the year ending December 31, 2024 in this document. A certificate of exemption [has been granted] by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(i) the particulars of the exemption are set out in this document; and

(ii) this document will be issued in the third month after the latest financial year end, and our H Shares will be [REDACTED] on the Stock Exchange on or before March 31, 2025.

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS

Names	Residential address	Nationality
Executive Director		
Mr. Li Xiguang (李錫光)	No. 19, Liwu Road Jiao Lian Wanjiang District Dongguan Guangdong Province PRC	Chinese
Non-executive Directors		
Mr. Au Yeung Chung (歐陽忠)	No. 4, Lane 2 Xianzheng Road Guancheng District Dongguan Guangdong Province PRC	Chinese
Mr. Jiang Dacai (姜達才)	Building 8 Haiyue Huayuan Phase 2 Haiyue Road Nanshan District Shenzhen Guangdong Province PRC	Chinese
Independent non-executive Directors		
Mr. He Zhengsheng (賀正生)	Room 404, Building 2 No.19 Courtyard West Jiangtai Road Chaoyang District Beijing PRC	Chinese
Ms. Li Min (李旻)	No. 1 Yunhe East 3rd Road Guancheng District Dongguan Guangdong Province PRC	Chinese
Mr. Vincent Chin (錢榮澤)	Flat B, 2/F. 61 Kimberley Road Tsim Sha Tsui, Kowloon Hong Kong	Chinese

SUPERVISORS

Names	Residential address	Nationality
Mr. Zhuang Shuguang (莊樹廣)	No. 28 East Tangcheng Road Guanqiaojiao Wanjiang District Dongguan Guangdong Province PRC	Chinese
Mr. Yuan Yi (袁毅)	4th Floor No. 146, Xinglong Street Guancheng District Dongguan Guangdong Province PRC	Chinese
Ms. Yin Xuefang (尹雪芳)	No. 56, Lijing Xincun Guancheng District Dongguan Guangdong Province PRC	Chinese

Please refer to the section headed "Directors, Supervisors and Senior Management" in this document for further information on our Directors and Supervisors.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

Legal Advisers to our Company	*As to Hong Kong laws* **DeHeng Law Offices (Hong Kong) LLP** 28/F, Henley Building 5 Queen's Road Central Central Hong Kong Room 3507, 35/F Edinburgh Tower The Landmark 15 Queen's Road Central Central Hong Kong *As to the PRC laws* **DeHeng Law Offices (Shenzhen)** Storey 11, Section B Anlian Plaza No. 4018, Jintian Road Shenzhen, Guangdong Province PRC *As to International Sanctions law* **Hogan Lovells** 11th Floor One Pacific Place 88 Queensway Hong Kong
Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong and United States laws* **Sidley Austin** 39/F, Two International Finance Centre 8 Finance Street Central, Hong Kong *As to the PRC laws* **Sundial Law Firm** 11–12F., Taiping Finance Tower 6001 Yitian Road, Futian District Shenzhen, Guangdong Province PRC

Auditor and Reporting Accountants	**KPMG** *Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance* 8/F, Prince's Building 10 Chater Road, Central Hong Kong
Independent Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504–2505, Wheelock Square 1717 West Nanjing Road, Jing'an District Shanghai PRC
Independent Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F, One Taikoo Place 979 King's Road Hong Kong
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered Office	No.5 Industrial North First Road Songshan Lake North Industrial Zone Dongguan Guangdong Province PRC
Headquarters	No.5 Industrial North First Road Songshan Lake North Industrial Zone Dongguan Guangdong Province PRC
Principal Place of Business in Hong Kong	28/F, Henley Building 5 Queen's Road Central Central Hong Kong
Company's Website	**http://www.sicty.com** *(Note: the information on this website does not form part of this document)*
Joint Company Secretaries	Mr. Li Zhuoxing (李焯星) No. 19, Liwu Road Jiao Lian Wanjiang District Dongguan Guangdong Province PRC Mr. Chan Pak Lun (陳柏麟) *Solicitor of the High Court of Hong Kong SAR* 28/F, Henley Building 5 Queen's Road Central Central Hong Kong

Authorised Representatives	Mr. Li Xiguang (李錫光) No. 19, Liwu Road Jiao Lian Wanjiang District Dongguan Guangdong Province PRC Mr. Chan Pak Lun (陳柏麟) 28/F, Henley Building 5 Queen's Road Central Central Hong Kong
Audit Committee	Ms. Li Min (李旻) *(chairlady)* Mr. He Zhengsheng (賀正生) Mr. Jiang Dacai (姜達才)
Remuneration Committee	Mr. He Zhengsheng (賀正生) *(chairman)* Mr. Au Yeung Chung (歐陽忠) Ms. Li Min (李旻)
Nomination Committee	Mr. He Zhengsheng (賀正生) *(chairman)* Mr. Li Xiguang (李錫光) Ms. Li Min (李旻)
Strategic and ESG Committee	Mr. Li Xiguang (李錫光) *(chairman)* Mr. Au Yeung Chung (歐陽忠) Mr. He Zhengsheng (賀正生)
[REDACTED]	[REDACTED]
Compliance Adviser	**Caitong International Capital Company Limited** *(a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities)* Unit 2401–05, 24/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong

CORPORATE INFORMATION

Principal Banks	**China Construction Bank Co., Ltd. Dongguan Branch** Jiansheng Building No. 5 Tiyu Road Nancheng District Dongguan Guangdong Province PRC
	Dongguan Bank Co., Ltd. Dongguan Branch Rooms 101, 3801, 3901, 4001 Guomao Center Building 1 Dongcheng Street, No. 1 Hongfu East Road Dongguan Guangdong Province PRC
	China CITIC Bank Co., Ltd. Dongguan Branch 1/F and 13/F–16/F, Nanfeng Center Building No. 106 Hongfu Road Nancheng District Dongguan Guangdong Province PRC

Certain information and statistics set out in this section and elsewhere in this document are derived from various official government and other publicly available sources, and from the market research report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us (the "F&S Report"). No independent verification has been carried out on the information from official government sources by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any other parties (other than Frost & Sullivan) involved in the [REDACTED] or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy. Unless and except for otherwise specified, the market and industry information and data presented in this "Industry Overview" section is derived from the F&S Report. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China. As a result, you are advised not to place undue reliance on such information.

SOURCES OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on the global and China's SiC power semiconductor device industry for use in this document, which was commissioned by us for a fee of RMB380,000. In compiling and preparing the F&S Report, Frost & Sullivan adopted the following assumptions: (i) the global and China's social, economic and political conditions currently discussed will remain stable during the forecast period, (ii) global and China's government policies on SiC power semiconductor device industry will remain consistent during the forecast period, (iii) global and China's SiC power semiconductor device industry will be driven by the factors which are stated in the report in the forecast period. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report. The F&S 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, and 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-efforts 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.

INTRODUCTION OF POWER SEMICONDUCTOR DEVICE AND EPITAXIAL WAFER

Power Semiconductor Device

A power semiconductor device is a semiconductor device used as a switch or rectifier in power electronics. In electronic components, power semiconductor devices are electronic devices that need an external power source to operate actively. Materials used to make power semiconductor devices mainly manipulate, amplify, switch, or control the flow of electric current or voltage in a circuit. Power semiconductor devices, including diodes, transistors, thyristors, and sensors, are pivotal for managing electrical power in electronic systems. They require power to execute their roles, which include rectifying current, switching, amplifying signals, and sensing electrical parameters. These components are essential for a variety of applications, from consumer electronics to industrial machinery, where they ensure efficient power management and system performance.

Epitaxial Wafer

Epitaxial wafer is the key raw material for the production of power semiconductor. Basically, epitaxial wafer is made by forming various layers on the surface of substrate to enhance the performance characteristics of the substrate such as stronger current tolerance, higher voltage tolerance and operational stability. The development of epitaxial wafers has been under evolution and marked significant technological advancements. The epitaxial wafers were initially made of silicon (Si), and then developed into the new generation of materials, represented by silicon carbide (SiC) and gallium nitride (GaN), which reflects the industry's pursuit of higher efficiency and performance. As such, epitaxial wafers can be categorized according to various elements such as Si, SiC and GaN. Other epitaxial wafer materials also include germanium (Ge), gallium arsenide (GaAs) and indium phosphide (InP). According to Frost & Sullivan, among these materials, SiC has become dominant and is anticipated to remain irreplaceable by alternative semiconductor materials in manufacturing epitaxial wafers in the near future considering its excellent physical properties such as superior efficiency and thermal conductivity. The SiC power semiconductor device refers specifically to a homoepitaxial structure, where a high-quality SiC substrate is overlaid with a SiC epitaxial layer. This precise layering process ensures a high degree of crystalline alignment, which minimizes defects and enhances the material's overall quality. The homoepitaxial structure's superior thermal and electrical conductivity, along with its ability to withstand high temperatures and voltages, makes it highly suitable for efficient and reliable operation in power electronic applications.

OVERVIEW OF GLOBAL AND CHINA'S POWER SEMICONDUCTOR DEVICE INDUSTRIES AND SIC POWER SEMICONDUCTOR DEVICE INDUSTRIES

Overview

The global power semiconductor device industry has experienced substantial growth. As industries strive to achieve greater energy efficiency and reduce their carbon footprint, power semiconductors have become indispensable components in applications such as power supplies, motor drives, and renewable energy systems. Technological advancements and the ongoing evolution of semiconductor manufacturing processes are key drivers behind the growth of the global power semiconductor device market. The development of wide-bandgap semiconductors, such as SiC and GaN, has enabled higher efficiency and power density in semiconductor devices.

Classification of Semiconductor Materials and Comparisons among Major Power Semiconductor Materials

Semiconductor	First generation semiconductors	Second-generation semiconductors	Third-generation (broadband) semiconductors
Materials	Elemental semiconductors: silicon (Si), germanium (Ge)	Compound semiconductors: gallium arsenide (GaAs), indium phosphide (InP)	Compound semiconductors: gallium nitride (GaN), silicon carbide (SiC)
Advantages	• Abundant and low-cost, Si is the most widely used semiconductor • Enabled the shift from vacuum tubes to compact electronics	• Faster electron mobility for high-frequency transmission • Direct bandgap for applications in light emission, including infrared lasers and high-brightness red LEDs	• Enhanced thermal and electronic properties • Improved electrical strength and radiation resistance • Energy-efficient and eco-friendly • Compact device size
Disadvantages	• SiC outperforms Ge in heat resistance and radiation tolerance • Its indirect bandgap and lower mobility limit applications in optoelectronic and high-frequency/high-power devices	• GaAs and InP are rare materials to obtain, leading to high costs • Toxic and harmful to the environment, limiting their applications	• High Cost • Cannot fully replace earlier semiconductor generations
Technology	• Si manufacturing is mature and near-optimal, yet its physical limits are being reached, narrowing performance gains	• More complex fabrication processes, focusing on more intricate epitaxial growth, which requires two manufacturing stages: substrate production and epitaxy	• GaN semiconductors use heteroepitaxy, while SiC semiconductors use homoepitaxy. Both fabrication processes are complex
Applications	• Widely used in information processing and automation, including consumer electronics, telecommunications, photovoltaics	• In optoelectronics, including millimeter-wave devices, satellite communication, mobile communication, and GPS navigation	• In high-performance sensors • Applications span 5G, IoT, electric vehicles, optoelectronics, and display technology

- Si — First-Generation Semiconductor. Si is one of the major first-generation semiconductor materials with relatively mature development and applications. Si has abundant reserves with economic cost advantages and is primarily used in logic and memory chips. However, as the technology and performance of Si gradually reaches limits, its development faces bottlenecks. Constrained by factors of these limits and bottlenecks such as low frequency, high-voltage non-resistance, poor heat dissipation and insufficient power capacity, Si struggles to reconcile the contradiction between power density and conversion efficiency, making it unable to meet demands for high power density and high conversion efficiency, which are common in emerging applications such as electric vehicles ("**EVs**"), consumer electronics fast charging, power management and data centers.

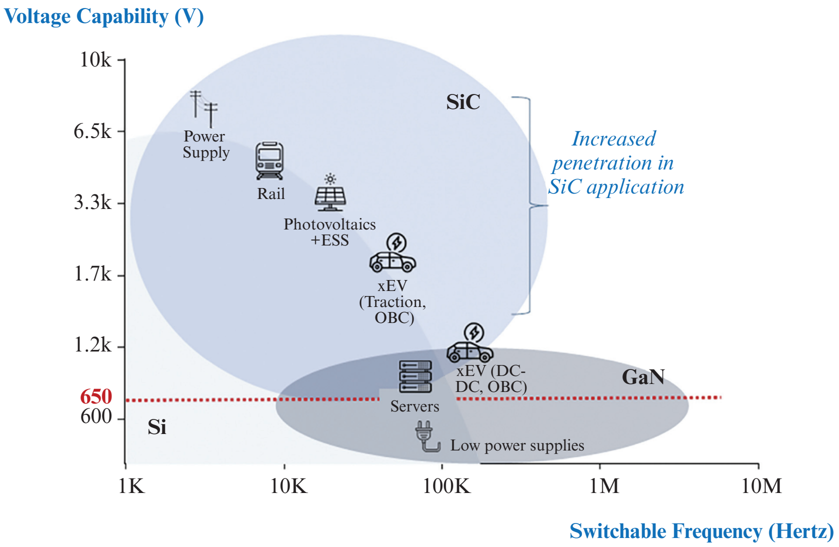
- GaAs — Second-Generation Semiconductor. GaAs represents one of the major second-generation of semiconductor materials, which are characterized by superior electron mobility and saturation electron velocity. Relatively narrow bandgap of GaAs limits its capability under high-power and high-temperature conditions. Narrow bandgap implies a higher susceptibility to breakdown under extreme temperatures or voltages, thereby curtailing their performance in high-power scenarios. Therefore, the second-generation of semiconductor materials cannot meet the high-frequency and high-voltage demands brought about by the power revolution.

- GaN — Third-Generation Semiconductor. GaN exhibits significantly improved performance compared to Si in certain aspects. It possesses overall advantages including wide bandgap, high electron mobility, high switching frequency, low on-resistance and enhanced resistance to high voltage and temperature. However, the lack of thermal conductivity limits the ability to shrink GaN devices when operating at high power densities.

- SiC — Third-Generation Semiconductor. SiC has a wider bandgap compared to the first and second generations of semiconductor materials, which is suitable for high-voltage and high-temperature environments. Higher thermal conductivity combined with wide bandgap and high critical field give SiC power semiconductors an advantage when high power is a key desirable device feature.

As shown in the diagram below, Si is the retained traditional technology with lower tolerance in both frequency and voltage. SiC and GaN are materials with different features and application scenarios-SiC has been applied more in high-voltage scenarios while GaN has significant advantages in low-power supply scenarios. In commercial applications, considering the overall solution cost, SiC is expected to achieve a wider penetration than GaN in the following applications such as power supply, rail and EV power electronics.

Comparisons of the Currently Main Application Scenarios of SiC Power Semiconductor Device Materials (Among Si, GaN and SiC)

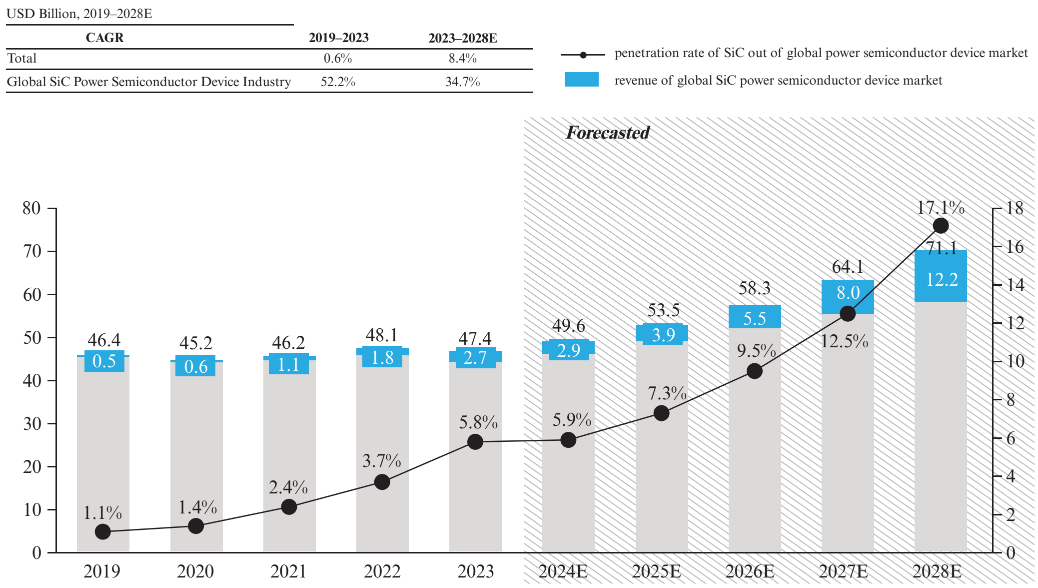


Source: F&S Report

Market Size of Global Power Semiconductor Device Industry

Driven by technological developments in processing power, miniaturization and energy efficiency, as well as increasing demand from downstream industries such as consumer electronics, EVs and data centers, the market size of global power semiconductor device industry witnessed overall growth from 2019 to 2023. The market size of global power semiconductor device industry experienced a steady growth from US$46.4 billion in 2019 to 2023, reaching a total of US$47.4 billion, representing a CAGR of 0.6%. Such muted growth from 2019 to 2023 was primarily attributed to the COVID-19 pandemic which led to a significant drop in smartphone sales and a collapse in vehicle sales due to the closure of dealerships and the halt of production lines. The power semiconductor device sector was also affected by the overall semiconductor industry's downturn in 2023. However, the forecast for the market size from 2023 to 2028 shows a more promising trajectory, benefiting from increasing vehicle demand and renewed consumer spending on electronics and other goods. It is expected that the market size of global power semiconductor device industry will resume its growth, and further increase from US$47.4 billion in 2023 to US$71.1 billion in 2028, representing a CAGR of 8.4%.

Market Size of Global Power Semiconductor Device Industry, in Terms of Revenue



Source: F&S Report

Market Size of Global SiC Power Semiconductor Device Industry

SiC power semiconductors is a class of advanced electronic components. With numerous advantages, including higher efficiency, superior thermal performance, and increased power density compared to silicon-based counterparts, it is widely used in power electronics applications. Driven by the increasing adoption of industrial automation and expansion of the renewable energy, the global SiC power semiconductor device industry has demonstrated remarkable growth from 2019 to 2023, with the market size escalating from US$0.5 billion in 2019 to US$2.7 billion in 2023 at a CAGR of 52.2%. The projected market size for the SiC power semiconductor device industry from 2023 to 2028 continues to show an impressive upward trend, with a CAGR of 34.7%. The market is anticipated to reach an estimated US$12.2 billion by 2028.

The penetration rate of global SiC in the overall power semiconductor device market has also seen a significant increase powered by the growing demand for high-efficiency and high-performance power electronics, particularly in electric vehicles, renewable energy systems, and industrial applications. SiC’s superior properties, such as higher energy efficiency, thermal conductivity, and ability to operate at higher voltages and temperatures, have driven its adoption and integration into these sectors. Starting from 1.1% in 2019, the penetration rate increased to 5.8% in 2023, and is projected to soar to 17.1% by 2028, indicating a substantial shift in the market dynamics, with SiC materials becoming more prevalent and integral to the global power semiconductor device industry.

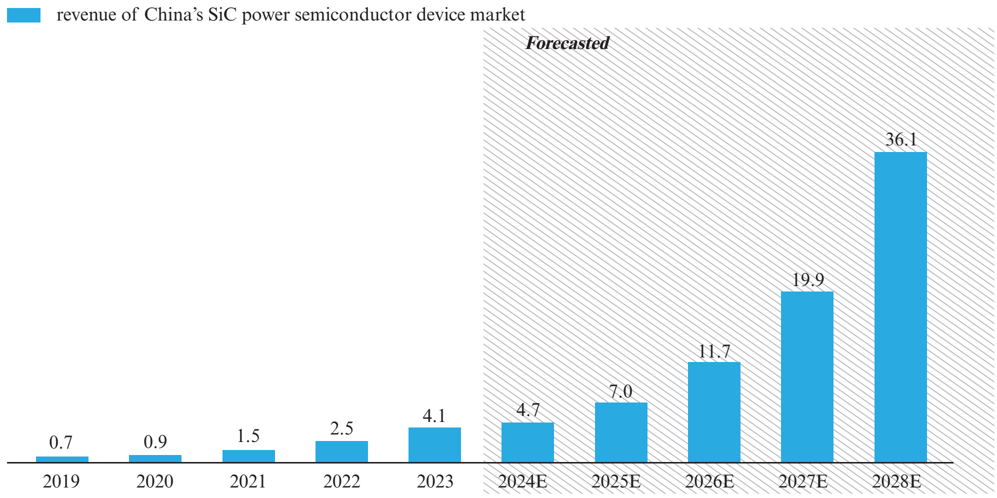
Market Size of China's SiC Power Semiconductor Device Industry

The market size of China's SiC power semiconductor device industry has been on a significant upward trajectory, with a CAGR of 53.7% from 2019 to 2023. Driven by the shift in automotive technology, such robust growth is set to continue, with an even higher CAGR of 54.8% projected for the period from 2023 to 2028. The increasing adoption of SiC power semiconductor devices in various applications, particularly in the automotive sector, is a key driver behind this expansion.

Market Size of China's SiC Power Semiconductor Device Industry, in Terms of Revenue

RMB Billion, 2019–2028E

CAGR	2019–2023	2023–2028E
Total	53.7%	54.8%



Source: F&S Report

Market Size of Global SiC Power Semiconductor Device Industry, by Application

Driven by the need for efficient power management in high-voltage environments, while emerging applications like home appliances and data centers seek to leverage SiC's advantages for improved performance and energy efficiency, SiC power semiconductor devices are widely used in several sectors.

Breaking down the global power semiconductor device market by application, each sub-market exhibits its own growth trajectory:

- ***X Electric Vehicle (xEV):*** xEV is the abbreviation for electric vehicle in general, where 'x' stands for some additional acronyms, such as hybrid electric vehicle (HEV), plug in hybrid electric vehicle (PHEV), and battery electric vehicle (BEV). The high efficiency and power density of SiC devices are vital for enhancing xEV performance, with applications in critical components such as power converters, main drive inverters, on board couriers, battery chargers, bidirectional DC/DC converters (high voltage), and motor drives. The xEV sector shows the strong CAGR of 66.7% from 2019 to 2023, followed by a still-impressive 36.2% from

2023 to 2028. Benefiting from the unique advantages that SiC power semiconductor devices could offer, such as lower conduction resistance, smaller chip size, higher operating frequencies, and the ability to withstand higher environmental temperatures, the penetration rate of SiC power semiconductor devices in the xEV sector has been on an upward trajectory, starting 10.8% in 2023 and projected to reach 31.0% by 2028.

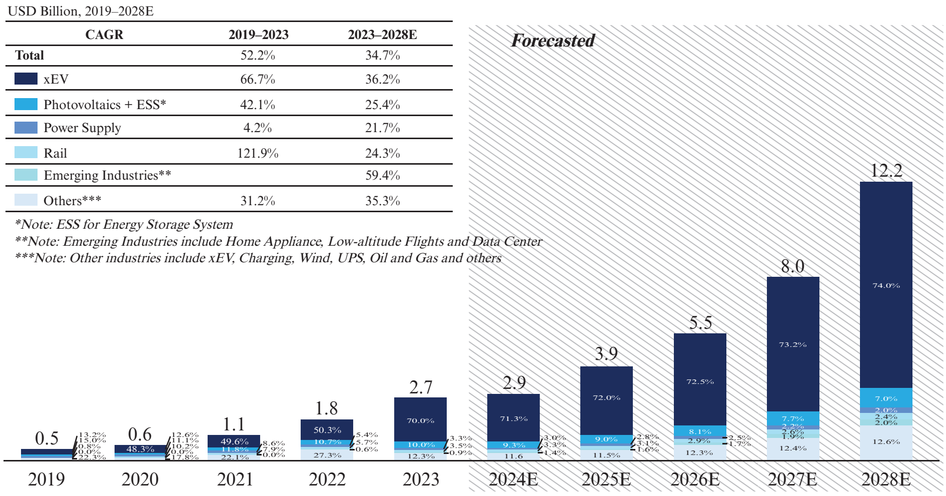
- ***Photovoltaics + Energy Storage Systems (ESS):*** SiC is used in photovoltaic system components like microinverters and DC/DC converters, improving inverter power density and efficiency, reducing energy loss, and minimizing system weight and volume, thus supporting the adoption of solar energy. The photovoltaics + ESS sector demonstrates robust growth, with CAGRs of 42.1% from 2019 to 2023 and 25.4% from 2023 to 2028. Driven by the need for more efficient and reliable energy storage solutions to complement the fluctuating nature of solar power generation, the penetration rate of SiC power semiconductor devices in the photovoltaics + ESS sector has been gradually increasing, starting from 4.3% in 2023 to 13.4% by 2028.

- ***Power Supply:*** In the power supply sector, SiC is crucial in industrial supplies and smart grids. It boosts efficiency and compactness in motor drives and precision equipment due to its high thermal conductivity and fast switching, cutting energy loss. In smart grids, SiC is vital for advancing solid-state transformers and flexible AC/DC transmission, enhancing efficiency and grid stability with its superior thermal and electronic traits. The power supply sector increased with a CAGR of 4.2% from 2019 to 2023 and is expected to grow at a CAGR of 21.7% from 2023 to 2028. Driven by the significant demand from new infrastructure industries, the penetration rate is on the rise, from 3.4% in 2023, and is projected to reach 10.2% in 2028.

- ***Rail:*** SiC's high critical field strength, high carrier saturation velocity, and high thermal conductivity enable the miniaturization and lightweight development of traction conversion systems, which is essential for meeting the green and energy-saving requirements of rail vehicle operations. Rail sectors, while starting from smaller bases, showed a highest CAGRs of 121.9% from 2019 to 2023 and followed by 24.3% from 2023 to 2028. Starting from 14.0% in 2023, the penetration rate is projected to reach 24.2% by 2028, attributed to the advantages that SiC power semiconductor devices could offer in terms of high-temperature tolerance and high-frequency switching capabilities.

- ***Emerging Industries:*** The emerging SiC market encompasses applications in energy-efficient home appliances, advanced aerospace systems such as drones, and high-performance data centers. SiC is revolutionizing these industries with its superior efficiency and performance. In home appliances, SiC enables compact, energy-saving designs for devices such as air conditioners and induction cooktops by enhancing power conversion efficiency. For low-altitude flights, such as drones and electric vertical takeoff and landing (eVTOL) vehicles, SiC's high thermal stability and power density support lightweight, reliable powertrains and extended flight durations. In data centers, SiC plays a critical role in high-efficiency power supplies, reducing energy consumption and heat generation, thus meeting the growing demand for sustainable and high-performance infrastructure.

Market Size of Global SiC Power Semiconductor Device Industry, by Application

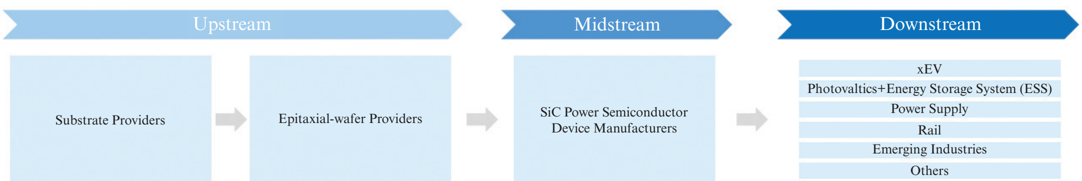


Source: F&S Report

Value Chain of SiC Power Semiconductor Device Market

The upstream segment of the value chain is composed of substrate providers and epitaxial-wafer providers. Epitaxial-wafer providers source substrates from substrate providers for the production of epitaxial wafers. This stage is crucial and has the most significant added value as the cost of substrates and epitaxy together account for the largest share of the total cost of an SiC device, with a percentage of approximately 47% and 23%, respectively. The midstream segment involves SiC power semiconductor device manufacturers which use the epitaxial wafers as the base material to fabricate the SiC semiconductor devices through a series of complex manufacturing processes, while the downstream segment encompasses the distribution of the final products and systems to various applications such as xEV and power supply. Normally, SiC power device manufacturers would not easily change their SiC epitaxial wafer suppliers due to the high switching costs.

Supply Chain of SiC Power Semiconductor Device



Source: F&S Report

Main Drivers of Global and China’s SiC Power Semiconductor Device Industries

According to Frost & Sullivan, the global SiC power semiconductor device market is largely driven by the following key growth drivers:

Downstream Applications are Driving the Global SiC Power Semiconductor Device Industry’s Growth

The rapid development of downstream application markets, represented by xEV and photovoltaics + ESS, is a key driver of the global SiC power semiconductor device industry. The xEV sector exhibited a robust CAGR of 66.7% from 2019 to 2023, which is succeeded by a noteworthy 36.2% from 2023 to 2028. In parallel, the photovoltaics + ESS sector mirrors this momentum, achieving CAGRs of 42.1% and 25.4% for the corresponding periods, respectively. The increasing adoption of xEV is primarily driven by government incentives, stringent emission regulations, and a growing consumer preference for eco-friendly transportation. The push for renewable energy, along with the need for efficient energy storage and conversion solutions, has made SiC an essential material in the photovoltaics + ESS industry.

SiC power semiconductor devices offer higher efficiency, faster switching speeds, and better thermal management compared to traditional silicon-based devices, which is crucial for the performance and range of electric vehicles and the efficiency of solar power systems. Additionally, the expansion of smart grids and the need for more efficient and reliable power distribution systems further bolster the demand for SiC devices. As a result, the global SiC power semiconductor device industry is experiencing significant growth, with market leaders investing in research and development to enhance the performance and reduce the production costs of SiC devices, enabling them more accessible for a broader range of applications.

Epitaxial Technology is a Cornerstone in Advancing the Performance and Quality of SiC Power Semiconductor Devices, Addressing Critical Substrate Defects and Satisfying the Demand for the High-performance Devices in Various Industries

The development of epitaxial technology plays a pivotal role in enhancing the quality and performance of SiC power semiconductor devices. The substrate itself may contain defects such as black polycrystalline defects, droplets, and triangular defects that can impede device performance. However, through the epitaxial process, a high-quality SiC layer can be grown over the substrate, which is essential for creating high-performance power devices capable of withstanding high voltages, high frequencies, and high temperatures. This advancement in epitaxy not only helps in reducing defect densities but also improves the electrical characteristics of the application devices, thereby ensuring better performance and reliability. The progress in epitaxial technology also enables the transition to larger sizes of epitaxial wafers, which can significantly reduce the cost per piece while maintaining or even enhancing device performance. This is crucial for meeting the growing demands of high-power applications across various industries, including electric vehicles, renewable energy systems, and industrial motor drives.

Rising Yields are Propelling SiC Power Semiconductor Device Industry's Penetration across Diverse Sectors, from Traditional to Emerging Applications

The SiC power semiconductor device industry's growth is marked by increased penetration in both existing and emerging sectors, with xEV, photovoltaics + ESS, power supply, and rail sectors reaping the benefits of SiC's superior performance. The penetration rates for these key traditional downstream applications are on the rise. Notably, the xEV sector leads with the most significant growth, with penetration rates projected to climb from 10.8% in 2023 to an anticipated 30.7% by 2028. Simultaneously, the integration of SiC into home appliances, low-altitude flights, and data centers is also on the rise with a promising CAGR of 31.0% from 2023 to 2028. This expansion is fueled by continuous advancements in manufacturing processes, leading to higher yields and more reliable semiconductors, which in turn enhances the appeal of SiC devices for a wide array of high-performance applications.

Key Trends of Global and China's SiC Power Semiconductor Device Industries

According to Frost & Sullivan, the key trends of global SiC power semiconductor device market include the followings:

High Degree of Specialization and Division of Labor in Various Segments of the Industry Chain is Becoming More Pronounced

Device manufacturers confront a strategic decision to integrate their supply chain by adopting an integrated device manufacturer model, for better controlling the entire production process. Conversely, the outsourcing of materials, particularly the procurement of epitaxial wafers from specialized suppliers, offers cost-effectiveness and quality assurance by capitalizing on suppliers' expertise. In the wake of technological advancements, the industry is experiencing a pronounced trend towards high degree of specialization and division of labor. This evolution suggests a future where industry participants will focus more intently on their respective areas of expertise, thereby enhancing overall production efficiency and driving innovation throughout the power semiconductor device sector.

Downstream Application Penetration is Accelerated by Cost Reduction and Technological Advancements

Cost reductions and technological improvements are key trends driving the global SiC power semiconductor device industry. As production efficiencies increase and manufacturing processes become more refined, the cost of SiC components has been decreasing, making them more accessible and economically viable for a broader range of applications. This affordability, coupled with the inherent performance advantages of SiC over traditional silicon, such as higher efficiency, better heat management, and superior electrical properties, is accelerating its adoption in various sectors. The industry is witnessing a surge in the use of SiC in electric vehicles, renewable energy systems, and high-voltage power electronics, where the capabilities of SiC to handle high temperatures and voltages are particularly beneficial. Moreover, ongoing research and development efforts are continuously enhancing the performance and reliability of SiC devices, further expanding their potential in emerging markets like 5G communications, advanced computing, and smart grid technologies. These trends indicate a promising future for SiC as a critical material in the global power semiconductor device industry, poised to support the next generation of energy-efficient and high-performance electronic devices.

OVERVIEW OF GLOBAL AND CHINA'S SIC EPITAXIAL WAFER MARKETS

Epitaxial wafer production, being the upstream segment in the semiconductor value chain, is where the most significant value addition occurs through the meticulous growth of layers that forms the foundation for subsequent device performance and functionality. There are mainly two business models for SiC epitaxial wafer manufacturers:

- ***Revenue from Sales of Epitaxial Wafer:*** For SiC epitaxial wafer production, manufacturers either source substrate materials based on customer requirements or independently. They complete the epitaxial growth process and sell the finished epitaxial wafers, with prices set to cover total costs including substrates. Revenue comes from epitaxial wafer sales. This model mandates full responsibility for the entire production process, offering a comprehensive service that enhances efficiency and provides an integrated solution for downstream manufacturers.

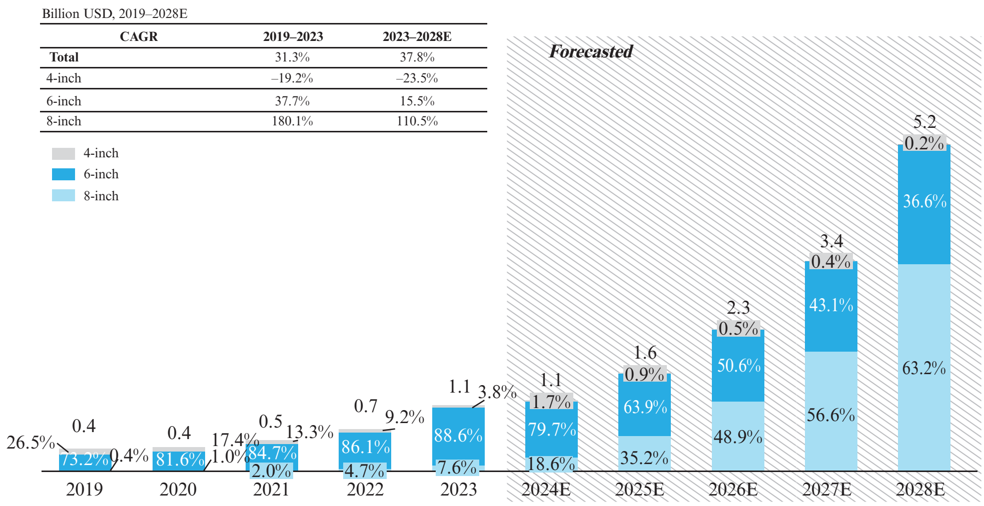
- ***Revenue from Foundry Manufacturing:*** Downstream device manufacturers supply substrate materials, and epitaxial wafer manufacturers handle other materials and production. They charge a fee for services plus profit, focusing on customization and utilizing their technology and production skills to meet specific customer needs. Revenue comes from service fees, not product sales.

Market Size of Global SiC Epitaxial Wafer, by Revenue

Currently, SiC epitaxial wafer offered in the market can be classified as 4-inch, 6-inch and 8-inch in terms of its size. According to Frost & Sullivan, 8-inch epitaxial wafers are a key trend for the future SiC epitaxial wafer industry. With larger size of epitaxial wafers, the total number of integrable chips increases. 8-inch SiC epitaxial wafers will increase the chip count by per epitaxial wafer 89% compared to 6-inch ones. Additionally, 8-inch substrates could lower the cost of SiC power semiconductor devices.

The global market for SiC epitaxial wafers has undergone a notable transformation, particularly in the revenue of 6-inch epitaxial wafers. The 6-inch epitaxial wafer segment has demonstrated substantial growth with the revenue increasing from US$0.3 billion in 2019 to US$1.0 billion in 2023, with a CAGR of 37.7%. It is expected to further increase to US$1.9 billion by 2028, with a CAGR of 15.5% from 2023 to 2028. The reason for such growth is principally due to relatively mature technology and better cost efficiency. Conversely, the 4-inch epitaxial wafer segment has experienced a decline in revenue with the popularity of 6-inch epitaxial wafers, decreasing from US$93.8 million in 2019 to US$40.0 million in 2023 and further to an expected US$10.5 million by 2028. Owing to technological advancements, the 8-inch epitaxial wafer segment, although starting from a low base, has shown promising growth, with the revenue rising from US$0.1 billion in 2023 to an anticipated US$3.3 billion by 2028.

Market Size of Global SiC Epitaxial Wafer, in Terms of Revenue



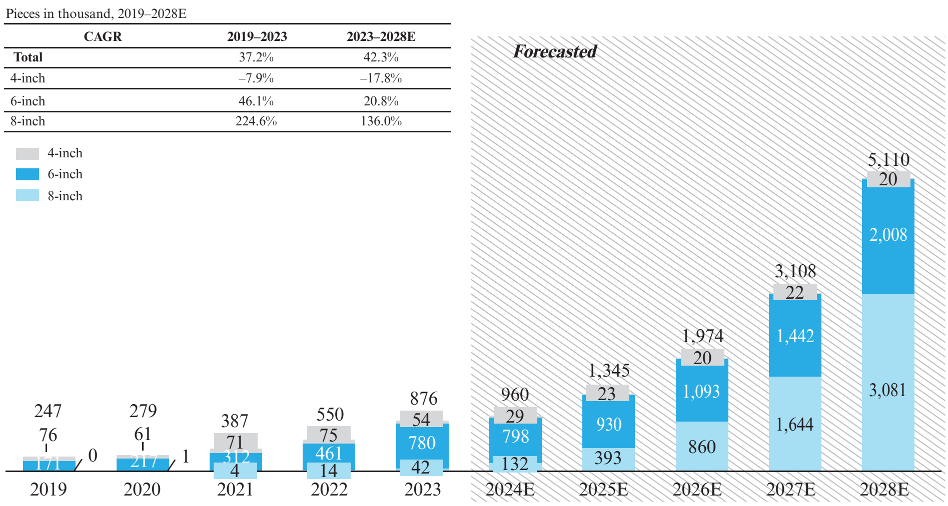
Source: F&S Report

Market Size of Global SiC Epitaxial Wafer, by Sales Volume

The global market for SiC epitaxial wafers has witnessed a significant shift towards 6-inch epitaxial wafers, driven by technological advancements and the efficiency benefits. The sales volume of 6-inch epitaxial wafers has shown a substantial increase, growing from 171 thousand pieces in 2019 to 780 thousand pieces in 2023, with a CAGR of 46.1%. It's projected that by 2028, the 6-inch epitaxial wafers will increase from 780 thousand pieces in 2023 to 2,008 thousand pieces, with a CAGR of 20.8%.

On the other hand, the market for 4-inch epitaxial wafers has been on a downward trend, with sales volume dropping from 76 thousand pieces in 2019 to 54 thousand pieces in 2023, reflecting a CAGR of –7.9%. Looking ahead, driven by technological advancements and the efficiency benefits, the 4-inch epitaxial wafer segment is forecasted to further contract from 54 thousand pieces in 2023 to 20 thousand pieces by 2028, with a CAGR of –17.8%. With the further advancements of the technologies, the 8-inch epitaxial wafer segment, despite its nascent stage, has exhibited most remarkable growth, increasing from a mere 400 pieces in 2019 to 42 thousand pieces in 2023, with a CAGR of 224.6%. By 2028, it is expected to increase from 42 thousand pieces in 2023 to 3,081 thousand pieces, with a CAGR of 136.0%.

Market Size of Global SiC Epitaxial Wafer, in Terms of Sales Volume



Source: F&S Report

Market Size of China's SiC Epitaxial Wafer, by Revenue

The overall Chinese market is expected to grow faster than the global market, with a projected CAGR of 50.9% from 2023 to 2028, while the global market's CAGR is 37.8%. The faster growth rate of the SiC epitaxial wafer market in China is mainly because major Chinese manufacturers have already planned and scheduled their production capacity expansion for the future and the market demand in the future is expected to match the production capacity. In China, the 6-inch epitaxial wafer segment may continue to play critical role in the near future, while the 8-inch epitaxial wafer segment is poised for rapid growth, promising to be a key contributor to the future market's expansion.

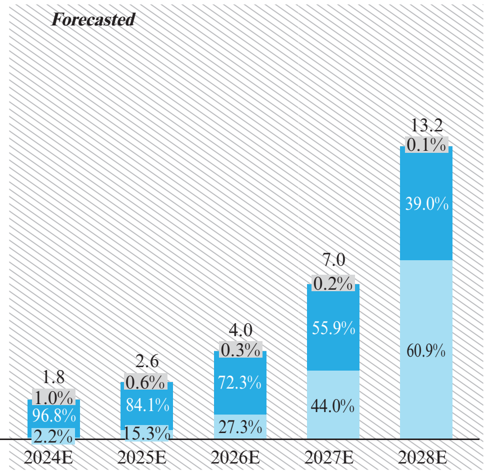
Between 2019 and 2023, the 6-inch epitaxial wafer segment saw a robust CAGR of 44.7%, yet this is expected to moderate to a CAGR of 25.3% from 2023 to 2028. The slower growth rate is due to the introduction of 8-inch epitaxial wafer in 2023. In terms of revenue, the 6-inch epitaxial wafer segment started at RMB0.4 billion in 2019 and experienced significant expansion, reaching RMB1.7 billion by 2023. Further growth is anticipated, with projections indicating a rise to RMB5.1 billion by 2028.

Conversely, the 4-inch epitaxial wafer segment in China has shown a decline, with a CAGR of –16.8% from 2019 to 2023, and an anticipated CAGR of –15.7% from 2023 to 2028, indicating a significant contraction. Such contraction is principally due to the introduction of 6-inch epitaxial wafers. Owing to technological improvements, China began the sample delivery phase of 8-inch epitaxial wafers in 2023 and is expected to grow at a CAGR of 457.8% over the next five years. The 8-inch epitaxial wafer segment is expected to reach RMB8.0 billion by 2028.

Market Size of China's SiC Epitaxial Wafer, in Terms of Revenue

RMB Billion, 2019–2028E

CAGR	2019–2023	2023–2028E
Total	41.2%	50.9%
4-inch	–16.8%	–15.7%
6-inch	44.7%	25.3%
8-inch	—	457.8%



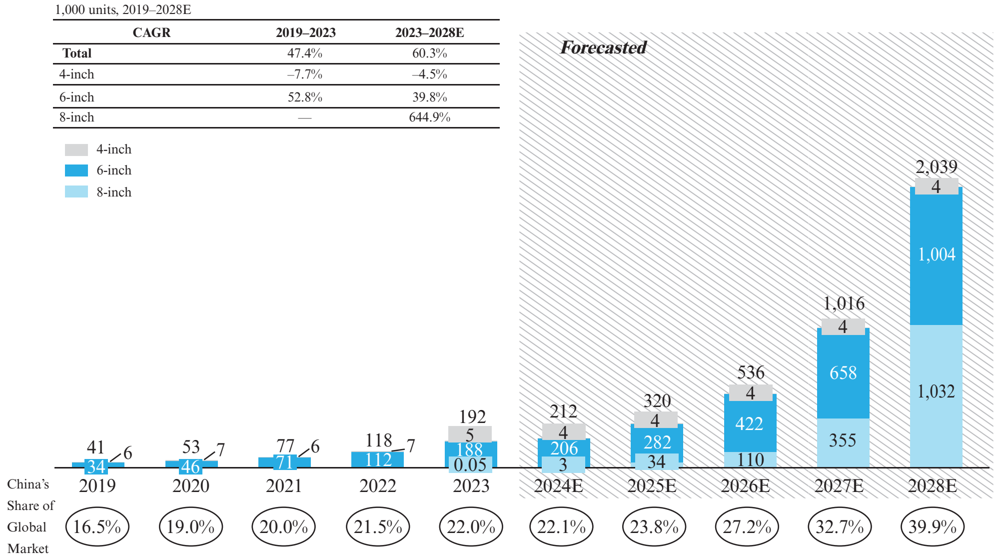
Source: F&S Report

Market Size of China's SiC Epitaxial Wafer, by Sales Volume

China's SiC epitaxial wafer market has shown superior growth compared to the global average. Looking forward to the period from 2023 to 2028, China's CAGR is projected to maintain a strong momentum at 60.3%, which is higher than the anticipated growth rate of 42.3% in the global SiC epitaxial wafer market.

China's 6-inch epitaxial wafer segment experienced rapid growth, especially from 2019 to 2023. The sales volume increased from 34 thousand pieces in 2019 to 188 thousand pieces in 2023, growing at a CAGR of 52.8%. The sales volume is expected to further increase from 188 thousand pieces in 2023 to 1,004 thousand pieces in 2028, with a CAGR of 39.8%. Such slower growth reflects the shift of focus to 8-inch epitaxial wafer segment. The 4-inch epitaxial wafer segment is on a declining trend, with a CAGR of –7.7% from 2019 to 2023, and a projected CAGR of –4.5% from 2023 to 2028. The sales volume of the 8-inch epitaxial wafer segment is expected to increase from 50 pieces in 2023 to 1,032 thousand pieces in 2028, representing an impressive CAGR of 644.9%.

Market Size of China's SiC Epitaxial Wafer, in Terms of Sales Volume

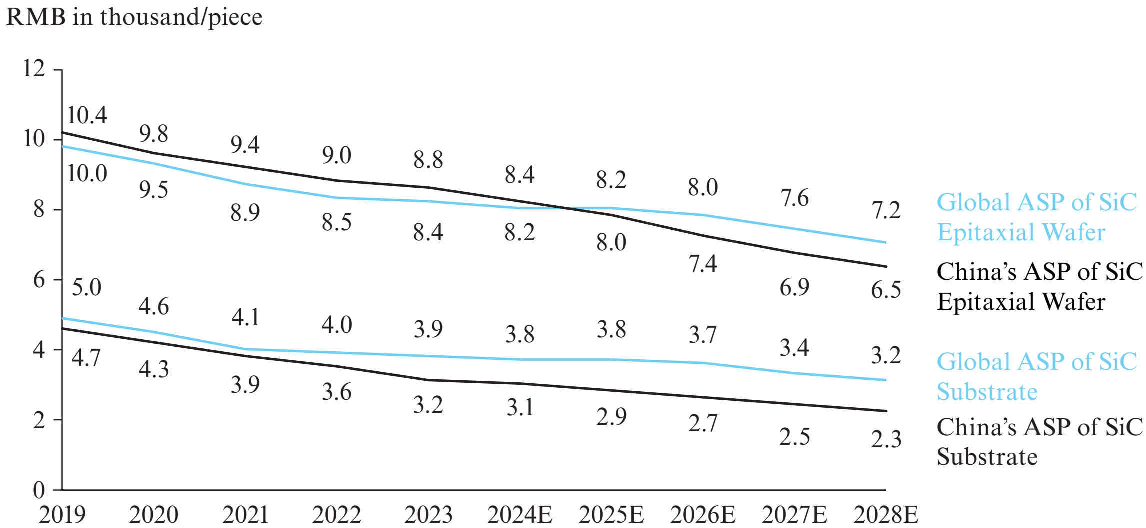


Source: F&S Report

Average Selling Price Trends of SiC Epitaxial Wafers and Substrates in Global and China's Markets

The following chart sets forth the global and China's average selling price (ASP) trends of SiC epitaxial wafers and substrates for the years indicated:

Average Selling Price Trends of SiC Epitaxial Wafers and Substrates



Source: F&S Report

With the expected decrease in the ASP of SiC substrates, the cost of epitaxial wafers is also projected to decline, as SiC substrates are the main raw material of SiC epitaxial wafers. As it is anticipated that China's SiC epitaxial wafer industry value chain will be more maturely developed compared to the global market in the near future and the price of substrates will continue to decline, it is expected that China's ASP of SiC epitaxial wafer will fall faster than the global ASP after 2025. The ASP of each piece of SiC epitaxial wafers in China was around RMB9.4 thousand in 2021 and is expected to drop significantly to RMB6.5 thousand by 2028. SiC epitaxial wafer manufacturers can enhance their gross margins by focusing on high-value products for advanced applications, improving production efficiency, scaling capacity to achieve economies of scale, and leveraging innovations such as larger epitaxial wafers and advanced epitaxial technologies. Vertical integration and market diversification into emerging industries can further capture value and sustain profitability.

Drivers of Global and China's SiC Epitaxial Wafer Industry

According to Frost & Sullivan, the global and China's SiC epitaxial wafer markets are largely driven by the following key growth drivers:

Growth of SiC Power Semiconductor Device Market

SiC epitaxial wafers are key materials for manufacturing SiC power semiconductor devices. As the demand for high-performance SiC power semiconductor devices continues to grow, it drives the demand for SiC epitaxial wafers. Over the years, the growth of industries such as renewable energy, power electronics, automotive and telecommunication, have combined to drive the expansion of the SiC power semiconductor device market. These high-performance semiconductors have become indispensable due to their ability to operate efficiently at high temperatures and voltages, low energy consumption during switching, and the ability to improve the overall efficiency of electronic systems. The global SiC power semiconductor device market grew rapidly from 2019 to 2023, with a CAGR of 52.2%, reaching US$2.75 billion. It is expected to continue to grow to US$10.31 billion by 2028, with a CAGR of 30.3% from 2023 to 2028. These factors will drive the growth of the upstream SiC epitaxial wafer market.

The Quality of SiC Epitaxial Wafer is Getting More Reliable Due to the Advancements in Production Technology

The quality of SiC epitaxial wafer is getting more reliable due to the advancements in epitaxial layer thickness, deposition technologies, and equipment innovations. The industry is moving towards thicker epitaxial layers, with some manufacturers achieving up to 300 μm, to meet the need for higher voltage tolerance. Such development enhances device performance, reliability, and energy efficiency while reducing production costs. Chemical vapor deposition (CVD) technology is currently the most popular 4H-SiC epitaxial method, with the advantages of moderate cost, good epitaxial quality and fast growth rate. CVD technology prepares high-quality SiC epitaxial layers by degrading and decomposing the gaseous precursors at high temperatures, so as to make their atoms recombine and form a solid film on the surface of the substrate. Innovations in epitaxial equipment, such as multi-chamber designs and multi-chip processing, are crucial for boosting production efficiency and reducing costs. Compared to horizontal SiC epitaxial furnaces, the gas intake of vertical machines helps to achieve lower defect rates because the gas enters vertically from the top, which facilitates uniform distribution of the gas and uniform growth of the epitaxial layer. All these technological advances help to improve the production efficiency and reduce production costs, thereby promoting the overall development of the SiC epitaxial wafer industry.

Global Policy Support

In recent years, governments around the world have been enacting favorable policies related to SiC epitaxial wafers. In July and August 2023, MIIT issued the *Implementation Opinions on Reliability Improvement of Manufacturing Industry* and *Action Program for Stable Growth in the Electronic Information Manufacturing Industry 2023–2024*, which emphasized the need to set industry standards and improve the reliability of wide-band power semiconductor devices like SiC power semiconductor devices. In March 2021, the National People's Congress published the *Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the Vision 2035* to promote the development of wide-band gap semiconductors materials such as SiC. In September 2023, the EU enacted the *European Chip Act*, investing more than €43 billion to boost the European chip industry. In August 2022, the United States enacted the *Chip and Science Bill 2022* to allocate approximately US$52.7 billion in subsidies for the semiconductor industry, along with a 25% investment tax credit. These policies reflect a global strategic focus on advancing SiC epitaxial wafer technology and fostering the semiconductor industry.

Trends of Global and China's SiC Epitaxial Wafer Industries

According to Frost & Sullivan, the key trends of the global and China's SiC epitaxial wafer market include the following:

China's Domestic SiC Substrates Will Replace Foreign SiC Substrates

In recent years, as the China's domestic SiC substrate industry continues to mature, China's SiC epitaxial wafer manufacturers are increasingly adopting domestic substrates, gradually reducing their dependence on foreign sources. Specifically, the price of domestic 6-inch SiC substrates has been on a downward trend, starting from RMB4,583 per piece in 2021 and is expected to decrease to RMB3,038 per piece by 2028. In comparison, the price of foreign 6-inch SiC substrates has also seen a reduction, from RMB4,879 per piece in 2021 to an anticipated RMB3,699 per piece by 2028. The decline in the price of domestic SiC substrates in China from 2021 to 2028 is projected to be 33.7%, which is a steeper drop than the 24.2% decrease observed in the price of foreign SiC substrates. This trend suggests that the domestic SiC substrates will experience a more rapid price reduction compared to their foreign counterparts, which indicates that the substitution of domestic SiC substrates will become an inevitable market trend.

Scale Effect Appears; Professional Epitaxial Wafer Manufacturers Will Form Cost Barriers

In the future, with the development of technology-intensive industry, manufacturers focusing on the upstream segment of the industry chain, particularly those specializing in epitaxial wafer production, are poised to create substantial industrial value. The economy of scale resulting from their operations will enhance efficiency and confer a competitive advantage. This trend is expected to lower per-unit production costs, enabling these manufacturers to establish significant cost barriers. As these epitaxial wafer manufacturers ramp up production and refine their manufacturing processes, they will be able to use their scale to negotiate more favorable terms with suppliers, invest in cutting-edge technologies, and achieve higher levels of automation. These factors will contribute to a reduced cost base, essential for sustaining profitability in a competitive landscape. The cost barriers arising from these advantages will increasingly challenge new entrants, who would need to match the cost structures of established players to remain viable.

Shifting From 6-Inch to 8-Inch Production Lines

At present, the SiC epitaxial wafer industry is in a critical period of transition from 6-inch to 8-inch. 6-inch SiC epitaxial wafers are widely used in power electronic devices due to its mature technology, stable quality and relatively low cost. However, with the advancement of technology and the growth of market demand, 8-inch SiC epitaxial wafers gradually become the new focus of the industry due to its higher output rates, reduced edge loss, and improved device performance. In China, although the current 8-inch SiC epitaxial wafers are still in a small number of testing phase, there are companies have begun to layout. It is expected that in the future, with the maturity of the technology and cost reductions, 8-inch SiC epitaxial wafers will gradually become the mainstream of the market. In summary, the transition from 6-inches to 8 inches is the inevitable trend of the future development of the SiC epitaxial wafer industry, this process will be subject to technological advances, cost reductions and the growth of market demand for the joint promotion.

Continuous Expansion of Manufacturers' Production Capacity to Meet Growing Market Demand

With the growing global and China's demand for SiC power semiconductor devices, especially the rapid development of new energy vehicles, 5G communications, photovoltaic power generation and other industries, SiC epitaxial wafer, as a key upstream material, has attracted a lot of attention for its market prospects. In this context, numerous enterprises across the globe and in China are ramping up their production capacities to cater to the burgeoning market needs. The CAGR of the global SiC epitaxial wafer market, in terms of revenue, is projected to hit 26.5% between 2023 and 2028, while the market in China is anticipated to see an even more robust CAGR of 27.3%, underscoring the significant potential for future demand. In addition, as production capacities expand, economies of scale will drive down the cost of sales, enabling manufacturers to lower their production costs. This reduction in cost will enhance the competitiveness of manufacturers, allowing them to offer more attractive pricing and increase market share. Mainstream SiC epitaxial wafer manufacturers will focus on expanding their 8-inch SiC epitaxial wafer production lines.

Key Threats and Challenges of the Global and China's SiC Epitaxial Wafer Markets

Price Drop Challenge

The global competition is increasing in the SiC epitaxial wafer industry. The global market's average selling price of 6-inch SiC epitaxial wafer is expected to drop from RMB9,377 per piece in 2021 to RMB6,560 per piece in 2028, while the global market's average selling price of 6-inch SiC substrates is also expected to drop from RMB4,879 per piece to RMB3,699 per piece. Such trend is applicable to the overall SiC market. The price drop is gradually eroding the profit margin of the manufacturers. Despite the current industry-wide price pressures, prices are expected to show a steady decline in the future, and will not continue to experience sharp fluctuations or precipitous drops, eventually stabilizing.

Risk of Policy Change

As the technology development and equipment investment in the SiC industry requires huge capital and has a long payback period, policy support is strongly related to the healthy development of the industry. Policy changes in China and globally may lead to fluctuations in the market demand, cost structures and supply chain stability in the SiC industry, resulting in a range of policy-related risks. For example, the tariff sanction policy imposed by the U.S. on China's semiconductor industry in 2023 has already had an impact on the export of China's SiC products, leading to a decline in exports. The global sales downturn for China's SiC epitaxial wafer manufacturers has been counterbalanced by a surge in domestic sales, bolstered by the Chinese government's robust policy supports, such as a series of favorable policies, including the *Implementing Opinions on Promoting the Innovative Development of Future Industries* and *the Action Program for Stable Growth in the Electronic Information Manufacturing Industry 2023–2024*.

COMPETITIVE LANDSCAPE OF CHINA'S SIC EPITAXIAL WAFER MARKET

The competition of China SiC epitaxial wafer market is highly concentrated, with the top five players accounting for 85.0% of the total market in terms of revenue generated in China in 2023. Notably, the Group emerged as the market leader, securing a significant market share of 38.8% with revenue reaching about RMB0.7 billion. This dominant position underscores the Group's substantial influence on the industry and its ability to shape market dynamics within the SiC epitaxial wafer sector.

Ranking of SiC Epitaxial Wafer Providers, in Terms of Revenue in China (2023)

Ranking	Company	Revenue of SiC Epitaxial Wafer *(RMB in Billion)*	Market Share *(%)*
1	The Group	0.7	38.8
2	Company A[(1)]	0.5	28.6
3	Company B[(2)]	0.2	8.8
4	Company C[(3)]	0.1	5.0
5	Company D[(4)]	0.1	3.8
Subtotal		**1.4**	**85.0**

Source: F&S Report

Notes:

(1) Company A is a private company based in Hebei, China, specializing in research and production of SiC epitaxial wafers. Its main products include various specifications and models of SiC epitaxial wafers and GaN epitaxial wafers.

(2) Company B is a private company based in Fujian, China, specializing in the research, development, manufacturing, and sales of SiC epitaxial wafers. It focuses on the R&D and production of SiC epitaxial wafers and also provides related semiconductor epitaxial wafer testing services.

(3) Company C is a private company based in Zhejiang, China, specializing in the development and production of wide bandgap semiconductor materials. It primarily focuses on the research, development, production, and sales of SiC materials and GaN epitaxial materials.

(4) Company D is a private global wide-bandwidth material epitaxial foundry service provider for high-voltage, high-power applications to provide professional, high-quality epitaxial foundry services based in Jiangsu, China.

In 2023, the top five companies in China's SiC epitaxial wafer market held a significant share of the market, accounting for 85.9% of the total sales volume. The Group stood out as the market leader, capturing an impressive 38.6% share with sales volume reaching about 74 thousand pieces. This dominant position highlights the Group's strong market presence and its significant influence on the industry.

Ranking of SiC Epitaxial Wafer Providers, in Terms of Sales Volume in China (2023)

Ranking	Company	Sales Volume of SiC Epitaxial Wafer *(Pieces in Thousand)*	Market Share *(%)*
1	The Group	74	38.6
2	Company A	55	28.6
3	Company B	17	8.7
4	Company C	12	6.2
5	Company D	7	3.8
Subtotal		**165**	**85.9**

Source: F&S Report

Entry Barriers of Global and China's SiC Epitaxial Wafer Markets

According to Frost & Sullivan, the key entry barriers of global and China's SiC epitaxial wafer market include the followings:

Sufficient Industry Know-how

SiC epitaxial wafer is a highly technology-intensive industry, and the epitaxial growth technology involved requires long-term R&D and production. Accumulated experience and know-how make the epitaxial wafers meet high requirements in many parameters. For new entrants in the industry, it is impossible to break through the core R&D technology in a short period of time and make the products reach the same quality standard, facing high technical barriers.

Adequate Resource

The SiC epitaxial wafer industry demands significant equipment investment, particularly for crystal growth furnaces and processing machinery such as cutting, grinding, and polishing equipment, which necessitate substantial capital outlay. To sustain technological leadership and ensure product quality, companies must continuously allocate considerable R&D funding. This includes the development of new materials and the optimization of production processes. With ongoing capital investment, economies of scale will gradually emerge, thereby establishing cost advantages. The industry requires a robust and specialized management and R&D team to maintain a competitive edge. Currently, the industry has established a high barrier to entry for professionals and technical experts, and the cost of recruiting high-end talent is substantial, making it challenging for new market entrants to rapidly assemble a professional team.

Advancement in Technology

The production of SiC epitaxial wafers involves high-precision technologies, including material growth and the optimization of epitaxial processes, which necessitate long-term technological accumulation and extensive research and development. For instance, producing high-quality SiC epitaxial wafers requires mastering advanced growth technologies and optimization processes, which are essential for reducing or eliminating substrate defects and enhancing device yields. Such requirements demand that companies possess robust R&D capabilities and a commitment to technological innovation.

Solid Channels

Supply chain management in the SiC epitaxial wafer industry faces channel barriers, requiring companies to establish long-term relationships with upstream and downstream. Upstream substrate quality is critical to product performance, and limited resources for high-quality epitaxial furnaces and substrates increase the difficulty of entry for new companies. Downstream device manufacturers have long product validation cycles and strict certification procedures, and once a partnership is established, customer stickiness is high, making it difficult for new competitors to gain access to customers.

Information disclosed in this section is relevant PRC laws and regulations (the "PRC Laws") in effect which have a significant impact on our Group's operations in the PRC as of the date of this document, which are subject to change in the future, but it does not include a detailed analysis of PRC Laws related to our business activities and operations in the PRC, or serve as all PRC Laws applicable to our operations in the PRC.

LAWS AND REGULATIONS RELATING TO COMPANY AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law, which was promulgated by the SCNPC on December 29, 1993, last amended on December 29, 2023 and took effect on July 1, 2024. Foreign invested entities are also subject to the Company Law unless otherwise provided by the foreign investment laws. The Company Law generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law shall also apply to foreign invested companies in form of limited liability company or joint stock limited company.

Foreign invested entities in the PRC are also subject to the foreign investment laws and regulations including *the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which was promulgated by the NPC and became effective on January 1, 2020, and *the Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), which were promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. According to the Foreign Investment Law, the PRC adopts a system of national treatment which includes a negative list with respect to foreign investment administration. The negative list will be issued by, amended, or released upon approval by the State Council, from time to time.

On September 6, 2024, the NDRC and the MOFCOM jointly issued *the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition)* (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the "**Negative List**"), which came into effect on November 1, 2024. The Negative List uniformly sets forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment for both domestic and foreign investment. On October 26, 2022, the MOFCOM and the NDRC promulgated *the Catalog of Industries for Encouraging Foreign Investment (2022 Version)* (《鼓勵外商投資產業目錄(2022年版)》) (the "**Encouraging Catalog**"), which came into effect on January 1, 2023. The Encouraging Catalog lists the industries that encourage foreign investment. As of the Latest Practicable Date, our business does not fall within the scope of the Negative List and the Encouraging Catalog.

Pursuant to *the Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》), which was jointly promulgated by the MOFCOM and the State Administration for Market Regulation on December 30, 2019 and became effective on January 1, 2020, where a foreign investor carries out investment activities in PRC directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information in a timely manner to the competent commerce department.

LAWS AND REGULATIONS RELATING TO CUSTOMS

According to the *Customs Law of the PRC* (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987, last amended and implemented on April 29, 2021, unless otherwise provided for, the declaration of imported or exported goods may be made by the consignors or consignees, or the entrusted customs declaration enterprises. The consignee of imported goods and the consignor of exported goods shall make an accurate declaration and submit the import or export license and relevant papers to the Customs office for examination.

Pursuant to *the Administrative Provisions on Record-Filing 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 (the "**GAC**") on November 19, 2021 and effective on January 1, 2022, the consignees or consignors of imported or exported goods as well as the customs declaration enterprises engaged in customs declaration shall carry out the record-filing procedures with the relevant customs administrative department.

According to *the Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) promulgated by the SCPNC on May 12, 1994 and last amended on December 30, 2022 and *the Notice by the Department of Enterprise Management and Audit-Based Control 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》) issued by the GAC on January 3, 2023, a consignee or consignor of imported or exported goods who applies for filing shall be qualified as a market entity and is not required to be filed as a foreign trade business operator.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to *the Regulations on Foreign Exchange Administration of the PRC* (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, last amended and implemented on August 5, 2008, RMB is freely convertible into other currencies for current accounts such as trade-related income and expenses and payments of interest and dividends. While for capital items such as direct equity investment, loan and divestment, the conversion of RMB into other currencies and the remittance of the converted foreign currencies outside China shall be subject to prior approval of the SAFE or its local branches.

Pursuant to *the Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration 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》), which was issued by the SAFE on February 13, 2015, implemented on June 1, 2015 and partially abolished on December 30, 2019, banks shall, on behalf of SAFE, directly examine and handle foreign exchange registration under domestic direct investment and overseas direct investment, and SAFE and its branches shall exercise indirect supervision over foreign exchange registration of direct investment through banks.

The Circular of the SAFE on Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), issued by the SAFE on March 30, 2015, last amended and became effective on March 23, 2023, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is currently 100%. SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. Furthermore, the Circular 19 and *the Circular of the SAFE on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange 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》) (the "**Circular 16**") which was issued by the SAFE on June 9, 2016, last amended and implemented on December 4, 2023, stipulate that foreign-invested enterprises shall not use the RMB funds obtained from foreign exchange capital for payment outside of the business scope of the enterprises, investment in securities or financial schemes other than wealth management products and structured deposits with risk rating results not higher than Level 2, granting loans to non-connected enterprises or constructing or purchasing real estate that is not for self-use.

The Circular of the SAFE on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was issued by the SAFE on October 23, 2019, last amended and implemented on December 4, 2023, cancelled restrictions on the domestic equity investment by non-investment foreign-invested enterprises with their capital funds. The non-investment foreign-invested enterprises shall be allowed to use capital funds for domestic equity investment in accordance with the laws under the premise of not violating the Negative List and the authenticity and compliance of their domestic invested projects.

According to *the Circular of the SAFE on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business* (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their income under capital accounts, such as capital funds, foreign debts and the proceeds from overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance; provided that their capital use is authentic and in line with provisions, and in compliance with the prevailing administrative regulations on the use of income under capital accounts. The bank in charge shall conduct spot checks in accordance with the relevant requirements.

Pursuant to *the Circular of the SAFE on Relevant Issues Concerning the Administration of Foreign Exchange for 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》) issued by the SAFE on December 26, 2014 and as amended by *the Circular 16*, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

LAWS AND REGULATIONS RELATING TO LEASING

According to *the Civil Code of the PRC* (《中華人民共和國民法典》) (the "**Civil Code**") promulgated by the NPC on May 28, 2020 and became effective on January 1, 2021, the creation, change, transfer and cancellation of real estate rights shall be registered in accordance with the law. The creation and transfer of movable property rights shall be delivered in accordance with the law. Owners shall have the rights to possess, use, benefit from and dispose of their real estate or movable properties in accordance with the law.

Pursuant to *the Administrative Measures for Commodity House Leasing* (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and implemented on February 1, 2011, parties to house leasing shall register with the property administrative department at which the property is situated within 30 days after entering into the property leasing contract. In case of violation of the foregoing provision, the property administrative department shall order to make rectification within a time limit and enterprise may be imposed a fine of RMB1,000 to RMB10,000 if it does not make such rectification within the limited time.

LAWS AND REGULATIONS RELATING TO FIRE SECURITY

Pursuant to *the Fire Protection Law of the PRC* (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998, last amended and implemented on April 29, 2021, for special construction projects stipulated by the Ministry of Housing and Urban-Rural Development of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to *the Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects* (《建設工程消防設計審查驗收管理暫行規定》) promulgated on April 1, 2020 and amended on August 21, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

According to *the Administrative Measures for the Administration of Fire Safety in Leased Factory Buildings and Warehouses (for Trial Implementation)* (《租賃廠房和倉庫消防安全管理辦法(試行)》) promulgated on July 14, 2023 by the National Fire and Rescue Administration and took effect on the same day, the lessor, lessee and property service enterprise of a leased factory building or warehouse shall fulfil their relevant fire safety duties and strengthen fire safety management. In addition, the leased factory buildings and warehouses shall comply with the fire safety requirements, and the nature and functions of the use of the factory buildings and warehouses shall not be changed in violation of the provisions.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to *the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), which was promulgated by SCNPC on September 13, 1979, last amended on April 24, 2014 and became effective on January 1, 2015, enterprises, institutions and other manufacturing operators shall prevent and reduce environmental pollution and ecological damage, and shall be liable for damages caused by them pursuant to the law. According to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment.

Environment Impact Assessment

On October 28, 2002, the SCNPC promulgated *the Environmental Impact Assessment Law of the PRC* (《中華人民共和國環境影響評價法》) (the "**Environmental Impact Assessment Law**"), which was latest amended on December 29, 2018. According to the Environmental Impact Assessment Law, the State Council implemented the environmental impact assessment to classify construction projects according to the impact of the construction projects on the environment.

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 November 20, 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 July 16, 2017 and implemented on October 1, 2017, after the completion of a construction project for which an environmental 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.

According to the Environmental Impact Assessment Law, where a construction entity commenced construction prior to submission of the environmental impact report and environmental impact statement of the construction project or prior to resubmission of the environmental impact report and environmental impact statement, the ecological environment authorities at the county level or above shall order it to stop the construction, impose a fine of not less than 1% but not more than 5% of the overall investment amount for such construction project according to the seriousness and consequences of such violations, and order it to restore to the original status; and the person-in-charge and responsible personnel of the construction project shall be liable to administrative sanctions in accordance with laws.

Hazardous Chemicals

According to *the Work Safety Law of the PRC* (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002 and was latest amended in June 10, 2021, where dangerous goods are to be manufactured, sold, transported, stored, used or to be disposed of or scrapped, business operators shall abide by relevant laws and regulations, as well as the national standards or industrial specifications, establish a special system for safety control, adopt reliable safety measures, and subject themselves to supervision and control by the competent departments in accordance with law. *The Regulation on the Safety Administration of Hazardous Chemicals* (《危險化學品安全管理條例》), which was promulgated by the State Council and latest amended in 2013, has further stipulates that enterprises using hazardous chemicals shall, in accordance with the types and hazard characteristics of the used hazardous chemicals as well as the amount and mode of use, establish and perfect the safety administration regulations and safety operating rules for the use of hazardous chemicals so as to guarantee the safe use of hazardous chemicals, and shall comply with the provisions of laws and regulations regarding the storage hazardous chemicals. Enterprise fails to comply with such regulatory requirements shall be ordered to rectify, to suspend business operations, be imposed fines, or even has its permits or business license be revoked by the relevant government authorities.

Pollutant Discharge Permit

Pursuant to *the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC* (《中華人民共和國固體廢物污染環境防治法》), which was promulgated by the SCNPC in 1995 and was latest amended on April 29, 2020, entities generating hazardous waste shall store, utilise and dispose hazardous waste according to the relevant requirements of the state and environmental protection standards, and shall not dump or pile up hazardous waste without authorisation. Furthermore, it is forbidden to entrust hazardous waste to entities without a permit for disposal, or else the competent ecological and environmental authorities shall order it to make rectification, impose fines, confiscate illegal gains, and in serious circumstance, order it to suspend business or close down upon the approval of government authorities.

Pursuant to the provisions of *the Regulation on the Administration of Permitting of Pollutant Discharges* (《排污許可管理條例》) promulgated on January 24, 2021, and *the Measures for Pollutant Discharge Permitting Administration* (《排污許可管理辦法》) promulgated on January 10, 2018, last amended and implemented on July 1, 2024, the administration on pollutant discharge units is divided into key management and simplified management pursuant to the amount of pollutant caused and discharged and the impact on the environment. Their view, decision and information disclosure of pollutant discharge licenses shall be handled through the national pollutant discharge license management information platform. The pollutant discharge license is valid for 5 years and the discharging units should apply for renewal 60 days before the expiry for continues pollutant discharge. The environmental protection authorities have the right to order to make corrections, restrict production, suspend production for rectification, and suspend business and close down, and impose a fine. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Enterprises and other producers that are included in *the Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources* (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without a pollutant discharge permit.

According to *the Regulation on Urban Drainage and Sewage Treatment* (《城鎮排水與污水處理條例》), which was promulgated by the State Council in 2013, and *the Measures for the Administration of Permits for Discharging Urban Sewage into the Drainage Pipeline* (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development in 2015 with the most recent amendment becoming operative on February 1, 2023, enterprises, institutions and individually-owned businesses engaging in industry, construction, food and beverage, medical service and other activities which discharge sewage into urban drainage facilities shall apply to the competent urban drainage authorities for a permit for sewage discharge into the drainage pipe network, or the Drainage Permit. Discharging sewage into urban drainage facilities without obtaining a Drainage Permit shall be ordered by the relevant urban drainage authority to suspend illegal activities, take remedial measures within a time limit, re-apply the Drainage Permit, and may impose a fine of less than RMB500,000.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Trademarks

Pursuant to *the Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated on August 23, 1982, last amended on April 23, 2019 and implemented on November 1, 2019 by the SCNPC, and *the Implementation Provisions of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) promulgated on August 3, 2002, last amended on April 29, 2014 and implemented on May 1, 2014 by the State Council, registered trademarks in the PRC include commodity trademarks, service trademarks, collective trademarks and certification trademarks. The Trademark Office of China National Intellectual Property Administration handles trademark registrations and grants a term of ten years to registered trademarks, and another ten years if requested upon expiry of the first or any renewed ten-year term.

Patents

According to *the Patent Law of the PRC* (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, and latest amended on October 17, 2020 and came into effect on June 1, 2021 and *the Implementation Rules of 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 and latest amended on December 11, 2023 and came into effect on January 20, 2024, there are three types of patents in the PRC, which are invention patents, utility model patents and design patents. The protection period of a patent right for invention patents shall be 20 years, the protection period of a patent right for utility model patents shall be 10 years, and the protection period of design patent right is 15 years, both commencing from the filing date.

Software Registration

Pursuant to *the Regulation on Computer Software Protection* (《計算機軟件保護條例》) promulgated on June 4, 1991 by the State Council and last amended on January 30, 2013 and *the Measures for the Registration of Computer Software Copyright* (《計算機軟件著作權登記辦法》) promulgated on April 6, 1992 and last amended by the National Copyright Administration on July 1, 2004, the National Copyright Administration is mainly responsible for the registration and management of software copyright in China and recognizes the China Copyright Protection Center as the software registration organization. The China Copyright Protection Center shall grant certificates of registration to computer software copyright applicants in compliance with the regulations of the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

Pursuant to *the Administrative Measures of Internet Domain Names* (《互聯網域名管理辦法》) promulgated on August 24, 2017 and implemented on November 1, 2017 by the Ministry of Industry and Information Technology, the Ministry of Industry and Information Technology is the major regulatory body for national domain name services. The principle of "first-to-file" is adopted for domain name services The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information about the domain name holder's identity for the registration purpose and sign the registration agreements. Upon completion of the domain name registration, the applicant will become the holder of such registered domain names.

REGULATIONS ON STOCK INCENTIVE PLANS

According to *the Notice of the SAFE on Issues Relating to the Foreign Exchange Administration for Domestic Individuals' Participating in Stock Incentive Plan of Overseas Listed Company* (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), which was issued on February 15, 2012 and other regulations, directors, supervisors, senior management and other employees participating in any share incentive plan of an overseas publicly-listed company who are PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, subject to certain exceptions, are required to register with SAFE through a domestic agency. Moreover, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests.

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

LAWS AND REGULATIONS RELATING TO TAX

Enterprise Income Tax

Pursuant to the EIT Law promulgated by the SCNPC on March 16, 2007 and last amended and implemented on December 29, 2018, and *the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) (the "**Regulations on the EIT Law**") promulgated by the State Council on December 6, 2007 and last amended and implemented on April 23, 2019, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign countries (regions) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

VAT

Pursuant to *the Provisional Regulations on the VAT of the PRC* (《中華人民共和國增值稅暫行條例》) promulgated by the State Council, last amended and implemented on November 19, 2017, and *the Detailed Implementing Rules of the Provisional Regulations on the VAT of the PRC* (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 15, 1993, last amended on October 28, 2011 and implemented on November 1, 2011 (collectively, the "**VAT Law**"), all taxpayers selling goods, providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods within the PRC shall pay the VAT. Unless provided otherwise, for general the VAT taxpayers selling services and intangible assets, the VAT is 6%.

The Notice of the MOF and the STA on Adjusting the VAT (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated by the MOF and the STA on April 4, 2018 and came into effect on May 1, 2018, adjusts the applicable rate of the VAT and stipulates that for a taxpayer who engages in a taxable sales activity for the VAT purpose or importation of goods, the previous applicable tax rates of 17.0% and 11.0% would be adjusted to 16.0% and 10.0%, respectively.

According to *the Announcement on Relevant Policies for Deepening the VAT Reform* (《關於深化增值稅改革有關政策的公告》) promulgated by the MOF and the STA and the GAC on March 20,2019 and effective from April 1, 2019, the VAT rates of 16% and 10% on sales, imported goods shall be adjusted to 13% and 9%, respectively.

Dividend Withholding Tax

Pursuant to *the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion 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》) (the "**Double Tax Avoidance Arrangement**"), the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise.

However, according to *the Notice of the STA on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《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》) issued by the STA on February 20, 2009, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from the reduced income tax rate due to a structure or arrangement primarily driven by tax considerations, such PRC tax authorities may adjust the preferential tax treatment. *The Announcement of the STA on Issues "Beneficial Owner" in Tax Treaties* (《國家稅務總局關於稅收協定中「受益所有人」有關問題的公告》), issued by the STA on February 3, 2018, and effective from April 1, 2018, outlines factors that support or hinder the determination of an applicant's status as a "beneficial owner." Applicants not recognized as beneficial owners will not qualify for the aforementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITY

Labour Contract

Pursuant to *the Labour Law of the PRC* (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended and implemented on December 29, 2018, *the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, last amended on December 28, 2012 and implemented on July 1, 2013 and *the Implementation Regulations of the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》) promulgated and implemented by the State Council on September 18, 2008, an employer shall establish and improve labour rules and regulations according to the laws, and shall strictly comply with the national standards, provide relevant training to its employees, protect their labour rights and perform its labour obligations. If an employer establishes labour relationship with an employee, they should enter into a written labour contract. Labour contracts shall be categorised into fixed-term labour contract, unfixed-term labour contract and labour contract for the completion of certain work assignments. The wages payable by an employer to its employees shall not be less than local minimum wage. In addition, an employer must establish and improve the labour safety and health system, stringently implement national protocols and standards on labour safety and health, conduct labour safety and health education for employees, so as to prevent accidents in the labour process and reduce occupational hazards.

Social Insurance and Housing Provident Fund

Pursuant to *the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and last amended and implemented on December 29, 2018, *the Provisional Regulations on Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and last amended and implemented on March 24, 2019, *the Regulations on the Administration of Housing Provident Fund* (《住房公積金管理條例》) promulgated by the State Council on April 3, 1994 and last amended and implemented on March 24, 2019 and other applicable PRC laws and regulations relating to social insurance, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance, and to housing provident funds, in full and in a timely manner. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and/or ordered to pay the deficit amount within a stipulated time limit.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

The CSRC promulgated the Overseas Listing Trial Measures and five related guidelines on February 17, 2023, which came into effect on March 31, 2023. The Overseas Listing Trial Measures introduce a new filing regime which requires PRC domestic companies to register their direct and indirect overseas listings and securities offerings with the CSRC by filing materials on key compliance issues. The Overseas Listing Trial Measures provide that overseas listing and offering are explicitly prohibited, if any of the following applies: (i) such securities offering and listing are explicitly prohibited by specific laws and regulations; (ii) the proposed securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council; (iii) the domestic company or its controlling shareholder(s) and the actual controller, have committed crimes including corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy in the past three years; (iv) the domestic company is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations which have not definitive conclusion; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. As advised by our PRC Advisor, we do not fall within any of the aforementioned situations which would prohibit us from listing overseas.

The CSRC and other three relevant government authorities jointly promulgated *the Provisions on Strengthening the 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 "**Provision on Confidentiality**") on February 24, 2023, and came into effect on March 31, 2023. Pursuant to the Provision on Confidentiality, when a domestic company provides or publicly discloses the documents and materials involving state secrets and working secrets of state organs to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses such the documents and materials through its overseas listing subjects, it shall report to the competent department with the examination and approval authority for approval, and file with the same level secrecy administration department. Domestic companies providing accounting archives or copies thereof to entities and individuals such as securities companies, securities service institutions and overseas regulatory authorities shall perform the relevant procedures according to relevant regulations. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide related services for the overseas offering and listing of domestic enterprises shall be kept within the territory of the PRC. Cross-border transferring of such working papers shall go through the examination and approval formalities in accordance with the relevant regulations.

LAWS AND REGULATIONS RELATING TO FULL CIRCULATION OF H SHARES

"Full circulation" means listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, the CSRC issued *the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies* (《H股公司境內未上市股份申請「全流通」業務指引》(the "**Guidelines for the 'Full Circulation"**"), which was amended on August 10, 2023.

According to the Guidelines for the "Full Circulation", shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for "full circulation". To file an application for "full circulation", an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the "examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company".

On December 31, 2019, the CSDC and the Shenzhen Stock Exchange jointly issued *the Measures for Implementation of H-share "Full Circulation" Business* (《H股「全流通」業務實施細則》) (the "**Measures for Implementation**"). The businesses of cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation business", are subject to the Measures for Implementation.

According to the Overseas Listing Trial Measures, the H-shares "full circulation" should comply with the relevant regulations of the CSRC, and the domestic company should be entrusted to file with the CSRC.

OVERVIEW

Our Company was founded by Mr. Li and Mr. Au Yeung and was established in the PRC on January 7, 2009, and was subsequently converted into a joint stock company with limited liability on November 8, 2022. Since our establishment, we have principally engaged in design, research and development and manufacture of various types of SiC epitaxial wafers.

We are the first technology-leading specialized supplier of SiC epitaxial wafers in China, according to Frost & Sullivan. In 2023, we sold over 132,000 SiC epitaxial wafers (including our self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) and achieved a total revenue of RMB1,171.2 million. According to Frost & Sullivan, our market share of SiC epitaxial wafers in China reached 38.8% in 2023 in terms of revenue and 38.6% in terms of sales volume, making us a top-ranked company in China's SiC epitaxial wafer industry. Globally, our share of the epitaxial wafer market stood at around 15% both in terms of revenue and sales volume, placing us among the top three in the world, according to the same source. As one of the first third-generation semiconductor companies in China, according to Frost & Sullivan, we have been a forerunner in advancing the SiC epitaxial wafer industry. For further details of our principal business and the background and industry experience of Mr. Li and Mr. Au Yeung, please refer to "Business" and "Directors, Supervisors and Senior Management — Directors", respectively, in this document.

OUR KEY MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Milestone
2009	Our Company was established in Dongguan, Guangdong Province, the PRC, as the first silicon carbide epitaxial enterprise in the PRC, filling a gap in the domestic industrial chain
2012	We successfully completed the research and development of N-type epitaxial wafers
2013	We successfully completed the research and development of P-type epitaxial wafers
2014	We commenced mass production of 4-inch SiC epitaxial wafers
	Our Company was recognized as a National High-Tech Enterprise (國家級高新技術企業)

Year	Milestone
2016	Our Company was the first domestic SiC epitaxial materials manufacturer to obtain certification under the Automotive Quality Management System (IATF 16949: 2016)
2018	We commenced mass production of 6-inch SiC epitaxial wafers
	Our Company obtained certification for the Intellectual Property Management System (GB/T29490–2013)
2019	Guangdong Province Science and Technology Department (廣東省科學技術廳) designated our Company as the Guangdong Province Third-Generation Semiconductor SiC Epitaxial Material Engineering Technology Research Center (廣東省第三代半導體SiC外延材料工程技術研究中心)
2020	Our Company was awarded the title of "Guangdong Province Engineering Research Center for Third-Generation Semiconductor SiC Epitaxial Materials"* (廣東省工程研究中心 — 第三代半導體SiC外延材料) by the Guangdong Province Development and Reform Commission (廣東省發展和改革委員會)
	Our Company was recognized as one of the "Dongguan Top 100 Innovative Enterprises"* (東莞市百強創新型企業)
2021	Our Company was approved as a "Guangdong Province Postdoctoral Innovation Practice Base"* (廣東省博士後創新實踐基地) and a "Guangdong Postdoctoral Workstation"* (廣東省博士工作站) by the Guangdong Province Department of Human Resources and Social Security (廣東省人力資源和社會保障廳)

Year	Milestone
2022	We successfully completed the research and development of the 8-inch epitaxial wafers
	Our maximum available production capacity for SiC epitaxial wafers has reached over 50,000 pieces
	Our Company was recognized as one of the "Dongguan's Pilot Enterprises of the Doubling Programme"* (東莞市「倍增計劃」試點企業)
	Our Company was recognized as one of the "15th Batch of Dongguan's Reserve Enterprises to be Listed"* (東莞市第十五批上市後備企業)
	We were award the "Second Prize of Science and Technology Advancement Award, Guangdong Province Science and Technology Award"* (廣東省科學技術獎科技進步獎二等獎) from the People's Government of Guangdong Province.
2023	We commenced trial production of 8-inch SiC epitaxial wafers
	Our maximum available production capacity for SiC epitaxial wafers has reached over 170,000 pieces
	We began supplying automotive grade materials to leading new energy vehicle companies in the PRC and entered into strategic cooperation with well-known overseas customers for automotive grade materials
	We led the completion and publication of the "Collection of metallographs on defects in SiC Crystal Materials" (碳化硅晶體材料缺陷圖譜), the first national standard in the field of SiC semiconductor spectroscopy
	Our Company was recognized as one of the National Essential "Little Giant" Enterprise (國家重點「小巨人」)
	Our Company was recognized as one of the "Manufacturing Individual Champion Enterprises in Dongguan"* (東莞市製造業單項冠軍企業)

Year	Milestone
2024	We commenced mass production of 8-inch SiC epitaxial wafers
	We entered into strategic cooperation with leading overseas integrated device manufacturer (IDM) automotive customers for 8-inch SiC epitaxial wafers

CORPORATE DEVELOPMENT

Our Company

Establishment and early developments of our Company

Our Company was founded by Mr. Li and Mr. Au Yeung and was established in the PRC on January 7, 2009 with an initial registered capital of RMB10 million, which was held by Mr. Li and Mr. Au Yeung as to 42.86% and 57.14%, respectively. Since its establishment, we have principally engaged in design, research and development and manufacture of various types of SiC epitaxial wafers.

On November 24, 2011, the registered capital of our Company was increased from RMB10 million to RMB30 million. The newly increased registered capital was subscribed by Mr. Li and Mr. Au Yeung in cash and in proportion to their shareholding.

Pursuant to equity transfer agreements dated September 28, 2019, Mr. Au Yeung transferred 13.14% (equivalent to approximately RMB3,942,000 of the registered capital of our Company), 11.43% (equivalent to approximately RMB3,429,000 of the registered capital of our Company) and 5.17% (equivalent to approximately RMB1,713,000 of the registered capital of our Company) to Lee Yuk Ming (李玉明) ("**Mr. Lee Yuk Ming**"), Zhuang Shuguang (莊樹廣) ("**Mr. Zhuang**") and Yuan Yi (袁毅) ("**Mr. Yuan**") at the consideration of RMB3,942,000, RMB3,429,000 and RMB1,713,000, respectively, which were determined with reference to the paid-up registered capital of our Company. Mr. Lee Yuk Ming is our former Director, whereas each of Mr. Zhuang and Mr. Yuan is our Supervisor. Upon the completion of the said equity transfers, our Company was owned by Mr. Li as to approximately 42.86%, Mr. Au Yeung as to 26.86%, Mr. Lee Yuk Ming as to 13.14%, Mr. Zhuang as to 11.43% and Mr. Yuan as to 5.71%. The consideration was fully settled on November 7, 2019.

On December 18, 2019, the registered capital of our Company was increased from RMB30 million to RMB76.73 million. The newly increased registered capital was subscribed and has been fully settled by the then existing Shareholders, namely, Mr. Li, Mr. Au Yeung, Mr. Lee Yuk Ming, Mr. Zhuang and Mr. Yuan, in proportion to their shareholding, by way of capitalization of their respectively loans to our Company in the appraised values of approximately RMB90.43 million, RMB55.53 million, RMB29.93 million, RMB23.87 million and RMB11.94 million, respectively, with the excess amount of RMB159,816,600 credited to the capital reserve of our Company. Set out below is the shareholding structure of our Company immediately after completion of the aforesaid capital increase:

Shareholders	**Registered capital subscribed for** *(RMB)*	**Approximate corresponding equity interest in our Company** *(%)*
Mr. Li	32,886,478	42.86
Mr. Au Yeung	20,609,678	26.86
Mr. Lee Yuk Ming	10,082,322	13.14
Mr. Zhuang	8,770,239	11.43
Mr. Yuan	4,381,283	5.71
	76,730,000	**100.0000**

On November 24, 2020, the registered capital of our Company was increased from RMB76,730,000 to RMB90,270,589. The newly increased registered capital was subscribed and has been fully settled by Dinghong Investment, Runsheng Investment and Wanghe Investment as to RMB6,318,941, RMB3,610,824 and RMB3,610,824 of the newly increased registered capital at the subscription price of approximately RMB4.42 per registered capital, which was determined after arm's length negotiations with reference to the capitalization cost per increased registered capital of the last capital increase on December 18, 2019. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is one of our ESOP Platforms. See "— Our ESOP Platforms" in this section for further details.

[REDACTED] Investments

As of the Latest Practicable Date, we have conducted seven rounds of [REDACTED] Investments. See "— [REDACTED] Investments" in this section for further details of the [REDACTED] Investments.

The following table sets out the shareholding structure of our Company immediately after the aforementioned capital increase in November 2020 but prior to the [REDACTED] Investments:

Shareholders	**Registered capital subscribed for** *(RMB)*	**Approximate corresponding equity interest in our Company** *(%)*
Mr. Li	32,886,478	36.4310
Mr. Au Yeung	20,609,678	22.8310
Mr. Lee Yuk Ming	10,082,322	11.1690
Mr. Zhuang	8,770,239	9.7155
Dinghong Investment	6,318,941	7.0000
Mr. Yuan	4,381,283	4.8535
Runsheng Investment	3,610,824	4.0000
Wanghe Investment	3,610,824	4.0000
	90,270,589	**100.0000**

(1) Capital Increase in July 2021

Pursuant to the shareholders' resolution of our Company dated June 5, 2021, our registered capital was increased from RMB90,270,589 to RMB97,704,638, and Shenzhen Habo Technology Investment Partnership (Limited Partnership)* (深圳哈勃科技投資合夥企業(有限合夥)) ("**Habo Technology**") agreed to subscribe for the additional registered capital of RMB7,434,049 (representing approximately 7.61% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB70 million (the "**July 2021 Capital Increase**"). The aforementioned capital increase was completed on July 1, 2021.

Habo Technology is a [REDACTED] Investor. See "— [REDACTED] Investments" in this section for further details.

(2) Equity transfer in June 2022

Pursuant to the shareholder's capital contribution transfer agreement (股東轉讓出資協議) dated January 23, 2022, Wanghe Investment transferred its 1% equity interest in our Company (equivalent to RMB977,046 of our registered capital) to BYD Company Limited (比亞迪股份有限公司) ("**BYD**") at a total consideration of RMB25 million (the "**BYD Equity Transfer**"). The cost per registered capital of the BYD Equity Transfer was RMB25.59, which was determined based on arm's length negotiations taking into consideration the timing of the investments and the status of our business. The aforementioned equity transfer was completed on June 13, 2022 with the consideration fully settled on March 9, 2022.

BYD is a [REDACTED] Investor. See "— [REDACTED] Investments" in this section for further details.

(3) Capital Increase on June 13, 2022

Pursuant to the shareholders' resolution of our Company dated January 22, 2022, our registered capital was increased from RMB97,704,638 to RMB100,221,273, and the relevant subscribers agreed to subscribe for the additional registered capital of RMB2,516,635 in aggregate (representing approximately an aggregate of 2.51% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB85 million (the "**June 13, 2022 Capital Increase**"). The respective subscription amounts and consideration paid by the relevant subscribers were as follows:

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)** *(%)*
BYD	725,383	24,500,000	0.7238
Qingdao Shangqi Huizhu Zhanxin Industry Investment Fund Partnership (Limited Partnership)* (青島尚頎匯鑄戰新產業投資基金合夥企業(有限合夥)) ("**Shangqi Huizhu**")	1,734,998	58,600,000	1.7312
Jiaxing Qiying Venture Capital Partnership (Limited Partnership)* (嘉興頎盈創業投資合夥企業(有限合夥)) ("**Jiaxing Qiying**")	41,450	1,400,000	0.0414
Jiaxing Chuangqi Kaiying Venture Capital Partnership (Limited Partnership)* (嘉興市創啟開盈創業投資合夥企業(有限合夥)) ("**Chuangqi Kaiying**")	14,804	500,000	0.0148

The aforementioned capital increase was completed on June 13, 2022. Each of the above subscribers is a [REDACTED] Investor. See "— [REDACTED] Investments" in this section for further details.

(4) Capital Increase on June 27, 2022

Pursuant to the shareholders' resolution of our Company dated March 19, 2022, our registered capital was increased from RMB100,221,273 to RMB103,227,911, and the relevant subscribers agreed to subscribe for the additional registered capital of RMB3,006,638 in aggregate (representing approximately an aggregate of 3% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB150 million (the "**June 27, 2022 Capital Increase**"). The respective subscription amounts and consideration paid by the relevant subscribers were as follows:

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)** *(%)*
Yibin Chendao New Energy Industry Equity Investment Partnership (Limited Partnership)* (宜賓晨道新能源產業股權投資合夥企業(有限合夥)) ("**Yibin Chendao**")	901,991	45,000,000	0.8738
Jiaxing Haiyu Venture Capital Partnership (Limited Partnership)* (嘉興海鈺創業投資合夥企業(有限合夥)) ("**Jiaxing Haiyu**")	1,002,213	50,000,000	0.9709
Jiaxing Chengyi Xinrui Equity Investment Partnership (Limited Partnership)* (嘉興誠毅欣銳股權投資合夥企業(有限合夥)) ("**Chengyi Xinrui**")	400,885	20,000,000	0.3883
Dongguan Dazhong Industrial Co., Ltd.* (東莞市大中實業有限公司) ("**Dazhong Industrial**")	601,328	30,000,000	0.5825
Ningbo Meishan Bonded Port Area Chaoxing Venture Capital Partnership (Limited Partnership)* (寧波梅山保税港區超興創業投資合夥企業(有限合夥)) ("**Chaoxing Capital**")	100,221	5,000,000	0.0971

The aforementioned capital increase was completed on June 27, 2022. Each of the above subscribers is a [REDACTED] Investor. See "— [REDACTED] Investments" in this section for further details.

(5) Capital Increase in August 2022

Pursuant to the shareholders' resolution of our Company dated August 18, 2022, our registered capital was increased from RMB103,227,911 to RMB108,974,268, and the relevant subscribers agreed to subscribe for the additional registered capital of RMB5,746,357 in aggregate (representing approximately an aggregate of approximately 5.57% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB668 million (the "**August 2022 Capital Increase**"). The respective subscription amounts and consideration paid by the relevant subscribers were as follows:

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)** *(%)*
Jinggangshan Fupu New Century Equity Investment Partnership (Limited Partnership)* (井岡山複樸新世紀股權投資合夥企業(有限合夥)) ("**Fupu Investment**")	860,233	100,000,000	0.7894
Zhuhai Hengqin Yongyue Chengzhang No. 3 Equity Investment Partnership (Limited Partnership)* (珠海橫琴踴躍成長三號股權投資合夥企業(有限合夥)) ("**Yongyue Chengzhang**")	430,116	50,000,000	0.3947
Guangdong Liwan Equity Investment Partnership (Limited Partnership)* (廣東立灣股權投資合夥企業(有限合夥)) ("**Liwan Investment**")	258,070	30,000,000	0.2368
Dazhong Industrial	1,720,466	200,000,000	1.5788

Subscribers	Registered capital subscribed for *(RMB)*	Consideration *(RMB)*	Approximate corresponding equity interest in our Company (upon completion of the capital increase) *(%)*
Guangzhou Zhongguangyuan Shangkechuang Phase II Venture Capital Partnership (Limited Partnership)* (廣州中廣源商科創二期創業投資合夥企業(有限合夥)) ("**Zhongguangyuan**")	172,047	20,000,000	0.1579
Dongguan Liwan Youxuan No. 7 Venture Capital Partnership (Limited Partnership)* (東莞立灣優選七號創業投資合夥企業(有限合夥)) ("**Liwan Youxuan**")	154,842	18,000,000	0.1421
Shenzhen Chunyang Jiutai Venture Capital Partnership (Limited Partnership)* (深圳春陽久泰創業投資合夥企業(有限合夥)) ("**Chunyang Jiutai**")	258,070	30,000,000	0.2368
Shanghai Qingyi Xinyang Venture Capital Partnership (Limited Partnership)* (上海氫毅昕陽創業投資合夥企業(有限合夥)) ("**Qingyi Xinyang**")	258,070	30,000,000	0.2368
China-Belgium Direct Equity Investment Fund* (中國 — 比利時直接股權投資基金) ("**China-Belgium Fund**")	516,140	60,000,000	0.4736

Subscribers	**Registered capital subscribed for** *(RMB)*	**Consideration** *(RMB)*	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)** *(%)*
Jinyun Tianyu Equity Investment Partnership (Limited Partnership)* (縉雲天域股權投資合夥企業（有限合夥）) ("**Jinyun Tianyu**")	645,175	75,000,000	0.5920
Dongguan Yueke Xintai Industrial Control Venture Capital Partnership (Limited Partnership)* (東莞粵科鑫泰工控創業投資合夥企業(有限合夥)) ("**Yueke Xintai**")	473,128	55,000,000	0.4342

The aforementioned capital increase was completed on August 31, 2022. Each of the above subscribers is a [REDACTED] Investor. See "— [REDACTED] Investments" in this section for further details.

(6) Capital Increase in December 2022

Subsequent to the joint stock reform of our Company (see "— Corporate Development — Our Company — Joint stock reform in November 2022" below for further details), pursuant to the shareholders' resolution of our Company dated November 23, 2022, our registered capital was increased from RMB108,974,268 to RMB113,198,011, and the relevant subscribers agreed to subscribe for a total number of 4,223,743 Shares (representing approximately an aggregate of approximately 3.73% equity interest in our Company upon completion of the capital increase) at a total consideration of RMB491 million (the "**December 2022 Capital Increase**"). The respective subscription amounts and consideration paid by the relevant subscribers were as follows:

Subscribers	**Number of Shares subscribed for**	**Consideration**	**Approximate corresponding equity interest in our Company (upon completion of the capital increase)**
		(RMB)	*(%)*
Gongqingcheng Guanshun Equity Investment Partnership (Limited Partnership)* (共青城莞順股權投資合夥企業(有限合夥)) ("**Guanshun Investment**"))	1,806,488	210,000,000	1.5959
Gongqingcheng Guanling Equity Investment Partnership (Limited Partnership)* (共青城莞領股權投資合夥企業(有限合夥)) ("**Guanling Investment**")	860,233	100,000,000	0.7599
Zhongshan Lianxin Equity Investment Partnership (Limited Partnership)* (中山市聯芯股權投資合夥企業(有限合夥)) ("**Zhongshan Lianxin**")	258,070	30,000,000	0.2280
Nantong Zhaoshang Jianghai Industrial Development Fund Partnership (Limited Partnership)* (南通招商江海產業發展基金合夥企業(有限合夥)) ("**Zhaoshang Jianghai**")	258,070	30,000,000	0.2280

Subscribers	Number of Shares subscribed for	Consideration *(RMB)*	Approximate corresponding equity interest in our Company (upon completion of the capital increase) *(%)*
Nantong Zhaohua Zhaozheng Equity Investment Partnership (Limited Partnership)* (南通招華招證股權投資合夥企業(有限合夥)) ("**Zhaohua Zhaozheng**")	258,070	30,000,000	0.2280
Hangzhou Huanyu Equity Investment Partnership (Limited Partnership)* (杭州寰域股權投資合夥企業(有限合夥)) ("**Huanyu Investment**")	215,058	25,000,000	0.1900
Dongguan Liwan Beizeng No. 1 Venture Capital Partnership (Limited Partnership)* (東莞立灣倍增一號創業投資合夥企業(有限合夥)) ("**Liwan Beizeng**")	180,649	21,000,000	0.1596
Suzhou Liderang Investment Partnership (Limited Partnership)* (蘇州立德讓投資合夥企業(有限合夥)) ("**Liderang**")	172,047	20,000,000	0.1520
Gongqingcheng Huatuo Hefu No. 5 Investment Partnership (Limited Partnership)* (共青城華拓合富伍號投資合夥企業(有限合夥)) ("**Huatuo Hefu**")	129,035	15,000,000	0.1140
Guangdong Bozhong Innovation and Entrepreneurship Investment Partnership (Limited Partnership)* (廣東博中創新創業投資合夥企業(有限合夥)) ("**Bozhong Innovation**")	86,023	10,000,000	0.0760

The aforementioned capital increase was completed on December 12, 2022. Each of the above subscribers is a [REDACTED] Investor. See "— [REDACTED] Investments" in this section for further details.

(7) Equity transfers in November 2024

Pursuant to the share transfer agreement (股份轉讓協議) dated November 27, 2024 entered into between Zhaoshang Jianghai, Zhaohua Zhaozheng and Dongguan Runfu Investment Consulting Centre (Limited Partnership)* (東莞市潤福投資諮詢中心(有限合夥)) ("**Runfu Investment**"), (a) Zhaoshang Jianghai transferred 0.2280% of its equity interest in our Company (equivalent to 828,091 of Shares) to Runfu Investment at a consideration of RMB34.75 million; and (b) Zhaohua Zhaozheng transferred 0.2280% of its equity interest in our Company (equivalent to 828,091 of Shares) to Runfu Investment at a consideration of RMB34.75 million (collectively, the "**November 2024 Equity Transfers**"). The consideration of the November 2024 Equity Transfers was determined among the parties after arm's length negotiations based on a pre-determined calculation method as set out in the relevant share subscription agreement in connection with the vendors' original investment in the Company. The aforementioned equity transfers were completed with the consideration fully settled on November 28, 2024.

Runfu Investment is a [REDACTED] Investor. See "— [REDACTED] Investments" in this section for further details.

Joint stock reform in November 2022

Pursuant to the shareholders' resolution and the promoters' agreement dated October 11, 2022, the then existing Shareholders agreed to convert our Company into a joint stock company with limited liability with a share capital of RMB108,974,268. In furtherance of the above, the total net assets of our Company as of August 31, 2022 were converted into 108,974,268 Shares with par value of RMB1 each, and issued to the then existing Shareholders in proportion to their capital contribution to our Company, with the excess of net assets converted over nominal value of the ordinary shares was credited to the capital reserve of the Company.

Upon completion of the registration with the Dongguan Municipal Administration for Market Regulation (東莞市市場監督管理局) on November 8, 2022, our Company was renamed from Dongguan Tianyu Semiconductor Technology Co., Ltd.* (東莞市天域半導體科技有限公司) to Guangdong Tianyu Semiconductor Co., Ltd. (廣東天域半導體股份有限公司). The then shareholders and their respective equity interest in our Company remained unchanged immediately before and after the conversion of our Company into a joint stock company with limited liability.

The following table sets out the shareholding structure of our Company immediately after completion of the joint stock reform:

Shareholders	Shares	Approximately percentage of shareholding (%)
The group of Controlling Shareholders *(Note 1)*	**66,059,699**	**60.6196**
Mr. Li	32,886,478	30.1782
Mr. Au Yeung	20,609,678	18.9124
Dinghong Investment	6,318,941	5.7986
Runsheng Investment	3,610,824	3.3135
Wanghe Investment	2,633,778	2.4169
Mr. Lee Yuk Ming	10,082,322	9.2520
Mr. Zhuang	8,770,239	8.0480
Mr. Yuan	4,381,283	4.0205
[REDACTED] Investor from the July 2021 Capital Increase		
— Habo Technology	7,434,049	6.8218
[REDACTED] Investors from the BYD Transfer and the June 13, 2022 Capital Increase		
— Shangqi Huizhu	1,734,998	1.5921
— BYD	1,702,429	1.5622
— Jiaxing Qiying	41,450	0.0380
— Chuangqi Kaiying	14,804	0.0136
[REDACTED] Investors from the June 27, 2022 Capital Increase		
— Dazhong Industrial *(Note 2)*	2,321,794	2.1306
— Jiaxing Haiyu	1,002,213	0.9197
— Yibin Chendao	901,991	0.8277
— Chengyi Xinrui	400,885	0.3679
— Chaoxing Capital	100,221	0.0920

Shareholders	Shares	Approximately percentage of shareholding (%)
[REDACTED] Investors from the August 2022 Capital Increase		
— Fupu Investment	860,233	0.7894
— Jinyun Tianyu	645,175	0.5921
— China-Belgium Fund	516,140	0.4736
— Yueke Xintai	473,128	0.4342
— Yongyue Chengzhang	430,116	0.3947
— Chunyang Jiutai	258,070	0.2368
— Liwan Investment	258,070	0.2368
— Qingyi Xinyang	258,070	0.2368
— Zhongguangyuan	172,047	0.1578
— Liwan Youxuan	154,842	0.1421
Total	**108,974,268**	**100.0000**

Notes:

(1) Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung are parties acting-in-concert. As Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are entities controlled by Mr. Li, Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders. For details, please see "— Corporate Development — Our Company — Concert Party Arrangement" in this section and "Relationship with our Controlling Shareholders" in this document.

(2) Dazhong Industrial subscribed further equity interest from the August 2022 Capital Increase. See "— Corporate Development — Our Company — [REDACTED] Investments — (5) Capital Increase in August 2022" in this section for further details.

Capitalization of capital reserve in December 2022

Subsequent to the December 2022 Capital Increase (see "— Corporate Development — Our Company — [REDACTED] Investments — (6) Capital Increase in December 2022" above for further details), on December 27, 2022, the then Shareholders passed a resolution and approved the capitalization of the capital reserve of our Company by way of applying a total of RMB250,000,000 of our capital reserve to the then existing Shareholders on a pro rata basis, upon the completion of registration of which the total share capital of our Company increased from RMB113,198,011 to RMB363,198,011 (the "**December 2022 Capitalization**").

Upon completion of the December 2022 Capitalization and the November 2024 Equity Transfers, our Company's shareholding structure was as follows up to the Latest Practicable Date:

Shareholders	**Shares**	**Approximately percentage of shareholding** *(%)*
The group of Controlling Shareholders *(Note 1)*	**211,953,645**	**58.3576**
Mr. Li	105,517,013	29.0522
Mr. Au Yeung	66,126,373	18.2067
Dinghong Investment	20,274,440	5.5822
Runsheng Investment	11,585,291	3.1898
Wanghe Investment	8,450,528	2.3267
Mr. Lee Yuk Ming	32,349,321	8.9068
Mr. Zhuang	28,139,493	7.7477
Mr. Yuan	14,057,580	3.8705
[REDACTED] Investor from the July 2021 Capital Increase		
— Habo Technology	23,852,303	6.5673
[REDACTED] Investors from the BYD Transfer and the June 13, 2022 Capital Increase		
— Shangqi Huizhu	5,566,736	1.5327
— BYD	5,462,135	1.5039
— Jiaxing Qiying	132,930	0.0366
— Chuangqi Kaiying	47,578	0.0131
[REDACTED] Investors from the June 27, 2022 Capital Increase		
— Dazhong Industrial *(Note 2)*	7,449,191	2.0510
— Jiaxing Haiyu	3,215,755	0.8854
— Yibin Chendao	2,893,962	0.7968
— Chengyi Xinrui	1,286,084	0.3541
— Chaoxing Capital	321,430	0.0885
[REDACTED] Investors from the August 2022 Capital Increase		
— Fupu Investment	2,759,942	0.7599
— Jinyun Tianyu	2,070,229	0.5700
— China-Belgium Fund	1,656,183	0.4560
— Yueke Xintai	1,518,167	0.4180
— Yongyue Chengzhang	1,380,152	0.3800
— Chunyang Jiutai	828,091	0.2280
— Liwan Investment	828,091	0.2280
— Qingyi Xinyang	828,091	0.2280
— Zhongguangyuan	552,061	0.1520
— Liwan Youxuan	496,855	0.1368

Shareholders	Shares	Approximately percentage of shareholding (%)
[REDACTED] Investors from the December 2022 Capital Increase *(Note 3)*		
— Guanshun Investment	5,795,914	1.5958
— Guanling Investment	2,759,942	0.7599
— Zhongshan Lianxin	828,091	0.2280
— Huanyu Investment	690,076	0.1900
— Liwan Beizeng	579,664	0.1596
— Liderang	552,061	0.1520
— Huatuo Hefu	414,046	0.1140
— Bozhong Innovation	276,030	0.0760
[REDACTED] Investor from the November 2024 Equity Transfers		
Runfu Investment	1,656,182	0.4560
Total	**363,198,011**	**100.0000**

Notes:

(1) Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung are parties acting-in-concert. As Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are entities controlled by Mr. Li, Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders. For details, please see "— Corporate Development — Our Company — Concert Party Arrangement" in this section and "Relationship with our Controlling Shareholders" in this document.

(2) Dazhong Industrial subscribed further equity interest from the August 2022 Capital Increase. See "— Corporate Development — Our Company — [REDACTED] Investments — (5) Capital Increase in August 2022" in this section for further details.

(3) Zhangshang Jianghai and Zhaohua Zhangzheng ceased to be a Shareholder upon the completion of the November 2024 Equity Transfers. For details, please refer to "— Corporate Development — [REDACTED] Investments — (7) Equity transfers in November 2024" in this section.

Concert Party Arrangement

On June 4, 2023, Mr. Li and Mr. Au Yeung entered into an Acting-in-concert Agreement, pursuant to which, subject to applicable laws and regulations, the Articles of Association and without prejudice to interests of our Company, Shareholders and creditors of our Company and except for the situations where they shall abstain from voting in relevant connected transactions, Mr. Li and Mr. Au Yeung acknowledged and confirmed, among others, to act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li. Mr. Li and Mr. Au Yeung further confirmed in writing in November 2024 that, the Acting-in-concert Agreement is to formalize the acting-in-concert arrangement between the parties since November 2022. The Acting-in-concert Agreement shall remain valid until 36 months after the [REDACTED].

As of the Latest Practicable Date, by virtue of the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung were collectively entitled to exercise voting rights of approximately 58.36% of the voting rights in our Company, among which:

(a) Mr. Li was able to exercise approximately 40.15% of the voting rights in our Company through (a) his direct individual interest as to approximately 29.05%; (b) Dinghong Investment as to approximately 5.58%, (c) Runsheng Investment as to approximately 3.19%, and (d) Wanghe Investment as to approximately 2.33%. Dinghong Investment, Runsheng Investment and Wanghe Investment are our ESOP Platforms. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is managed by its executive partner and general partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su Qin (蘇琴), the spouse of Mr. Li; and

(b) Mr Au Yeung was able to exercise approximately 18.21% of the voting rights in our Company through his direct individual interest.

In light of the above, Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders upon [REDACTED]. For details, please see "Relationship with our Controlling Shareholders" in this document.

Our Subsidiaries

Set out below are the subsidiaries of our Company and their respective particulars as of the Latest Practicable Date:

Name of subsidiary	Place of establishment	Date of establishment	Registered capital	Approximate shareholding by our Group	Principal business activities
Southern Semiconductor[1]	PRC	November 23, 2016	RMB92 million	59.29% by our Company	Inspection and sale of devices
Hengxin Research Institute[2]	PRC	October 5, 2019	RMB1 million	100% attributable interest by Southern Semiconductor	No substantive business activities

Notes:

(1) Southern Semiconductor is owned as to approximately 59.29% by our Company, approximately 14.29% by Dongguan Songshanhu Holdings Co., Ltd.* (東莞市松山湖控股有限公司) ("**Songshanhu Holdings**"), approximately 11.10% by Dongguan Jiazhi Investment Service Center (Limited Partnership)* (東莞市佳智投資服務中心(有限合夥)) ("**Jiazhi Investment**"), approximately 10.00% by Dongguan Zhongjia Semiconductor Technology Co., Ltd.* (東莞市中鎵半導體科技有限公司) ("**Zhongjia Semiconductor**"), approximately 4.67% by East Group Co., Ltd.* (易事特集團股份有限公司) ("**East Group**"), and approximately 0.65% by Foshan Nanhai United Guangdong Xinguangyuan Industry Innovation Center* (佛山市南海區聯合廣東新光源產業創新中心) ("**Xinguangyuan Industry**").

The revenue contributed by Southern Semiconductor to the total revenue of our Group was approximately 2.63%, 5.78%, 0.78% and 0.39% for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024.

Songshanhu Holdings is a company established in the PRC with limited liability, which is owned as to approximately 90.08% by Dongguan Songshanhu High-Tech Industrial Development Zone Management Committee* (東莞松山湖高新技術產業開發區管理委員會) and approximately 9.92% by Guangdong Department of Finance (廣東省財政廳).

Jiazhi Investment is a limited partnership established in the PRC, with Zhang Shengfa (張勝發) as the executive partner owning approximately 5.00% of the partnership interest, with other limited partners, namely, Chen Guangguo (陳廣國), Hong Jiefeng (洪潔峰) (a niece of Mr. Au Yeung), Xing Yanfei (邢燕飛), Xu Haibo (徐海波) (a director of Southern Semiconductor), Chen Yanwen (陳彥文) (a director of Southern Semiconductor) and Yang Zhichao (陽志超) (the board secretary of Southern Semiconductor), owning as to approximately 45.00%, 20.00, 13.00%, 10.00%, 10.00% and 2.00% of the partnership interest, respectively.

Zhongjia Semiconductor is a company established in the PRC with limited liability, which is ultimately controlled by Chen Jianmin (陳健民).

East Group is a company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange (stock code: 300376), which is owned as to approximately 31.73% by Yangzhou Dongfang Group Co., Ltd.* (揚州東方集團有限公司), which is in turn controlled by He Simo (何思模).

Xinguangyuan Industry is a private non-enterprise entity (民辦非企業單位) established by Foshan Nanhai Science and Technology Bureau* (佛山市南海區科學技術局).

(2) Hengxin Research Institute is a private non-enterprise entity (民辦非企業單位) established by Southern Semiconductor.

As at the Latest Practicable Date, Hengxin Research Institute has no substantive business activities and has not contributed to the revenue of our Group.

DEREGISTRATION DURING TRACK RECORD PERIOD

Dongguan Southern Third-Generation Semiconductor Technology Joint Research Institute Co., Ltd.* (東莞南方第三代半導體技術聯合研究院有限公司) ("**Southern Semiconductor Research Institute**"), a limited liability company established in the PRC on October 19, 2017, was deregistered on July 27, 2022. Immediately before its deregistration, Southern Semiconductor Research Institute was wholly-owned by Southern Semiconductor, and had not commenced substantive business activities.

To the best knowledge, information and belief of our Directors, since its establishment up to the date of deregistration, Southern Semiconductor Research Institute and its directors, shareholders or senior management, had not been the subject of any material non-compliant incidents, claims, litigation or legal proceedings (whether actual or threatened).

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our inception that we consider to be material to us.

PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisors, all the abovementioned establishment, transfer, capital increase and conversion of our Company are effective, legally binding, duly settled and in compliance with the PRC laws and regulations, and all permits, authorisations, approvals and consents necessary for the above transactions have been obtained from the relevant PRC authorities.

[REDACTED] INVESTMENTS

Overview

As of the Latest Practicable Date, we have conducted seven rounds of [REDACTED] Investments. The following table summarizes the key terms of the [REDACTED] Investments to our Company made by the [REDACTED] Investors:

[REDACTED] Investment	July 2021 Capital Increase	BYD Equity Transfer	June 13, 2022 Capital Increase	June 27, 2022 Capital Increase	August 2022 Capital Increase	December 2022 Capital Increase	November 2024 Equity Transfers
Date of the first subscription agreement/ equity transfer agreement	May 28, 2021	January 23, 2022	January 23, 2022	March 19, 2022	August 18, 2022	November 23, 2022	November 27, 2024
Date of last payment of consideration	June 28, 2021	June 13, 2022	March 10, 2022	April 28, 2022	August 26, 2022	December 7, 2022	November 28, 2024
Total registered capital/ number of shares subscribed/transferred	RMB7,434,049	RMB977,046	RMB2,516,635	RMB3,006,638	RMB5,746,357	4,223,743 Shares	1,656,182 Shares
Cost per registered capital/ share paid to our Company/the transferor(1)	RMB2.93	RMB7.97	RMB10.53	RMB15.55	RMB36.23	RMB36.23	RMB41.96
Discount to the [REDACTED](2)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total funds received by our Company	RMB70 million	N/A	RMB85 million	RMB150 million	RMB668 million	RMB491 million	N/A

Use of proceeds from the [REDACTED] Investments	As of the Latest Practicable Date, our Company has fully utilized the proceeds from the [REDACTED] Investments (save for the BYD Equity Transfer and November 2024 Equity Transfers). All of such proceeds were utilized for our general operation and business development.
Strategic benefits the [REDACTED] Investments brought to our Company	At the time of the [REDACTED] Investments, our Directors were of the view that our Company would benefit from the additional capital (save for the BYD Equity Transfer and November 2024 Equity Transfers) provided by the [REDACTED] Investors' investments in our Company and their knowledge and experience. Furthermore, our Directors believe that the [REDACTED] Investments are demonstrations of confidence from the [REDACTED] Investors in our operation, which serves as endorsements of our performance and prospects.
Basis of determining the consideration paid	Except for the BYD Equity Transfer and November 2024 Equity Transfers, the consideration for the [REDACTED] Investments was determined based on arm's length negotiations between our Company and the [REDACTED] Investors after taking into consideration various factors including but not limited to, (i) status of business operations and prospects of our business; (ii) the timing of the investments; and (iii) the valuation of the then comparable companies. Please refer to "— Corporate Development — Our Company — [REDACTED] Investments — (2) Equity transfer in June 2022" and "— (7) Equity transfers in November 2024" in this section above for the basis of determination of consideration for the BYD Equity Transfer and November 2024 Equity Transfers, respectively.
Lock-up period	All existing Shareholders (including the [REDACTED] Investors) shall not dispose of any of the Shares held by them within the 12 months following the [REDACTED] as required under the applicable PRC laws.
[REDACTED]	[REDACTED]

Notes:

(1) Calculation based on the number of Shares as adjusted after the December 2022 Capitalization.

(2) The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] and HK$[REDACTED].

Special rights of the [REDACTED] Investors

Pursuant to the subscription agreements and the shareholders' agreements entered into by and among the Company and the [REDACTED] Investors from time to time, certain of the [REDACTED] Investors were granted certain special rights in relation to the Company.

The divestment rights granted to certain of the [REDACTED] Investors under the relevant subscription agreements and/or shareholders' agreements have been terminated upon or before the first submission of the [REDACTED] application (the "**First Filing**") to the Stock Exchange for the purpose of the [REDACTED], on the condition that the terminated divestment rights shall be reinstated if the [REDACTED] does not take place. All other special rights under the [REDACTED] Investments, including, among others, rights of first refusal, co-sale rights, pre-emptive rights, information rights, dividend rights, liquidation preferences, together with, director appointment rights, were terminated with immediate effect pursuant to the relevant supplemental agreements entered into, among others, our Company and the relevant [REDACTED] Investors, or will cease to be effective upon [REDACTED].

Compliance with the Guide

On the basis that (i) the consideration for the last [REDACTED] Investment was irrevocably settled on a date, which is more than 120 days before the [REDACTED], and (ii) the special rights granted to the [REDACTED] Investors were terminated before the First Filing and/or shall cease to be effective upon [REDACTED], the Sole Sponsor confirms that the [REDACTED] Investments are in compliance with Chapter 4.2 of the Guide.

Information relating to our [REDACTED] Investors

Set out below is a description of our [REDACTED] Investors. To the best knowledge of our Directors, save as disclosed in this document, each of our [REDACTED] Investors and their respective ultimate beneficial owners (as applicable) is an Independent Third Party.

[REDACTED] Investor from the July 2021 Capital Increase

(a) Habo Technology

Habo Technology is a limited partnership established under the laws of the PRC and is principally engaged in venture capital investment. Habo Technology is managed by its general partner, Habo Technology Venture Capital Co., Ltd* (哈勃科技創業投資有限公司), which is wholly owned by Huawei Investment & Holding Co., Ltd (華為投資控股有限公司) ("**Huawei Investment**"). Huawei Investment is owned as to 99.42% by Huawei Investment & Holding Co., Ltd. Trade Union Committee* (華為投資控股有限公司工會委員會) and 0.58% by Ren Zhengfei (任正非).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Habo Technology had two limited partners, and is owned as to 69% and 30% by Huawei Technologies Co., Ltd (華為技術有限公司) and Huawei Device Co., Ltd (華為終端有限公司), respectively, both of which are ultimately controlled by Huawei Investment.

[REDACTED] Investors from the BYD Transfer and the June 13, 2022 Capital Increase

(b) Shangqi Huizhu and Jiaxing Qiying

Shangqi Huizhu is a limited partnership established under the laws of the PRC and is principally engaged in investment and asset management and private equity investment. Jiaxing Qiying (formerly known as Shanghai Shangqi Qiying Business Consulting Partnership (Limited Partnership)* (上海尚頎頎盈商務諮詢合夥企業(有限合夥)) is a limited partnership established under the laws of the PRC and is principally engaged in private equity investment.

Each of Shangqi Huizhu and Jiaxing Qiying is managed by its general partner, Shanghai Shangqi Investment Management Partnership (Limited Partnership)* (上海尚頎投資管理合夥企業(有限合夥)), whose general partner is Shanghai Qiyuan Business Consulting Co., Ltd* (上海頎元商務諮詢有限公司), which is owned as to 80%, 10% and 10% by Feng Ji (馮戟), Zhu Kaiyi (朱愷怡) and Jiang Jinqian (江金乾), respectively. Shanghai Shangqi Investment Management Partnership (Limited Partnership)* (上海尚頎投資管理合夥企業(有限合夥)) has three limited partners, and is owned as to approximately 40% by Jiaxing Qihe Equity Investment Partnership (Limited Partnership)* (嘉興頎合股權投資合夥企業(有限合夥)) (which is ultimately controlled by Feng Ji (馮戟)) and 40% by SAIC Motor Financial Holdings Co., Ltd. (上海汽車集團金控管理有限公司) (which is ultimately controlled by SAIC Motor Corporation Ltd. (上海汽車集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600104)) as the only limited partner with 30% or more partnership interests therein.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Shangqi Huizhu had 11 limited partners, none of which held 30% or more partnership interests in Shangqi Huizhu. One of the limited partners, Jiaxing Qiying, a [REDACTED] Investor, owned as to approximately 0.49% of the partnership interests in Shangqi Huizhu.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Jiaxing Qiying had 12 limited partners, none of which held 30% or more partnership interests in Jiaxing Qiying.

(c) BYD

BYD is joint stock company established in the PRC with limited liability, the shares of which are dually listed on the Shenzhen Stock Exchange (stock code: 002594) and the Stock Exchange (stock code: 1211 (HKD counter); 81211 (RMB counter)), and is principally engaged in automobile business which mainly includes new energy vehicles, handset components and assembly services, rechargeable batteries and photovoltaics business.

(d) Chuangqi Kaiying

Chuangqi Kaiying is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Chuangqi Kaiying is managed by its general partner, Jiaxing Chuangqi Kaiying Enterprise Management Co., Ltd* (嘉興市創啟開盈企業管理有限公司), which is owned as to 50% and 50% by Li Min (李敏) and Li Lu (李路), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Chuangqi Kaiying had ten limited partners, none of which held 30% or more partnership interests in Chuangqi Kaiying.

To the best knowledge and information of our Directors, Chuangqi Kaiying is an employee co-investment platform (員工跟投平台) of BYD's employees.

[REDACTED] Investors from the June 27, 2022 Capital Increase

(e) Dazhong Industrial

Dazhong Industrial is a limited liability company established under the laws of the PRC and is primarily engaged in manufacturing and sales furniture. To the best knowledge and information of our Directors, as of the Latest Practicable Date, Dazhong Industrial is owned as to 75% and 25% by Wang Wencheng (王文城) and Wang Chaomei (王肖梅), respectively.

To the best knowledge of our Directors, as of the Latest Practicable Date, Dazhong Industrial is a limited partner of Guanling Investment, a [REDACTED] Investor, and owned as to 23.70% of the its partnership interests.

(f) Jiaxing Haiyu

Jiaxing Haiyu is a limited partnership established under the laws of the PRC and is principally engaged in venture capital investment. Jiaxing Haiyu is managed by its general partner, Suzhou Jiansheng Investment Management Partnership (Limited Partnership)* (蘇州建晟投資管理合夥企業(有限合夥)), which is owned as to 50% by its general partner, Suzhou Hailianxing Investment Management Partnership (Limited Partnership)* (蘇州海鏈星投資管理合夥企業(有限合夥)) (whose general partner is Xiang Xiaobo (項曉波)), and as to 50% by its limited partner, Shanghai Dishui Chenghai Investment Management Co., Ltd* (上海滴水成海投資管理有限公司) (which is ultimately controlled by Haier Group Corporation (海爾集團公司)).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Jiaxing Haiyu had two limited partners and is owned as to approximately 96.12% by Jiaxing Yunxu Equity Investment Partnership (Limited Partnership)* (嘉興雲旭股權投資合夥企業(有限合夥)) as the largest and the only limited partner with 30% or more partnership interests in Jiaxing Haiyu, whose general partner is Wuhan Borui Zhilian Private Equity Fund Management Co., Ltd.* (武漢博睿智聯私募基金管理有限公司), which is ultimately controlled by Cai Xiang (蔡祥).

(g) Yibin Chendao

Yibin Chendao is a limited partnership established under the laws of the PRC and is principally engaged in investment and asset management and private equity investment. Yibin Chendao is managed by its general partner, Ningbo Meishan Bonded Port Park Chendao Investment Partnership (Limited Partnership)* (寧波梅山保稅港區晨道投資合夥企業(有限合夥)), whose only limited partner is Guan Chaoyu (關朝余) and general partner is Ningbo Meishan Bonded Port Area Yitian Investment Co., Ltd* (寧波梅山保稅港區倚天投資有限公司), which is owned as to 67% and 33% by Guan Chaoyu (關朝余) and Zhang Shuqin (章書勤), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Yibin Chendao had four limited partners, and is owned as to approximately 44.10% by Yibin Emerging Industry Investment Group Co., Ltd* (宜賓市新興產業投資集團有限公司) as the largest and the only limited partner with 30% or more partnership interests in Yibin Chendao, which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Yibin Municipal Government.

(h) Chengyi Xinrui

Chengyi Xinrui is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment and investment consultancy. Chengyi Xinrui is managed by its general partner, Ningbo Shenyi Investment Management Co., Ltd. (寧波申毅投資管理有限公司), which is owned as to 60% by Shanghai Zhiyi Enterprise Management Consulting Co., Ltd* (上海郅毅企業管理諮詢有限公司) (which is owned as to 50%, 49% and 1% by Zhang Qing (張卿), Liu Zhe (劉喆) and Xiong Shengjun (熊勝君), respectively) and 40% by Shanghai Shenneng Chengyi Equity Investment Co., Ltd* (上海申能誠毅股權投資有限公司) ("**Shanghai Shenneng Chengyi**"), which ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Chengyi Xinrui had two limited partners and was owned as to approximately 79.9% by Shanghai Shenneng Chengyi as the largest and the only limited partner with 30% or more partnership interests in Chengyi Xinrui.

(i) Chaoxing Capital

Chaoxing Capital is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. To the best knowledge and information of our Directors, Chaoxing Capital is owned as to 1% by its general partner, Huang Kun (黃錕) and as to 99% by its sole limited partner, Wu Cen (吳岑).

[REDACTED] Investors from the August 2022 Capital Increase

(j) Fupu Investment

Fupu Investment is a limited partnership established under the laws of the PRC and is principally engaged in equity and venture capital investment. Fupu Investment is managed by its general partner, Guangzhou Fupu Daohe Investment Management Co., Ltd* (廣州複樸道和投資管理有限公司), which is owned as to 51% by Beijing Fupu Daohe Investment Management Co., Ltd* (北京複樸道和投資管理有限公司) (which is held as to 38%, 30.5%, 17%, 12% and 2.5% by Zhao Zhijian (趙志堅), Wang Junfeng (王軍峰), Zhao Min (趙敏), Mao Xiangyu (毛向宇) and Zhang Xin (張馨), respectively) and as to 49% by Mao Xiangyu (毛向宇), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Fupu Investment is owned as to 99% by its sole limited partner, Nanchang New Century Venture Capital Co., Ltd* (南昌新世紀創業投資有限責任公司), which is ultimately controlled by the People's Government of Nanchang Municipal.

(k) Jinyun Tianyu and Yueke Xintai

Jinyun Tianyu is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Yueke Xintai is a limited partnership established under the laws of the PRC and is principally engaged in venture capital investment. Each of Jinyun Tianyu and Yueke Xintai is managed by its general partner, Shenzhen Yueke Xintai Equity Investment Fund Management Co., Ltd* (深圳粵科鑫泰股權投資基金管理有限公司), which is owned as to 55% and 45% by Zhuhai Qingdingtai Investment Management Co., Ltd. (珠海青鼎泰投資管理有限公司) (which is ultimately controlled by Wu Andong (吳安東)) and Guangdong Yueke Venture Capital Management Co., Ltd.* (廣東粵科創業投資管理有限公司) (which is ultimately controlled by the People's Government of Guangdong Province), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Jinyun Tianyu had 35 limited partners, none of which held 30% or more partnership interests in Jinyun Tianyu.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Yueke Xintai had 39 limited partners, none of which held 30% or more partnership interests in Yueke Xintai.

(l) China-Belgium Fund

China-Belgium Fund is a limited liability company established under the laws of the PRC and is primarily engaged in equity investment. To the best knowledge and information of our Directors, as of the Latest Practicable Date, China-Belgium Fund is owned as to (i) 15% by China Development Bank Capital Co., Ltd. (國開金融有限責任公司) (which is wholly-owned by the China Development Bank (國家開發銀行)), (ii) 15% by the National Council for Social Security Fund (全國社會保障基金理事會) (which is a public institution under the Ministry of Finance of the PRC), (iii) 13% by China Banknote Printing and Minting Corporation (中國印鈔造幣集團有限公司) (which is wholly-owned by the People's Bank of China (中國人民銀行)), (iv) 10% by BNP Paribas, (v) 10% by Guangdong Xizhilang Group Co., Ltd (廣東喜之郎集團有限公司) (which is owned as to 40%, 30%, 15% and 15% by Li Yongjun (李永軍), Li Yongkui (李永魁), Li Junting (李俊霆) and Li Yongliang (李永良), respectively), (vi) 10% by Haitong Securities Co., Ltd (海通證券股份有限公司) (which is a joint stock company incorporated in the PRC with limited liability, the shares of which are dually listed on the Shanghai Stock Exchange (stock code: 600837) and the Stock Exchange (stock code: 6837)), (vii) 10% by State Development and Investment Corporation Ltd (國家開發投資集團有限公司) (which is wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council), (viii) 8.5% by the Government of Belgium, and (ix) 8.5% by Ministry of Finance of the PRC.

(m) Yongyue Chengzhang

Yongyue Chengzhang is a limited partnership established under the laws of the PRC and is principally engaged in investment and asset management and private equity investment. Yongyue Chengzhang is managed by its general partner, Shenzhen Yongyue Capital Investment (Limited Partnership) (深圳踴躍資本投資企業(有限合夥)), which is ultimately controlled by He Zhaoji (何兆基).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Yongyue Chengzhang had 16 limited partners, none of which held 30% or more partnership interests in Yongyue Chengzhang.

(n) Chunyang Jiutai and Qingyi Xinyang

Chunyang Jiutai is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Chunyang Jiutai is managed by its general partner, Shenzhen Qianhai Chunyang Venture Capital Partnership (Limited Partnership)* (深圳前海春陽創業投資合夥企業(有限合夥)).

Shenzhen Qianhai Chunyang Venture Capital Partnership (Limited Partnership)* (深圳前海春陽創業投資合夥企業(有限合夥)) is managed by its general partner, Shenzhen Qianhai Chunyang Asset Management Co., Ltd. (深圳前海春陽資產管理有限公司) ("**Shenzhen Qianhai Chunyang**"), which is owned as to 80% by Shenzhen Chunyang Chuangxian Information Consulting Partnership (Limited Partnership)* (深圳春陽創先資訊諮詢合夥企業(有限合夥)), the general partner of which is Fu Junru (傅軍如) with a 10% partnership interests and the sole limited partner of which is Wu Min (武敏) with a 90% partnership interests.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Chunyang Jiutai had 12 limited partners, none of which held 30% or more partnership interests in Chunyang Jiutai.

Qingyi Xinyang is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment and investment consultancy. Qinyi Xinyang is managed by its general partner, Shanghai Xinshi Management Consulting Partnership (Limited Partnership)* (上海昕實管理諮詢合夥企業(有限合夥)), whose general partner is Shenzhen Qianhai Chunyang and the largest and only limited partner with 30% or more partnership interest is Ma Xiaoxiao (馬蕭蕭).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Qingyi Xinyang had four limited partners, and among them, is owned as to approximately 43.02% by Guangdong Jiayuan Technology Shares Co., Ltd. (廣東嘉元科技股份有限公司) (which is listed on the Shanghai Stock Exchange STAR Market (stock code: 688388) and approximately 31.29% by Shanghai Shenneng Chengyi (which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government), respectively, as the limited partners with 30% or more partnership interest in Qingyi Xinyang.

(o) Liwan Investment and Liwan Youxuan

Liwan Investment is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment. Liwan Youxuan is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Each of Liwan Investment and Liwan Youxuan is managed by its general partner, Guangdong Liwan Venture Capital Management Co., Ltd* (廣東立灣創業投資管理有限公司) ("**Liwan Venture Capital**"), which is owned as to approximately 29.87%, 26.83%, 16.20%, 10.00%, 9.00% and 8.10% by Zheng Qiang (鄭強), Zhan Guangjiu (詹光玖), Dongguan Liwan Equity Investment Partnership (Limited Partnership)* (東莞市立灣股權投資合夥企業(有限合夥)), Dongguan Anrong Investment Consulting Co., Ltd* (東莞市安榮投資諮詢有限公司), Guangdong Mingyang Ruide Venture Capital Co., Ltd.* (廣東明陽瑞德創業投資有限公司) and Guangdong Zhongguang Investment Management Co., Ltd* (廣東中廣投資管理有限公司), which is the general partner of Zhongguangyuan, respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Liwan Investment had seven limited partners, none of which held 30% or more partnership interests in Liwan Investment.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Liwan Youxuan had 11 limited partners, none of which held 30% or more partnership interests in Liwan Youxuan.

(p) Zhongguangyuan

Zhongguangyuan is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment. Zhongguangyuan is managed by its general partner, Guangdong Zhongguang Investment Management Co., Ltd* (廣東中廣投資管理有限公司), which is owned as to approximately 50.07% by Guangdong China Science and Tech Innovation Venture Capital Management Co., Ltd.* (廣東中科科創創業投資管理有限責任公司), which is in turn owned as to approximately 92.50% by China Science & Merchants Capital Management Group Co., Ltd* (中科招商投資管理集團股份有限公司), which is ultimately owned as to approximately 92.61% by Shan Xiangshuang (單祥雙).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Zhongguangyuan had 12 limited partners, none of which held 30% or more partnership interests in Zhongguangyuan.

[REDACTED] Investors from the December 2022 Capital Increase

(q) Guanshun Investment, Guanling Investment and Zhongshan Lianxin

Each of Guanshun Investment and Guanling Investment is a limited partnership established under the laws of the PRC and is principally engaged in private equity investment and investment and asset management. Each of Guanshun Investment and Guanling Investment is managed by its general partner, Gongqingcheng Boyuan Investment Management (Limited Partnership)* (共青城博源投資管理中心(有限合夥)), whose general partner is Primitive Forest Holdings Group Co., Ltd.* (原始森林控股集團有限公司), which is ultimately controlled by Liu Hong (劉鴻).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Guanshun Investment had nine limited partners and is held as to approximately 64.13% by Lhasa Economic and Technological Development Zone Dongying Investment Management Partnership (General Partnership)* (拉薩經濟技術開發區東盈投資管理合夥企業(普通合夥)) as the largest and the only limited partner with 30% or more partnership interest in Guanshun Investment, which is ultimately controlled by Huang Jianping (黃建平).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Guanling Investment had 11 limited partners, none of which held 30% or more partnership interests in Guanling Investment. One of the limited partners, Dazhong Industrial, a [REDACTED] Investor, held as to 23.70% of the partnership interests in Guanling Investment.

Zhongshan Lianxin is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment. Zhongshan Lianxin is managed by its general partner, Guangdong Boyuan Fund Co., Ltd.* (廣東博源基金管理有限公司), which is ultimately controlled by Liu Hong (劉鴻).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Zhongshan Lianxin had three limited partners, and, among them, is owned as to approximately 49% by Gongqingcheng Boyuan Jiahe Entrepreneurship Investment Partnership (Limited Partnership)* (共青城博源佳禾創業投資合夥企業(有限合夥)) (which is ultimately controlled by Liu Hong (劉鴻)) and approximately 30% by Zhongshan Torch Science and Technology Innovation Fund Management Center (Limited Partnership)* (中山火炬科創基金管理中心(有限合夥)) (whose general partner is Zhongshan Torch Electronic Industry Fund Management Co., Ltd.* (中山火炬電子產業基金管理有限公司), which is ultimately controlled by Zhongshan Torch Hi-tech Industrial Development Zone Management Committee* (中山火炬高技術產業開發區管理委員會), as the limited partners with 30% or more partnership interest in Zhongshan Lianxin.

(r) Zhaohua Zhaozheng and Zhaoshang Jianghai

Zhaohua Zhaozheng is a limited partnership established under the laws of the PRC and is primarily engaged in investment and asset management and private equity investment. Zhaoshang Jianghai is a limited partnership established under the laws of the PRC and is primarily engaged in equity and industrial investment. Each of Zhaohua Zhaozheng and Zhaoshang Jianghai is managed by its general partner, Shenzhen China Merchants Guoxie No.2 Equity Investment Fund Management Co., Ltd.* (深圳市招商國協貳號股權投資基金管理有限公司).

Shenzhen China Merchants Guoxie No.2 Equity Investment Fund Management Co., Ltd.* (深圳市招商國協貳號股權投資基金管理有限公司) is wholly owned by China Merchants Capital Management Co., Ltd.* (招商局資本管理有限責任公司), which is in turn wholly owned by China Merchants Capital Co., Ltd.* (招商局資本投資有限責任公司), which is owned as to 50% and 50% by GLP Capital Investment 5 (HK) Limited and Shenzhen Merchant Finance Investment Holding Co., Ltd (招商局金融控股有限公司) (which is ultimately controlled by the State Council of the PRC), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Zhaohua Zhaozheng had three limited partners and is held as to approximately 93.69% by China Merchants Securities Investment Co., Ltd.* (招商證券投資有限公司) as the largest and the only limited partner with 30% or more partnership interests in Zhaohua Zhaozheng, which is wholly owned by China Merchants Securities Co., Ltd.* (招商證券股份有限公司), the shares of which are dually listed on the Shenzhen Stock Exchange (stock code: 600999) and the Stock Exchange (stock code: 6099).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Zhaoshang Jianghai had six limited partners, none of which held 30% or more partnership interests in Zhaoshang Jianghai.

(s) Huanyu Investment

Huanyu Investment is a limited partnership established under the laws of the PRC and is primarily engaged in equity investment. Huangyu Investment is managed by its general partner, Beijing Qianchuang Capital Co., Ltd.* (北京乾創投資管理有限公司), which is owned as to 65% by Chen Jinqin (陳錦欽) and 35% by Chen Zhen (陳臻).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Huanyu Investment had three limited partners and is held as to approximately 76.69% by Zhejiang Hanxiang Education Technology Co., Ltd.* (浙江漢象教育科技有限公司) as the largest and the only limited partner with 30% or more partnership interests in Huanyu Investment, which is owned as to 40% by Jiang Weijia (蔣維佳), 40% by Shaoxing Shangyu Kongde Education Consulting Co., Ltd.* (紹興上虞孔德教育諮詢有限公司) (which is owned as to 51% and 49% by Jiang Qiuduo (蔣秋多) and Jiang Yueding (蔣岳定), respectively) and 20% by Zhu Cheng (朱成).

(t) Liwan Beizeng

Liwan Beizeng is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Liwan Beizeng is managed by its general partner, Liwan Venture Capital. For details of Liwan Venture Capital, please refer to "— [REDACTED] Investments — Information relating to our key [REDACTED] Investors — [REDACTED] Investors from the August 2022 Capital Increase" in this section.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Liwan Beizeng had four limited partners and is held as to approximately 44.44% by Xie Zongxiang (謝宗香) and approximately 43.56% by Guangzhou High-tech Zone Industrial Investment Fund Co., Ltd.* (廣州高新區產業投資基金有限公司) as the limited partners with 30% or more partnership interest in Liwan Beizeng.

Guangzhou High-tech Zone Industrial Investment Fund Co., Ltd* (廣州高新區產業投資基金有限公司) is wholly-owned by Guangzhou Kaide Financial Services Group Co., Ltd.* (廣州凱得金融服務集團有限公司) (which is ultimately controlled by Guangzhou Economic and Technological Development Zone, Guangzhou High-tech Industrial Development Zone, Guangzhou Export Processing Zone, Guangzhou Bonded Zone Management Committee* (廣州經濟技術開發區、廣州高新技術產業開發區、廣州出口加工區、廣州保稅區管理委員會).

(u) Liderang

Liderang is a limited partnership established under the laws of the PRC and is primarily engaged in investment activities. Liderang is managed by its general partner, Zhejiang Lide Jintou Investment Management Co., Ltd* (浙江立德金投私募基金管理有限公司), which is owned as to approximately 50.66% by Beijing Lide Century Consulting Co., Ltd.* (北京立德世紀諮詢有限公司), which is in turn ultimately controlled by Feng Jingzhi (馮景芝).

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Liderang had three limited partners and is held as to approximately 75.00% by Luzhou Puxin Equity Investment Fund Partnership (Limited Partnership)* (瀘州璞信股權投資基金合夥企業(有限合夥)), which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Luzhou City Government, as the largest and the only limited partner with 30% or more partnership interest in Liderang.

(v) Huatuo Hefu

Huatuo Hefu is a limited partnership established under the laws of the PRC and is primarily engaged in investment and asset management and private equity investment. Huatuo Hefu is managed by its general partner, Shenzhen Huatuo Private Equity Investment Fund Management Co., Ltd.* (深圳市華拓私募股權投資基金管理有限公司), which is owned as to 60%, 20%, 10% and 10% by Chen Yunxing (陳運興), Li Jiabin (李佳彬), Xian Junhui (冼俊輝) and Shenzhen Zhengcheng Sunshine Investment (Limited Partnership)* (深圳市正成陽光投資企業(有限合夥)) (which is ultimately controlled by Chen Yunxing (陳運興), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Huatuo Hefu had two limited partners and is held as to approximately 66.62% by Xu Cuifang (徐翠芳) and approximately 33.31% by Shanghai Songqing Network Technology Co., Ltd.* (上海嵩擎網路科技有限公司), which is owned as to 99% and 1% by Wen Jinhua (溫金花) and Wei Yuncong (魏雲聰).

(w) Bozhong Innovation

Bozhong Innovation is a limited partnership established under the laws of the PRC and is primarily engaged in venture capital investment. Bozhong Innovation is managed by its general partner, Shenzhen Bozhong Private Equity Fund Management Co., Ltd.* (深圳博中私募股權基金管理有限公司), which is owned as to 60%, 30% and 10% by Liu Xiaohei (劉小黑), Deng Yufan (鄧鬱凡) and Liu Cheng (劉誠), respectively.

To the best knowledge and information of our Directors, as of the Latest Practicable Date, Bozhong Innovation had nine limited partners, none of which held 30% or more partnership interests in Bozhong Innovation.

[REDACTED] Investors from the November 2024 Equity Transfers

(x) Runfu Investment

Runfu Investment is a limited partnership established under the laws of the PRC and is primarily engaged in consulting services and investment activities. Runfu Investment is held by 39 partners, with Ms. Li Huanting (李煥婷), an Independent Third Party save for being an employee of our Group, as the executive partner and general partner holding approximately 6.04% of partnership interest, and 38 limited partners holding 93.96% of partnership interest in aggregate, including five individuals (i.e., Mr. Li, Mr. Au Yeung, Ms. Yin Xuefang, Mr. Han Jingrui and Mr. Li Zhuoxing) who are Directors, Supervisors or senior management of our Company holding 83.82% of partnership interest in aggregate and 33 current employees or ex-employees of our Group who are Independent Third Parties holding 10.14% of partnership interest in aggregate.

OUR ESOP PLATFORMS

In recognition of the contributions of our employees, Dinghong Investment, Runsheng Investment and Wanghe Investment were established in the PRC as our ESOP Platforms.

Dinghong Investment

Dinghong Investment was established as a limited partnership under the laws of the PRC on August 6, 2020. At the time of its establishment, Dinghong Investment was owned as to 41.86%, 26.86%, 13.14%, 11.43%, 5.71% and 1% by Mr. Li, Mr. Au Yeung, Mr. Lee Yuk Ming, Mr. Zhuang, Mr. Yuan and Tianyu Gongchuang, respectively. As of the Latest Practicable Date, Tianyu Gongchuang is the executive partner and general partner of Dinghong Investment holding 1% of partnership interest, and is responsible for the management of Dinghong Investment. As of the Latest Practicable Date, Dinghong Investment had 47 limited partners, including holding 99% of partnership interest in aggregate, including eight individuals (i.e., Mr. Li, Mr. Au Yeung, Mr. Zhuang, Mr. Yuan, Mr. Peng Guanghui, Ms. Li Yongmei, Mr. Han Jingrui and Mr. Li Zhuoxing) who are Directors, Supervisors or members of senior management of our Company holding approximately 74.41% of partnership interest in aggregate and 39 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 24.59% of partnership interest in aggregate.

Runsheng Investment

Runsheng Investment was established as a limited partnership under the laws of the PRC on August 5, 2020. At the time of its establishment, Runsheng Investment was owned as to 41.86%, 26.86%, 13.14%, 11.43%, 5.71% and 1% by Mr. Li, Mr. Au Yeung, Mr. Lee Yuk Ming, Mr. Zhuang, Mr. Yuan and Tianyu Gongchuang, respectively. As of the Latest Practicable Date, Tianyu Gongchuang is the executive partner and general partner of Runsheng Investment holding 1% of partnership interest, and is responsible for the management of Runsheng Investment. As of the Latest Practicable Date, Runsheng Investment had 42 limited partners holding 99% of partnership interest in aggregate, including four individuals (i.e., Mr. Li, Mr. Au Yeung, Mr. Zhuang and Mr. Yuan) who are Directors or Supervisors holding approximately 74.77% of partnership interest in aggregate and 38 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 24.23% of partnership interest in aggregate.

Wanghe Investment

Wanghe Investment was established as a limited partnership under the laws of the PRC on August 5, 2020. At the time of its establishment, Wanghe Investment was owned as to 41.86%, 26.86%, 13.14%, 11.43%, 5.71% and 1% by Mr. Li, Mr. Au Yeung, Mr. Lee Yuk Ming, Mr. Zhuang, Mr. Yuan and Tianyu Gongchuang, respectively. As of the Latest Practicable Date, Tianyu Gongchuang is the executive partner and general partner of Wanghe Investment holding 1% of partnership interest, and is responsible for the management of Wanghe Investment. As of the Latest Practicable Date, Wanghe Investment had 27 limited partners holding 99% of partnership interest in aggregate, including five individuals (i.e., Mr. Li, Mr. Au Yeung, Mr. Zhuang Shuguang, Mr. Yuan and Ms. Yin Xuefang) who are Directors or Supervisors holding approximately 83.22% of partnership interest in aggregate and 22 current employees or ex-employees of our Group who are Independent Third Parties holding approximately 15.78% of partnership interest in aggregate.

EMPLOYEE INCENTIVE SCHEME

In recognition of the contribution of our employees, we have adopted the Employee Incentive Scheme. The participants (the "**Participants**") of the Employee Incentive Scheme include the directors, senior management, core technical personnel and service backbones of our Company or its subsidiaries, and other persons with material impact on our Company's operating performance and future development of whom our Company considers appropriate (except for the independent non-executive Directors). Our Board was authorized to manage the Employee Incentive Scheme, including, but not limited to, formulating and amending implementation documents of the Employee Incentive Scheme, and choosing the appropriate administrator of the ESOP Platforms. The administrator of ESOP Platforms was authorized to manage the daily operation of the platforms and Tianyu Gongchuang, the executive partner of the ESOP Platforms, acts as the administrator of the ESOP Platforms.

After our Company is [REDACTED], where the Participant's employment relationship with our Company terminates without misconduct, the relevant Participant may transfer his/her partnership interests in the ESOP Platforms to the administrator of the ESOP Platforms or a third party designated by the administrator at the actual subscription price plus certain interest calculated pursuant to the Employee Incentive Scheme. Since the adoption of the Employee Incentive Scheme, no incentive awards have been redeemed. For more details of the Employee Incentive Scheme, see "— E. Employee Incentive Scheme" in Appendix VIII to this document.

Save as disclosed above and in the paragraph headed "— E. Employee Incentive Scheme" in Appendix VIII to this document, as of the Latest Practicable Date, our Group does not have any outstanding share options, warrants, convertible debt securities or other convertible instruments, or similar rights convertible into our Shares.

[REDACTED]

[REDACTED]

PREVIOUS LISTING PLAN

Our Company has previously considered the possibility of seeking an initial public offering in the PRC following the continued growth in the scale of our business and to raise funds to support our development projects. Our Directors considered that the industry and nature of our business aligned with the positioning of the ChiNext of the Shenzhen Stock Exchange (the "**ChiNext**"), and initially explored the possibility of seeking an initial public offering on the ChiNext (the "**Previous Listing Plan**").

In January 2023, we entered into a tutoring agency agreement with CITIC Securities Company Limited for guidance and preliminary compliance advice with regard to our proposed listing on the ChiNext and CITIC Securities Company Limited made a preliminary tutoring filing (上市輔導備案申請) with the Guangdong Regulatory Bureau of CSRC (中國證券監督管理委員會廣東監管局). CITIC Securities Company Limited submitted Phase 1 (輔導工作進展報告(第一期)) and Phase 2 (輔導工作進展報告(第二期)) of the tutoring work progress reports in April 2023 and July 2024 respectively. In June 2023, we submitted a listing application in relation to our Previous Listing Plan with the Shenzhen Stock Exchange and up until we decided not to proceed with the Previous Listing Plan, we had not received any verbal or written comments or inquiries from the Shenzhen Stock Exchange. In August 2024, our Company and CITIC Securities Company Limited agreed to terminate the tutoring agency agreement.

Meanwhile, our Directors also considered the Stock Exchange, as an internationally recognized and reputable stock exchange, to be an appropriate [REDACTED] venue to provide us with a good platform to access the international equity market and expand our global business.

After taking into consideration a number of factors, including timing and other commercial considerations, we decided not to proceed with the Previous Listing Plan at the current stage.

As of the Latest Practicable Date, save as disclosed above, we had not filed any listing application in relation to our Previous Listing Plan with the CSRC or any other stock exchanges and had not received any verbal or written comments or inquiries from the CSRC or any other stock exchanges. To the best of our Directors' knowledge and belief, our Directors are not aware of any other matters in relation to the Previous Listing Plan that should be brought to the attention of the Stock Exchange and potential investors, and the Sole Sponsor concurs with our Directors' view above.

[REDACTED] OF OUR COMPANY

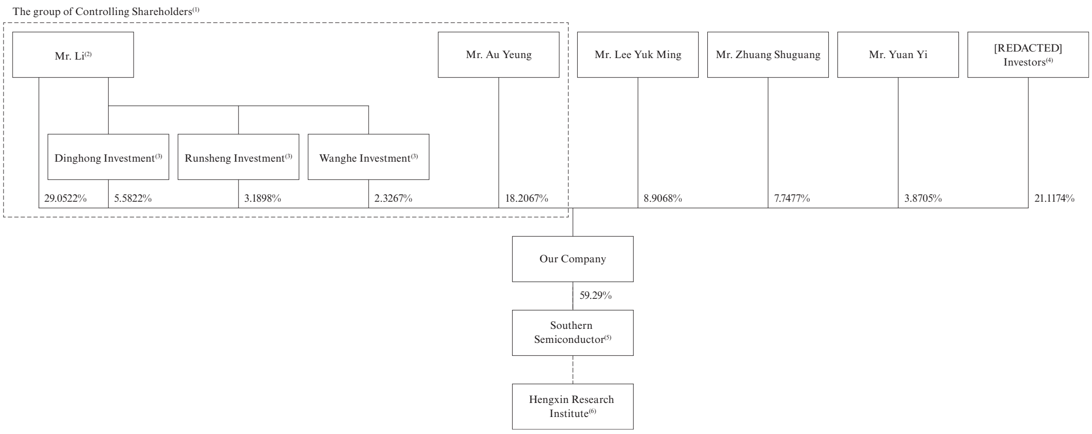
The following table sets out our shareholding structure (a) as of the date of the Latest Practicable Date and (b) as of the [REDACTED] (assuming that the [REDACTED] is not exercised):

	As of the Latest Practicable Date		As of the [REDACTED] (assuming that the [REDACTED] is not exercised)					
Shareholders	**Number of Unlisted Shares**	**Approximate percentage in total issued share capital** *(%)*	**Number of H Shares**	**Approximate ownership percentage in H Shares** *(%)*	**Number of Unlisted Shares**	**Approximate ownership percentage in Unlisted Shares** *(%)*	**Total number of Shares**	**Approximate ownership percentage in total issued share capital** *(%)*
Mr. Li	105,517,013	29.0522	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Au Yeung	66,126,373	18.2067	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Lee Yuk Ming	32,349,321	8.9068	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Zhuang	28,139,493	7.7477	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Habo Technology	23,852,303	6.5673	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dinghong Investment	20,274,440	5.5822	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Yuan	14,057,580	3.8705	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Runsheng Investment	11,585,291	3.1898	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Wanghe Investment	8,450,528	2.3267	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Dazhong Industrial	7,449,191	2.0510	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Guanshun Investment	5,795,914	1.5958	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shangqi Huizhu	5,566,736	1.5327	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
BYD	5,462,135	1.5039	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jiaxing Haiyu	3,215,755	0.8854	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yibin Chendao	2,893,962	0.7968	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Guanling Investment	2,759,942	0.7599	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fupu Investment	2,759,942	0.7599	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jinyun Tianyu	2,070,229	0.5700	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
China-Belgium Fund	1,656,183	0.4560	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Runfu Investment	1,656,182	0.4560	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yueke Xintai	1,518,167	0.4180	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yongyue Chengzhang	1,380,152	0.3800	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chengyi Xinrui	1,286,084	0.3541	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chunyang Jiutai	828,091	0.2280	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Liwan Investment	828,091	0.2280	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Qingyi Xinyang	828,091	0.2280	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhongshan Lianxin	828,091	0.2280	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Huanyu Investment	690,076	0.1900	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Liwan Beizeng	579,664	0.1596	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Liderang	552,061	0.1520	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Zhongguangyuan	552,061	0.1520	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Liwan Youxuan	496,855	0.1368	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Huatuo Hefu	414,046	0.1140	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chaoxing Capital	321,430	0.0885	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Bozhong Innovation	276,030	0.0760	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jiaxing Qiying	132,930	0.0366	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Chuangqi Kaiying	47,578	0.0131	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other investors taking part in the [REDACTED]	–	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	**363,198,011**	**100.0000**	**[REDACTED]**	**100.0000**	**[REDACTED]**	**100.0000**	**[REDACTED]**	**100.0000**

CORPORATE STRUCTURE

Corporate Structure immediately prior to the completion of the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately prior to the completion of the [REDACTED]:



Notes:

(1) Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung are parties acting-in-concert. As Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are entities controlled by Mr. Li, Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders. For details, please see "— Corporate Development — Our Company — Concert Party Arrangement" in this section and "Relationship with our Controlling Shareholders" in this document.

(2) Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is managed by its general partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su Qin, the spouse of Mr. Li.

(3) Dinghong Investment, Runsheng Investment and Wanghe Investment are ESOP Platforms of our Group. For details, please see "— Our ESOP Platforms" in this section.

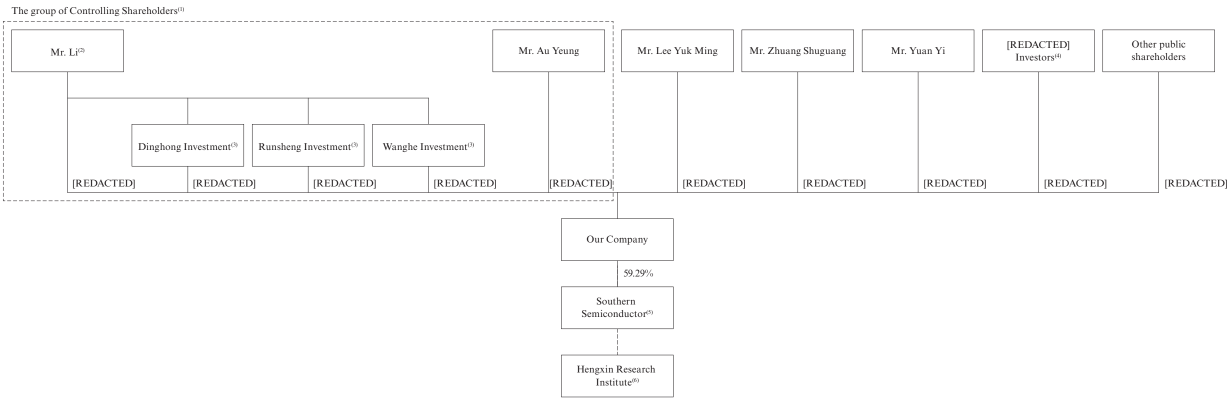
(4) For details of our [REDACTED] Investors, please see "— [REDACTED] Investments" in this section.

(5) Southern Semiconductor is owned as to approximately 59.29% by our Company, approximately 14.29% by Songshanhu Holdings, approximately 11.10% by Jiazhi Investment, approximately 10.00% by Zhongjia Semiconductor, approximately 4.67% by East Group, and approximately 0.65% by Xinguangyuan Industry. For details of Southern Semiconductor and its shareholders, please refer to the notes under "— Corporate Development — Our Subsidiaries" in this section.

(6) Hengxin Research Institute is a private non-enterprise entity (民辦非企業單位) established by Southern Semiconductor. For details, please see "— Corporate Development — Our Subsidiaries" in this section.

Corporate Structure immediately following the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Company immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised):



Notes: Please refer to the notes under "— Corporate Structure — Corporate Structure immediately prior to the completion of the [REDACTED]" in this section above.

OUR MISSION

Leading the future of the semiconductor development.

OUR VISION

Become a world-leading semiconductor material manufacturer.

OVERVIEW

Who We Are

We are the first technology-leading specialized supplier of SiC epitaxial wafers in China, according to Frost & Sullivan. In 2023, we sold over 132,000 SiC epitaxial wafers (including our self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) and achieved a total revenue of RMB1,171.2 million. According to Frost & Sullivan, our market share of SiC epitaxial wafers in China reached 38.8% in 2023 in terms of revenue and 38.6% in terms of sales volume, making us a top-ranked company in China's SiC epitaxial wafer industry. Globally, our share of the epitaxial wafer market stood at around 15% both in terms of revenue and sales volume, placing us among the top three in the world, according to the same source. As one of the first third-generation semiconductor companies in China, according to Frost & Sullivan, we have been a forerunner in advancing the SiC epitaxial wafer industry. As the SiC industry's mainstream epitaxial wafers evolve from 4-inch to 6-inch, with a growing trend towards 8-inch, we have consistently led these developments. We were one of the first companies in China to achieve mass production of 4-inch and 6-inch SiC epitaxial wafers, and one of the first companies in China to possess the capability of mass production of 8-inch SiC epitaxial wafers, according to Frost & Sullivan. As of October 31, 2024, we possessed an annual production capacity of approximately 420,000 pieces of 6-inch and 8-inch epitaxial wafers, placing us one of the largest companies in China equipped with production capacity of 6-inch and 8-inch epitaxial wafers, according to the same source.

We have been striving to deliver products of exceptional quality and world-class performance. We have consistently pursued innovation in our production processes over the years, conducting in-depth and systematic R&D focusing on the industrialization of 4H-SiC epitaxial wafers, epitaxial wafer growth technology, and epitaxial wafer cleaning technology. This effort has led to breakthroughs in key technologies such as 8-inch SiC epitaxial technology, multi-layer epitaxial technology, and rapid thick film epitaxial technology, positioning us at the forefront of the SiC epitaxial wafer industry in China. Our robust scientific research capabilities not only drive the technological development of the SiC epitaxial wafer industry but also foster regional economic innovation. Our commitment to innovation has been widely recognized, earning us various honors, including designation as a national high-tech enterprise and accolades such as the national essential "Little Giant," "First Prize of the Science and Technology Progress Award in the Guangdong Province Electronic Information Science and Technology Award," "Guangdong Province Excellent High-tech Products," "Dongguan Top 100 Innovative Enterprises," and "Dongguan's Leading Enterprise in High-Quality Development." See "— Awards and Recognition." We have placed high focuses on the quality control at various stages in the production cycle. On the supply end, the substrates and other raw materials are principally sourced from renowned suppliers both domestically and internationally. We employ advanced production technologies and implement stringent quality control measures throughout the production process. Through independent R&D, we have mastered the key technologies and processes necessary for the entire SiC epitaxial wafer production cycle required to manufacture 600–30,000V unipolar and bipolar power devices. Our product range is comprehensive, featuring industry-leading performance metrics. Currently, we offer 4-inch and 6-inch SiC epitaxial wafers and have commenced mass production of 8-inch epitaxial wafers. With our exceptional product quality, delivery capabilities, and service, we have earned high recognition from distinguished customers both domestically and internationally. We serve as the primary supplier for major domestic and international SiC power device manufacturers across various sectors. We have integrated into the supply chains of benchmark customers and maintain good, stable relationships with them, allowing us to rapidly expand our customer network.

After years of exploration and experience in business management, we have established a mature business model that aligns with industry characteristics. We heed demand from different downstream customers, including their varying requirements for the specifications, performance, and cost of SiC epitaxial wafers, which are influenced by factors such as their technical processes, device product performance, market positioning, and cost control. To address these diverse needs, we primarily engage in direct sales to targeted customers by offering them tailored products. We procure raw materials based on the expected sales volume, with appropriate reserves, and make production plans accordingly. This approach enhances our ability to manage procurement and inventory effectively.

As a core supplier of third-generation SiC semiconductor materials, we have benefited from the rapid development of new energy-related industries in recent years both in China and globally, resulting in a significant increase in product shipments. During the Track Record Period, our sales volume (including self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) grew from 17,001 pieces in 2021 to 44,515 pieces in 2022, and further increased to 132,072 pieces in 2023, representing a CAGR of 178.7%. Our revenue increased from RMB154.6 million in 2021 to RMB436.9 million in 2022, and further to RMB1,171.2 million in 2023, with a CAGR of 175.2%. We turned from a net loss of RMB180.3 million in 2021 to a net profit of RMB2.8 million in 2022, and our net profit boosted to RMB95.9 million in 2023. Despite our business growth in previous years, our revenue decreased by 14.8% from RMB423.8 million for the six months ended June 30, 2023 to RMB361.1 million for the six months ended June 30, 2024. Our gross profit decreased significantly from RMB82.2 million for the six months ended June 30, 2023 to a gross loss of RMB43.8 million for the six months ended June 30, 2024. As a result, we recorded a net loss of RMB140.7 million for the six months ended June 30, 2024 as compared to a net profit of RMB20.7 million for the six months ended June 30, 2023. See "— Challenges to Our Industry and Our Business — Analysis on Recent Financial Performance."

Market Opportunities

SiC is a compound of carbon and silicon and is classified as a wide-bandgap semiconductor material. Compared to traditional semiconductor materials like silicon, SiC, as one of the third-generation semiconductor materials, offers significant performance advantages. These include a larger bandgap, higher breakdown of electric field, greater thermal conductivity, higher electron saturation drift velocity, and strong radiation resistance. This makes it more suitable for high-voltage, high-temperature, and high-frequency environments. See "Industry Overview — Overview of Global Power Semiconductor Device Industry and SiC Power Semiconductor Device Industry — Classification of Semiconductor Materials and Comparisons among Major Power Semiconductor Materials." From raw materials to semiconductor power devices, SiC undergoes several process steps, including single crystal growth, ingot slicing, epitaxial growth, wafer design, manufacturing, and packaging. Our primary focus is on SiC epitaxial growth. In terms of end-use applications, SiC epitaxial wafers are primarily used to manufacture various power devices. These devices are ultimately applied in sectors such as new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as electric vertical take-off and landing ("**eVTOL**")) and home appliances.

As performance demands for power devices in these fields continue to rise, SiC devices, due to their superior performance, are becoming increasingly competitive compared to conventional silicon-based devices. According to Frost & Sullivan, China's SiC power semiconductor device market size grew rapidly from RMB0.7 billion in 2019 to RMB4.1 billion in 2023, representing a CAGR of 53.7%, and China's SiC epitaxial wafer market boosted from RMB0.4 billion in 2019 to RMB1.7 billion in 2023, representing a CAGR of 41.2%. During the same years, the global SiC power semiconductor device market expanded from US$0.5 billion in 2019 to US$2.7 billion in 2023, representing a CAGR of 52.2%, and the global SiC epitaxial wafer market grew from US$0.3 billion in 2019 to US$1.1 billion in 2023 at a CAGR of 31.3%. Looking ahead, China's SiC power semiconductor device market is anticipated to maintain a high-speed growth trend, reaching approximately RMB36.1 billion by 2028, representing a CAGR of 54.8% from 2023 to 2028, and China's SiC epitaxial wafer market is anticipated to expand to RMB13.2 billion by 2028 at a CAGR of 50.9%. Meanwhile, the global SiC power semiconductor device market is projected to reach US$12.2 billion by 2028, representing a CAGR of 34.7%, and the global SiC epitaxial wafer market is expected to reach US$5.2 billion by 2028 at a CAGR of 37.8%, over the same years.

According to Frost & Sullivan, the global SiC power semiconductor device industry and the SiC epitaxial wafer industry are sunrise industries, given the high performance and diverse application scenarios of SiC power semiconductor devices. While the geopolitical environment may cause uncertainties, China's SiC power semiconductor device market and SiC epitaxial wafer market are sufficiently wide to accommodate various PRC domestic players even amidst trade tension between China and other countries, such as the U.S. This is also supported by China's national industrial policy.

The third-generation semiconductor industry is a strategic emerging sector that receives encouragement and support from the government. To promote its development, various levels of government in China have implemented a series of policies aimed at supporting industrial growth. For instance, the "Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Term Objectives for 2035" emphasizes the promotion of wide-bandgap semiconductors, including SiC and GaN. Additionally, the "Guiding Opinions on Promoting the Development of the Energy Electronics Industry" advocates for the development of advanced wide-bandgap semiconductor materials for applications in photovoltaics, wind power, energy storage systems, and semiconductor lighting, as well as the advancement of topological structures, packaging technologies, and new power electronic devices. Furthermore, the "14th Five-Year Plan for the High-Quality Development of Manufacturing in Guangdong Province" clearly focuses on leveraging the foundational strengths of the industry value chain leaders, such as our Company in the area of SiC semiconductor sector, to enhance R&D and production of third generation semiconductor materials. The introduction of these policies provides a strong foundation for the organic and stable growth of the industry, facilitating improvements in technical capabilities and fostering rapid expansion of China's third-generation semiconductor sector.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors, and will help drive our growth in the future.

China's leading SiC epitaxial wafer supplier, forerunning the SiC epitaxial wafer industry

We are the first technology-leading specialized supplier of SiC epitaxial wafers in China, according to Frost & Sullivan. In 2023, we sold over 132,000 epitaxial wafers (including our self-manufactured epitaxial wafers and epitaxial wafers sold under foundry services) and achieved a total revenue of RMB1,171.2 million. According to Frost & Sullivan, our market share of SiC epitaxial wafers in China reached 38.8% in 2023 in terms of revenue and 38.6% in terms of sales volume, making us a top-ranked company in China's SiC epitaxial wafer industry. Globally, our share of the SiC epitaxial wafer market stood at around 15% both in terms of revenue and sales volume, placing us among the top three in the world, according to the same source. As one of the first third-generation semiconductor companies in China, according to Frost & Sullivan, we have been a forerunner in advancing the SiC epitaxial wafer industry. As the SiC industry's mainstream epitaxial wafers evolve from 4-inch to 6-inch, with a growing trend towards 8-inch, we have consistently led these developments. We were one of the first companies in China to achieve mass production of 4-inch and 6-inch SiC epitaxial wafers, and one of the first companies in China to possess the capacity of mass production of 8-inch SiC epitaxial wafers, according to Frost & Sullivan. As of October 31, 2024, we possessed an annual production capacity of approximately 420,000 pieces of 6-inch and 8-inch epitaxial wafers, placing us one of the largest companies in China equipped with production capacity of 6-inch and 8-inch epitaxial wafers, according to the same source.

This strong market position highlights the trust our customers place in our products, which helps us maintain a high recurring rate of existing customers and provide confidence to new customers. Our dominant market position also strengthens our bargaining power with suppliers to negotiate better commercial terms, which helps us reduce procurement cost and enhances profitability. We often lead or participate in drafting domestic and international standards and take a lead role in cooperative R&D activities with reputable institutions. The leading position in the market also enables us to attract renowned investors to invest in us.

SiC is a compound of carbon and silicon and is classified as a wide-bandgap semiconductor material. Compared to traditional semiconductor materials like silicon, SiC, as one of the third-generation semiconductor materials, offers significant performance advantages. These include a larger bandgap, higher breakdown of electric field, greater thermal conductivity, higher electron saturation drift velocity, and strong radiation resistance. This makes it more suitable for high-voltage, high-temperature, and high-frequency environments. See "Industry Overview — Overview of Global Power Semiconductor Device Industry and SiC Power Semiconductor Device Industry — Classification of Semiconductor Materials and Comparisons among Major Power Semiconductor Materials." In terms of end-use applications, SiC epitaxial wafers are primarily used to manufacture various power devices. These devices are ultimately applied in sectors such as new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL) and home appliances. Among these, new energy vehicles are currently the most prominent application of SiC power devices. Over recent years, industries like new energy vehicles, particularly in China and globally, have experienced rapid growth, further establishing them as areas of competitive advantage. According to Frost & Sullivan, from 2019 to 2023, sales of new energy vehicles in China surged from 1.2 million units to 8.9 million units, achieving a CAGR of 64.7%. On a global scale, sales increased from 2.3 million to 14.5 million units over the same period, with a CAGR of 58.8%. By December 31, 2023, the number of new energy vehicles in China had reached approximately 20.4 million units. This rapid growth in the downstream market provides a robust foundation for the development of the SiC power semiconductor device industry as well as the SiC epitaxial wafer industry.

As performance demands for power devices in these fields continue to rise, SiC devices, due to their superior performance and reasonable costs, are becoming increasingly competitive compared to conventional silicon-based devices. According to Frost & Sullivan, China's SiC power semiconductor device market size grew rapidly from RMB0.7 billion in 2019 to RMB4.1 billion in 2023, representing a CAGR of 53.7%, and China's SiC epitaxial wafer market boosted from RMB0.4 billion in 2019 to RMB1.7 billion in 2023, representing a CAGR of 41.2%. During the same years, the global SiC power semiconductor device market expanded from US$0.5 billion in 2019 to US$2.7 billion in 2023, representing a CAGR of 52.2%, and the global SiC epitaxial wafer market grew from US$0.3 billion in 2019 to US$1.1 billion in 2023 at a CAGR of 31.3%. As a core supplier of third-generation SiC semiconductor materials, we have benefited from the rapid development of new energy-related industries in recent years both in China and globally, resulting in a significant increase in product shipments. During the Track Record Period, our sales volume (including epitaxial wafers manufactured by ourselves or foundries) grew from 17,001 pieces in 2021 to 44,515 pieces in 2022, and further increased to 132,072 pieces in 2023, representing a CAGR of 178.7%. Our revenue increased from RMB154.6 million in 2021 to RMB436.9 million in 2022, and further to RMB1,171.2 million in 2023, with a CAGR of 175.2%.

The future of the SiC power semiconductor device industry as well as the SiC epitaxial wafer industry holds significant potential. The growth of new energy vehicles and other related fields is bolstered by strong industrial policies from the Chinese government. By 2028, sales of new energy vehicles in China are projected to reach 37.3 million units, accounting for nearly 50% of total new car sales in China in that year, with the total number of such vehicles expected to reach around 229.8 million units by the end of 2028. Chinese manufacturers of new energy vehicles are highly competitive in the global market and have international ambitions. These manufacturers typically prioritize using domestically produced SiC devices, which are highly cost-efficient. This preference provides us with vast growth opportunities in the future. According to Frost & Sullivan, China's SiC power semiconductor device market is expected to continue its rapid growth. By 2028, the market size is projected to approach RMB36.1 billion, with a CAGR of 54.8% from 2023 to 2028. On a global scale, the SiC power semiconductor device market is estimated to reach US$12.2 billion by 2028, with a CAGR of 34.7% over the same period. As a leading supplier of SiC epitaxial wafers with significant market share in China, we are well positioned to capitalize on these market opportunities and achieve sustained, rapid growth.

As a forerunner in the SiC epitaxial wafer industry, we align with national development strategies, focusing on building our own brands and independent R&D. We actively contribute to the self-reliance and self-improvement of China's SiC epitaxial wafer industry. Since our inception, we have been specializing in the research, development, production, and sale of SiC epitaxial wafers, continuously innovating and achieving numerous milestones. In our early years, we conducted technical research on high-voltage and ultra-high-voltage thick film epitaxy, becoming the first in China to master "fast thick film epitaxy technology," according to Frost & Sullivan. We achieved mass production and delivery of high-voltage and ultra-high-voltage thick film epitaxial wafers, establishing ourselves as a primary supplier to key players in the aerospace, smart grids, and rail transportation sectors. This has effectively secured the supply of high-voltage and ultra-high-voltage epitaxial wafers for critical areas under China's independent control. At present, according to Frost & Sullivan, our expertise in thickness uniformity control, concentration uniformity control, defect control, and surface warpage control technologies remains at the forefront both in China and globally.

Building on the core links of the SiC power semiconductor device industry value chain, we are leading the development of the industry ecosystem and promoting the localization of each segment within China's SiC power semiconductor device industry. We believe this approach has laid a solid foundation for the sector's future growth. On one hand, as a leading supplier of SiC epitaxial wafers in China, we ensure a stable supply for major SiC power device manufacturers, effectively meeting the rising demand from downstream industries such as new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL), home appliances, and other strategic emerging sectors. On the other hand, we leverage our advanced technologies and large-scale epitaxial production capacity to actively collaborate on process verification and market introduction of domestic substrates, accessory consumables, and core equipment and machinery. This significantly advances the realization of domestic substitution in key areas of China's SiC power semiconductor device industry value chain, while actively promoting the national strategy of scientific and technological self-reliance.

Excellent product quality and world-leading performance recognized by high-profile customers

We have been striving to deliver products of exceptional quality and world-class performance. To achieve this goal, we have placed high focuses on the quality control at various stages in the production cycle. On the supply end, the substrates and other raw materials are sourced from renowned suppliers both domestically and internationally. We employ advanced production technologies and implement stringent quality control measures throughout the production process. SiC power devices are primarily utilized in medium and high voltage applications, where safety and reliability standards are critically high. To meet these standards, we invest significantly in production processes, facilities, equipment, and reliability testing. Through independent R&D, we have mastered the key technologies and processes necessary for the entire SiC epitaxial wafer production cycle required to manufacture 600–30,000V unipolar and bipolar power devices. Our product range is comprehensive, featuring industry-leading performance metrics. Currently, we primarily offer 6-inch and 8-inch SiC epitaxial wafers and have accelerated mass production of 8-inch epitaxial wafers based on expected customers' demand.

The mass production of 8-inch SiC epitaxial wafers represents a significant advancement in both production technology and efficiency. Compared to a 6-inch epitaxial wafer, a 8-inch epitaxial wafer has 78% larger total usable area, which means approximately 90% more chips can be cut from such epitaxial wafer. The lower edge waste and higher yield rates associated with a 8-inch epitaxial wafer can significantly reduce average production cost per chip. However, the production process for 8-inch SiC epitaxial wafers, especially in areas like substrate growth, cutting, and oxidation, is notably more challenging. For instance, when expanding substrate diameter to 8 inches, the complexity of growth increases exponentially. Larger substrates also present greater issues related to cutting stress and warpage, while the oxidation process remains a core challenge in SiC production. The requirements for airflow and temperature field control differ between 8-inch and 6-inch substrates, necessitating the development of independent processes. We have invested substantial resources in developing the 8-inch SiC production process and establishing mass production capabilities. This endeavor entails significant technical and financial barriers, making it difficult for competitors to achieve similar expertise in the short term. According to Frost & Sullivan, as of June 30, 2024, there were no more than ten companies worldwide with mature 8-inch SiC epitaxial technology, and we were one of the only five companies in China to achieve this milestone.

The key performance indicators of SiC epitaxial wafers include thickness uniformity, thickness tolerance, concentration uniformity, concentration tolerance, and warpage. Leveraging our industry-leading technologies in thickness uniformity control, concentration uniformity control, defect management, and surface warpage control, our products achieve excellent performance metrics that meet the application requirements for medium, high, and ultra-high voltage fields. We are the first SiC epitaxial wafer company in China to obtain certification for the automotive quality management system (IATF16949), according to Frost & Sullivan.

With our exceptional product quality, delivery capabilities, and service, we have earned high recognition from distinguished customers both domestically and internationally. Currently, we serve as the primary supplier for major domestic SiC device manufacturers across various sectors, and are also a supplier for global leaders in the SiC power device market. We have integrated into the supply chains of benchmark customers and maintain good, stable relationships with them, allowing us to rapidly expand our customer network. In 2021, 2022, 2023 and for the first six months ended June 30, 2024, we added 22, 31, 38, and 15 new customers to our sales network, respectively. As of June 30, 2024, our total customer base reached 255, which includes customers engaging in production and sales of semiconductor chips and other related products such as fab companies, and customers engaging in R&D of semiconductor chips such as fabless companies, universities and research institutes. In recent years, we have progressively expanded into overseas markets, steadily increasing our number of high-quality international customers. We added four, three, seven and three new overseas customers in 2021, 2022, 2023 and for the six months ended June 30, 2024, respectively. The proportion of our sales revenue from customers from countries and regions outside the PRC has also risen, reaching 14.7%, 12.6%, 44.2%, and 11.4% in 2021, 2022, 2023 and for the six months ended June 30, 2024, respectively. These customers primarily hail from Hong Kong, South Korea, Japan, and Europe, many of which are leading companies in their industries with substantial purchase volumes, providing us with sustained and significant income. The excellent quality and world-leading performance of our products is also evidenced by our low product return rate.

The verification and introduction cycle for SiC material device products is relatively lengthy, leading to high customer loyalty. SiC epitaxial growth is primarily directed at device manufacturers, requiring collaboration with epitaxial manufacturers for production processes and technical parameter adjustments. To ensure the consistency and reliability of chip products, as well as the security and stability of the supply chain, device manufacturers are generally reluctant to switch epitaxial wafer suppliers. The deep integration of our products with the downstream applications of these customers fosters long-term cooperation. Through stable, long-term relationships with our customers, we have gained valuable insights into their specific application scenarios. Our continuously evolving products emphasize not only design, structure, and functionality but also manufacturability, reliability, performance, and product lifecycle planning, all aimed at supporting our customers' success in their respective markets.

Mature business model and stable production capacity

After years of exploration and experience in business management, we have established a mature business model that aligns with industry characteristics. The mature business model can help us shelter from volatility in the market demand caused by uncertain general economic condition globally. Different downstream customers have varying requirements for the specifications, performance, and cost of SiC epitaxial wafers, influenced by factors such as their technical processes, device product performance, market positioning, and cost control. To address these diverse needs and foster the acquisition of new customers, we implement a sales model that prioritizes direct sales while using distribution as a supplementary channel. We primarily adopt a sales volume-based production model, and our procurement strategy emphasizes production based on procurement, with appropriate reserves. This approach enhances our ability to manage procurement and inventory effectively.

We have established a marketing team responsible for product sales. Given the nature of the industry, we primarily engage in direct sales to targeted customers, employing the distributor model only in select cases, such as when expanding our reach to specific overseas clients. According to our marketing strategy, our team develops customer relationships through various channels, including exhibitions, forums, online media, emails, phone calls, and on-site visits. Our sales network covers multiple provinces in China, and extends to various other countries or regions, the major of which include Hong Kong, South Korea, Japan, and Europe. We conduct internal reviews and benchmark responses based on customer specifications, followed by product sample verification. Once a product passes verification, we negotiate and sign a business contract with the customer to confirm the order quantity. Our production center formulates production plans based on production capacity, equipment status, and sales forecasts. Following approval from the head of the manufacturing department and the head of the production center, the production plan is issued to the manufacturing department, which organizes production according to the approved plan and technical requirements to fulfill production tasks. We enforce strict quality control and conduct comprehensive product testing and inspections to ensure high standards of product quality.

We have established stable production capacity, which enables us to achieve economies of scale. Our production base is located in Dongguan, Guangdong province, serving customers across China and internationally. Our current production base at our headquarters in Dongguan covers a GFA of approximately 35,978 sq.m., primarily focusing on the production of 6-inch SiC epitaxial wafers. Additionally, we have acquired a piece of land in the Ecological Park production site based in Dongguan, Guangdong province, laying the groundwork for future capacity expansion. We have commenced construction of new production base on this land, which will include office areas, factories, R&D buildings, dormitories, and other supporting facilities. See "— Production — Production Bases." We are currently the largest producer of 6-inch SiC epitaxial wafers in China, and one of the first companies in China to possess the capability of mass production of 8-inch SiC epitaxial wafers. As of December 31, 2023, our existing headquarters production base possessed an annual production capacity of approximately 420,000 pieces of SiC epitaxial wafers. We expect that our new Ecological Park production base, which is being ramped up, may bring an additional annual planned production capacity of approximately 380,000 pieces of SiC epitaxial wafers within 2025, making our total annual planned production capacity to approximately 800,000 pieces of SiC epitaxial wafers. As production capacity would be one of the key consideration factors in order to assess the overall competence of the suppliers by their downstream customers, according to Frost & Sullivan, we believe this large-scale production will effectively reduce unit product costs, enhance our profit margins, and maintain our market competitiveness.

In terms of production equipment, we have established long-term and stable partnerships with major domestic and international SiC epitaxial equipment manufacturers. We actively collaborate with these companies to enhance equipment performance and production efficiency. We have adopted world-class SiC-CVD systems and supporting testing equipment to ensure rigorous quality control of our products while also providing testing services for third-party companies. At the same time, we support the verification and R&D of epitaxial equipment for leading domestic semiconductor manufacturers, promoting the localization of related equipment and laying the groundwork for future supply stability and cost reduction. Regarding raw material supply, we have forged deep relationships with key suppliers of essential raw materials, particularly conductive SiC substrates, and have signed long-term agreements to secure substrate availability and ensure supply chain stability. Our stable supply channels are bolstered by over a decade of experience in R&D and production of SiC epitaxial wafers. This expertise allows us to cultivate customer confidence through guaranteed production capacity while capitalizing on emerging market opportunities.

Industry-leading technologies in key areas and continuously evolving production processes

The SiC epitaxial wafer industry is a highly technology-intensive sector with stringent demands for production technology, machinery and equipment, process flow, and working environments. The performance of SiC epitaxial wafers is primarily determined by factors such as thickness, defect density, and doping concentration. The epitaxial thickness directly influences the voltage withstand capability of SiC devices; as this capability increases, a thicker epitaxial layer is required, making the growth process more complex. As epitaxial thickness increases, stress accumulates within the epitaxial wafer, leading to an exponential rise in defect scale, which can significantly reduce chip yield rate. Additionally, thick film epitaxy typically requires lower doping concentrations, making it more challenging to control uniformity compared to conventional thickness products. We have achieved world-class standards in concentration uniformity control and defect density management. See "— Our Competitive Strengths — Excellent product quality and world-leading performance recognized by high-profile customers."

In key technical areas such as high-voltage and ultra-high-voltage epitaxial thickness and radiation resistance, we have achieved significant breakthroughs through independent research and development, reaching the technical standards of global industry leaders. According to Frost & Sullivan, we led the development of the first domestic industry standard for SiC epitaxial thickness and became the first company in China to achieve mass production and delivery of high-voltage and ultra-high-voltage thick-film epitaxial wafers. In the high-voltage domain, our product advantages are particularly noteworthy. We have mastered key technologies such as "zero BPD dislocation" in epitaxial growth, low defect density, and high concentration uniformity. These advancements have positioned us as a leader in industry performance benchmarks and earned us the privilege of being a primary supplier to high-voltage customers in sectors such as rail transit. In the ultra-high-voltage field, we have also made remarkable progress, successfully developing China's first 10,000-volt-level 4H-SiC thick-film rapid epitaxial growth technology. Among these innovations, the minority carrier lifetime is a critical metric for assessing thick-film epitaxy quality. By employing advanced techniques such as passivation, oxidation, and annealing, we have successfully extended the minority carrier lifetime of epitaxy to 7 to 9 microseconds, which is a leading achievement in the industry, according to Frost & Sullivan. In 2014 and 2015, we produced high-quality 4H-SiC epitaxial wafers with thicknesses of 100 microns (supporting a blocking voltage of over 10,000 volts) and 200 microns (supporting a blocking voltage of over 20,000 volts), respectively. These accomplishments provide robust support for customers in industries such as smart grids.

According to Frost & Sullivan, our product performance is already recognized as being at the international leading level. The following metrics compare our performance with those of well-known domestic and international peers.

- ***Epitaxial layer thickness***

  - o ***Thickness range:*** The voltage resistance performance of SiC power devices is closely correlated with the thickness of their epitaxial layer. Different power devices have specific requirements for epitaxial layer thickness, which are primarily customized based on the voltage application scenario. For conventional device epitaxial materials, the voltage levels typically range from 650V to 3,300V. These devices feature thinner epitaxial layers, usually about 5 to 30 microns, to meet the demands of conventional power electronics applications. In contrast, high-voltage and ultra-high-voltage device epitaxial materials operate at voltage levels as high as 3,300V to 20kV. These devices require thicker epitaxial layers, ranging from 30 to 200 microns, to address the challenges posed by high-voltage and ultra-high-voltage application scenarios. Our products offer a thickness range of 0.2 to 300 microns (among which the thickness of the products suitable for ultra-high voltage devices ranges from 65 to 300 microns), surpassing the thickness range of mainstream industry products, which is typically 0.1 to 250 microns, according to Frost & Sullivan. It highlights our significant advantages in ultra-high-voltage epitaxial material technology.

  - o ***Thickness uniformity:*** Thickness uniformity refers to the deviation of the actual thickness of the epitaxial wafer from the average thickness. Smaller uniformity deviation indicates higher product quality. Our products achieve a thickness uniformity deviation of ≤2%, placing us in a leading position compared to the mainstream industry range of ≤2% to ≤5%, according to Frost & Sullivan.

- ***Doping concentration***

  - ***Doping concentration range:*** The functional design of SiC power devices is closely linked to doping concentration. Different power devices require specific doping types and concentrations, and a wider range of doping concentration regulation facilitates the realization of various device designs. Our products offer a wide doping concentration range of 1E14 to 2E19 cubic centimeters, covering N-type, P-type and composite multi-layer doping types, which surpasses the mainstream industry range of 1E14 to 1E19 cubic centimeters, according to Frost & Sullivan. It showcases our significant strengths in doping technology, particularly in bipolar device epitaxial material technology. In 2012, we successfully developed multi-layer composite doped epitaxy and became the first in China to commercialize silicon carbide bipolar device materials. This milestone achievement has not only solidified our leadership in silicon carbide power device technology but also provided us with a competitive edge in the future market while establishing a strong foundation for sustained growth.

  - ***Doping concentration tolerance:*** Doping concentration tolerance refers to the range of actual fluctuations in doping concentration relative to the customer's target. A smaller doping concentration tolerance indicates higher epitaxial quality. Our products achieve a doping concentration tolerance of ±5%, placing us in a leading position compared to the mainstream industry range of ±6% to ±20%, according to Frost & Sullivan.

  - ***Doping concentration uniformity:*** Doping concentration uniformity refers to the deviation of the actual doping concentration of the epitaxial wafer from the average doping concentration. Lower uniformity deviation indicates higher product quality. Our products achieve a doping concentration uniformity deviation of ≤3%, positioning us as a leader compared to the mainstream industry range of ≤3% to ≤10%, according to Frost & Sullivan.

- ***Epitaxial quality***

  - ***Chip yield rate:*** The epitaxial output usable area refers to the portion of silicon carbide wafers suitable for manufacturing transistors and other devices, produced through epitaxial growth technology during the semiconductor manufacturing process. Yield rate is a critical metric for evaluating this production stage, as it directly impacts the performance and quality of the final product. A higher chip yield rate indicates a greater success rate in producing transistors that meet specifications and deliver stable performance during actual production, underscoring the superior quality of the product. Our products achieve a chip yield rate of ≥99%, exceeding the mainstream industry range between 90% and 98%, according to Frost & Sullivan. It showcases our leading edge and exceptional expertise in semiconductor manufacturing technology.

- o *Minority carrier lifetime:* We have developed a method for evaluating minority carrier lifetime through the mutual verification of ESR and DLTS techniques. This approach has allowed us to systematically investigate the influence mechanisms of the physical properties and distribution patterns of deep energy level defects in the epitaxial layer on minority carrier lifetime and its annihilation processes. By optimizing the epitaxial growth process, we have achieved an intrinsic recombination minority carrier lifetime for thick epitaxial materials that far exceeds the industry average, reaching over 1.5 μs. Additionally, by employing auxiliary techniques such as double passivation, we have further increased the minority carrier lifetime to over 7 μs, which is at an international leading level, according to Frost & Sullivan.

We have consistently pursued innovation in our production processes over the years, conducting in-depth and systematic R&D focusing on the industrialization of 4H-SiC epitaxial wafers, epitaxial wafer growth technology, and epitaxial wafer cleaning technology. This effort has led to breakthroughs in key technologies such as 8-inch SiC epitaxial technology, multi-layer epitaxial technology, and rapid thick film epitaxial technology, positioning us at the forefront of the SiC epitaxial wafer industry in China. The main production processes for SiC epitaxial wafers include epitaxial growth, product testing, and product cleaning, with epitaxial growth being the core link that significantly impacts product quality and performance. Through years of R&D investment and practical production experience, we have mastered the complete process required to manufacture SiC epitaxial wafers, continuously optimizing and innovating our production techniques.

In the epitaxial growth phase, we utilize our independently developed multi-layer epitaxial technology, rapid thick film epitaxial technology, epitaxial temperature field control technology, and ultra-high uniformity large-area epitaxial technology. These innovations enable us to effectively control defects, thickness, doping concentration, roughness, and flatness of the epitaxial wafers, thereby enhancing product quality and performance. During the grinding and polishing process of the epitaxial wafers, we employ our proprietary epitaxial wafer thinning technology, back processing technology, and advanced grinding and polishing techniques. These methods effectively eliminate back scratches, dirt, and other surface defects, improving the flatness of the epitaxial wafers. In the cleaning phase, we apply our independently developed SiC chip cleaning technology. By optimizing the cleaning process — controlling ultrasonic (megasonic) power, time, liquid ratios, temperature, and the QDR (water cleaning) process — we achieve higher cleaning efficiency and better results in a shorter timeframe compared to traditional RCA cleaning technology.

Our R&D team is dedicated to the research, parameter testing, industry incubation, and talent training of new semiconductor materials. Since our inception, we have helped establish several key institutions, including the Guangdong Engineering Research Center, Guangdong Enterprise Technology Center, Guangdong Third Generation Semiconductor SiC Epitaxial Materials Engineering Technology Research Center, Guangdong Postdoctoral Innovation Practice Base, Guangdong Doctoral Workstation, and Dongguan Third Generation Semiconductor SiC Epitaxial Materials Key Laboratory. These initiatives have cultivated a high-level R&D team and resulted in numerous significant advancements. As of June 30, 2024, we held 30 authorized invention patents and 40 authorized utility model patents, with over 100 additional patent applications. We have undertaken or participated in three national key R&D plan projects and six provincial and municipal key R&D projects. Moreover, we have led or contributed to the drafting of one international standard, 13 national standards, 12 group standards, and four enterprise standards.

Our robust scientific research capabilities not only drive the technological development of the SiC epitaxial wafer industry but also foster regional economic innovation. Our commitment to innovation has been widely recognized, earning us various honors, including designation as a national high-tech enterprise and accolades such as the national essential "Little Giant," "First Prize of the Science and Technology Progress Award in the Guangdong Province Electronic Information Science and Technology Award," "Guangdong Province Excellent High-tech Products," "Dongguan Top 100 Innovative Enterprises," and "Dongguan's Leading Enterprise in High-Quality Development." See "— Awards and Recognition." We place great emphasis on continuous R&D. As of June 30, 2024, our R&D team consisted of 95 members, accounting for over 30% of our total workforce, with over 70% holding a bachelor's or higher degree. In 2021, 2022, 2023 and for the six months ended June 30, 2024, our R&D expenses was RMB22.3 million, RMB29.2 million, RMB55.3 million and RMB35.5 million, respectively, accounting for 39.9%, 36.7%, 39.1% and 29.8% of our operating expenses (including our selling and distribution expenses, administrative and other operating expenses and research and development expenses) for the respective years/period. We anticipate maintaining this level of investment in the foreseeable future.

Visionary management and highly experienced staff team

We have a visionary management team, led by Mr. Li Xiguang, the co-founder and chairman. With many years of experience in the semiconductor industry, Mr. Li has held senior executive positions at various semiconductor and electronic product companies and has received the Guangdong Electronic Information Science and Technology Award. He is responsible for our long-term development planning, business objectives, and policies, providing guidance on key issues that impact our strategic direction. See "Directors, Supervisors and Senior Management — Directors — Executive Director." Our deputy general manager and head of R&D department, Mr. Han Jingrui, joined us in April 2011 and has extensive experience in the R&D of SiC epitaxial wafers. He has led the R&D of several key technological advancements for industrialization, including the optimization of pit defects in multi-layer thick epitaxial materials, improvements in stacking fault defects, enhancements in minority carrier lifetime for thick epitaxial materials, and reductions in particle defects on the surface of 6-inch epitaxial wafers. Mr. Han has published three academic papers, participated in eight national, provincial, and municipal scientific and technological projects, and filed for 20 invention patents and 18 utility model patents. He has also contributed to the formulation of one national standard and has received multiple science and technology progress awards in Guangdong.

We have a dedicated team of employees encompassing all key functions, including R&D design, manufacturing, marketing, and service support. They are committed to our mission and vision, and their enthusiasm aligns closely with our corporate culture. We place great importance on talent development and has established a comprehensive training system tailored to different positions, fostering collaboration and communication among teams. To keep the R&D team attuned to market trends and advancements in technology, we frequently organize external learning exchanges. Additionally, we have implemented an effective incentive mechanism to reward employees for their achievements and contributions in R&D, encouraging all team members to engage in technological innovation. To protect our key technologies, we also implement measures to appropriately constrain key personnel, including confidentiality agreements.

OUR STRATEGIES

We are devoted to the SiC epitaxial wafer industry, and endeavor to achieve this vision through the following aspects.

Expand production capacity to match market demand

Strong production capacity is essential for effectively fulfilling customer orders, serving as a core component of our competitive advantage. To better get prepared for the potential market demand for SiC products, especially 8-inch SiC epitaxial wafers, we plan to expand our production capacity in a prudent manner. Specifically, we aim to complete the construction of our production base at the Ecological Park site, which will enhance our production capacity for 8-inch SiC epitaxial wafers. See "Future Plans and [REDACTED] — [REDACTED]." Following the completion of our Ecological Park production base, which is projected to bring an additional annual planned production capacity of 380,000 pieces within 2025, we expect that our total annual planned production capacity may increase to approximately 800,000 pieces of SiC epitaxial wafers. Additionally, depending on the actual demand, we preliminarily plan to expand our production capacity in Southeast Asia to better serve our overseas customers.

With robust production capacity, we can significantly enhance product sales, expand our market share, and maintain our leadership position in the SiC epitaxial wafer industry. Additionally, we will accelerate the refinement of our production processes to optimize capacity utilization and efficiency.

Continue to invest in R&D to promote technological innovation and enrich product portfolio

To strengthen our leadership in the SiC epitaxial wafer industry, we must continue investing in R&D, fostering technological innovation, and expanding our product portfolio. In response to rapidly evolving technologies and processes, we are dedicated to accumulating expertise in SiC semiconductor manufacturing and enhancing our product performance and technological barriers. For instance, we are focused on developing SiC epitaxial wafers with thicknesses ranging from 100 to 300 microns, while continuously optimizing epitaxial layer quality, reducing the density of microscopic defects, and increasing minority carrier lifetime to meet the requirements for manufacturing devices such as IGBTs rated above 10,000 volts. At the same time, we are committed to optimizing various production processes to improve product yields. Additionally, we are advancing graphic epitaxial technology for superjunction devices to enhance specific on-resistance performance, carbon surface epitaxial technology to boost saturated electron mobility, and epitaxial technology based on bonded substrates to increase the chip yield rate of monolithic SiC epitaxial wafers.

We plan to increase our investment in R&D infrastructure. See "Future Plans and [REDACTED] — [REDACTED]."

Our R&D efforts consistently follow the development strategy of mass production, research and development, and innovation reserves. While continuously advancing, optimizing, and enhancing our mature, mass-produced SiC semiconductor materials, we aim to leverage our successful experience with third-generation semiconductor materials to broaden our R&D focus. This expansion includes semiconductor materials such as gallium arsenide, indium phosphide, and gallium nitride, which hold immense market potential in AI and cloud computing platforms. Furthermore, we plan to extend our R&D to next-generation (fourth-generation) power semiconductor materials, such as gallium oxide. Through advancements in bonding process technology, diamond — recognized as the "ultimate semiconductor material" — will be incorporated into our compound semiconductor composite material R&D system. These initiatives will be realized via a compound semiconductor pilot verification platform, which we are planning to establish. This platform will act as a crucial bridge between experimental research and large-scale production, attracting world-class technical teams and start-ups to Dongguan to collaborate on R&D for compound semiconductor materials. Additionally, it will help us sustain our technological edge in the field of compound semiconductors, enabling us to address the most cutting-edge market challenges with confidence over the long term.

We also plan to continue enhancing our product portfolio to meet the diverse needs of our customers. By considering the product iteration cycles and application requirements of our downstream clients, we aim to improve product compatibility and expand our offerings. Our planned production lines will support the mass production of 6-inch and 8-inch SiC epitaxial wafers, thereby further reducing manufacturing costs. We intend to expand our 8-inch SiC epitaxial product lines and scale up mass production. If technology and costs allow, we will explore the production of larger-sized SiC epitaxial wafers (such as 10-inch or 12-inch). Additionally, we will seek to broaden the downstream applications of our products in sectors such as communications, optical storage, consumer electronics, and high-end equipment.

Deepen customer relationships and expand cooperation ecosystem

We intend to deepen customer relationships and expand our cooperation ecosystem. Our existing clients include major domestic and international SiC device manufacturers across various sectors, including new energy industries, rail transportation, smart grids, general aviation and home appliances. Focusing on customer needs is essential for maintaining long-term partnerships. We actively listen to feedback from these valued customers and optimize our products and services to meet their diverse requirements, thereby enhancing customer loyalty. In response to evolving market trends, we will also broaden our cooperation ecosystem and promote the application of our products and technologies in new scenarios, such as 5G base stations, data centers, lidar, and home appliances. We are committed to aligning the development direction of our products with the strategic goals of our customers to create mutual value.

We also aim to acquire new customers domestically and internationally to further expand our customer base. Our sales team will conduct thorough market research and analyze relevant data to identify suitable target customers strategically. We will focus on expanding our relationships with fab companies transitioning from silicon-based to SiC technologies, as well as fabless companies planning to establish manufacturing bases. By collaborating with potential customers on new technical challenges, we hope to build strong cooperative relationships throughout the process. Additionally, we will actively participate in industry exhibitions to enhance brand promotion and engage with potential customers — both direct sales customers and distributors — establishing long-term business relationships through our high-quality products and services. Geographically, we intend to develop strong customer relationships and further penetrate into countries and regions beyond China, including Europe, Malaysia, South Korea, and Japan. To support our overseas expansion, we are enhancing our international sales platform and recruiting marketing personnel with overseas expertise. In some new markets, we will also consider partnering with influential local distributors.

Seek strategic investments and acquisitions when appropriate

As our business develops, we will actively pursue strategic investments and acquisitions of teams, assets, and companies to enhance our technological capabilities. In evaluating potential targets for investment and acquisition, we primarily assess factors such as their technological expertise, team composition, and financial stability. Our focus will be on companies that possess unique advantages or differentiation in epitaxial production process technologies involving compound semiconductor material, such as gallium nitride, gallium oxide, gallium arsenide, and indium phosphide, as we believe such companies possess production technologies or new materials that are complementary to our business operations. Through these strategic investments and acquisitions, we aim to efficiently expand our technology portfolio, improve product quality, and broaden our market access, thereby accelerating our revenue growth.

Continue to recruit industry elites and build talent pool

We place a high value on investing in human resources. We will continue to recruit top R&D talents with deep expertise and practical experience in key technology fields through various channels, such as collaboration with universities and provincial-level of technology innovation platform as well as lateral hiring, to build a strong talent pool. Additionally, we prioritize the internal training of our R&D personnel, utilizing a variety of training resources, including both internal and external courses, to enhance employees' professional skills and provide diverse career development paths. We offer market-competitive salary and benefits packages to attract and retain exceptional talent in the industry, thereby consolidating and advancing our technological advantages. Furthermore, to drive business growth, we will also recruit experienced sales and marketing professionals. See "Future Plans and [REDACTED] — [REDACTED]."

CHALLENGES TO OUR INDUSTRY AND OUR BUSINESS

Analysis on Recent Financial Performance

We have experienced continuous business growth from 2021 to 2023. Our revenue increased from RMB154.6 million in 2021 to RMB436.9 million in 2022, and further to RMB1,171.2 million in 2023. Despite our business growth in previous years, our revenue decreased by 14.8% from RMB423.8 million for the six months ended June 30, 2023 to RMB361.1 million for the six months ended June 30, 2024. Our gross profit decreased significantly from RMB82.2 million for the six months ended June 30, 2023 to a gross loss of RMB43.8 million for the six months ended June 30, 2024. As a result, we recorded a net loss of RMB140.7 million for the six months ended June 30, 2024 as compared to a net profit of RMB20.7 million for the six months ended June 30, 2023.

We believe our significant drop on the financial performance for the six months ended June 30, 2024 as compared to June 30, 2023 is principally due to the following major factors:

- ***Decrease in the market price of SiC epitaxial wafers and substrates***

  According to Frost & Sullivan, the market price of SiC epitaxial wafers and substrates, which are our core raw materials, in global and China's markets keeps falling. As such, on one hand, the ASP of our products generally follows the decreasing trend resulting in lowering our revenue. On the other hand, the aforesaid decreasing trend in market prices may also result in the provision for write down of inventories causing the increase in the cost of sales.

- ***Facing the international trade tension***

  In recent years, policy changes in China and globally as well as the U.S.-China trade tensions have led to fluctuations in the global sales composition. In particular, the overseas sales of the supplier of SiC epitaxial wafers in China were adversely affected. Our overseas sales decreased by 75.5% from RMB168.3 million for the six months ended June 30, 2023 to RMB41.2 million for the six months ended June 30, 2024.

In addition to such uncontrollable factors which may remain existence in the short coming future, we believe the following major challenges may continuously affect our business operations:

- ***Encountering difficulties in entering framework sales contracts with price or quantity commitment***

  In view of the decreasing trend on the market price of SiC epitaxial wafers, the customers may prefer to place the purchase orders with us with a rather short notice which provide the required quantity of products instead of entering into framework sales contracts with price or quantity commitment. We believe such short notice arrangement may enable the customers to enjoy the flexibility of procurement with minimizing the price risk. According to Frost & Sullivan, such arrangement is in line with the industry norm.

- ***Expansion of the production capacity***

  Although the suppliers of SiC epitaxial wafers in China are facing various challenges, the suppliers would still ramp up their production capacities to cater for the potential market demand as the global and China's demand on the SiC power semiconductor devices are expected to have rapid development driven by the downstream markets such as new energy vehicles and 5G communications. According to Frost & Sullivan, production capacity would be one of the key consideration factors in order to assess the overall competence of the suppliers by their downstream customers. As such, it may be unavoidable for us to consider expansion of the production capacity under the current market situation.

Our Strategies to Tackle the Challenges

In response to the current challenges in our industry and our business, we plan to implement the following strategies to cope with the price drop challenges, substantially increase our revenue, enhance our operational efficiency and improve our profitability:

Expand customer base and increase sales volume

A growing number of customers is expected to drive our business growth. Therefore, we intend to expand our customer base and further increase sales volume and revenue by way of (i) entering into the framework sales agreements with expected quantity of our products; (ii) penetrating into, and extending our footprint in, key overseas countries and regions; (iii) deepening our market position in China; and (iv) enhancing customers' stickiness.

- *Entering into the framework sales agreements with expected quantity of our products*. Given that it is the industry trend for the customers to place the purchase order in short notice instead of entering into the framework sales agreements with price or quantity commitment, we have taken an alternative approach to secure the sales agreements with expected quantity of our products in order to better formulate our production plan. Subsequent to the Track Record

Period and as of the Latest Practicable Date, we had entered into several framework agreements and sales agreements with manufacturing requests of a total expected number of more than 450,000 pieces of SiC epitaxial wafers in the next three years, approximately 40% of which are 8-inch SiC epitaxial wafers.

- *Penetrating into, and extending our footprint in, key overseas countries and regions*. To cope with the current situation of U.S.-China trade tensions, we intend to penetrate into key overseas countries in which we have already established a stable relationship with local customers, such as Europe, South Korea and Japan. In addition, we aim to extend our footprint to other overseas countries with great potential. To achieve these targets, we plan to further expand our global sales and marketing network by establishing sales centers in Malaysia, Italy and Japan. See "Future Plans and [REDACTED] — [REDACTED]." We expect to benefit from our globalized sales network and branding initiatives through expanding our customer outreach and strengthening our relationship with overseas customers.

- *Deepening our market position in China*. In view of the current international trade tension, we will continue to deepen our market position in China through securing domestic customers by focusing on their needs and enhancing customer loyalty. Frost & Sullivan has advised us that the demands of SiC epitaxial wafers from downstream industries in China keep growing along with the increasing demand for high-performance SiC power semiconductor devices. See "Industry Overview — Overview of Global and China's SiC Epitaxial Wafer Markets — Drivers of Global and China's SiC Epitaxial Wafer Industries."

- *Enhancing customers' stickiness*. We actively listen to feedback from the customers and optimize our products and services to meet their diverse requirements, thereby enhancing customer loyalty. In order to further strengthen the customer relationship, we intend to enter into strategic cooperation agreements with customers who wish to establish a long-term relationship with us. Through such arrangement, we believe our customers would consider us as a strategic partner and prioritize to make purchases from us. As of the Latest Practicable Date, we had entered into more than ten strategic cooperation agreements subsequent to the Track Record Period.

Improve operational efficiency

We intend to improve our operational efficiency through optimizing the following aspects:

- *Increase the procurement of raw materials from the domestic market*. Our major raw materials include conductive SiC substrates and other accessory materials such as graphite components and special gases. According to Frost & Sullivan, the market prices of raw materials in the overseas market are generally higher than those in the China market, and such trend is expected to continue. In recent years, technological advancement has supported raw materials from domestic suppliers to possess similar quality as imported raw materials, according to the same source. Accordingly, we have commenced increasing the procurement of SiC substrates from the domestic market if the quality of the same can fulfill our requirement. We believe such approach effectively helps us reduce the raw materials cost, thereby improving our profitability. We intend to adopt a similar approach for the procurement of other accessory materials to further reduce cost and improve our profitability. Our initial efforts of such domestic substitution has resulted in a continuous increase of percentage of domestic raw materials' procurement, accounting for 60.0%, 75.7%, 96.4% and 96.9%, respectively, of our total purchase amount of raw materials in 2021, 2022 and 2023 and for the six months ended June 30, 2024.

- *Gradually increase in the production capacity in a prudent manner*. Although it is the industry trend for suppliers of SiC epitaxial wafers to increase their production capacities in order to maintain the competitiveness, we have taken a prudent approach to gradually increase our production capacity by way of monitoring the global market development of our downstream markets and the demand on our products. This way, we will be able to assess whether and when it is necessary to adjust our expansion plan to avoid bearing material capital commitment which in turn may affect our working capital.

- *Optimizing the management structure*. Labor cost as well as other administrative costs are the key components to our expenses. As such, on one hand, we would review our management structure from time to time in order to optimize our human resources. On the other hand, along with the development of various technologies in relation to the corporate management and production, we may put more focuses on relying technological ways to share a part of the human duties. This would enhance our efficiency of our management and reduce relevant operating costs.

- *Securing sufficient working capital.* Sufficient working capital is essential to maintain our sustainable operation and we have placed importance on sourcing working capital through different means. In addition to the working capital generated from our operating activities, as of October 31, 2024, we had obtained unutilized banking facilities of RMB5,331.0 million and cash and cash equivalent of RMB44.6 million, respectively. Besides, we expect to obtain [REDACTED] of HK$[REDACTED] from the [REDACTED]. As such, our Directors are of the opinion that, taking into account the estimated [REDACTED] from the [REDACTED] and the financial resources available to us, including expected cash generated from operating activities, we have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

Advance technological aspects of products

Moreover, we intend to make technological improvements of our products. In particular, we plan to upgrade the doping gas from nitrogen to ammonia, which can effectively reduce the memory effect of nitrogen atoms, thereby improving product uniformity. As such, we will be able to further increase our yield rate, saving more sample epitaxial wafers for debugging and testing purposes, and thus effectively reducing production costs.

The Development of the SiC Epitaxial Wafer Industry

Frost & Sullivan has advised us that the demand for high-performance SiC power semiconductors from downstream industries, such as renewable energy, power electronics, automotive and telecommunication, will continuously drive the market demand for SiC epitaxial wafers. More specifically, with the advancement of technology and the growth of market demand, 8-inch SiC epitaxial wafers gradually become the new focus of the industry due to its higher output rates, reduced edge loss, and improved device performance, replacing 4-inch and 6-inch SiC epitaxial wafers. Moreover, government around the world have been enacting favorable policies with respect to SiC epitaxial wafers in recent years, including the Chinese government. In July and August 2023, MIIT issued the *Implementation Opinions on Reliability Improvement of Manufacturing Industry and Action Program for Stable Growth in the Electronic Information Manufacturing Industry 2023–2024*, which emphasizes the need to set industry standards and improve the reliability of wide-bandgap power semiconductor devices like SiC power semiconductor devices. This demonstrates the government's determination to promote the overall competitiveness of relevant products, incentivizing the industry players to enhance R&D capabilities and supporting the rapid development of the industry. In March 2021, the National People's Congress published the *Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development of the People's Republic of China and the Vision 2035* to promote the development of wide-bandgap semiconductors, such as SiC. See "Industry Overview — Overview of Global and China's SiC Epitaxial Wafer Market — Drivers of Global and China's SiC Epitaxial Wafer Industry." Going forward, Frost & Sullivan anticipates that more and more downstream customers are expected to place orders requesting for large quantity of 8-inch SiC epitaxial wafers. As such, we believe the SiC epitaxial wafers industry is promising with a demand switch from 4-inch and 6-inch towards 8-inch epitaxial wafers, and our business performance and financial conditions would be improved in the foreseeable future.

Based on the foregoing, despite of facing various challenges, we believe our business is sustainable and our financial performance is expected to be enhanced through adopting the aforesaid strategies while the SiC epitaxial wafers industry continues to be sun-rising with the new focus of demand.

OUR PRODUCT AND SERVICE OFFERINGS

Overview

We are one of the first technology-leading suppliers of SiC epitaxial wafers in China, according to Frost & Sullivan, primarily focusing on the R&D, mass production and sales of self-developed SiC epitaxial wafers. Our product offerings include various sizes of SiC epitaxial wafers, namely 4-inch, 6-inch and 8-inch SiC epitaxial wafers. Our SiC epitaxial wafers can generally be used in end application scenarios including new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as electric vertical take-off and landing ("**eVTOL**")) and home appliances, satisfying the growing needs from these downstream industries. We believe our advanced technologies and large-scale production capacity have enabled us to stay at the forefront of R&D of production processes and market introduction of domestic substrates, accessory consumables and core equipment, thereby promoting the domestic substitution process of major components along the SiC power semiconductor device industry value chain.

We have established a mature business model that aligns with industry characteristics. We heed demand from different downstream customers, including their varying requirements for the specifications, performance, and cost of SiC epitaxial wafers, which are influenced by factors such as their technical processes, device product performance, market positioning, and cost control. To address these diverse needs, we primarily engage in direct sales to targeted customers by offering them tailored products. We procure raw materials based on the expected sales volume, with appropriate reserves, and make production plans accordingly. This approach enhances our ability to manage procurement and inventory effectively. During the Track Record Period, our revenue generated from the sales of self-manufactured SiC epitaxial wafers reached RMB148.6 million, RMB398.3 million, RMB1,127.1 million, RMB410.6 million and RMB355.6 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively, accounting for 96.1%, 91.2%, 96.2%, 96.9% and 98.5% of our total revenue for the respective years/periods.

Additionally, we provide certain value-added services related to SiC epitaxial wafers, which primarily include SiC epitaxial foundry service, epitaxial wafer cleaning service, and substrate and epitaxial wafer inspection service. Not only do our SiC epitaxial wafer related services complement our product and service offerings, but these services in turn improve our capabilities in R&D and mass production. To optimize our inventory level and avoid waste of products, we also offer sales of certain substandard SiC epitaxial wafers. These products do not satisfy the original customers' specific requirements, but may meet other customers' requests due to their differentiated requirements of epitaxial wafers' quality and purposes of use. Such customers may use such epitaxial wafers for their testing or R&D purposes. In addition, we also provide sales of semiconductor devices and device inspection service through Southern Semiconductor. During the Track Record Period, our revenue generated from provision of these value-added services as well as other sales amounted to RMB6.1 million, RMB38.5 million, RMB44.1 million, RMB13.2 million and RMB5.5 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively, accounting for 3.9%, 8.8%, 3.8%, 3.1% and 1.5% of our total revenue for the respective years/periods.

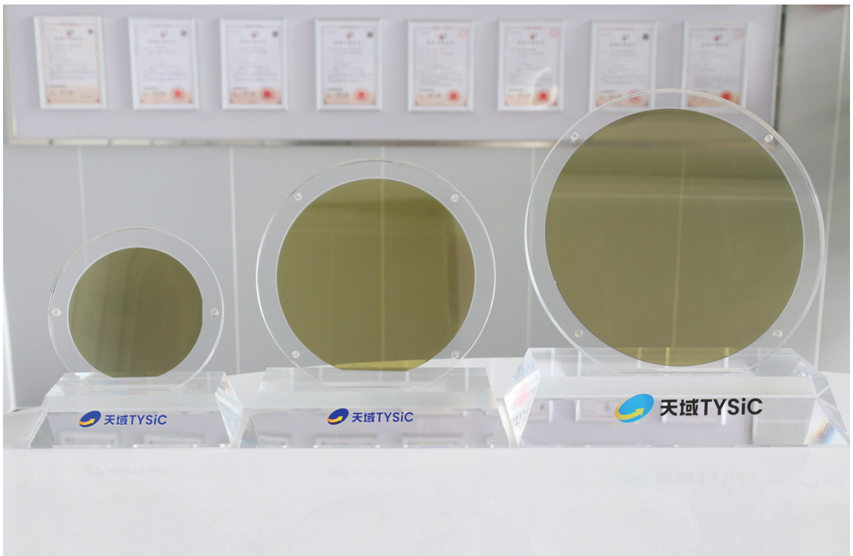
Our SiC Epitaxial Wafers

SiC is a compound of carbon and silicon and is classified as a wide-bandgap semiconductor material. Compared to traditional semiconductor materials like silicon, SiC, as one of the third-generation semiconductor materials, offers significant performance advantages. These include a larger bandgap, higher breakdown of electric field, greater thermal conductivity, higher electron saturation drift velocity, and strong radiation resistance. This makes it more suitable for high-voltage, high-temperature, and high-frequency environments.

By cutting, grinding and polishing the SiC substrate along a specific crystal direction, a single epitaxial wafer with a specific crystal plane and appropriate electrical, optical and mechanical properties for growing epitaxial layers is obtained. Through an epitaxial process, a specific single crystal, thin film is grown on the epitaxial wafer. Such epitaxial growth is a core phase during the entire manufacturing process, as it can effectively improve certain substrate defects in the epitaxial layer, thereby enhancing crystal quality and forming a doping concentration and uniformity that can better meet the requirements of power device manufacturing.

During the Track Record Period, we primarily provided 4-inch and 6-inch SiC epitaxial wafers. Larger-sized epitaxial wafers are more advantageous in total usable area and ability to control downfall defects on the epitaxial wafer surface, leading to a more efficient use. To meet the evolving downstream customer demands that require larger, more cost-effective semiconductor materials and to maintain our market position, we have continuously iterated and upgraded our manufacturing processes and R&D technologies, and gradually increase our production capacity to keep up with the industry trend of SiC epitaxial wafer providers. In particular, we are currently constructing a new production base located at Ecological Park site in Dongguan, which we expect to primarily use for the mass production of 6-inch and 8-inch SiC epitaxial wafers. See "— Production — Production Bases." Going forward, we anticipate bigger sales volume and revenue contribution to be brought from sales of 8-inch SiC epitaxial wafers in the near future.

The following picture illustrates our 4-inch, 6-inch and 8-inch SiC epitaxial wafers, respectively:



Our SiC epitaxial wafers are based on standardized models, with certain customization tailored to different customers' demands. For example, different customers may need to accommodate to requirements of different power devices, thereby leading to different requirements of epitaxial wafers. We also take into consideration these factors when determining the pricing for each customer. See "— Our Product and Service Offerings — Pricing of Our Products and Services — Pricing of Our SiC Epitaxial Wafers." We are able to provide customized products, based on which we maintain a procurement strategy that emphasizes production based on procurement, with appropriate reserves. See "— Production — Production Process."

Our SiC Epitaxial Wafer Related Services

Leveraging our capability and expertise in the R&D and mass production of SiC epitaxial wafers, we provide value-added SiC epitaxial wafer related services, including SiC epitaxial foundry service, epitaxial wafer cleaning service, and substrate and epitaxial wafer inspection service. We are able to clean, inspect and polish single crystal epitaxial wafers made of compound semiconductor materials, including SiC, GaN and others. Our major customers of SiC epitaxial wafer related services include scientific research institutions, universities and other upstream and downstream industry players. We primarily provide the following SiC epitaxial wafer related services:

- ***SiC epitaxial foundry service.*** Our customers provide substrates to which we provide epitaxial film foundry services.

- ***Epitaxial wafer cleaning service.*** With our metal contamination monitoring and detection facilities, we provide customers with epitaxial wafer cleaning services to erase metal contamination and meet fabrication requirements.

- ***Substrate and epitaxial wafer inspection service.*** Capitalizing on our advanced testing and characterization equipment and characterization capabilities, we provide customers with testing services for surface defects of substrates and epitaxial wafers through our Class 100 ultra clean workshop.

We charge our customers service fees for providing these services, the amount of which may vary subject to our customers' different requirements. See "— Our Product and Service Offerings — Pricing of Our Products and Services — Pricing of Our SiC Epitaxial Wafer Related Services."

Our Operational Highlights

In 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, we sold 17,001 pieces, 44,515 pieces, 132,072 pieces, 48,020 pieces and 46,547 pieces of SiC epitaxial wafers*, respectively, the details of which are set forth below:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Sales Volume	%	Sales Volume	%	Sales Volume	%	Sales Volume	%	Sales Volume	%
Sales of self-manufactured SiC epitaxial wafers										
4-inch	3,551	20.9	2,777	6.3	1,818	1.4	382	0.8	318	0.7
6-inch	13,392	78.8	40,167	90.2	125,799	96.3	44,683	93.1	45,450	97.6
8-inch	—	—	—	—	15	—(1)	—	—	320	0.7
Sales of SiC epitaxial wafers under foundry services										
4-inch	12	0.1	5	—(1)	—	—	—	—	—	—
6-inch	46	0.2	1,566	3.5	3,070	2.3	2,955	6.1	459	1.0
8-inch	—	—	—	—	—	—	—	—	—	—
Total	**17,001**	**100.0**	**44,515**	**100.0**	**132,072**	**100.0**	**48,020**	**100.0**	**46,547**	**100.0**

Note:

(1) Less than 0.1%.

During the Track Record Period, we primarily provided 4-inch and 6-inch SiC epitaxial wafers in accordance with downstream customers' differentiated needs. In particular, as larger-sized epitaxial wafers are generally more advantageous in total usable area and ability to control downfall defects on the surface of epitaxial wafers, thereby resulting in a more efficient use, our sales volume of 4-inch SiC epitaxial wafers experienced a continuous decrease and we commenced sales of 8-inch SiC epitaxial wafers in 2024 leveraging our developed mass production capability.

* Total sales volume of SiC epitaxial wafers included the number of products under our provision of foundry services.

Pricing of Our Products and Services

Pricing of Our SiC Epitaxial Wafers

As our SiC epitaxial wafers are primarily customized to satisfy different customers' demands, the pricing of our products results from a comprehensive determination of considerations. We have adopted cost-plus pricing model with a markup percentage to determine the selling price of our products, which varies among customers and is primarily determined based on different factors. Major factors that impact the pricing of our products include characteristics of epitaxial wafers such as raw material cost, size of epitaxial wafer requested, yield rate, total usable area, epitaxial growth time and voltage level, purchase order status such as quantity of epitaxial wafers involved, urgency of delivery and location of the customer, as well as the pricing of competing products in the market. Generally, we charge the customer a higher price for more urgent purchase orders with more stringent characteristic requirements.

During the Track Record Period, the average selling price ("**ASP**") of our SiC epitaxial wafers ranged from approximately RMB4,000 to RMB13,500. The fluctuation of the ASP of our SiC epitaxial wafers during the Track Record Period was primarily attributable to our product mix, as our 4-inch, 6-inch and 8-inch SiC epitaxial wafers had different range of ASP driven by market conditions and adjustments of our pricing strategy. See "Financial Information — Description of Major Components of Our Results of Operations — Revenue — Sales of Epitaxial Wafers" for a detailed analysis of ASP during the Track Record Period.

Despite the adoption of our cost-plus pricing model, we generally procure substrates in advance based on communication with customers on their expected purchase orders. However, the customers may delay placing purchase orders or reduce the order volume in the actual purchase orders they place. As such, our margin may be adversely affected led by the decreasing trend in the selling prices of both SiC epitaxial wafers and substrates over the Track Record Period. Accordingly, we recorded write-down of inventories for both raw materials and finished goods for each of the year or period end before utilizing the raw materials or delivery of the products to the customers during the Track Record Period. See "Financial Information — Description of Major Components of Our Results of Operations." Such amount of inventory write-down will be reversed and converted into finished goods when we utilize such raw materials or recognize them as cost of goods sold when we eventually deliver the products to customer.

Pricing of Our SiC Epitaxial Wafer Related Services

We price our SiC epitaxial wafer related services at standardized rates. We take into consideration various factors for pricing of our services, including the costs of service personnel, customer demands, market price trend, and competitive landscape. Typically, we charge our customers a fixed amount of service fees for providing these services.

RESEARCH AND DEVELOPMENT

Overview

Over the years, we have been devoted to the R&D and innovation of fabrication and manufacturing processes of SiC epitaxial wafers. We consider that we possess in-depth knowledge of the technical specifications and features, functionalities and applications of SiC epitaxial wafers, based on which we perform day-to-day R&D activities along with our production and manufacturing activities. We have established an R&D center at our headquarters in Dongguan, China, where we actively engage in resolving technological and manufacturing challenges associated with mass production to bolster the overall competitiveness of our SiC epitaxial wafers. Our endeavors in R&D resulted in significant accomplishments, evidenced by a proven history of generating intellectual property and industry recognitions. As of June 30, 2024, our R&D efforts had accumulated 70 patents, consisting of 30 invention patents and 40 utility model patents. We have undertaken or participated in three national key R&D plan projects and six provincial and municipal key R&D projects. Moreover, we have led or contributed to the drafting of one international standard, 13 national standards, 12 group standards, and four enterprise standards. We have also won prizes widely recognized by the industry. See "— Intellectual Property" and "— Awards and Recognitions."

During the Track Record Period, our R&D expenses amounted to RMB22.3 million, RMB29.2 million, RMB55.3 million, RMB34.9 million and RMB35.5 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively, demonstrating our significant and continuous efforts into the R&D of our products and technologies.

Our Core Technologies

The core technologies applied to the manufacturing of SiC epitaxial wafers primarily include epitaxial growth technologies, grinding and polishing technologies, and cleaning technologies. We have, after years of R&D investment and mass production practice, mastered a number of core technologies that cover the main production phases of SiC epitaxial wafers. All of these core technologies are in-house developed, and are currently used in the mass production of SiC epitaxial wafers.

The following table illustrates our core technologies, which have laid a solid foundation for our R&D and manufacturing of SiC epitaxial wafers:

Name	Description	Major Application
8-inch SiC epitaxial technology	Through methods such as adjusting the process parameters and designing accessory structures, we have developed the capability of mass production of 8-inch SiC epitaxial wafers, improving utilization of epitaxial wafers and significantly reducing the manufacturing cost of a single power device.	8-inch SiC epitaxial wafers
Multi-layer epitaxial growth technology	Through a layered doping process, we are able to make different epitaxial layers or buffer layers, optimizing the interface characteristics between the SiC single crystal substrate and the buffer layer, two buffer layers, the buffer layer and the epitaxial layer, and two epitaxial layers. This technology can reduce the lattice mismatch on the interface of every two layers, thereby achieving a more ideal interface state and electrical performance conditions. We are able to grow up to seven epitaxial layers, satisfying the diverse needs of customers.	4-inch/6-inch/8-inch SiC epitaxial wafers
Ultra-high uniformity large-area epitaxial growth technology	Taking into account the structural design of the reaction chamber and gas pipeline, and reasonable settings of key process parameters such as growth temperature, pressure and C/SiC, we have developed a large-sized SiC epitaxial process with ultra-high concentration uniformity, improving the stability of the product quality and achieving a good uniformity in the condition of ultra-high concentration.	4-inch/6-inch/8-inch SiC epitaxial wafers

Name	Description	Major Application
Technology of downfall on epitaxial wafer surface controlling	The downfall defect on the epitaxial wafer surface is the most important indicator to measure the quality of an epitaxial wafer as well as a key factor affecting the performance of a power device. Through a series of systematic R&D including epitaxial process optimization, graphite accessory structure and composite coating design, and equipment transformation, we have achieved an effective reduction in the density of epitaxial downfall defects.	4-inch/6-inch/ 8-inch SiC epitaxial wafers
Basal plane dislocation (BPD) defect control technology	Through interface buffer layer structure design, process window optimization and stress field improvement, we have achieved an improvement in the BPD conversion efficiency of 6-inch and 8-inch SiC epitaxial wafers.	6-inch/8-inch SiC epitaxial wafers

Capitalizing these core technologies, our product performance is already recognized as being at the international leading level, according to Frost & Sullivan. In certain areas, we have achieved significant breakthroughs through independent R&D, reaching the technical standards of global industry leaders. For details, See "— Our Competitive Strengths — Industry-leading technologies in key areas and continuously evolving production processes."

Our R&D Process

Our R&D center is responsible for and leads our daily R&D activities. We take into account our overall business strategies, technological feasibility demonstration, market research results and customer needs, carry out the R&D of new products, new technologies and other cutting-edge technology research activities.

The major phases of our R&D process includes the followings:

- ***Feasibility study.*** Taking into account recent market research, customer demand survey results, government project analysis and collected customer needs, we formulate preliminary R&D goals and conduct feasibility analysis.

- ***Application and commencement.*** After the preliminary feasibility study, we select the project leader and team members and prepare the project application form, which typically includes the project name, research subject, expected goals, feasibility analysis, project budget and detailed plans.

- ***Execution.*** Once the project application is approved, the R&D team carry out daily R&D work in accordance with the approved plans, and hold project discussion meetings regularly to resolve issues encountered during the development process. The project leader is responsible for the overall supervision and management during the project execution.

- ***Examination and acceptance.*** The project leader determines the completion of all project goals based on the implementation of the project, initiates the project acceptance application, prepares the implementation summary report and completion application form, and submits to the R&D center for review. After the project is accepted, our R&D center evaluates the development results and takes various measures to protect the IP rights.

Our R&D Team

We have established our R&D center in Dongguan, China, where we actively engage in resolving manufacturing challenges associated with mass production to bolster the overall competitiveness of our SiC epitaxial wafers. Our R&D capabilities enable us to possess solid foundational technologies, a science-oriented and rigorous R&D management system, and an ability to develop, manufacture and upgrade existing and new products. As of June 30, 2024, we had 95 R&D members, over 70% of which possessed a bachelor's degree or above, and nearly 25% of which possessed over five years of professional experience.

In addition, we occasionally invite industry experts from external institutions to provide training sessions in relation to industry know-how for our R&D members. We also exchange ideas and thoughts on R&D progress or latest market trends by attending industry forums and hosting academic conferences. We consider our communication with industry experts and participation in industry events helpful to our R&D activities.

Our Continuous R&D Efforts

We recognize the importance of R&D combined with daily manufacturing and production practices. We consider our continuous investment and efforts in R&D crucial to our business success. See "— Our Strategies — Continue to invest in R&D to promote technological innovation and enrich product portfolio." To keep pace with the evolving industry standards and practices for SiC epitaxial wafers, we continuously refine, iterate and upgrade our products, technologies and manufacturing processes based on customer feedback and market survey. Our ongoing R&D projects primarily include applications and commercialization of next-generation SiC epitaxial wafers for semiconductor power devices in new, high-tech industries, including new energy vehicles, aerospace, among others.

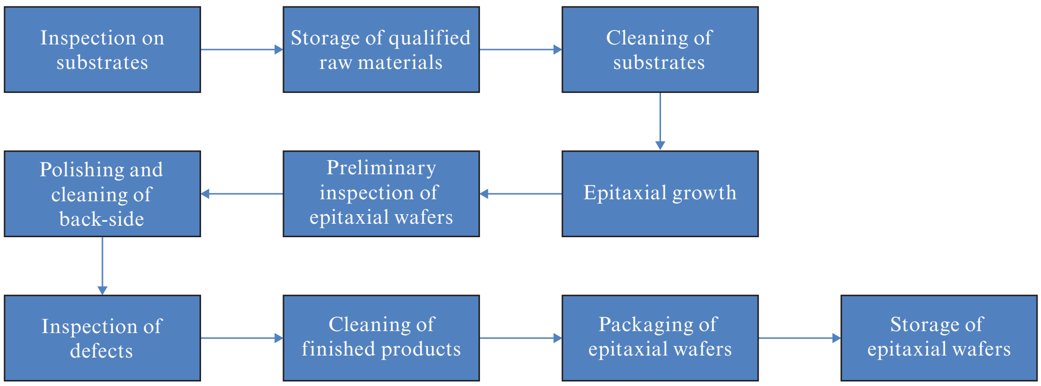
As we are committed to R&D investment, we plan to use approximately HK$[REDACTED] in enhancing our R&D and innovation capabilities over the next five years, including, among others, HK$[REDACTED] in establishing R&D infrastructure, HK$[REDACTED] in purchasing semiconductor materials and HK$[REDACTED] in maintaining and expanding our R&D team, so as to increase our overall competitiveness in the industry. See "Future Plans and [REDACTED] — [REDACTED]."

PRODUCTION

Production Process

We primarily adopt a sales volume-based production model, and maintain a procurement strategy that emphasizes production based on procurement, with appropriate reserves. We currently maintain a production base at our headquarters in Dongguan, China, which leads the entire production process and is primarily used for the production and manufacturing of all sizes of SiC epitaxial wafers. Our new production base located at Ecological Park site in Dongguan, which we expect to primarily use for the production of 8-inch SiC epitaxial wafers with a capability to manufacture 6-inch SiC epitaxial wafers, is currently under construction. See "— Production — Production Bases" for more information. Each year, our production center prepares a production plan based on our production capacity, equipment operation status and sales plan. The production plan, after approval by both the head of our production center and the head of our manufacturing department, is then distributed to our manufacturing department, which carries out the production tasks in accordance with the production plan and technical requirements. We impose strict quality control of our SiC epitaxial wafers, conduct product testing and quality inspections from time to time to ensure the quality of our products.

The following chart demonstrates our production process:



Production Equipment and Machinery

Our advanced manufacturing facilities are essential for enhancing product quality and cost competitiveness. Most of our machines and equipment are highly automated, which allows us to enhance manufacturing efficiency and reduce labor costs. Our major production equipment and machinery include SiC epitaxial furnaces (including single wafer and double wafer furnaces), automatic tank cleaning equipment, and equipment used to grind and polish the surface of the epitaxial wafers, inspect the defects, and determine the epitaxial layer thickness, flatness and roughness of the surface, all of which are mainstream semiconductor equipment applicable to all structures of SiC epitaxial wafers. We use our manufacturing facilities for certain of our R&D activities when they are idle as we invest into efforts of a combined practice of R&D and production activities.

As of the Latest Practicable Date, we possessed 16 double wafer epitaxial furnaces and 146 single wafer epitaxial furnaces. These furnaces can be used for the production of both 6-inch and 8-inch SiC epitaxial wafers.

Production Bases

We currently maintain one production base at our headquarters. Located in Dongguan, China, our headquarters production base has a GFA of approximately 35,978 sq.m., and possesses two production lines with a capability to manufacture all sizes of our SiC epitaxial wafer products. As of December 31, 2023, our headquarters production base possessed an annual production capacity of approximately 420,000 pieces of SiC epitaxial wafers.

We are currently constructing our new production base located at Ecological Park site in Dongguan, which is about 15 minutes' driving distance to the Songshan Lake North Station. Our Ecological Park production base will be established on a piece of land with a GFA of approximately 63,198 sq.m. which holds an aggregate designed annual production capacity of 1.6 million epitaxial wafers, and will be equipped with advanced production equipment and machinery and multiple production lines in the next two years. We expect to primarily use our new Ecological Park production base to meet our anticipated production focus of 8-inch SiC epitaxial wafers, with a capability to manufacture 6-inch SiC epitaxial wafers. We commenced the construction of our Ecological Park production base in the first quarter of 2023 in anticipation of the growing market. We expect to complete the construction of Ecological Park production base and start to install and debug the equipment in anticipation of our official production by the first quarter of 2025 after we complete the inspection and acceptance process of construction projects. We expect that our new Ecological Park production base, which is being ramped up, may bring an additional annual planned production capacity of approximately 380,000 pieces of SiC epitaxial wafers within 2025, making our total annual production capacity to approximately 800,000 pieces of SiC epitaxial wafers.

The following table illustrates the maximum available production capacity, production volume and utilization rate of our headquarters production base for the years/period indicated:

	Year ended December 31,									Six months ended June 30,		
	2021			2022			2023			2024		
	Maximum Available Production Capacity[(1)]	Production Volume[(2)]	Utilization Rate[(3)] (%)	Maximum Available Production Capacity[(1)]	Production Volume[(2)]	Utilization Rate[(3)] (%)	Maximum Available Production Capacity[(1)]	Production Volume[(2)]	Utilization Rate[(3)] (%)	Maximum Available Production Capacity[(1)]	Production Volume[(2)]	Utilization Rate[(3)] (%)
	(pieces of epitaxial wafers, expect for percentages)											
Headquarters Production Base	27,024	15,256	56.5	50,557	45,362	89.7	171,748	141,813	82.6	127,503	40,834	32.0

Notes:

(1) The maximum available production capacity of furnace in a given year/period is calculated as the number of furnaces multiplied by the maximum number of epitaxial wafers produced each furnace per day, multiplied by 365 days (or 183 days, as appropriate). The maximum available production capacity is subject to the timing of completion of installation and debugging of each piece of our furnace in that year/period. Our production capacity continuously increased during the Track Record Period due to the expansion and the completion of the ramp-up period of our headquarters production base.

(2) The production volume refers to the actual epitaxial wafer output in a given year/period, which includes the number of epitaxial wafers under our foundry services.

(3) The utilization rate during the year or period is calculated by dividing production volume by the maximum available production capacity for the same year/period. Our utilization rate dropped for the six months ended June 30, 2024 as a result of a substantial decrease in our production volume, primarily due to changes in overall market conditions and decreases in our sales from the overseas market. Despite the decreased utilization rate for the six months ended June 30, 2024, we still ramp up our production capacity to cater for the potential market demand. According to Frost & Sullivan, production capacity would be one of the key consideration factors in order to assess the overall competence of the suppliers by their downstream customers. As such, it may be unavoidable for us to consider expansion of the production capacity under the current market situation. See "— Challenges to Our Industry and Our Business."

(4) We take into calculation all sizes of SiC epitaxial wafers when deriving the maximum available production capacity. We do not segregate the maximum available production capacity by different types of SiC epitaxial wafers, as our production furnaces can be shared to produce all types of products. Our actual production volume of each size of SiC epitaxial wafers is determined by our customers' differentiated demands in the purchase orders.

We conduct careful and timely maintenance of our production facilities and equipment. Each piece of our major production equipment or power machinery undergoes regular servicing and maintenance routine checks twice per day, and adhering to predefined schedules. We have established and will continually update internal procedures tailored to the unique characteristics and requirements of each piece of production equipment or power machinery. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspensions of operations due to equipment, machinery or other mechanical failures.

SALES AND MARKETING

We market our SiC epitaxial wafers through our internal sales and marketing department, which is responsible for identifying suitable potential markets and customers. Our dedicated sales and marketing department leads the formulation and coordination of marketing activities and promotion campaigns. Our sales and marketing members are equipped with knowledge and expertise about our products, and are able to identify the requests of our customers. They stay abreast of emerging products and technologies that appeal to our existing and potential customers and provide our customers with pre-sale consultations and recommendations tailored to their needs.

As of June 30, 2024, our sales and marketing team consisted of 15 members who worked closely with our R&D, production and manufacturing departments to execute our marketing strategies. In 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, our selling and distribution expenses amounted to RMB5.4 million, RMB8.1 million, RMB12.0 million, RMB5.3 million and RMB8.8 million, respectively, accounting for 3.5%, 1.9%, 1.0%, 1.3% and 2.4%, respectively, of our revenue for the corresponding years/periods.

Our Sales Channels

We have adopted a sales model, based on which our products are primarily sold through direct sales channels, and the rest are sold through distribution channels as a supplement. The table below sets out a breakdown of our revenue by sales channel for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Sales Amount		Sales Amount		Sales Amount		Sales Amount		Sales Amount	
	(RMB'000)	*%*	*(RMB'000)*	*%*	*(RMB'000)*	*%*	*(RMB'000)* (unaudited)	*%*	*(RMB'000)*	*%*
Direct sales channels	149,191	96.5	385,730	88.3	1,154,684	98.6	416,217	98.2	356,697	98.8
Distribution channels	5,451	3.5	51,125	11.7	16,530	1.4	7,617	1.8	4,435	1.2
Total	154,642	100.0	436,855	100.0	1,171,214	100.0	423,834	100.0	361,132	100.0

Direct Sales

At the commencement of establishing a new business relationship with a direct customer, we generally require the customer to enter into a non-disclosure agreement to protect our technical and commercial data and information. We conduct internal review, prepare benchmarking response and make quotation according to our customer's product specification requirements, and perform sample product delivery for verification purpose. Once our product undergoes verification, passes the customer's qualification inspection and is accepted by the customer, we negotiate and enter into direct sales agreement or framework agreement with the customer, and prepare for production and delivery. Alternatively, our direct sales customers may choose to place purchase orders directly with us without entering into sales agreements for individual purchases of certain components and parts. Purchase orders normally specify the description of the purchase products, quantity, price, payment term and delivery term.

In 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, revenue from direct sales amounted to RMB149.2 million, RMB385.7 million, RMB1,154.7 million, RMB416.2 million and RMB356.7 million, respectively, representing 96.5%, 88.3%, 98.6%, 98.2% and 98.8% of the total revenue for the same years/periods, respectively. A majority of our products to domestic customers are sold through direct sales. In 2021, 2022 and 2023 and for the six months ended June 30, 2024, we had 79, 87, 96 and 81 direct sales customers, most of which were power semiconductor device foundries. The adoption of direct sales enables us to precisely understand and respond to customer requirements, allowing us to offer tailored services that meet our customers' specific needs.

The salient terms of our direct sales framework agreements during the Track Record Period are set out below, which generally have a term of one to three years:

- ***Pricing policy.*** We sell our products to direct sales customers at mutually agreed price levels.

- ***Payment and credit term.*** We generally require our customers to pay an advance payment totaling 20% of the total amount within seven days from the date of the signing of the agreement and the remaining amount shall be paid within certain days ranging from 15 to 90 days from the date of invoice after delivery of the products.

- ***Logistics.*** We are responsible for delivering our products to locations designated by our direct sales customers.

- ***Quality, inspection and acceptance.*** We shall deliver the products according to the technical parameters mutually agreed in the agreements. Our direct sales customers can require to inspect the products before shipping. We shall replace the products if the product quality does not meet the requirements listed in the agreement. The risks transfer to direct sales customers after they confirm receipt of our products.

- ***Warranty.*** We normally grant our direct sales customers a warranty period of one year. We typically do not allow our direct sales customers to return products to us. Under certain circumstances in relation to quality issues, our direct sales customers may request replacement of such defect products in written notice.

- ***Exclusive remedy.*** Exclusive remedy granted to our direct sales customers is limited to either (i) replacement of the products that do not meet the warranty or refund of the purchase price; or (ii) the compensation amount for certain claimed products not exceeding the purchase price. The direct sales customer shall raise the request to us 30 days prior to the expiry of the warranty period.

- ***Dispute resolution.*** Any dispute arising out of or relating to the agreement shall be referred to and resolved by the pre-agreed arbitration tribunal.

Distribution

We mainly use distributorship model to sell our products to a portion of overseas downstream customers. This helps us save time and costs when penetrating certain overseas sales networks, allowing us to focus our limited resources and attention on maintaining more valuable customer relationships. In 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, the revenue from our distributors amounted to RMB5.5 million, RMB51.1 million, RMB16.5 million, RMB7.6 million and RMB4.4 million, respectively, representing 3.5%, 11.7%, 1.4%, 1.8% and 1.2% of the total revenue for the same years/periods, respectively. During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with our distributors.

We select the distributors based on a number of criteria, including, among others, their regional marketing resources, knowledge and experience of sales of SiC epitaxial wafers, relationships with our target downstream customers, technical capabilities and overall financial condition. We maintain a list of qualified distributors, and manage these distributors and determine whether to continue our contractual relationships with them based on their performance.

The distributors purchase SiC epitaxial wafers from us and maintain their own inventories. To the best knowledge of our Directors, channel stuffing issue generally does not apply to us given that we do not impose minimum purchase requirement on distributors and we generally do not allow distributors to return any unsold products to us. Under certain circumstances, such as product defects caused by us, we allow distributors to replace or return unsold products. Moreover, our Directors do not believe that cannibalization risks exist among our distributors, as each of them has a different regional or downstream application area customer target. We maintain regular communication with our distributors, and periodically request our distributors to provide us with sales summary reports to acknowledge their inventories and sales targets.

During the Track Record Period, we primarily collaborated with four distributors. We stringently review our business relationship with distributors through periodic assessment. We did not terminate our business relationship with any of our major distributors during the Track Record Period. We generally maintain good business relationship with our existing distributors. To the best of our knowledge, our distributors did not resell our products to any sub-distributors during the Track Record Period.

To the best of our knowledge, all of our distributors are Independent Third Parties. The distributors are not connected to any of the Company, our subsidiary, their shareholders, directors, senior management or any of their respective associates. To our best knowledge, there is no relationship between the distributors and each of our Company, our subsidiary, our shareholders, directors or senior management or any of their respective associates other than the distribution arrangements. Our distributors place purchase orders with us when and to the extent they deem appropriate. In general, our relationships with distributors have remained stable.

The salient terms of our standard distribution agreements with distributors during the Track Record Period are set forth below:

- ***Grant of rights to sell distributed products.*** We grant to the distributor a non-exclusive right to sell certain of our products within certain region during the term of agreement and a non-exclusive right to use the patent rights and trademark in connection with the sale of such products. The distributor devotes it best efforts to market and sell such products.

- ***Duration.*** The agreement normally lasts one to three years.

- ***Price and sales.*** We sell our products to distributors at mutually agreed price levels. The distributor is entitled to set its resale price to its customers at its own discretion.

- ***Payment term.*** The distributor normally shall make the payment within certain days ranging from 15 to 90 days from the date of invoice after we deliver the products.

- ***Overdue payments.*** We have the right to charge interest at certain rate or the maximum rate allowed by applicable law, whichever is less, on all overdue amounts without prior notification to the distributor. If the payment is overdue for more than 30 days, we are entitled to terminate the agreement and require the distributor to pay the arrears and interest.

- ***Warranty.*** We warrant that the products meet the sales specifications in effect at the time of shipment.

- ***Exclusive remedy.*** Exclusive remedy granted to the distributor is limited to either (i) replacement of the products that do not meet the warranty or refund of the purchase price; or (ii) the compensation amount for certain claimed products not exceeding the purchase price. The distributor shall raise the request to us 30 days prior to the expiry of the warranty period.

- ***Termination.*** The agreement may be terminated by a notice of certain period, normally 30 days' to 90 days', in writing by us to the distributor upon occurrence of certain events.

- ***Dispute resolution.*** Any dispute, controversy, difference or claim arising out of or relating to the agreement shall be referred to and resolved by the pre-agreed arbitration tribunal.

Marketing and Branding

We market our SiC epitaxial wafers through our internal sales and marketing department, which is responsible for identifying suitable potential markets and customers. We acquire direct sales customers primarily by capitalizing on our robust brand reputation and substantial industry influence established through long-term and in-depth collaboration with top-tier companies across diverse application areas, together with other marketing activities such as industry exhibitions and forums, online social media, sending emails, making cold calls and paying on-site visits according to our marketing strategies. In addition, along with our sales of SiC epitaxial wafers, we provide after-sales technical support to our customers, which is indispensable to customers' use and application of our products and thus effectively benefit and support our customers' operations.

Furthermore, we will further expand our global sales and marketing network by establishing sales centers in Malaysia, Italy and Japan. See "Future Plans and [REDACTED] — [REDACTED]." We expect to benefit from our globalized sales network and branding initiatives through expanding our customer outreach and strengthening our relationship with overseas customers.

Our Customers

We mainly provide our products to customers engaging in the R&D, production and sales of semiconductor chips and other related products and their representative offices in relevant regions. Revenue contributed from our five largest customers accounted for 73.5%, 61.5%, 77.2% and 91.4% of our total revenue in 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively, while the largest customer contributed 30.9%, 21.1%, 42.0% and 52.6% of our total revenue, respectively, for the same years/period.

Our five largest customers in each year/period comprising the Track Record Period were different. Our major customers remain good relationships with us, and continuously make purchases from us with different purchase amounts in each year/period. The shuffling of our five largest customers was primarily due to, to the best knowledge of our Directors, a change in our customers' downstream demand which resulted in a shuffling of their suppliers which, according to Frost & Sullivan, is in line with the industry practice. In addition, a significant portion of our revenue was derived from our five largest customers in the corresponding years/period. Given the significant revenue contribution by our major customers, any decrease in sales from, or loss of, one or more of our major customers would harm our business, financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business and Industry — A significant portion of our revenue was derived from our major customers in each year/period comprising the Track Record Period. Any decrease in sales from, or loss of major customers would have negative impacts on our results of operations." Frost & Sullivan has advised us that it is in line with the industry practice that a small number of customers contribute to a large portion of revenue, as downstream customers tend to make mass procurement from the same suppliers to maintain consistent standards and specifications of their products. To cope with such issue, we intend to deepen customer relationships by focusing on customer needs and enhancing customer stickiness. We also aim to acquire new customers domestically and internationally to further expand our customer base. See "— Our Strategies — Deepen customer relationships and expand cooperation ecosystem."

The following tables set out the details of our five largest customers in each year/period based on their revenue contribution during the Track Record Period:

For the year ended December 31, 2021

Ranking	Customer	Principal business	Products sold/Services provided	Years of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer A	A private company incorporated in Shanghai in 2017, mainly engaged in R&D and production of semiconductor chips	6-inch epitaxial wafer	1 year	30 days	Bank transfer	47,815	30.9
2	Customer B*	A private company incorporated in Shanghai in 2018, specializing in the R&D, manufacture and sales of SiC devices	6-inch epitaxial wafer	1 year	30 days	Bank transfer	28,385	18.4
3	Customer C	A private company incorporated in Anhui in 2018, focusing on the R&D and manufacturing of SiC power semiconductor products	6-inch epitaxial wafer	Within 1 year	30 days	Bill and bank transfer	22,879	14.8
4	Customer D	A private company headquartered in Guangdong in 1987, a global leading information and communication technology solution provider	6-inch epitaxial wafer	Within 1 year	90 days	Bank transfer	10,226	6.6
5	Customer E	A private company incorporated in Hunan in 2019, focusing on the R&D and industrialization of power semiconductor technology	4-inch epitaxial wafer	1 year	90 days	Bill and bank transfer	4,349	2.8
	Total						**113,654**	**73.5**

* During the Track Record Period, Customer B was also one of our top five suppliers in 2021 and 2022, being Supplier E. See "— Overlapping of Customers and Suppliers."

For the year ended December 31, 2022

Ranking	Customer	Principal business	Products sold/Services provided	Years of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer F	A private company incorporated in Hunan in 2019, focusing on the R&D and manufacturing of SiC power semiconductor devices	6-inch epitaxial wafer	2 years	30 days	Bank transfer	92,139	21.1
2	Customer G	A private company incorporated in Shanghai in 2017, focusing on developing SiC power and SiC power module products, and providing one-stop chip solutions in relation to SiC power semiconductor applications	6-inch epitaxial wafer	1 year	30 days	Bill and bank transfer	79,721	18.2
3	Customer H	A company located in South Korea, mainly engaged in the manufacture of semiconductors and other electronic components	6-inch epitaxial wafer	2 years	30 days	Bank transfer	45,854	10.5
4	Customer A	A private company incorporated in Shanghai in 2017, mainly engaged in R&D and production of semiconductor chips	6-inch epitaxial wafer	2 years	30 days	Bank transfer	28,243	6.5
5	Customer I	A public one-stop chip system outsourcing solution provider incorporated in Zhejiang in 2018, listed on the Shanghai Stock Exchange, focusing on the fields of power semiconductors, sensing signal chains, and connections	6-inch epitaxial wafer	Within 1 year	30 days	Bank transfer	22,587	5.2
	Total						**268,544**	**61.5**

For the year ended December 31, 2023

Ranking	Customer	Principal business	Products sold/Services provided	Years of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer J	A private company incorporated in South Korea in 1998, mainly engaged in the manufacture of diodes, transistors and similar semiconductor devices	6-inch epitaxial wafer	1 year	30/60 days	Bank transfer	491,791	42.0
2	Customer K	A private company incorporated in Guangdong in 2003, mainly engaged in manufacture of integrated circuit chips	6-inch epitaxial wafer	1 year	30 days	Bill and bank transfer	125,738	10.7
3	Customer G	A private company incorporated in Shanghai in 2017, focusing on developing SiC power and SiC power module products, and providing one-stop chip solutions in relation to SiC power semiconductor applications	6-inch epitaxial wafer	2 years	30 days	Bill and bank transfer	119,232	10.2
4	Customer A	A private company incorporated in Shanghai in 2017, mainly engaged in R&D and production of semiconductor chips	6-inch epitaxial wafer	3 years	30 days	Bill and bank transfer	88,906	7.6
5	Customer F	A private company incorporated in Hunan in 2019, focusing on the R&D and manufacturing of SiC power semiconductor devices	6-inch epitaxial wafer	3 years	30/60 days	Bank transfer	78,456	6.7
	Total						**904,123**	**77.2**

For the six months ended June 30, 2024

Ranking	Customer	Principal business	Products sold/Services provided	Years of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer L	A public high-tech company incorporated in Zhejiang in 1997, listed on the Shanghai Stock Exchange, specializing in the design, production, and sales of integrated circuits and semiconductor microelectronics related products	6-inch epitaxial wafer	1 year	30 days	Bill and bank transfer	189,943	52.6
2	Customer A	A private company incorporated in Shanghai in 2017, mainly engaged in R&D and production of semiconductor chips	6-inch epitaxial wafer	4 years	30 days	Bill and bank transfer	44,845	12.4
3	Customer M	A private company incorporated in Guangdong in 2021, mainly engaged in the R&D and manufacture of SiC chips	6-inch epitaxial wafer	2 years	30/60/90 days	Bank transfer	37,238	10.3
4	Customer J	A private company incorporated in South Korea in 1998, mainly engaged in the manufacture of diodes, transistors and similar semiconductor devices	6-inch epitaxial wafer	2 years	30/60 days	Bank transfer	35,968	10.0
5	Customer N	A private company incorporated in Guangdong in 2022, integrating R&D, production and manufacturing, and sales of chips	6-inch epitaxial wafer	Within 1 year	15/30 days	Bank transfer	22,179	6.1
	Total						**330,173**	**91.4**

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year/period during the Track Record Period were Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers in each year as of the Latest Practicable Date.

During the Track Record Period, we did not have any material disputes with, nor did we receive any material complaints from, our customers.

Third-party Payment Arrangements

During the Track Record Period, certain of our customers (the "**Relevant Customer(s)**") settled their payments with us through third-party payors (the "**Third-party Payment Arrangement(s)**"). In 2021, 2022 and 2023 and for the six months ended June 30, 2024, the sum of third-party payments amounted to RMB0.7 million, RMB3.1 million, RMB18.3 million and RMB3.6 million, respectively, representing approximately 0.5%, 0.7%, 1.6% and 1.0% of our total revenue for the corresponding period, respectively. There were 1, 3, 3 and 2 Relevant Customers in 2021, 2022 and 2023 and for the six months ended June 30, 2024, respectively, involving in Third-Party Payment Arrangements.

During the Track Record Period and up to the Latest Practicable Date, we have not proactively initiated any Third-Party Payment Arrangements. To the best knowledge of our Directors, during the Track Record Period, each of the Relevant Customers and the relevant third-party payor were entities belonging to the same group and Third-Party Payment Arrangement was utilized by them due to their group's internal arrangement. Given that the sum of third-party payments involved during the Track Record Period represented only an insignificant portion of our revenue, we consider that the Third-party Payment Arrangements did not have, nor will have, any material adverse effect on the liquidity, business operation and financial performance of our Group.

As advised by our PRC Legal Advisors, the Third-party Payment Arrangements are not in breach of applicable mandatory requirements of PRC laws and regulations. Moreover, as confirmed by the Company,

(i) the Third-party Payment Arrangements were not arrangements to circumvent applicable tax laws and regulations or other applicable laws and regulations in the PRC. All the customer payments previously received under the Third-party Payment Arrangements were duly booked according to the accounting procedures and policies. The Company has fully paid all taxes with respect to the payments received under the Third-party Payment Arrangements according to applicable PRC tax laws and regulations;

(ii) there were no instances of commercial bribery, money laundering, tax evasion, or existing or potential disputes with our Group related to the Third-Party Payment Arrangements;

(iii) according to the tax compliance confirmations issued by the relevant tax authorities, the Group had not been identified for violating any applicable tax laws as a result of the Third-party Payment Arrangements during the Track Record Period;

(iv) according to Frost & Sullivan, it is not an uncommon commercial practice for customers in the semiconductor industry in China to settle their payments through third-party payors with their suppliers for convenience and flexibility; and

(v) the Group had not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangements as of the Latest Practicable Date.

We are subject to various risks in relation to the Third-party Payment Arrangements. For details, see "Risk Factors — Risks relating to Our Business and Industry — We are subject to various risks relating to Third-party Payment Arrangement." We have adopted internal control measures to mitigate related risks and detect future occurrences of the Third-party Payment Arrangement, including the adoption of the Sales Management Policy, pursuant to which our sales personnels shall regularly reconcile the sales records with our customers and obtain written confirmation from them on the reconciliation statements; also our accounting staff shall examine whether the contracting party, the payment party and the addressee of the invoice are consistent during payment confirmation, and shall notify our sales department and our legal advisers in case any inconsistency is found, where our sales department shall take actions based on the advice of our legal advisers. If any Third-party Payment Arrangement is detected, we will liaise with the relevant customer and payor to understand the reason for such arrangement and check against our internal record to ensure the payment is supported by an actual underlying transaction. We will seek advice from our legal advisors, and in general we will not accept such payment unless the payor and the customer are entities belonging to the same group or the customer has specific justifications which is beyond our control. We will ensure that the payment received through Third-party Payment Arrangement remain an insignificant portion of our revenue.

PROCUREMENT AND SUPPLY

Raw Materials and Procurement

We procure from suppliers a variety of raw materials necessary for the manufacturing of our SiC epitaxial wafers, including conductive SiC substrates and other accessory materials such as graphite components, chemicals, packaging materials and special gases. We primarily adopt a production volume-based procurement model, and reserve raw materials as appropriate. We have an internal procurement department responsible for the procurement of raw materials, which formulates procurement plans annually based on the next year's sales plan and actual material needs.

We establish the *Procurement Management Policy* and *Procurement Control Procedure* to standardize and manage the procurement process. Our procurement department arranges procurement based on the procurement plans and internal procurement requests, enters into procurement agreements and places purchase orders, tracks the execution process of the procurement agreements, and ensures timely delivery of the purchased materials. After preliminary verifying the materials upon arrival, we inspect the materials in accordance with our *Product Inspection Control Procedure*.

Our Suppliers

Supplier Management

We primarily purchase raw materials from raw material production companies. Occasionally, we also purchase semiconductor devices, equipment and machinery from equipment supply companies. In order to maintain the quality of the raw materials and the stability of our supply chain, we have established a supplier management and accreditation policy to select the most suitable raw material suppliers according to our procurement plans. Our procurement department organizes other relevant departments to jointly evaluate supplier candidates, and maintain a list of qualified, experienced and reputable suppliers to ensure the quality of our products. We assess and evaluate the supplier candidates annually based on their raw material quality, production capacity, delivery capability, price level, service quality, and credentials and reputation, and give preference to the raw material suppliers who have obtained ISO9001 quality management certifications and ISO14001 or QC0800000 environmental certifications. Additionally, in our commitment to meet the IATF16949 standards and safety management requirements for automotive grade materials, we consistently oversee the advancement of our suppliers' quality management systems.

We implement stringent supplier management protocols. Prospective suppliers undergo a comprehensive evaluation before they are admitted to our list of qualified suppliers. Initially, prospective suppliers shall provide their credentials, after which we carry out an on-site audit. If the audit is passed, we then obtain samples for further detailed inspection. Only when these samples satisfy our stringent inspection standards, we formalize a cooperative relationship with the supplier.

In addition to vetting new suppliers, we conduct quality system and quality process audits on existing suppliers, and inspect on their hazardous substance process management system. We conduct such on-site inspections on our SiC substrate suppliers on an annual basis, and on our other suppliers once every three years. We require suppliers to promptly address any issues discovered during such audits and inspections, and those who fail to meet our standards to implement rectification measures. If a supplier does not take rectification measures in a timely manner, we will remove it from our qualified supplier list.

We mainly deliver purchase orders for individual purchases of certain components and parts in the ordinary and usual course of our business in support of our production. We also enter into long-term framework supply agreements with our suppliers for the purchases of substrates and gases, the salient terms of which are set out below:

- ***Duration.*** The duration of the framework supply agreement typically spans a period of either one or three years.

- ***Order.*** We place separate purchase orders for the products under the framework agreement. The purchase orders expressly state the number and quality of the products, the delivery timeline, acceptance criteria and other detailed terms.

- ***Delivery.*** The suppliers are typically responsible for the delivery of products to our designated location. We bear the risks after we complete inspection and confirm receipt of the products.

- ***Payment.*** We are generally granted by our suppliers a credit term of 30 days for the purchase of substrates and 15 days for the purchase of gases, respectively, following the receipt of the invoice.

- ***Inspection and warranty period.*** We normally conduct inspection on the products within certain days upon delivery. If we find the products do not meet the specified standards upon our inspection or during our use, we have the right to raise a written objection. For the substrates, the warrant period is normally three years.

- ***Termination.*** We are entitled to terminate the agreement, in part or as a whole, or the purchase order for the purchase of substrates when (i) the supplier delays the delivery for more than 30 days; (ii) the products have serious quality issues but the supplier cannot replace the products or fix the issues within 30 days; or (iii) the same serious quality issue occurs more than twice.

- ***Dispute resolution.*** In the event of any dispute related to the enforcement of any agreement during the agreement term, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

Major Suppliers

In 2021, 2022, 2023 and for the six months ended June 30, 2024, purchases from our five largest suppliers amounted to RMB116.7 million, RMB236.7 million, RMB937.6 million and RMB400.9 million, respectively, accounting for 89.7%, 84.5%, 88.7% and 92.4% of our total purchases in the same years/period. For the same years/period, purchases attributable to our largest supplier amounted to RMB71.4 million, RMB149.7 million, RMB363.7 million and RMB240.0 million, respectively, accounting for 54.9%, 53.4%, 34.4% and 55.3% of our total purchases.

During the Track Record Period, we primarily procured raw materials from our top five suppliers and may be susceptible to concentration risk. See "Risk Factors — Risks Relating to our Business and Industry — Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business relationship with us." According to Frost & Sullivan, procuring raw materials from a limited number of suppliers in the semiconductor industry is common, as companies can achieve economies of scale and competitive prices benefiting from the established long-term relationship and quality raw materials and services from familiar raw material suppliers, thereby improving operational efficiency. We have maintained multiple suppliers to avoid overreliance on any of the existing suppliers. Besides, Frost & Sullivan has advised us that there are sufficient suppliers who are able to provide products and services of similar quality in the market, which helps reduce the potential supplier concentration risks. In the event of a termination of relationship with our major suppliers, we believe we are able to find alternative suppliers in a timely and efficient manner, and such replacement will not have a material adverse effect on our business operations.

The following table sets forth the details of our five largest suppliers in each year/period during the Track Record Period based on purchases from them:

For the year ended December 31, 2021

Ranking	Supplier	Principal business	Products purchased	Years of business relationship with us	Credit terms	Payment method	Purchase amount *(RMB'000)*	Percentage of total purchase *(%)*
1	Supplier A	A manufacturer of optical materials and semiconductors incorporated in the U.S. in 1971, listed on the New York Stock Exchange	SiC substrates	3 years	30 days	Bank transfer	71,365	54.9
2	Supplier B	A private company incorporated in 2006 and headquartered in Beijing, mainly engaged in the R&D, production, and sales of third-generation semiconductor SiC substrates and related products	SiC substrates	3 years	30 days	Bank transfer	20,357	15.6
3	Supplier C	A private company incorporated in Guangdong in 1996, mainly engaged in distribution services in relation to semiconductor raw materials	SiC substrates	1 year	30 days	Bank transfer	17,218	13.2
4	Supplier D	A private company incorporated in Guangdong in 2017, mainly focusing on the R&D, production, and sales of SiC-coated graphite components for semiconductor equipment, and providing related SiC coating services	Spare parts	1 year	30 days	Bank transfer	4,273	3.3
5	Supplier E*	A private company incorporated in Shanghai in 2018, specializing in the R&D, manufacture and sales of SiC devices	Wafers and semiconductor devices	1 year	30 days	Bank transfer	3,508	2.7
	Total						**116,721**	**89.7**

* During the Track Record Period, Supplier E was also one of our top five customers in 2021, being Customer B. See "— Overlapping of Customers and Suppliers."

For the year ended December 31, 2022

Ranking	Supplier	Principal business	Products purchased	Years of business relationship with us	Credit terms	Payment method	Purchase amount *(RMB'000)*	Percentage of total purchase *(%)*
1	Supplier A	A manufacturer of optical materials and semiconductors incorporated in the U.S. in 1971, listed on the New York Stock Exchange	SiC substrates	4 years	30 days	Bank transfer	149,666	53.4
2	Supplier B	A private company incorporated in 2006 and headquartered in Beijing, mainly engaged in the R&D, production, and sales of third-generation semiconductor SiC substrates and related products	SiC substrates	4 years	30 days	Bank transfer	34,866	12.4
3	Supplier F	A public company incorporated in Zhejiang in 2008, listed on the Shanghai Stock Exchange, mainly focusing on the R&D, production, and sales of ultrafine alloy wires, metal matrix composites, and other new materials	SiC substrates	1 year	30 days	Bank transfer	20,520	7.3
4	Supplier E	A private company incorporated in Shanghai in 2018, specializing in the R&D, manufacture and sales of SiC devices	Wafers and SiC devices	2 years	30 days	Bank transfer	16,907	6.0
5	Supplier D	A private company incorporated in Guangdong in 2017, mainly focusing on the R&D, production, and sales of SiC-coated graphite components for semiconductor equipment, and providing related SiC coating services	SiC substrates	2 years	30 days	Bank transfer	14,736	5.3
	Total						**236,695**	**84.5**

For the year ended December 31, 2023

Ranking	Supplier	Principal business	Products purchased	Years of business relationship with us	Credit terms	Payment method	Purchase amount *(RMB'000)*	Percentage of total purchase *(%)*
1	Supplier A	A manufacturer of optical materials and semiconductors incorporated in the U.S. in 1971, listed on the New York Stock Exchange	SiC substrates	5 years	30 days	Bank transfer	363,710	34.4
2	Supplier B	A private company incorporated in 2006 and headquartered in Beijing, mainly engaged in the R&D, production, and sales of third-generation semiconductor SiC substrates and related products	SiC substrates	5 years	30 days	Bank transfer	316,147	29.9
3	Supplier F	A public company incorporated in Zhejiang in 2008, listed on the Shanghai Stock Exchange, mainly focusing on the R&D, production, and sales of ultrafine alloy wires, metal matrix composites, and other new materials	SiC substrates	2 years	30 days	Bank transfer	156,407	14.8
4	Supplier G	A private company incorporated in Shanxi in 2018, specializing in the R&D and production of SiC materials	SiC substrates	2 years	30 days	Bank transfer	59,709	5.7
5	Supplier D	A private company incorporated in Guangdong in 2017, mainly focusing on the R&D, production, and sales of SiC-coated graphite components for semiconductor equipment, and providing related SiC coating services	Spare parts	3 years	30 days	Bank transfer	41,666	3.9
	Total						**937,638**	**88.7**

For the six months ended June 30, 2024

Ranking	Supplier	Principal business	Products purchased	Years of business relationship with us	Credit terms	Payment method	Purchase amount *(RMB'000)*	Percentage of total purchase *(%)*
1	Supplier A	A manufacturer of optical materials and semiconductors incorporated in the U.S. in 1971, listed on the New York Stock Exchange	SiC substrates	6 years	30 days	Bank transfer	240,004	55.3
2	Supplier H	A public company incorporated in Shandong in 2010, listed on the Shanghai Stock Exchange, mainly engaged in the R&D, production and sales of SiC substrates	SiC substrates	4 years	30 days	Bank transfer and bank acceptance bill	103,612	23.9
3	Supplier B	A private company incorporated in 2006 and headquartered in Beijing, mainly engaged in the R&D, production, and sales of third-generation semiconductor SiC substrates and related products	SiC substrates	6 years	30 days	Bank transfer and bank acceptance bill	39,006	9.0
4	Supplier F	A public company incorporated in Zhejiang in 2008, listed on the Shanghai Stock Exchange, mainly focusing on the R&D, production, and sales of ultrafine alloy wires, metal matrix composites, and other new materials	SiC substrates	3 years	30 days	Bank transfer	13,641	3.1
5	Supplier I	A private gas supplier incorporated in Shanghai in 2004	Gas	6 years	30 days	Bank transfer	4,607	1.1
	Total						**400,870**	**92.4**

In 2023, one of our top five suppliers compensated us with RMB21.6 million due to its failure to deliver our orders timely. See "Financial Information — Description of Major Components of Our Results of Operations — Other Net Income." Save for this, during the Track Record Period and up to the Latest Practicable Date, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or delay in delivery of our orders from our suppliers.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each year during the Track Record Period were Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year as of the Latest Practicable Date.

During the Track Record Period, we did not have any material disputes with our suppliers.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, we had customers who were also our suppliers. These overlapping customers and suppliers primarily (i) provided to us semiconductor devices for our device inspection service or subsequent sales through our subsidiary, Southern Semiconductor; and (ii) provided to us SiC substrates for our SiC epitaxial foundry service. In 2021, 2022 and 2023 and for the six months ended June 30, 2024, we had 12, 13, nine and nine overlapping customers and suppliers, respectively. The total revenue we generated from these overlapping customers and suppliers amounted to RMB50.3 million, RMB211.1 million, RMB196.3 million and RMB11.7 million in each year/period comprising the Track Record Period, respectively, and the purchases from these overlapping customers and suppliers amounted to RMB5.6 million, RMB32.1 million, RMB163.1 million and RMB17.5 million in the corresponding years/period, respectively.

Customer B/Supplier E was one of our top five customers in 2021 and one of our top five suppliers in 2021 and 2022. In 2021, 2022 and 2023 and for the six months ended June 30, 2024, the revenue we generated from Customer B amounted to RMB28.4 million, RMB10.8 million, RMB36.5 million and RMB2.9 million, respectively, and the purchases from Supplier E amounted to RMB3.5 million, RMB16.9 million, RMB0.1 million and RMB0.1 million in the same years/period, respectively.

Our Directors have confirmed that none of our sales to and purchases from our overlapping customers and suppliers during the Track Record Period was inter-conditional, inter-related or otherwise considered as one transaction. We negotiate the transactions with our overlapping customers and suppliers on an arm's-length basis with reasonable and fair pricing terms.

QUALITY CONTROL

Quality control and assurance are crucial to us, and we endeavor to ensure the quality of our operations through a comprehensive quality management system, which was formulated in accordance with the IATF16949 standard in China, covering every aspect of our operations including product R&D, procurement, production, among other things.

We have established a comprehensive set of quality control and assurance procedures to monitor our operations to ensure compliance with relevant regulatory requirements and our internal quality requirements. For example, we select our suppliers based on a strict set of criteria to make sure our requirements are being consistently met. See "— Procurement and Supply — Our Suppliers — Supplier Management." In addition, we conduct inspection on delivered products in accordance with our quality management standards. We warrant that our products meet the sales specifications in effect at the time of shipment to customers. See "Business — Sales and Marketing — Our Sales Channels."

For our efforts in providing quality products and services to customers, as well as our complaint management process, see "— Environmental, Social and Governance Matters — Product Quality and Safety" and "— Environmental, Social and Governance Matters — Customer Satisfaction."

INVENTORY MANAGEMENT

Our inventories consist of raw materials, semi-finished products and work in progress and finished goods. See "Financial Information — Discussion of Certain Items of Statements of Financial Position — Inventories." In order to maintain our competitiveness, adapt our products to evolving demand trends and to avoid our inventories becoming obsolete, we have taken measures to optimize our inventory level, including adjusting the inventory level based on the planned production capacity and anticipated downstream demand of products, monitoring the inventory level monthly and minimizing inventory backlogs in the process of inventory management. When an inventory backlog occurs, we analyze the reasons behind it, determine if the batch of products meet the needs of alternative customers based on the products' specifications, and arrange second sale of the same batch of products if it so meets other customers' needs. We have also established long-term cooperative relationships with qualified suppliers to ensure a stable supply of raw materials, thereby avoiding inventory backlogs caused by material shortages. We have also formulated internal *Material Coding Management Guidelines* for our inventories to ensure the consistent management of numbering, preventing duplication of material numbers. Moreover, we periodically monitor the market prices of raw materials and align procurement of raw materials with our production schedules in view of any decrease in market prices of products or raw materials to avoid overstocking. In addition, we have established internal submission and approval procedures to optimize the logistics of our inventory management and standard of purchase orders of our SiC epitaxial wafers. We standardize our inventory management through our logistics system across our warehouse. Each of the inventories is given an unique identification code at the time of storage. This way, we are able to keep track of all inventories at all stages. We maintain a sufficient level of inventories as a result of our effective inventory management.

We conduct monthly spot checks on our raw materials to ensure smooth operation within the warehouse. We perform on-site inventory stock-take and inspection semi-annually, and prepare inventory inspection reports, according to which we deal with obsolete and slow-moving inventories in a timely manner. Our finance department takes the lead in such inventory stock-take and inspection, and report to senior management the inspection results and shortfalls. Our Directors confirm that our inventory control system and policies have been effective and we did not experience any material shortage in supply during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

We regard our patents, trademarks, know-how and other intellectual property rights as critical to our competitiveness and success. As of the Latest Practicable Date, we had 76 patents, five copyrights, and nine trademarks registered in the PRC. We are also in the process of applying for 45 patents in the PRC. See "Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights" in Appendix VIII for more information.

The following table sets forth the details of our key invention patents which are crucial to our business operations. These key invention patents are primarily related to epitaxial growth technologies, and will expire after 20 years since the application date.

Patent Name	Application Date	Authorization Date
An epitaxial method for reducing stacking fault defects in epitaxial wafers (一種降低外延片堆垛層錯缺陷的外延方法及其應用)	May 22, 2020	March 29, 2022
A preparation method of gradient PN junction material (一種漸變式PN結材料的製備方法)	June 4, 2020	March 29, 2022
A method for suppressing Crown defects on epitaxial edges (一種抑制外延邊緣Crown缺陷的方法)	July 8, 2021	October 21, 2022
A rapid method for removing deposits on the backside of SiC epitaxial wafers during the epitaxial process (一種快速去除碳化硅外延過程中晶片背面沉積物的方法)	August 25, 2021	June 28, 2022
A preparation method of composite coating on sample holder for SiC epitaxial wafer growth (一種碳化硅外延晶片生長用樣品托上的複合塗層製備方法)	September 22, 2021	December 20, 2022
A method for reducing the curvature of semiconductor epitaxial wafers (一種降低半導體外延片翹曲度的方法)	June 24, 2022	January 2, 2024
A method for growing low warpage semiconductor substrate chips (一種生長低翹曲半導體襯底晶片的方法)	June 24, 2022	January 2, 2024

We have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish management over our intellectual property rights, (ii) timely registration, filing and application for ownership of our intellectual properties, (iii) 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 (iv) engaging professional intellectual property service providers.

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in or threatened with any claim for material infringement of any intellectual property rights, whether as a claimant or as a defendant. However, our protective measures may not provide sufficient protection of our intellectual property rights. Our intellectual properties may be misused by business partners or other third parties. Despite any measures taken to protect our intellectual properties, unauthorized parties may attempt to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to adequately protect our intellectual properties. See "Risk Factors — Risks Relating to Our Business and Industry — Our business depends on our ability to protect our intellectual property rights."

DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

In the course of our business, we collect and process data primarily related to the transactions with our enterprise customers. See "Risk Factors — Risks Relating to Our Business and Industry — Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer."

We pay close attention to risk management relating to our IT system, as storage and protection of corporate data and related information is critical to us. To ensure data security, we have adopted rigorous encrypted algorithm to store sensitive data and strictly execute a data accessing and transmitting policy to ensure the confidentiality of our data. We have also developed strict internal control and data accessing mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, stringent requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols provide limited authorization to our employees holding specific positions at specific levels to access and process corporate data on a need-to-know basis, who shall use such data only for the purposes of performing their work assignment.

We provide data privacy trainings to employees on a periodic basis to increase their compliance awareness. In addition, employees are required to sign a confidentiality agreement with us, which prohibits them from disclosing any confidential information relating to their work without our consent. We have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. We also conduct data restoration tests to examine the status of the backup system on a regular basis.

In addition, we have established a remote disaster recovery system for our server by setting up multiple storage for the same information and data of long time dimension on the cloud, local and remote locations. Even if the server is damaged due to the highest level of disasters such as earthquakes, mudslides and other irresistible natural disasters, we believe that it can safeguard and guarantee that the service and data can be completely restored within 24 hours.

Our PRC Legal Advisors are of the view that we have been in compliance with the relevant PRC laws, rules and regulations relating to cybersecurity and data protection in all material aspects during the Track Record Period and up to the Latest Practicable Date on the basis that (i) we do not collect or process personal data as we do not conduct business directly with individuals, (ii) we have implemented comprehensive cybersecurity and data protection policies, procedures, and measures to ensure secured storage and transmission of data, prevent unauthorized access or use of data and respond to network security incidents, (iii) we have not been subject to any material fines or administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities for violation of cybersecurity and data protection laws, rules and regulations, (iv) there have been no material cybersecurity and data protection incidents or infringement upon the rights of any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of our Directors, threatened against or relating to us, and (v) we have not experienced any material leakage of data, any breach of confidential business data or violation of cybersecurity and data protection and privacy laws, rules and regulations which will have a material adverse impact on our business operations.

AWARDS AND RECOGNITION

During the Track Record Period, we received awards and recognitions in respect of our Group, products and technologies, the details of which are set forth below:

Award year	Project/Product Name	Award/Recognition	Awarding Institution/ Authority
2024	—	Dongguan's Leading Enterprise in High-Quality Development (東莞市高質量發展領軍企業)	Dongguan People's Government
2024	Key Technology Research and Industrialization of 6-inch N-type 4H-SiC Epitaxial Materials (6英吋N型4H-SiC外延材料關鍵技術研究及產業化)	First Prize of the Science and Technology Progress Award in the Guangdong Province Electronic Information Science and Technology Award in 2023 (2023年度廣東省電子信息科學技術獎之科技進步獎一等獎)	Guangdong Institute of Electronics (廣東省電子學會)

Award year	Project/Product Name	Award/Recognition	Awarding Institution/ Authority
2023	—	National Essential "Little Giant" Enterprise (國家重點"小巨人")	Ministry of Industry and Information Technology (工業和信息化部)
2023	—	Guangdong Province Enterprise Technology Center (廣東省企業技術中心)	Department of Industry and Information Technology of Guangdong Province (廣東省工業和信息化廳)
2023	6-inch 6,500V SiC Epitaxial Wafers, 6-inch 2,000V SiC Epitaxial Wafers, and 6-inch 1,700V SiC Epitaxial Wafers (6英吋6,500V級SiC外延芯片、6英吋2,000V級SiC外延芯片、6英吋1,700V級SiC外延芯片)	Guangdong Province Excellent High-tech Products in 2022 (2022年度廣東省名優高新技術產品)	Guangdong Hi-tech Enterprise Association (廣東省高新技術企業協會)
2022	Key Technology Research and Industrialization of 6-inch N-type 4H-SiC Epitaxial Materials (6英吋N型4H-SiC外延材料關鍵技術研究及產業化)	First Prize of Science and Technology Award of Guangdong High-tech Enterprise Association in 2022 (2022年廣東省高新技術企業協會科學技術一等獎)	Guangdong Hi-tech Enterprise Association (廣東省高新技術企業協會)
2022	6-inch 650V SiC Epitaxial Wafers (6英吋650V級SiC外延芯片)	Guangdong Province Excellent High-tech Products in 2021 (2021年廣東省名優高新技術產品)	Guangdong Province Hi-tech Enterprise Association (廣東省高新技術企業協會)

Award year	Project/Product Name	Award/Recognition	Awarding Institution/ Authority
2021	6-inch 3,300V SiC Epitaxial Wafers, and 6-inch 1,200V SiC Epitaxial Wafers (6英吋3,300V級SiC外延芯片、6英吋1,200V級SiC外延芯片)	Guangdong Province Excellent High-tech Products in 2020 (2020年廣東省名優高新技術產品)	Guangdong Province Hi-tech Enterprise Association (廣東省高新技術企業協會)

COMPETITION

The competition of China's SiC epitaxial wafer market is highly concentrated, with the top five players accounting for 85.0% of the total market in terms of revenue generated in China in 2023. To stand out from the top market players, we face intense competition in respect of the quality of our products, our ability to meet our customers' demands, supply chain and sales channels, pricing, and our experience and reputation. We believe that there are high barriers for our competitors to enter into the SiC epitaxial wafer market, which include, among other things, sufficient industry know-how, adequate resources, advancement in technology, solid sales and supply channels. 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, which are highlighted in the paragraph headed "— Our Competitive Strengths" in this section.

EMPLOYEES

As of June 30, 2024, we had a total of 811 full-time employees, sustantially all of whom were based in China. The following table sets forth a breakdown of our employees categorized by function as of June 30, 2024.

Function	Number	Percentage (%)
Production and quality control	500	61.7
R&D	95	11.7
Business operations	137	16.9
Sales and marketing	15	1.8
Financial, administrative and supporting	55	6.8
Senior management	9	1.1
	811	**100.0**

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. We typically enter into confidentiality agreements with all of our employees and non-competition agreements with our key employees, including R&D and production and manufacturing members and the head of each department. Our employees are reviewed monthly 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 business and operating team.

We have adopted a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online recruitment channels and third-party employment websites. 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 multiple-incentive mechanism and a friendly working environment to fulfil our employees' full potential.

We have established a labor union for our employees to continuously provide services in protecting their rights and benefits. We believe that we generally maintain good working relationship with our employees. For details of our management and protective measures on our employees, see "— Environmental, Social and Governance Matters — Employment Management" and "— Environmental, Social and Governance Matters — Occupational Health and Safety." During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disputes with our employees.

INSURANCE

During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. In addition, we plan to purchase property insurance and employer's liability insurance to cover generic risks that may arise from our ordinary course of business. During the Track Record Period, we had not been the subject of any product liability claims. Our Directors consider our insurance policy as a whole is in line with the general market practice and complies with the relevant rules and regulation in China. See "Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our potential liability or losses." As of the Latest Practicable Date, we had not experienced any business interruptions that had a material adverse effect on our business.

LAND AND PROPERTIES

We are headquartered in Dongguan, China. As of the Latest Practicable Date, we possessed land use rights on two parcels of land with an aggregate GFA of approximately 76,417 sq.m in the PRC, and owned one construction-in-progress with an expected GFA of approximately 223,000 sq.m in the PRC. As of the same date, we did not own any property in the PRC, and leased three properties in the PRC with an aggregate GFA of approximately 26,770 sq.m.. These properties were used primarily as premises of office spaces, production and R&D bases. Our lease agreements in respect of the abovementioned leased properties generally have lease terms ranging from four to ten years. According to our PRC Legal Advisors, we have obtained all material licenses, permits and certificates with respect to land and properties as required by relevant PRC laws and regulations.

LICENSES, PERMITS AND CERTIFICATES

As of the Latest Practicable Date, as advised by our PRC Legal Advisors, we had obtained all material licenses and permits required for our business operations in the PRC, and such licenses and permits had remained in full effect. Our PRC Legal Advisors have advised us that there was no material legal impediment to renewing our material licenses and permits as of the Latest Practicable Date.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We work with all stakeholders to create a healthy and stable ecosystem, actively fulfill our corporate social responsibility, and are committed to giving back to society and promoting sustainable development while providing quality products and services. Adhering to the concept of environmental safety and compliance with environmental safety regulations, and with the goal of ensuring safe production, implementing energy saving and consumption reduction, preventing pollution and driving continuous improvement, we have adopted environmental, social and governance ("**ESG**") policies, analyzed and disclosed important ESG issues in accordance with the provisions contained in the Listing Rules. We have identified ESG issues highly related to our sustainable development, including pollutant management, energy consumption, response to climate change, product responsibility and occupational health and safety, and have made efforts to practice corporate social responsibility in daily operations.

ESG Governance

We have established a sound ESG governance structure, improved management hierarchy and division of labor, and formed an ESG governance system consisting of three levels: governance, management, and execution. We have established a strategy and ESG committee, which is fully responsible for overseeing ESG matters. The committee is composed of three members, namely Chairman Li Xiguang, Director Au Yeung Chung, and Director He Zhengsheng. The specific responsibilities of the committee include the followings:

- Provide guidance on and review ESG strategies and policy development, and report to the board of directors;

- Review our ESG related information disclosure to ensure the completeness and accuracy of such information;
- Research and develop our ESG governance vision, ESG strategic planning, ESG management objectives, and ESG management system and management rules;
- Ensure the establishment and implementation of appropriate and effective ESG risk management and internal monitoring systems;
- Guide and support the ESG working group; and
- Review ESG related reports disclosed to the public (after the [REDACTED]) and provide recommendations to the board of directors.

We have also established an ESG working group at the Group level, consisting of the general office, factory affairs department, sales and marketing department, and human resources department. The ESG working group is selected from our middle-level or above personnel based on their past experience and responsibilities, and appointed by the leader of the ESG working group. The responsibilities of the ESG working group include the followings:

- Keep abreast of the latest ESG related laws and regulations, including applicable provisions of Listing Rules, and notify the strategy and ESG committee of any changes;
- Based on our business operations, identify key stakeholders, understand their concerns regarding ESG matters and respond accordingly, and update ESG policies in accordance with the latest regulatory provisions;
- Ensure that the main responsible persons of each ESG related department assess and manage the risks under their functions, and regularly report to the leader of the ESG working group;
- Ensure that ESG concepts, including environmental and health safety management system requirements, are integrated into our business processes;
- Determine our ESG management policy, strategy, materiality, and objectives;
- Develop our ESG policies, evaluate their effectiveness and ensure their implementation, and regularly provide confirmation to the strategy and ESG committee on the effectiveness of policies and management measures; and
- Prepare ESG related reports for external disclosure and report to the strategy and ESG committee.

Pollutant Discharge

We have taken corresponding measures to ensure compliance with relevant laws and regulations in terms of pollutant discharge, including wastewater, exhaust gas, noise, and waste.

Wastewater

Wastewater includes production wastewater, domestic wastewater, and concentrated water of pure water equipment. The concentrated water of pure water equipment can be discharged into the municipal wastewater pipe network as municipal wastewater that has been treated to meet specific standards due to its low water pollutant index.

The production wastewater mainly includes mercury-containing wastewater, grinding and polishing wastewater and other cleaning wastewater. After being treated by the wastewater treatment equipment in our plant, a part of the production wastewater can be discharged into the pipe network for treatment and the rest can be used in the circulating area of the air conditioner in our plant. The mercury-containing wastewater is collected by our self-built wastewater treatment station, and then treated by coagulation, flocculation and sedimentation, sand filtration and carbon filtration, secondary resin, and other processes, after which it can be reused in the cooling tower if it meets the relevant standards. Grinding and polishing wastewater and other cleaning wastewater can partially be reused after reaching the relevant standards through treatment by our self-built wastewater treatment station, coagulation, flocculation and sedimentation, anaerobic, anoxic contact oxidation treatment, and the rest can be discharged into the sewage treatment plant located to the north of Songshan Lake through the municipal wastewater pipe network for treatment.

Domestic wastewater is mainly discharged into the sewage treatment plant located to the north of Songshan Lake through the municipal wastewater pipe network.

We have installed a flowmeter at the wastewater outlet for 24-hour online monitoring and engaged a third-party testing agency to collect sample and test every two months. During the Track Record Period, we did not record any unusual wastewater discharge test data. The following table sets out our relevant discharge data during the Track Record Period.

Metric		Unit	Year ended December 31, 2021	2022	2023	Six months ended June 30, 2024
Wastewater discharge	Total wastewater discharge	ton (t)	6,913	23,941	32,131	58,495
	Production wastewater discharge(1)	ton (t)	4,413	20,341	24,931	51,295
	Domestic wastewater discharge	ton (t)	2,500	3,600	7,200	7,200
	Total wastewater discharge intensity	ton (t)/revenue in millions (RMB)	45	55	27	324

We have set a target of a 5% reduction of wastewater discharge based on the figures of 2023 in the next three years.

Note:

(1) The increase in our production wastewater discharge for the six months ended June 30, 2024 was mainly due to the newly established 8-inch SiC epitaxial wafer production lines, which consumed a large amount of water.

Exhaust Gas

The exhaust gas primarily consists of organized-discharged exhaust gas and unorganized-discharged exhaust gas. The organized-discharged exhaust gas includes exhaust gas from cleaning activities, exhaust gas from polishing parts and exhaust gas from sewage treatment station.

The exhaust gas from cleaning activities is collected by the fume hood and then treated by the activated carbon absorption device. Any acid and alkali waste gas involved is treated by the alkali spray tower. The exhaust gas from polishing parts is collected by the negative pressure exhaust hood and treated by the bag filter. The exhaust gas from the sewage treatment station is partially covered and sealed for collection by the odor source, and is treated by biological washing and activated carbon adsorption treatment processes. The treated exhaust gas is discharged through a 15-meter high exhaust funnel on the roof.

We use negative pressure exhaust hood to collect the unorganized-discharged exhaust gas, reaching a 90% collection efficiency. Through the maintenance of the exhaust gas collection pipelines, the sealing of the pipeline interface has been enhanced, thereby reducing the unorganized-discharged exhaust gas emission. In addition, by improving the ventilation of the workshop, we believe the exhaust gas has little impact on the environment.

We engage a third-party agency to conduct exhaust gas testing every year on a regular basis. During the Track Record Period, we did not record any unusual exhaust gas discharge test data. The following table sets out our exhaust gas discharge data during the Track Record Period:

Metric		Unit	Year ended December 31, 2021	2022	2023	Six months ended June 30, 2024
Exhaust gas discharge	Sulfur dioxide	ton (t)	0.02	0.10	0.18	0.19
	Particulate	ton (t)	0.13	0.05	0.17	0.15
	Carbon monoxide	ton (t)	1.34	1.46	1.16	0.87
	Ammonia emissions	ton (t)	0.02	0.17	0.16	0.13
	Hydrogen chloride	ton (t)	0.03	0.21	0.28	0.28
	Volatile organic compounds (VOCs)	ton (t)	0.05	0.83	1.18	0.95
	Hydrogen fluoride	ton (t)	0.01	0.03	0.05	0.03

Waste Management

In accordance with *the Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste of the PRC* and other relevant laws and regulations, we have formulated *Regulations on the Management of Waste Disposal* to further strengthen the supervision and management of waste collection, storage, transfer, and disposal.

Our hazardous wastes mainly include waste hydrogen fluoride, mercury-containing waste, waste sludge, waste acid and alkali liquor. We have established a special hazardous waste warehouse in the plant area, where hazardous wastes are classified and stored according to the requirements of hazardous waste storage, and their actual weights are regularly recorded to the hazardous waste management ledger and filed with the national hazardous waste management platform. A qualified hazardous waste disposal company clears and transports the hazardous wastes every two days.

Non-hazardous waste include industrial solid waste, recyclable waste such as waste cartons and valuable wastes (scrap iron, scrap copper and waste wires), and other waste such as domestic and office garbage. Industrial solid waste is classified and stored by our factory affairs department in a special solid waste storage area every day according to the production situation, with clear signs and orderly placement, and strictly recorded to the ledger. The recyclable waste is stored separately in the recycling bin for recycling. When we dispose recyclable waste externally, our procurement department assigns staff to perform on-site supervision, who signs off on each weighing sheet and waste sale sheet.

The following table sets out our waste disposal data during the Track Record Period:

Metric		Unit	Year ended December 31, 2021	2022	2023	Six months ended June 30, 2024
Non-hazardous waste	Industrial waste	ton (t)	2.3	2.6	39.7	11.1
	Recyclable waste	ton (t)	—	—	—	—
	Other waste	ton (t)	20.0	28.0	33.6	25.0
	Total non-hazardous waste	ton (t)	22.3	30.6	73.3	36.1
	Non-hazardous waste intensity(1)	ton (t)/revenue in millions (RMB)	0.1	0.1	0.1	0.2
Hazardous waste	Total hazardous waste	ton (t)	38.2	108.4	489.2	276.1
	Hazardous waste density(1)	ton (t)/revenue in millions (RMB)	0.25	0.25	0.42	1.53

Note:

(1) The significant increase in our hazardous waste density (including energy consumption, water resource consumption, waste discharge, and greenhouse gas emissions) for the six months ended June 30, 2024 was due to a decrease in our production and sales volume during such period, while the energy, water resources and other resources used in office operation and maintenance of production equipment remained relatively stable as compared to historical periods.

Noise

We possess automatic power equipment (including double-sided washing machine and fan), which produce relatively large noise during our production. Given we do not maintain workforce around such equipment, we believe it does not constitute a hazardous factor of occupational diseases. Nevertheless, we have taken a series of measures to continuously reduce noise emissions, including:

- Selecting low-noise production equipment, such as low-noise exhaust fan;
- Taking measures to lower noise, such as using sound absorption and sound insulation facilities in the production workshop, setting up soundproof rooms to block noise, improving the sound absorption rate of the wall, and further reducing both indoor and outdoor noise intensity; and
- Using silencers and basic shock absorption facilities to reduce noise within reasonable decibels.

Resource Consumption

Energy Consumption

We proactively implement the *Energy Conservation Law of the PRC*, the *Decision of the State Council on Strengthening Energy Conservation*, the *Regulations of Guangdong Province on Energy Conservation,* and other relevant laws and regulations, attach great importance to the concept of green manufacturing and establishment of operational systems, actively participate in energy conservation management, and make contributions to achieve energy conservation.

The energy we consume includes electricity and diesel. Diesel is used on the backup generator in our plant.

We have developed a sound management process, including central air-conditioning power saving management, and emission machine power saving management. We make efforts to control the energy consumption in our production and operation, thereby reducing the negative impact of our production and manufacturing on the environment. While improving energy management, we actively save energy, adhere to green operation and closely monitor electricity consumption. During the Track Record Period, we have established an energy resource monitoring platform to enhance the supervision of the use of water, electricity and other resources, so that our customers can learn our consumption level of different energy and the operational status of each terminal on a real-time basis.

Multiple measures are taken to improve energy consumption efficiency, including the followings:

(i) Reducing energy consumption of chiller. By optimizing the central air-conditioning system and applying appropriate operation control, we can reduce the energy consumption of the chiller. The chiller is equipped with a waste heat recovery device to recycle the high-temperature waste heat discharged from the condenser. We perform regular equipment maintenance to ensure the proper operation of the chiller, including cleaning the condenser and evaporator, removing the dirt from the cooling tower, replacing the oil filter and lubricating oil, improving the heat exchange efficiency and equipment performance, thus reducing energy waste.

(ii) Electricity-saving management on exhaust fan. By optimizing the exhaust system and applying appropriate operation control, properly laying and designing the ventilation channels and outlets, we reduce unnecessary wind resistance and airflow diversion, improve the ventilation effect and thus further reduce energy waste.

(iii) Power saving management of air compressor. By optimizing the air compressor system and applying appropriate operation control, we can reduce the energy consumption of the air compressor. We have installed a waste heat recovery device to recycle the high temperature waste heat discharged from the compressor, which can be used on heating water or steam or other manufacturing processes to reduce energy waste.

The following table shows our energy consumption data during Track Record Period:

Metric		Unit	Year ended December 31, 2021	2022	2023	Six months ended June 30, 2024
Energy consumption	Total comprehensive energy consumption	megawatt hours (mWh)	8,362.2	12,551.6	43,532.9	33,563.6
	— Purchased electricity	megawatt hours (mWh)	8,362.2	12,551.6	43,526.7	33,557.5
	Diesel consumption(1)	litre (l)	—	—	600.0	600.0
	Comprehensive energy consumption density(2)	megawatt hours (mWh)/ revenue in millions (RMB)	54.1	28.7	37.2	185.9

Notes:

(1) The diesel consumption in 2023 and 2024 was generated from our diesel generator equipment, which was purchased in case of sudden power failure.

(2) The increase in energy consumption, water resource consumption, and greenhouse gas emission density for the six months ended June 30, 2024 was due to a decrease in our production and sales volume during such period, while the energy and water resources used in office operation and maintenance of production equipment remained relatively stable as compared to historical periods.

Water Resource Management

We continue to optimize water resource management by assigning specific personnel to take charge of daily inspection, optimizing water resource allocation, and improving water resource utilization efficiency through process transformation and process optimization. Through continuous optimization of wastewater treatment and recovery process, we recycle and reuse production process drainage, pure water system drainage, domestic water, and other water usage, achieving remarkable water-saving effect. Leveraging our water resource treatment, we have successfully reduced the consumption of fresh water by 2,000 tons of water per month, and reclaimed water by 11,000 tons per month after sedimentation treatment. We did not encounter any difficulty in obtaining water resource during the Track Record Period.

The following table shows our water resource consumption during the Track Record Period:

Metric		Unit	Year ended December 31, 2021	2022	2023	Six months ended June 30, 2024
Water consumption	Total water consumption	cubic metre (m^3)	53,448	89,147	316,149	253,052
	Water consumption intensity	ton(t)/revenue in millions (RMB)	346	204	270	1,402

We have optimized the design of water system, properly arranged and designed water supply pipelines and process ports, and improved the reuse rate of water resources through upgrading water system equipment, collecting and reusing process water, and recycling wastewater. We have used intelligent control system to achieve accurate control of purified water equipment through sensors, flow meters, liquid level switches and automatic control technology. In addition, we have also improved the use efficiency of concentrated water and workshop backwater by using efficient pure water equipment.

Response to Climate Change

We actively respond to climate change, with reference to the framework and recommendations of the Task Force On Climate-Related Financial Disclosures Working Group (TCFD) to prepare for new laws and regulations that may directly or indirectly affect operations in response to the potential impact of climate change.

Governance

We have established an overall ESG governance with the determination of tackling climate change, clarifying the main responsibilities of the decision-making, management, and executive levels, and promoting the inclusion of ESG matters into our daily business decisions. For detailed information of governance, see "— Environmental, Social and Governance Matters — ESG Governance" in this section.

Risk Management

We have formulated *Emergency Preparedness and Response Control Procedures* for accidents/disasters and other emergencies to effectively prepare for and respond to emergencies and minimize the possible consequences of accidents when accidents or emergencies occur. We identify our potential risks and accidents, including fire, explosion, typhoon, rainstorm, and earthquake. We formulate relevant emergency plans according to the actual potential emergency situations, specify the responsibilities of each department, contact numbers and handling methods, and organize emergency drills at least once a year to train employees and relevant parties for emergency preparation and response arrangements.

Metrics and Targets

The metrics we have identified include greenhouse gas ("**GHG**") emission scope 1, which consists of GHG emissions of diesel generator, and GHG emission scope 2, which consists of GHG emissions from purchased electricity.

The following table shows our GHG emissions during the Track Record Period:

			Year ended December 31,			Six months ended June 30,
Metric		**Unit**	**2021**	**2022**	**2023**	**2024**
GHG emissions	Total GHG emissions (scope 1 and 2)(1)	tCO_2e	4,858	7,158	24,825	19,139
	Direct GHG mission (Scope 1)(2)	tCO_2e	—	—	2	2
	Indirect GHG mission (Scope 2)(3)	tCO_2e	4,858	7,158	24,823	19,137
	GHG emission density	tCO_2e/revenue in millions (RMB)	31	16	21	106

Notes:

(1) The total amount of GHG emissions equals to the sum of GHG emissions scope 1 and GHG emissions scope 2.

(2) The emission factors of GHG emission scope 1 derive from *Appendix 4 of the China Energy Statistical Yearbook 2020* and *IPCC, 2014: Climate Change 2014: Comprehensive Report, Intergovernmental Panel on Climate Change, Fifth Assessment Report, Reports from Working Groups I, II, and III.*

(3) The emission factors of GHG emissions scope 2 derive from the "Notice on the Management of Greenhouse Gas Emission Reports for Power Generation Enterprises in 2023–2025" (applicable to the calculation of the years ended December 31, 2022 and 2023 and for the six months ended June 30, 2024) and the "Notice on the Management of Greenhouse Gas Emission Reports for Enterprises in 2022" (applicable to the calculation of the year ended December 31, 2021), both released by the Ministry of Ecology and Environment of the PRC.

We actively practice the concept of green development and take actions in our operation and environmental protection advocacy to mitigate climate change. During the Track Record Period, we advocated green travel concept for employees, increased our employee's awareness on energy conservation and environmental protection, strengthened our carbon emissions management, and realized green and low-carbon operation.

Environmental Impact and Protection

We pay close attention to environmental impact assessment in accordance with laws and regulations, strictly implement the environmental impact assessment of construction projects and the “three simultaneities” system, ensure the normal operation of pollution control facilities, and strive to create a sustainable development operation model. Before the commencement of construction projects, we engage a third party to carry out environmental impact assessment and obtain the approval based on the expected discharge level of wastewater, exhaust gas and noise in the project, such as the use of highly volatile chemical reagents. After the completion of construction projects, we obtain completion and acceptance of the environmental protection facilities required for the projects, and obtain the completion acceptance reports.

Employment Management

We standardize the recruitment and employment management of employees, ensure the effectiveness of recruitment work, and select suitable and excellent talents. We procure our employees to work in a safe and healthy environment, and prohibit forced labor. During the Track Record Period, we did not recruit any child labor or experience any forced labor incidents.

We strive to prohibit all kinds of harassment, abuse and corporal punishment on employees. During the Track Record Period, we did not receive any report on any incident related to discrimination or harassment.

The following table shows the number of our employees by gender and age group as of the dates indicated:

		As of December 31,			As of June 30,
Metric		**2021**	**2022**	**2023**	**2024**
Number of employees		191	439	913	811
By gender	Male	159	368	767	622
	Female	32	71	146	149
By age group	30 and below	102	322	765	654
	31–40	55	80	110	110
	41 and above	34	37	38	47

We have set up an opinion collection mailbox, and provide employees with opportunities to directly send their complaints through e-mail to a representative of the senior management, ensuring effective conversations and keeping communications channel open wide among employees, each department and our senior management so as to establish a harmonious employment relationship.

In addition, we have established the *Regulations on Management and Election of Employee Representatives* to elect employee representatives every year and hold employee representative conferences to fully protect the rights and interests of employees.

Moreover, we implement the concept of combining production, learning, and research, and have established a collaborative research program with the Institute of Semiconductors of Chinese Academy of Sciences, provided joint training of master and doctoral students with Xiamen University, and post-doctoral students with Xi'an Jiao Tong University, and set up a post-doctoral innovation practice base in Guangdong to attract and cultivate high-level talents. We strive to improve the R&D capabilities of our R&D team capitalizing on three provincial engineering research centers, namely Guangdong Engineering Research Center, Guangdong Engineering Technology Research Center, and Guangdong Doctoral Workstation, as well as the technological innovation platform of Dongguan Songshan Lake enterprise.

Occupational Health and Safety

We have obtained the ISO45001 occupational health management system certification, formulated the *Environmental Safety Management Manual* and the *Control Procedure for Hazard Identification and Risk Assessment*, and conducted hazard identification and assessment every year, covering all of our employees and work areas. We attach great importance to the physical and mental safety of our employees, and provide them with opportunities of regular physical examinations. For positions involved in chemical production, cleaning, and testing, we arrange such employees to take annual occupational disease health examinations, and also when they just join the Group and are about to leave the Group. If any unusual physical indicator shows up, employees will be rotated and transferred to other positions. Employees can obtain their own medical reports at any time to learn their physical conditions. We also provide protective equipment and facilities to ensure the health and safety of our employees. During the Track Record Period, we did not have any work-related injury or death.

Supply Chain Management

We adhere to and implement the concept of sustainable development in the process of supply chain management, and have established the *Supplier Management Control Procedure*. Through the review, selection, and daily management of suppliers, we ensure that suppliers can continuously and stably provide qualified raw materials to meet the requirements of our product specifications. Before we consider including any new supplier in our list of qualified suppliers, we ask such supplier candidate to sign the *Supplier Quality Agreement* and the *Environmental Protection Agreement*. We assess the quality system certification status of major suppliers every year as part of our qualification assessment of suppliers. We record the type of certification system that suppliers have obtained, the effective date, or the type of system that will be obtained, and the date of reaching the standard in the *Supplier Quality Management System Development Plan*. We supervise the progress and follow up with suppliers on the implementation of their quality system. See "— Procurement and Supply — Our Suppliers — Supplier Management" for details of our selection of new suppliers and management of suppliers.

Product Quality and Safety

We are concerned about the quality and safety of our products, and have formulated the *Control Procedure for Corrective and Preventive Measures* to inspect and analyze the existing nonconforming products or nonconformities, and take corrective measures to eliminate the explicit or potential causes of nonconformities and prevent the recurrence of such nonconforming products or nonconformities. We take appropriate preventive measures to avoid hidden dangers and ensure the effective operation of our management system.

Customer Satisfaction

To improve customer satisfaction, we conduct an annual satisfaction survey on customers via email or phone and ask them to score for our products and services, which mainly converse product quality, service level, and timely delivery.

We have established a sound complaint handling process to ensure that customer complaints are handled in a timely and fair manner. We provide necessary technical support and resources to ensure that our employees can efficiently provide services to our customers.

We pay close attention to market trends and changes in customer needs, and constantly innovate products and services to meet or even exceed customer expectations by investing in R&D, introducing new technologies and equipment, and improving the technical aspects and adding value in our products. We focus on product quality and safety, carry out quality management, strictly control product quality, and provide high-quality services to customers. We have established a sound quality management system to ensure that product quality is controllable, regularly evaluate and monitor suppliers, and optimize the supply chain structure.

We take a series of measures to improve our service quality, including establishing a sound customer feedback mechanism, collecting and handling customer opinions in a timely manner, and ensuring that customer needs are met. We also regularly provide service skill trainings for employees to improve their service awareness and professional competence.

Customer Privacy and Protection

We attach great importance to data security and privacy protection during our business operation. We primarily follow the requirements of the ISO27001 information security management system. We make clear the necessity of information collection, clearly inform customers why we need a certain piece of information when collecting it, and make sure we use and store it the way our customers can accept, to enhance customer trust. In addition, we have also adopted customer privacy protection measures including limiting the number of employees accessing customer information by assigning them appropriate authority levels, and forming customer codes to avoid direct contact customer information and prevent data leakage. See "— Data Privacy and Information Security Risk Management.".

During the Track Record Period, we did not experience any incidents related to data security.

Anti-corruption

We attach great importance to anti-corruption and have formulated the *Measures for the Management of Anti-fraud, Reporting and Complaints*. Each department and its functional units assesses the fraud risks in their respective areas of responsibility, identifies the links prone to fraud, and designs prevention and control measures in relevant systems.

We have primarily adopted the following measures:

- Advocate for a corporate culture of integrity, and strive to create a working environment against fraud;

- Educate employees on laws, regulations, and professional ethics through various forms, such as through employee handbook, rules and regulations releases, and public domains;

- Establish specific control procedures and mechanisms, including financial, business, and other multi-level management systems, to reduce the opportunities for fraud occurrence. We also conduct continuous supervision on fraud and incorporate it into daily control activities; and

- Establish an internal audit department as our standing organization for anti-fraud work, which is responsible for receiving fraud reports, investigations, reports and opinions, and accepting supervision from the board of directors and our supervisors.

During the Track Record Period, we did not receive any material investigations with respect to anti-corruption matters.

Social Responsibility

We devote ourselves to social welfares, integrate into and actively give back to the development of local communities, and make contributions to disaster donations and other undertakings.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been and were not a party to any legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors.

Financing Arrangements

Details of non-compliance

In 2021, the Company entered into a total of six financing arrangements (the "**Financing Arrangements**") with Wanjiang Branch of Bank of Dongguan, Dongguan Branch of China Everbright Bank, Dongguan Branch of China Construction Bank and Dongcheng Branch of Dongguan Rural Commercial Bank (the "**Lending Banks**"), respectively. Our Directors are of the view that the Financing Arrangements were entered into on normal commercial terms taking into account the comparability of the terms with other bank loans of similar size prevailing during the relevant period.

According to the relevant loan agreements, such loans should be utilized for the purpose of settlement of payment to the suppliers of the Company. The Company entered into certain procurement agreements with a company controlled by an employee of the Group, an Independent Third Party (the "**Relevant Party**"), for the purchase of raw materials. Such agreements were used to draw down the loan, and the loan proceeds were transmitted to the Relevant Party. However, the transactions did not materialize, and the relevant loan proceeds were remitted to the Company. The relevant loan proceeds amounted to approximately RMB117.5 million in total.

As advised by the PRC Legal Advisors, pursuant to Article 19 of the General Lending Provisions (《貸款通則》) promulgated by the PBOC and Article 9 of the Interim Measures for the Administration of Working Capital Loans (《流動資金貸款管理暫行辦法》), the borrower shall apply the loan proceeds in accordance with the stipulated purpose stated in the loan agreement. As the transactions did not materialize between the Company and the Relevant Party for the Financing Arrangements, such Financing Arrangements did not comply with the terms of the relevant loan agreements and the PRC laws and regulations.

The Financing Arrangements occurred primarily because of the Group's intention to obtain working capital. Our Directors confirmed that the Company has not been involved in any non-compliant financing arrangement since October 2021 and that all loans relating to the Financing Arrangements were settled in full by August 2022.

Confirmation from the regulatory authority

The Dongguan Branch of the PBOC issued a written confirmation in February 2023 stating that the Company were not imposed of any administrative penalties during the period from January 1, 2020 to December 31, 2022. As advised by the PRC Legal Advisors, the PBOC is the regulatory authority responsible for monitoring lending activities of banking institutions in the PRC.

Confirmations from the Lending Banks

Each of the Lending Banks issued a written confirmation in February 2023 stating that as of the date of the confirmation, among others, the Company and the relevant Lending Bank did not have any arguments or disputes, and the Lending Bank had not imposed any punitive measures on the Company.

Opinions of the PRC Legal Advisors

Our PRC Legal Advisors are of the view that the risk of the Company being penalised for the Financing Arrangements or being subject to civil liabilities arising from civil claims from the Lending Banks is remote for the following reasons:

(i) the loan proceeds involved were primarily used for the Company's daily operation use. The loans were not used in prohibited areas or for purposes restricted by the state from production and operation;

(ii) the Financing Arrangements did not jeopardise the rights and interests of state financial institutions and financial security;

(iii) the principal and interest of such loans had been fully settled in accordance with the provisions of the loan agreements and did not cause losses to the relevant Lending Banks;

(iv) the Company obtained confirmations from each of the Lending Banks that it was not imposed any punitive measures by the relevant Lending Bank;

(v) the Company has actively rectified the relevant irregular conduct. It has also established and effectively implemented a targeted internal control system; and

(vi) the Controlling Shareholders will also undertake to indemnify the Company if it is ordered by the Lending Banks or relevant regulatory authorities to pay penalties.

Internal Control Measures

As of the Latest Practicable Date, our Group has implemented internal guidelines and policies to prevent reoccurrence of the non-compliant incident, including:

- we have formulated and implemented detailed internal control policies, procedures and guidelines in relation to approving, reporting and monitoring our loans or credit facilities, loan drawdowns and use of loan proceeds;

- where there arises a need to obtain financing, our financing manager shall prepare a proposal setting out the details which, shall be submitted for approval by our financial director and general manager, and may require further approval by our Board or the shareholders at a general meeting, depending on the amount involved;

- our finance department shall keep and verify the authenticity and legality of all loan agreements, corresponding supplier contracts and invoices where applicable, and keep record of details of such loans in our internal register;

- our finance department has been instructed to ensure that all loan proceeds will be used according to the specified use under the relevant loan agreement. Our finance department shall maintain a control list categorizing different types of loans. All use of loan proceeds will be monitored by a dedicated audit personnel who will keep track of all payments to ensure they are made in accordance with the specified use stated in the loan agreements. Any repayment of the loan principal amount and interest shall be recorded and double-checked by the financial director;

- we have established an audit committee to review and supervise our financial reporting progress and internal control system, including, amongst other things, loan financing matters; and

- we will seek external legal advisers' views if they have uncertainties in respect of the legality of certain transactions involving financing, the use of loan proceeds and potential non-compliances in relation to loan financing.

During the process of preparing for the [REDACTED], the Company had engaged an internal control consultant to perform internal control review in connection with the internal control of the Company on the entity-level controls and internal controls of various processes including financing management in accordance with AATB 1 issued by the Hong Kong Institute of Certified Public Accountants, and no further recommendation has been provided by the internal control consultant after the follow-up review.

Given that (i) the non-compliant incident occurred mainly due to the Group's intention to obtain working capital at a faster pace; (ii) our PRC Legal Advisors are of the view that the risk of the Company being penalised for the Financing Arrangements and being subject to civil liabilities arising from civil claims from the Lending Banks is remote; (iii) the Financing Arrangements has been ceased since October 2021 and all loans relating to the Financing Arrangements were settled in full by August 2022; and (iv) our Group has adopted the abovementioned major internal control measures to prevent reoccurrence of the non-compliant incident, our Directors are of the view that the Financing Arrangements do not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our Group's suitability for [REDACTED] under Rule 8.04 of the Listing Rules.

Save as disclosed above, to the best knowledge of our Directors and as confirmed by our PRC Legal Advisors, our business operations had been carried out in compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date. We are of the view that we have in place adequate internal control measures to ensure ongoing compliance with applicable laws and regulations.

Business Activities with One Non-sanctioned Customer Located in a Region subject to International Sanctions

Certain countries or organizations, including the U.S., the European Union, the United Kingdom, the United Nations and Australia, maintain economic sanctions and trade restrictions targeting certain industries or sectors within the Countries subject to International Sanctions. During the Track Record Period, we sold Chinese-origin SiC epitaxial wafers (the "**Wafers**") to a single, non-SDN Russian customer (the "**Non-sanctioned Customer**") located in Russia (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions of Ukraine). The revenue generated from such sales was approximately RMB150,541, RMB732,299, RMB2,112,000 and nil for the three years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024, respectively, representing approximately 0.1%, 0.2%, 0.2% and nil of our total revenue for the corresponding years/period, respectively. These transactions were carried out by our Group entities incorporated in China directly to the Non-sanctioned Customer. Payments received in the two years ended December 31, 2021 and 2022 were denominated in USD, and the payments received in the year ended December 31, 2023 were denominated in RMB. No other nexuses to the United States, the European Union, the United Kingdom or Australia have been involved in our sales to the Non-sanctioned Customer.

The Wafers are identified on the Annex to the Determination issued by OFAC on December 22, 2023 pursuant to Section (a)(ii) (the "**Russia Critical Items Determination**") of Executive Order 14024 ("**EO 14024**"). Pursuant to FAQ 1150, such Determination "identifies certain items that support Russia's military-industrial base." Our last shipment to the Relevant Region was in July 2023 pursuant to a sales contract entered into in April 2023. Therefore, our sales ceased soon after OFAC's designation of Russia "manufacturing" sector under EO 14024 in May 2023 (and before the issuance of the Russia Critical Items Determination in December 2023), and our sales took place after the designation of Russia's "technology" and "electronics" sectors under EO 14024 in April 2021 and March 2022, respectively. The Wafers were older technology wafers primarily intended for small, low-end consumer goods.

OFAC states that "[f]oreign financial institutions (FFIs) may be sanctioned for having conducted or facilitated any significant transaction or transactions, or provided any service, involving Russia's military-industrial base, including the sale, supply, or transfer, directly or indirectly of these identified items." We are not a foreign financial institution within the meaning of EO 14024, as amended by Executive Order 14114, and should not be directly impacted by the Russia Critical Items Determination. However, the inclusion of silicon wafers in that Determination also indicates that OFAC could view our provision of such items to Russia as our "operation in" a designated sector of Russia's economy, which include "manufacturing," "electronics," or "technology" sectors designated under EO 14024 in addition to the "defense" sector. The sales of Wafers to the Relevant Region creates exposure for us that OFAC could use its discretionary authority set forth in EO 14024 to designate us as an SDN.

Based on (i) the Wafers were relatively older technology wafers intended for low-technology products, (ii) the sales volumes were relatively small, and (iii) shipments made by July 2023 were pursuant to a sales contract concluded in April 2023, which was before the May 2023 designation of the "manufacturing" sector, with no sales completed after the May 2023 designation nor after the Critical Items Determination, we have been advised by our International Sanctions Legal Adviser that the risk that OFAC will use its secondary sanctions authority cannot be excluded (as OFAC has wide discretion) but appears to be relatively limited.

Further, as advised by our International Sanctions Legal Adviser, considering that (i) Russia (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions of Ukraine) is not a Comprehensively Sanctioned Country; (ii) the Non-sanctioned Customer was not identified on the SDN List maintained by OFAC or the relevant restricted parties lists maintained by the European Union, Australia and the United Nations; (iii) the products we sold were Chinese-origin Wafers that were not subject to any export controls administered by the United States, the European Union, the United Kingdom or Australia, these sales to the Non-sanctioned Customer did not represent a Primary Sanctioned Activity nor appear to have violated applicable primary International Sanctions.

Risk exposure and internal controls

We have no control over the countries to which the downstream customers will sell and/or export their end products. There is no assurance that our downstream customers will not engage in the export sale of their end products (which contain our Wafers) into the U.S. or other countries and that the export sale of their end products into the U.S. or other countries will not be subject to the restrictions introduced by the U.S. or other countries. If the export sales of the downstream customers' end products are restricted, prohibited or made subject to any trade restrictions under any international trade policies or international export controls or economic sanctions imposed by any jurisdictions, the downstream customers' demand in our products may drop significantly and, as a result, our business, financial condition and results of operations may be materially and adversely affected. Authorities of the U.S., the European Union, the United Nations, the United Kingdom, Australia or any other jurisdictions have the discretion to impose or provide a basis, including for operating in certain highly regulated sectors. Therefore, the risks for a sanctions designation of our Group under secondary sanctions authority cannot be excluded but appears to be relatively limited.

Considering the sensitivity of our products, we have ceased our transactions with the Non-sanctioned Customer, Russia and the Entity List Customers to mitigate exposure to sanctions risks. In addition, we have adopted enhanced internal control and risk management measures which we believe enable us to monitor and evaluate our business to address economic sanction risks. We have adopted the following additional internal control and risk management measures:

- we will set up and maintain a separate bank account upon the [REDACTED], which will be designated for the sole purpose of the deposit and deployment of the [REDACTED] from the [REDACTED] or any other funds raised through the Stock Exchange;

- to further enhance our existing internal risk management functions, our legal and finance department is responsible for monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our legal and finance department will hold a meeting biannually to monitor our exposure to sanctions risks and to review our procedures implemented over sanctions screening;

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in countries subject to International Sanctions or sanctions persons. According to our internal control procedures, our legal and finance department needs to review and approve all relevant business transaction documentation from customers or potential customers from countries subject to International Sanctions or sanctions persons. In particular, screening process will be implemented to identify if our potential transaction counterparty is a person or entity on the various lists of restricted parties and countries maintained by the U.S., the European Union, the United Nations, the United Kingdom, the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available. The transactions that fail the internal review will not be proceeded. At the same time, our legal and finance department will, periodically review the existing customers and suppliers lists to ensure that the Group does not engage in transactions with countries, regions, entities or individuals on the sanction lists. If any potential sanctions risk or suspicious transaction is identified, we may seek advice from reputable external legal counsel with necessary expertise and experience in International Sanctions matters;

- our Directors will continuously monitor the use of [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries or Sanctioned Targets where this would be in breach of International Sanctions;

- our legal and finance department will review our internal control policies and procedures with respect to sanctions matters as part of the biannual meeting. As and when our legal and finance department considers necessary, we will retain external legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- if necessary, we will engage external legal counsel to provide compliance training relating to the international sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations, in particular, to perform screening procedures in respect of counterparties to our Group's business to ensure none of them are Sanctioned Targets. We expect our external legal counsel to provide the latest list of Sanctioned Countries to our Directors, senior management and other relevant personnel, who will in turn disseminate such information internally.

Our Directors confirm that we do not have present intention to undertake any business involving directly or indirectly the Comprehensively Sanctioned Countries or Russia. We will not knowingly or intentionally conduct any business with any Sanctioned Targets, or any business in any Comprehensively Sanctioned Countries or Russia that will cause us to violate International Sanctions, and we will not use the [REDACTED] from the [REDACTED] to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Comprehensively Sanctioned Countries or Sanctioned Targets. Our Directors will continuously monitor the use of [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Comprehensively Sanctioned Countries or Sanctioned Targets where this would be in breach of International Sanctions.

Given the scope of the [REDACTED] and the expected use of [REDACTED] as set out in this document, our International Sanctions Legal Adviser is of the view that the sanctions risk exposure to the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], future investors and future [REDACTED] shareholders and persons who might, directly or indirectly, be involved in permitting the [REDACTED], trading, clearing and settlement of its shares, including the Stock Exchange and its related group companies is low.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks in our operations and have established a risk management system with relevant policies and procedures that we believe are appropriate for our business operations. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, compliance, and anti-bribery and kick-back. Such risk management policies are established by our Board based on the current effective laws and regulations of the PRC and our Memorandum and Articles and Association.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted and will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. For details of the qualifications and experience of these committee members, see "Directors and Senior Management;"

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to policies and procedures related to internal control and risk management, periodically reviewing their effectiveness and compliance to relevant rules and regulations; and

- continue to organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial team reviews our management accounts based on such procedures. We also provide regular training to our finance team members to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, we maintain an independent external law firm to perform the basic function of reviewing and updating the form of contracts we enter into with our customers, partners, and suppliers. Our external legal experts help examine the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Anti-bribery and Kick-back Risk Management

In terms of anti-bribery and kick-back prevention, we have implemented a series of policies and internal control measures against bribery and kick-back, which set forth procedures for implementing relevant anti-bribery procedures and setting out anti-bribery responsibilities for relevant personnel. We will strictly prohibit bribery or other improper payments in any of our business operations according to our anti-bribery and kick-back prevention policies. Improper payments prohibited by such policies include bribes, kickbacks, falsification and alteration of accounting and business documents, or any other payment made or offered to obtain an undue business advantage. Moreover, we keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Payment made in violation of the anti-bribery and kick-back prevention policies is strictly prohibited. Our internal audit team is responsible for investigating the reported incidents and taking appropriate measures as necessary. We provide employees with adequate communication channels, establish whistleblower policy and encourage employees to take the initiative to seek guidance from us regarding the implementation of anti-bribery policies. During such investigations, our internal audit team complies with relevant laws and anti-bribery policies and provides written feedback as necessary.

OVERVIEW

Our Board of Directors consists of six Directors, including one executive Director, two non-executive Directors and three independent non-executive Directors. Our Board is responsible, and has general authority for, the management and operation of our Group. Our Directors are appointed for a term of three years and shall be subject to re-election upon expiry of their term of office.

Our Supervisory Committee consists of three Supervisors, including two shareholder representative Supervisors and one employee representative Supervisor. The shareholder Supervisors were elected at the Shareholders' meetings, while the employee Supervisor was elected by our employees. Our Supervisors are appointed for a term of three years and shall be subject to re-election upon expiry of their term of office.

Our senior management consists of five members who are responsible for the day-to-day management of our Group's business.

DIRECTORS

The table below sets out certain information of our Directors:

Name	Age	Date of joining our Group	Date of Appointment as Director	Position(s)	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. Li Xiguang (李錫光)	57	January 7, 2009	January 7, 2009	Chairman, executive Director, and general manager	Responsible for the overall strategic planning, business direction and management of our Group	Uncle of Mr. Li Zhuoxing, a member of senior management
Mr. Au Yeung Chung (歐陽忠)	61	January 7, 2009	October 26, 2022	Non-executive Director	Responsible for providing strategic advice on the development of our Group	Nil
Mr. Jiang Dacai (姜達才)	57	October 26, 2022	October 26, 2022	Non-executive Director	Responsible for providing strategic advice on the development of our Group	Nil

Name	Age	Date of joining our Group	Date of Appointment as Director	Position(s)	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. He Zhengsheng (賀正生)	43	October 26, 2022	October 26, 2022	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	Nil
Ms. Li Min (李旻)	53	October 26, 2022	October 26, 2022	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	Nil
Mr. Vincent Chin (錢榮澤)	53	November 29, 2024	November 29, 2024	Independent non-executive Director	Responsible for providing independent advice and judgment to our Board	Nil

Executive Director

Mr. Li Xiguang (李錫光), aged 57, is the Chairman, our executive Director and general manager. Mr. Li is one of our Controlling Shareholders. He, together with Mr. Au Yeung, founded our Group in January 2009 and has served as the Chairman, Director, and general manager of our Company since then. Mr. Li has also been the chairman of the board of directors, director, and general manager of Southern Semiconductor since November 2016. He was re-designated as an executive Director on November 29, 2024. Mr. Li is primarily responsible for the overall strategic planning, business direction and management of our Group. Mr. Li is also the chairman of our Strategic and ESG Committee and a member of our Nomination Committee.

Mr. Li has over 25 years of experience in business management and over 15 years of experience in the semiconductor industry. Since November 1998, Mr. Li has been the executive director, mainly responsible for the overall management, of Dongguan Hongchang Cement Products Company Limited* (東莞市鴻昌水泥製品有限公司), a company principally engaged in sales of prefabricated cement parts, prefabricated pipe piles and strong water pipes. Since January 2004, Mr. Li has been the executive director, mainly responsible for the overall management, of Dongguan Yuebao, a company principally engaged in production of audio and video disc. Since February 2018, Mr. Li has been the executive director, mainly responsible for the overall management, of Guangdong Tianze Hengyi Technology Company Limited* (廣東天澤恒益科技有限公司). Notwithstanding Mr. Li's directorships outside our Company, Mr. Li is able to devote sufficient time to the Board and attention to the daily operations of our Company and that Mr. Li's directorships outside our Company would not affect him in maintaining his current role in, and his functions and responsibilities for, our Company.

Mr. Li was a representative of Dongguan Municipal People's Congress (東莞市人民代表大會代表) from 2007 to 2012 for two consecutive terms. Mr. Li is currently a member of the 14th Committee of the Dongguan Municipal Committee of the Chinese People's Political Consultative Conference* (東莞市政協第十四屆委員會委員). He has been the vice chairman of the committee of World Dongguan Entrepreneurs Federation* (東莞世界莞商聯合會) since September 2021. Since September 2022, he has been the member of the executive committee of the 13th Guangdong Federation of Industry and Commerce* (廣東省工商聯第十三屆執委會執委). He was awarded the Guangdong Electronic Information Science and Technology Award* (廣東省電子信息科學技術獎). Mr. Li was awarded as Outstanding Private Entrepreneurs (優秀民營企業家) of Dongguan in 2024.

Mr. Li obtained his bachelor diploma's degree in executive management from Southwest Jiaotong University (西南交通大學) in Sichuan, the PRC in January 2011.

Mr. Li was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Guangdong Tianyu Technology Investment Company Limited* (廣東天域科技投資有限公司)	PRC	Research & development, investment, and sales of silicon carbide wafers; provision of technical consultation services and technology transfer related to silicon carbide wafers; import and export of goods	Legal Representative, executive director and general manager	Cessation of business operations	November 17, 2010	Deregistration
Dongguan Hengji Pile Foundation Engineering Company Limited* (東莞市恒基樁基工程有限公司)	PRC	Construction of various foundation and base engineering, earthwork engineering (operated with valid qualification certificate)	Supervisor	Cessation of business operations	January 19, 2011	Deregistration
Shenzhen Tianyu Hongtu Technology Company Limited* (深圳市天域鴻圖科技有限公司)	PRC	Research & development, sales and technical consultation of silicon carbide substrates, epitaxial wafers, semiconductor materials, devices and modules; import and export of goods or technology	Legal Representative and general manager	Cessation of business operations	August 17, 2021	Deregistration
Dongguan Juwei Real Estate Company Limited* (東莞市聚煒置業有限公司)	PRC	Real estate agency services; property leasing; property management	Supervisor	Cessation of business operations	September 4, 2023	Deregistration

Mr. Li confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (iii) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective dissolution of the above companies; (v) the dissolution of the above companies had not resulted in any liability or obligation being imposed against him; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution.

Non-executive Directors

Mr. Au Yeung Chung (歐陽忠), aged 61, is our non-executive Director. Mr. Au Yeung is one of our Controlling Shareholders. He together with Mr. Li, founded our Group in January 2009, and acted as a Supervisor since then. Mr. Au Yeung was appointed as a Director since October 2022 and re-designated as a non-executive Director on November 29, 2024. Mr. Au Yeung has also been the director of Southern Semiconductor since April 2020. Mr. Au Yeung is mainly responsible for providing strategic advice on the development of our Group. Mr. Au Yeung is also a member of each of our Remuneration Committee and Strategic and ESG Committee.

Mr. Au Yeung has over 28 years of experience in business management and over 15 years of experience in the semiconductor industry. The following table summarises Mr. Au Yeung's main working experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Riverside Garden Commercial Residential Community Construction Company Limited* (東莞江濱花園商品住宅小區建造有限公司)	Construction of commercial residential community	Director	Overall management	Since October 1996
Dongguan Gaotian Real Estate Development Company Limited* (東莞市高田房地產開發有限公司)	Real estate development and sales	Executive director and general manager	Strategic planning, investment decision-making and overall management	Since June 1999
Dongguan Jintian Paper Company Limited* (東莞市金田紙業有限公司)	Production and sales of paper products	Executive director	Strategic planning, investment decision-making and overall management	Since August 2003

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Guangdong Zhuoruiyuan Jingmi Manufacturing Company Limited* (廣東卓瑞源精密製造有限公司)	Manufacturing of instruments and meters, intelligent vehicle equipment, electronic components and other general instruments	Executive director	Strategic planning and investment decision-making	Since August 2019

Mr. Au Yeung has been the chairman of the committee of World Dongguan Entrepreneurs Federation* (東莞世界莞商聯合會) since June 2022.

Mr. Au Yeung was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Qitai Real Estate Company Limited* (東莞市啟泰置業有限公司)	PRC	Property investment and leasing	Supervisor	Cessation of business operations	December 31, 2008	Deregistration
Guangdong Tianyu Technology Investment Company Limited* (廣東天域科技投資有限公司)	PRC	Research & development, investment, and sales of silicon carbide wafers; provision of technical consultation services and technology transfer related to silicon carbide wafers; import and export of goods	Supervisor	Cessation of business operations	November 17, 2010	Deregistration
Dongguan Yinhai Investment Company Limited* (東莞市銀海投資有限公司)	PRC	Industrial investment, property leasing, enterprise management consultation	Supervisor	Cessation of business operations	February 4, 2015	Deregistration
Dongguan Zhongqi Industrial Investment Company Limited* (東莞市中奇實業投資有限公司)	PRC	Industrial Investment, property leasing and property management	Executive director, manager	Cessation of business operations	December 3, 2014	Deregistration
Hejiang Jintian Daily Necessities Company Limited* (合江金田生活用品有限公司)	PRC	Production and sales of toilet paper, paper handkerchiefs and paper napkins	Supervisor	Cessation of business operations	December 5, 2015	Deregistration

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Junyang Industrial Investment Company Limited* (東莞市君陽實業投資有限公司)	PRC	Industrial investment and project investment	Executive director, manager	Cessation of business operations	June 29, 2018	Deregistration
Dongguan Wanjiang Sunshine Industrial Investment Company Limited* (東莞市萬江陽光實業投資有限公司)	PRC	Industrial investment; property leasing and management	Executive director, general manager	Cessation of business operations	November 20, 2019	Deregistration
Dongguan Yitian Investment Development Company Limited* (東莞市溢田投資發展有限公司)	PRC	Development and operation of real estate; property investment and management	Executive director, manager	Cessation of business operations	September 29, 2020	Deregistration
Shenzhen Tianyu Hongtu Technology Company Limited* (深圳市天域鴻圖科技有限公司)	PRC	Research & development, sales and technical consultation of silicon carbide substrates, epitaxial wafers, semiconductor materials, devices and modules; import and export of goods or technology	Executive director	Cessation of business operations	August 17, 2021	Deregistration
Jintian Daily Necessities Company Limited* (金田生活用品有限公司)	PRC	Production and sales of toilet paper, paper handkerchiefs, paper napkins, makeup removal tissues and other thin paper products disinfecting wipes, tissue paper, diapers, sanitary napkins, and panty liners	Supervisor	Cessation of business operations	December 12, 2022	Deregistration

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Hebei Jintian New Materials Company Limited* (河北金田新材料有限公司)	PRC	Technology development, technology transfer and technology services of new packaging material; manufacturing and sales of new packaging materials; manufacturing and sales of machine-finished paper; sales of machinery and equipment; solid waste management	Executive director	Cessation of business operations	June 29, 2023	Deregistration
Dongguan Gaotian Forest Xiuse Real Estate Development Company Limited* (東莞市高田森林秀色房地產開發有限公司)	PRC	Development and operation of real estate	Executive director, manager	Cessation of business operations	June 29, 2023	Deregistration
Henan Jintian Paper Company Limited* (河南金田紙業有限公司)	PRC	Manufacturing of paper; manufacturing and sales of paper products and paper pulp; recycling of renewable resources	Director	Cessation of business operations	May 20, 2024	Deregistration

Mr. Au Yeung confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (iii) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective dissolution of the above companies; (v) the dissolution of the above companies had not resulted in any liability or obligation being imposed against him; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution.

Mr. Jiang Dacai (姜達才), aged 57, is our non-executive Director. He was appointed as a Director in October 2022 and re-designated as a non-executive Director on November 29, 2024. Mr. Jiang is responsible for providing strategic advice on the development of our Group. Mr. Jiang is also a member of our Audit Committee.

Mr. Jiang has over 29 years of experience in the software technology and communications equipment industry. Mr. Jiang was a lawyer of Judicial Bureau of Yichun City, Jiangxi Province (江西省宜春市司法局) from September 1989 to February 1995. He joined Huawei Technologies Co., Ltd. (華為技術有限公司), a company principally engaged in provision of information and communications technology (ICT) infrastructure and smart devices, in March 1995. In Huawei Technologies Co., Ltd. (華為技術有限公司), Mr. Jiang acted as the financing manager of marketing and sales department from March 1995 to December 2000, the director of sales and financing department of Latin America Region from January 2001 to April 2005, the deputy director of contract and commercial department of global sales department from May 2005 to April 2010, the director of contract and commercial department of global procurement certification department from May 2010 to August 2015, and has been the director of software procurement department of global procurement certification department since September 2016.

Mr. Jiang graduated from East China University of Political Science and Law (華東政法大學大學) with a bachelor's degree in law in Shanghai, the PRC in July 1989.

Independent Non-executive Directors

Mr. He Zhengsheng (賀正生), aged 43, is our independent non-executive Director. He was appointed as our independent Director in October 2022 and re-designated as an independent non-executive Director on November 29, 2024. Mr. He is primarily responsible for providing independent advice and judgment to our Board. Mr. He is also the chairman of each of our Remuneration Committee and Nomination Committee, and a member of each of our Audit Committee and Strategic and ESG Committee.

Mr. He has more than 20 years of experience in legal advice and legal consultation. He was a lawyer of Beijing Liwen Law Firm* (北京市李文律師事務所) from July 2002 and has been a partner of Beijing Hengji Law Firm* (北京市衡基律師事務所) since September 2006. From February 2018 to February 2024, Mr. He was an independent director of Shenzhen Guangyunda Optoelectronics Technology Company Limited* (深圳光韻達光電科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300227). Since November 2018, he has been an independent director of Wetown Electric Group Company Limited* (威騰電氣集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange STAR market (stock code: 688226). Since March 2022, Mr. He has been an independent director of Ningbo Kangqiang Electronics Co., Ltd.* (寧波康強電子股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002119).

Mr. He obtained a bachelor's degree in international economic law from the China University of Political Science and Law (中國政法大學) in Beijing, the PRC in July 2002. He is currently a full-time practising lawyer in the PRC.

Ms. Li Min (李旻), aged 53, is our independent non-executive Director. She was appointed as our independent Director in October 2022 and re-designated as an independent non-executive Director on November 29, 2024. Ms. Li is primarily responsible for providing independent advice and judgment to our Board. Ms. Li is also the chairman of our Audit Committee and a member of each of our Remuneration Committee and Nomination Committee.

Ms. Li has more than 27 years of experience in accounting, auditing and tax consultation. Since October 1997, she has been the manager and supervisor of Guangdong Tianjian Accounting Firm Limited* (廣東天健會計師事務所有限公司). Since February 2006, she has been an executive director of Dongguan Zhengliang Taxation Firm Ltd* (東莞市正量稅務師事務所有限公司). Since June 2011, she has been a supervisor of Dongguan Zhengliang Accounting Consulting Company Limited* (東莞市正量會計諮詢有限公司). Ms. Li was a director of Guangdong Certified Tax Agents Association (廣東省註冊稅務師協會) from March 2011 to March 2019 and has been a director of Dongguan Institute of Certified Public Accountants (東莞市註冊會計師協會) since October 2019.

Ms. Li is a Certified Public Accountant of China (中國註冊會計師), Certified Tax Agent of China (中國註冊稅務師), and qualified as a senior accountant (高級會計師) in the PRC. She finished part-time courses and obtained a bachelor's degree in accounting from Wuhan Polytechnic College* (武漢工業學院) in January 2010, in Hubei Province, the PRC.

Ms. Li was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Huiluan Hardware Company Limited* (東莞市匯鑾五金有限公司)	PRC	Sales of small hardware products	Supervisor	Cessation of business operations	February 25, 2013	Revocation
Dongguan Zhuojian Management Consulting Company Limited* (東莞市卓健管理諮詢有限公司)	PRC	Business management consultation	Supervisor	Cessation of business operations	October 9, 2020	Deregistration
Dongguan Zhengliang Training Centre* (東莞市正量培訓中心)	PRC	Training centre	Legal representative	Cessation of business operations	March 22, 2023	Deregistration

Ms. Li confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution or revocation; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution or revocation; (iii) there was no wrongful act, misconduct or misfeasance on her part leading to the dissolution or revocation of the above companies; (iv) she is not aware of any actual or potential claim which has been or will be made against her as a result of the respective deregistration or revocation of the above companies; (v) the dissolution or revocation of the above companies had not resulted in any liability or obligation being imposed against her; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution or revocation.

Mr. Vincent Chin (錢榮澤), aged 53, was appointed as our independent non-executive Director on November 29, 2024. Mr. Chin is primarily responsible for providing independent advice and judgment to our Board.

Mr. Chin is founder of Consultants VC Limited, offering consulting services to corporate clients and the financial industry in Hong Kong.

Mr. Chin graduated at the University of Cambridge with bachelor of arts in June 1994 and master of arts in October 2001, Peking University with master of laws in June 2004, and Shanghai Jiao Tong University with China MBA in January 2018. Mr. Chin practised in Hong Kong as a barrister from September 2000 to August 2009 and as a solicitor from September 2009 to June 2022. He has taught law courses at the City University of Hong Kong, the University of Hong Kong, the Hong Kong Polytechnic University, and the Hong Kong University of Science and Technology.

The Hong Kong Government has appointed Mr. Chin to public positions in the Securities and Futures Appeals Tribunal from April 2011 to April 2019 and Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants from January 2015 to February 2022.

Mr. Chin has been a certified management accountant of the Institute of Certified Management Accountants of Australia since January 2020 and a member of the Institute of Public Accountants of Australia since March 2020. Mr. Chin presently serves as honorary legal advisor of the Hong Kong Securities and Futures Professional Association and an executive committee member of the New Zealand Chamber of Commerce in Hong Kong.

SUPERVISORS

The table below sets out certain information of our Supervisors:

Name	Age	Date of joining the Group	Date of Appointment as Supervisor	Position	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. Zhuang Shuguang (莊樹廣)	69	June 5, 2021	October 26, 2022	Chairman of our Supervisory Committee, shareholder representative Supervisor	Responsible for supervising our Board and senior management	Nil
Mr. Yuan Yi (袁毅)	66	June 5, 2021	October 26, 2022	Shareholder representative Supervisor	Responsible for supervising our Board and senior management	Nil
Ms. Yin Xuefang (尹雪芳)	48	August 1, 2022	October 26, 2022	Employee representative Supervisor	Responsible for supervising our Board and senior management	Nil

Mr. Zhuang Shuguang (莊樹廣), aged 69, is the chairman of our Supervisory Committee and a shareholder representative Supervisor. He joined our Group as a Director in June 2021, and was re-appointed as a Supervisor and the chairman of our Supervisory Committee in October 2022. He is mainly responsible for supervising our Board and senior management.

Mr. Zhuang has extensive experience in business management. The following table summarises Mr. Zhuang's main working experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Gaotian Property Management Company Limited* (東莞市高田物業管理有限公司)	Property management, parking lot operation and management, real estate agency services, property lease	Supervisor	Supervising the financial and business operations	Since October 1998
Dongguan Jintian Real Estate Company Limited* (東莞市金田置業有限公司)	Real estate agency and sales	Supervisor	Supervising the financial and business operations	Since July 2006
Dongguan Gaotian Real Estate Development Company Limited* (東莞市高田房地產開發有限公司)	Real estate development and sales	Supervisor	Supervising the financial and business operations	Since September 2008

Mr. Zhuang was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Qitai Real Estate Company Limited* (東莞市啟泰置業有限公司)	PRC	Property investment and leasing	Executive director and manager	Cessation of business operations	December 31, 2008	Deregistration
Dongguan Wanjiang Sunshine Coast Tea Culture Company Limited* (東莞市萬江陽光海岸茶文化有限公司)	PRC	Tea culture information exchange and consultation, sales of tea	Executive director and manager	Cessation of business operations	November 15, 2010	Deregistration
Dongguan Yinhai Investment Company Limited* (東莞市銀海投資有限公司)	PRC	Industrial investment, property leasing, enterprise management consultation	Executive director and manager	Cessation of business operations	February 4, 2015	Deregistration
Dongguan Wanjiang Sunshine Industrial Investment Company Limited* (東莞市萬江陽光實業投資有限公司)	PRC	Industrial investment, real property leasing, property management	Supervisor	Cessation of business operations	November 20, 2019	Deregistration
Dongguan Gaoshun Real Estate Agency Service Company Limited* (東莞市高順房地產中介服務有限公司)	PRC	Real estate agency services	Executive director and manager	Cessation of business operations	July 14, 2021	Deregistration
Dongguan Gaotian Urban Renewal Development Company Limited* (東莞市高田城市更新發展有限公司)	PRC	Urban renewal project investment and planning; urban renewal project consultation; real estate development	Supervisor	Cessation of business operations	August 21, 2023	Deregistration
Dongguan Juwei Real Estate Company Limited* (東莞市聚煒置業有限公司)	PRC	Real estate agency services; property leasing; property management	Executive director and manager	Cessation of business operations	September 4, 2023	Deregistration

Mr. Zhuang confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (iii) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective dissolution of the above companies; (v) the dissolution of the above companies had not resulted in any liability or obligation being imposed against him; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution.

Mr. Yuan Yi (袁毅), aged 66, is a shareholder representative Supervisor of our Company. He joined our Group as a Director in June 2021, and was re-appointed as a Supervisor in October 2022. He is mainly responsible for supervising our Board and senior management.

Mr. Yuan has extensive experience in business management. The following table summarises Mr. Yuan's main working experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Riverside Garden Commercial Residential Community Construction Company Limited* (東莞江濱花園商品住宅小區建造有限公司)	Construction of commercial residential community	Director and deputy general manager	Strategic planning, investment decision-making and overall management	Since October 1996
Dongguan Gaotian Property Management Company Limited* (東莞市高田物業管理有限公司)	Property management, parking lot operation and management, real estate agency services, property lease	Executive director and general manager	Strategic planning, investment decision-making and overall management	Since October 1998
Dongguan Gaotian Real Estate Development Company Limited* (東莞市高田房地產開發有限公司)	Real estate development and sales	Deputy general manager	Overall management	June 1999 to September 2008
Dongguan Jintian Paper Company Limited* (東莞市金田紙業有限公司)	Production and sales of paper products	General manager	Overall management	Since August 2003

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Dongguan Jintian Property Management Co., Ltd* (東莞市金田置業有限公司)	Real estate agency and sales	Executive director and general manager	Strategic planning, investment decision-making and overall management	Since July 2006
Guangdong Zhuoruiyuan Jingmi Manufacturing Company Limited* (廣東卓瑞源精密製造有限公司)	Manufacturing of instruments and meters, intelligent vehicle equipment, electronic components and other general instruments	General Manager	Overall management	Since August 2019

Mr. Yuan was a director, supervisor and/or general manager of the companies at the time of or within one year before their respective dissolution as shown in the table below:

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Dongguan Yazhi Decoration Engineering Company Limited* (東莞市雅緻裝飾工程有限公司)	PRC	Interior decoration and building and renovation material sales	Executive director and manager	Cessation of business operations	July 16, 2009	Deregistration
Dongguan Gaoshun Real Estate Agency Service Company Limited* (東莞市高順房地產中介服務有限公司)	PRC	Real estate agency services	Supervisor	Cessation of business operations	July 14, 2021	Deregistration
Japan Jintian Daily Necessities Company Limited* (日本金田生活用品株式會社)	Japan	Trading	Director	Cessation of business operations	December 9, 2022	Deregistration
Hebei Jintian New Materials Company Limited* (河北金田新材料有限公司)	PRC	Technology development, technology transfer and technology services of new packaging material; manufacturing and sales of new packaging materials; manufacturing and sales of machine-finished paper; sales of machinery and equipment; solid waste management	Supervisor	Cessation of business operations	June 29, 2023	Deregistration

Name of company	Place of incorporation	Principal business activity	Position	Reasons for dissolution	Date of dissolution	Means for dissolution
Henan Jintian Paper Company Limited* (河南金田紙業有限公司)	PRC	Manufacturing of paper; manufacturing and sales of paper products and paper pulp; recycling of renewable resources	Vice chairman	Cessation of business operations	May 20, 2024	Deregistration

Mr. Yuan confirmed that (i) each of the above companies was solvent, had ceased operations and had no outstanding claims or liabilities at the time of their respective dissolution; (ii) each of the above companies had not been and was not involved in any material legal proceedings since the date of its incorporation until the date of its dissolution; (iii) there was no wrongful act, misconduct or misfeasance on his part leading to the dissolution of the above companies; (iv) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective dissolution of the above companies; (v) the dissolution of the above companies had not resulted in any liability or obligation being imposed against him; and (vi) each of the above companies was not involved in any material non-compliance since the date of its incorporation until the date of its dissolution.

Ms. Yin Xuefang (尹雪芳), aged 48, is an employee representative Supervisor of our Company. She joined our Group as a director of internal audit department of our Company in August 2022, and was re-appointed as a Supervisor in October 2022. She is mainly responsible for supervising our Board and senior management.

Ms. Yin has extensive experience in accounting and auditing. She worked as the accountant in Dongguan Weiya Optoelectronics Company Limited* (東莞市威雅光電有限公司) in 2006 and 2007. Prior to joining our Company, Ms. Yin worked in Jiangsu Hengtong Optic-electronic Technology Company Limited* (江蘇亨通光電科技有限公司), a company principally engaged in manufacture of optical communications and power transmission products, responsible for financial management from May 2019. Ms. Yin obtained a bachelor's degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei, the PRC in July 2015.

GENERAL

Save as disclosed above and in "Relationship with Controlling Shareholders", "Substantial Shareholders" and "Statutory and General Information — D. Disclosure of Interests" in Appendix VIII to this document, each of our Directors and Supervisors confirms with respect to him/her that:

(i) does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date;

(iii) had no other relationship with any Directors, Supervisors, senior management or substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date;

(iv) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas;

(v) does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is disclosable under the Listing Rules;

(vi) to the best knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters concerning our Director's and Supervisors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date; and

(vii) to the best of the knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of our Shareholders.

Each of our Directors confirmed that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules in November 2024; and (ii) understood his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors confirmed (i) his or her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he or she had no 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 under the Listing Rules as at the Latest Practicable Date; and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointment.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Age	Date of joining the Group	Date of Appointment as senior management	Position	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. Li Xiguang (李錫光)	57	January 7, 2009	January 7, 2009	Chairman, executive Director and general manager	Responsible for the overall strategic planning, business direction and management of our Group	Uncle of Mr. Li Zhuoxing
Mr. Peng Guanghui (彭光輝)	54	March 23, 2015	March 23, 2015	Chief financial officer	Responsible for the overall financial operation of our Group	Nil
Ms. Li Yongmei (李詠梅)	45	April 2021	November 1, 2021	Deputy general manager	Responsible for overseeing the supply chain and sales of our Group	Nil
Mr. Han Jingrui (韓景瑞)	37	April 1, 2011	May 2018	Deputy general manager and the head of R&D department	Responsible for overseeing the research and development of our Group	Nil
Mr. Li Zhuoxing (李焯星)	26	September 22, 2021	December 12, 2022	Board secretary and joint company secretary	Responsible for overseeing the securities affairs and investments of our Group	Nephew of Mr. Li Xiguang

Mr. Li Xiguang (李錫光), is the Chairman, an executive Director and general manager of our Company. For details, please refer to "Directors — Executive Directors".

Mr. Peng Guanghui (彭光輝), aged 54, is chief financial officer of our Company. He joined our Group in March 2015 and has served as chief operational officer and chief financial officer of our Company from March 2015 to June 2019 and remains as chief financial officer of our Company since July 2019. He is primarily responsible for the overall financial operation of our Group.

Mr. Peng has extensive experience in accounting and financial management. Prior to joining our Company, he worked as the financial manager in Nokia Telecommunications Ltd. Dongguan Branch (諾基亞通信有限公司東莞分公司) from January 2005. Mr. Peng is qualified as a certified tax agent and an intermediate accountant in the PRC. Mr. Peng graduated with major in English from Guangdong University of Foreign Studies (廣東外語外貿大學) in Guangdong, the PRC in January 2010.

Ms. Li Yongmei (李詠梅), aged 45, is deputy general manager of our Company. She joined our Group in April 2021 and served as general manager of supply chain department of Southern Semiconductor from April 2021 to October 2021 and as the deputy manager of sales department of our Company from November 2021 to October 2022. Ms. Li has been promoted as deputy general manager of our Company since October 2022. She is primarily responsible for overseeing the supply chain and sales of our Group.

Ms. Li has extensive experience in sales and supply chain management. From February 2006 to August 2009, she worked as the deputy general manager at Nanjing Jacoll Intelligent Technology Co., Ltd of Ningshun Group* (寧順集團南京嘉科智能技術有限公司), mainly responsible for sales and marketing. From December 2009 to April 2021, she was the legal representative, executive director and manager of Dongguan Hongying Semiconductor Co., Ltd* (東莞宏盈半導體有限公司), which was principally engaged in sale of electronic components.

Ms. Li finished part-time courses and obtained her bachelor's degree in business administration from Jiangsu University* (江蘇大學) in Jiangsu Province, the PRC in July 2022. Ms. Li obtained her bachelor diploma's degree in business administration via online learning from Beijing Foreign Studies University* (北京外國語大學) in January 2019.

Mr. Han Jingrui (韓景瑞), aged 37, is deputy general manager and the head of R&D department of our Company. Mr. Han was promoted as deputy director of R&D department of our Company in May 2018 and further promoted as deputy general manager and director of R&D department of our Company since October 2022. Mr. Han has been engaged in the R&D of silicon carbide epitaxial wafers in our Group. He is primarily responsible for overseeing the R&D of our Group.

Mr. Han has over 13 years of experience in R&D of SiC epitaxial technology. He led the R&D of a number of key industrial technology achievements, such as optimal control of Pits defects in multi-layer thick epitaxial materials, optimisation of epitaxial material layer error defects, improvement of minority carrier lifetime in thick epitaxial materials, and improvement of particle defects on 6-inch epitaxial surface. He published three academic papers, participated in eight science and technology projects in national, provincial and municipal levels, applied for 20 patents and 18 utility model patents, and participated in the formulation of one national standard. He was awarded the first prize of the Science and Technology Award of Guangdong High-tech Enterprises Association in 2022 (ranked 2nd), the second prize of the Dongguan Innovation Science and Technology Progress Award in 2022 (ranked 2nd), the first prize of the Guangdong Provincial Science and Technology Award for Electronic Information in 2023 (ranked 2nd) and other awards.

Mr. Han obtained his bachelor's degree in electronic science and technology from the School of Physics of Guangdong University of Technology* (廣東工業大學物理學院) in Guangdong, the PRC in September 2010.

Mr. Li Zhuoxing (李焯星), aged 26, is our Board secretary and a joint company secretary. He joined our Group in September 2021 and served as specialist of securities affairs of our Company and has been appointed as the Board secretary of our Company since December 2022. He is primarily responsible for overseeing the securities affairs and investments of our Group.

Mr. Li Zhuoxing obtained his bachelor's degree in commerce from The Australian National University in July 2021.

JOINT COMPANY SECRETARIES

Mr. Li Zhuoxing (李焯星) was appointed as a joint company secretary of our Company on November 28, 2024. Mr. Li Zhuoxing is also the Board secretary and a member of senior management of our Company. For details, see "— Board of Directors — Senior Management" in this section.

Mr. Chan Pak Lun (陳柏麟) was appointed as a joint company secretary of our Company on November 12, 2024. Mr. Chan is currently a solicitor at the law firm of DeHeng Law Offices (Hong Kong) LLP in Hong Kong, specializing in corporate finance work including initial public offerings, mergers and acquisitions and restructuring. Mr. Chan is a practising solicitor in the field of commercial and corporate finance and was admitted as a solicitor in Hong Kong in December 2018. He completed the Bachelor of Laws degree programme at The University of Hong Kong in December 2015. Mr. Chan is also serving as the company secretary of Kidztech Holdings Limited (stock code: 6918), whose shares are listed on the Main Board of the Stock Exchange, and Plateau Treasures Limited (stock code: 8402) and Glory Flame Holdings Limited (stock code: 8059), whose shares are listed on the GEM Board of the Stock Exchange.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategic and ESG Committee.

Audit Committee

Our Audit Committee consists of Ms. Li Min, Mr. He Zhengsheng and Mr. Jiang Dacai. Ms. Li Min is the chairman of the Audit Committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of our Audit Committee are to make recommendations to our Board on the appointment, reappointment and removal of external auditors; to review the financial statements and material advice in respect of financial reporting; and to oversee internal control procedures of our Company.

Remuneration Committee

Our Remuneration Committee consists of Mr. He Zhengsheng, Mr. Au Yeung Chung and Ms. Li Min. Mr. He Zhengsheng is the chairman of our Remuneration Committee. The primary duties of our Remuneration Committee are to make recommendations to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group; to review performance-based remuneration; and to ensure none of our Directors is involved in deciding his/her own remuneration.

Nomination Committee

Our Nomination Committee consists of Mr. He Zhengsheng, Mr. Li Xiguang and Ms. Li Min. Mr. He Zhengsheng is the chairman of our Nomination Committee. The primary duties of our Nomination Committee are to review the structure, size and composition of our Board and our board diversity policy on a regular basis; to identify individuals suitably qualified to become Board members; to assess the independence of our independent non-executive Directors; and to make recommendations to our Board on relevant matters relating to the appointment or reappointment of our Directors.

Strategic and ESG Committee

Our Strategic and ESG Committee consists of Mr. Li Xiguang, Mr. Au Yeung Chung and Mr. He Zhengsheng. Mr. Li Xiguang is the chairman of our Strategic and ESG Committee. The primary duties of our Strategic and ESG Committee are to research and recommend to our Board the long-term development and strategic plans of our Company; to research and recommend to our Board matters that are material to the development and ESG matters of our Company; to check the implementation of the aforementioned matters that are approved via Board meetings or Shareholders' meetings; and to deal with other strategic matters that are authorised by our Board.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract talents and to retain and motivate employees. We have also taken and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

Our Directors have a balanced mix of knowledge and skills. They completed studies in various majors including but without limitation to business management, accounting, finance and legal studies. The ages of our Directors range from 43 years old to 61 years old, and we have both male and female representatives on the Board. Our Nomination Committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

Our 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 Group will take opportunities to increase the proportion of female members of our 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 Group 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 our Board.

COMPLIANCE ADVISER

We have appointed Caitong International Capital Company Limited as our compliance adviser upon the [REDACTED] pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us when we consult our compliance adviser in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Group, including share issues and share repurchases;

(iii) where our Group proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The terms of appointment of the compliance adviser shall commence on the [REDACTED] and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Group considers that appointing Mr. Li as both the Chairman and the general manager of our Company will provide us with strong and consistent leadership, resulting in more effective planning and management of our Group. Pursuant to C.2.1 of Appendix C1 to the Listing Rules, the roles of chairperson and chief executive should be separate and should not be performed by the same individual. However, in view of Mr. Li's extensive industry experience, personal profile and critical role in our Group's historical development, we believe that it would be beneficial for our Group's business prospects if Mr. Li continues to act as both the Chairman and the general manager of our Company upon [REDACTED]. The balance of power and authority is ensured by the operation of our Board and our senior management, each of which comprises experienced and diverse individuals. Our Board currently comprises one executive Director, two non-executive Directors and three independent non-executive Directors. Therefore, our Board possesses a strong independence element in its composition.

Save as disclosed above, we are in compliance with all applicable code provisions as set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules.

COMPENSATION OF DIRECTORS, SUPERVISORS AND MANAGEMENT

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 and benefits in kind, discretionary bonus and contributions to defined contribution plans. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or the chairperson of the 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 amounts of remuneration (including fees, salaries, allowances and other benefits, discretionary bonus and contributions to defined contribution plans) for our Directors and Supervisors was approximately RMB1.7 million, RMB2.4 million, RMB6.6 million and RMB2.4 million for the three years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024 respectively. None of our Directors waived any remuneration during the aforesaid periods. Under the arrangement currently in force, the aggregate remuneration payable to the Directors and Supervisors by the Company for the year ending December 31, 2024 is estimated to be approximately RMB6.6 million.

For the three years ended December 31, 2021, 2022 and 2023 and six months ended June 30, 2024 respectively, the five highest paid individuals of our Company included one, one, one and one Director respectively. The aggregate remuneration (including salaries, allowances and other benefits and contributions to defined contribution plans) paid to our Group's five highest remuneration individuals were approximately RMB7.1 million, RMB9.6 million, RMB13.8 million and RMB6.7 million, respectively.

During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived or agreed to waive any emoluments during the Track Record Period.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

We set out below a transaction with a connected person, which will constitute a continuing connected transaction of our Group under Chapter 14A of the Listing Rules upon [REDACTED].

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Employment contract

Mr. Li Zhuoxing entered into a written employment contract with our Company on September 22, 2021, which has been renewed on September 21, 2024 (the "**Employment Contract**"). Mr. Li Zhuoxing joined our Company as specialist of securities affairs and was subsequently appointed as the Board secretary. We expect Mr. Li Zhuoxing shall continue to be employed by our Company at the same position and a joint company secretary following the [REDACTED].

The remuneration (including basic salary, bonus, social insurance contributions and other benefits) paid to Mr. Li Zhuoxing for the three years ended December 31, 2021, 2022 and 2023 amounted to approximately RMB39,300, RMB196,600 and RMB993,600, respectively. Our Directors estimate that the annual remuneration (including basic salary, bonus, social insurance contributions and other benefits) payable to Mr. Li Zhuoxing shall not exceed RMB1.0 million for each of the three years ending December 31, 2024, 2025 and 2026, respectively, as determined with reference to the contractual amounts payable to Mr. Li Zhuoxing under the Employment Contract and subsequent adjustments made thereafter.

Our Directors consider that the entering of the Employment Contract is in our ordinary and usual course of business and in the interests of our Group and our Shareholders as a whole, and the terms therein are entered into based on normal commercial terms, fair and reasonable. The remuneration payable to Mr. Li Zhuoxing commensurates with his experience, position and performance and is consistent with the prevailing market rates for similar job positions.

Listing Rules Implications

Mr. Li Zhuoxing is the nephew of Mr. Li, who is our Controlling Shareholder, Chairman and executive Director. Hence, Mr. Li Zhuoxing is a connected person of our Company. As such, the remunerations contemplated under the Employment Contract constitute continuing connected transactions of our Company. Each of the relevant percentage ratios on annual basis calculated for the purpose of Chapter 14A of the Listing Rules and as our Directors currently expect, will not exceed 5% and the annual consideration will not exceed HK$3.0 million. As such, the remunerations contemplated under the Employment Contract constitute de minimis transactions fully exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Should such annual remuneration amount exceed the relevant threshold, our Company shall comply with the Listing Rules, where applicable.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Company was controlled by (i) Mr. Li as to approximately 29.05% in his personal capacity directly, and through Dinghong Investment as to approximately 5.58%, Runsheng Investment as to approximately 3.19%, and Wanghe Investment as to approximately 2.33%, indirectly; and (ii) Mr. Au Yeung as to approximately 18.21% in his personal capacity directly.

Dinghong Investment, Runsheng Investment and Wanghe Investment are limited partnerships established in the PRC and ESOP Platforms of our Group. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su Qin, the spouse of Mr. Li.

Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung acknowledged and confirmed that, subject to applicable laws and regulations, the Articles of Association and without prejudice to interests of our Company, Shareholders and creditors of our Company and except for the situations where they shall abstain from voting in relevant connected transactions, they should act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li.

As such, Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be a group of Controlling Shareholders, who collectively held approximately 58.36% of our total issued Shares as at the Latest Practicable Date.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment will collectively hold approximately [REDACTED]% of our total issued Shares. Accordingly, Mr. Li, Mr. Au Yeung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment will remain as a group of Controlling Shareholders upon [REDACTED].

Mr. Li is the Chairman, an executive Director and general manager of our Company. Mr. Au Yeung is our non-executive Director. For biographical details of Mr. Li and Mr. Au Yeung, please refer to the section headed "Directors, Supervisors and Senior Management — Directors" in this document. Dinghong Investment, Runsheng Investment and Wanghe Investment serve as the employee shareholding platforms of our Group. For further details, please refer to the section headed "History, Development and Corporate Structure — Our ESOP Platforms" in this document.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after [REDACTED].

Management Independence

Our Board comprises one executive Director, two non-executive Directors and three independent non-executive Directors. Our senior management is responsible for the day-to-day management of our business. For details, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

Our Directors consider that our Board and senior management are able to perform the management role in our Group independent of our Controlling Shareholders for the following reasons:

(a) our daily management and operation are carried out by our senior management, all of whom have substantial experience in the industry in which we are engaged and will be able to operate our business in the best interest of our Group;

(b) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(c) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, such Director(s) shall fully disclose such matters to our Board and abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for situations involving conflict of interests, details of which are set out in the paragraph headed "Corporate Governance Measures" in this section;

(d) three out of six Directors are independent non-executive Directors with extensive experience in various professions. They are appointed pursuant to the requirements of the Listing Rules, who will bring independent judgment to the decision-making process of our Board;

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For further details, please refer to "— Corporate Governance Measures" in this section; and

(f) our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Operational Independence

Our Company is capable of making our own operational decisions and carrying out our own business operations independently.

We have established our own organisational structure consisting of individual departments, namely the R&D department, manufacturing department, sales and marketing department and financial department. Each department is assigned specific areas of responsibility. We have implemented a set of internal control mechanisms to enhance the efficiency of our business operations. In addition to our sufficient assets, capital and employees, we have obtained and possess all relevant licenses, permits, approvals and intellectual properties required to conduct our business independently. Furthermore, we have independent access to our suppliers and customers.

Our Company and Dongguan Yuebao entered into (i) a lease agreement on June 30, 2020 (the "**Zone A Property Lease Agreement**"), pursuant to which our Company leased a premises with a construction area of 7,483.70 sq.m. from Dongguan Yuebao as production premises and office buildings for a fixed period from July 1, 2020 to June 30, 2030; and (ii) a lease agreement on July 7, 2023 (the "**Zone B Property Lease Agreement**", together with Zone A Property Lease Agreement, collectively, the "**Property Lease Agreements**"), pursuant to which our Company leased a premises with a construction area of 16,464.16 sq.m. from Dongguan Yuebao as production premises and office buildings for a fixed period from May 1, 2023 to June 30, 2027. Dongguan Yuebao is owned as to 50% by Mr. Li and 50% by Mr. Au Yeung.

Given that (i) the terms of the Property Lease Agreements have been determined on an arm's length basis and on normal commercial terms or better, (ii) the risk of Dongguan Yuebao terminating the Property Lease Agreements is remote as the termination would not be in the commercial interest for both parties in commercial aspect, and (iii) it is not difficult for us to find suitable alternative production premises and office buildings in Dongguan with comparable size and cost if relocation is required in view of our light production line, our Directors believe that leasing properties from Dongguan Yuebao would not cast doubts on our operational independence.

Based on the above, our Directors are of the view that our Group can operate independently of our Controlling Shareholders and their close associates upon [REDACTED].

Financial Independence

Our financial department is responsible for handling the major finance operations of our Group and is capable of making financial decisions independently according to our own business needs. We manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders or their close associates. In addition, we have sufficient capital to operate our business independently and have adequate internal resources to support our daily operations.

During the Track Record Period, our Controlling Shareholders and their respective close associates have provided guarantees to certain banks and financial institutions in order to secure certain bank loans and facilities for our Group. For details of these guarantees, please see note 32(e) to the Accountants' Report set out in Appendix I in this document. It is expected that all guarantees or other securities provided by our Controlling Shareholders and their respective close associates for our borrowings will be fully released and/or replaced by corporate guarantee provided by our Company upon [REDACTED]. Save for the foregoing, as of the Latest Practicable Date, we had no outstanding loans and advances due to or from our Controlling Shareholders or their associates and had not provided any outstanding securities, loans or any other forms of financial assistance to our Controlling Shareholders or their associates.

Based on the above, our Directors consider that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates upon [REDACTED].

RULE 8.10 OF THE LISTING RULES

Although Mr. Jiang Dacai, our non-executive Director, is also a director of each of Suzhou Peifeng Tunan Semiconductor Company Limited* (蘇州培風圖南半導體有限公司) ("**Peifeng Tunan**"), which is a service provider of multi-scale and multi-physics simulation software for the semiconductor industry, and Beijing TSD Semiconductor Company Limited* (北京特思迪半導體設備有限公司) ("**Beijing TSD**"), which principally engaged in R&D, production and sales of ultra-precision processing equipment in the semiconductor industry, given that (i) the businesses of both of these companies are not competing, directly or indirectly, with our Group's business, and (ii) Mr. Jiang Dacai has no equity interest in Peifeng Tunan and Beijing TSD, Mr. Jiang has no interest in a business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

In addition, our Controlling Shareholders, our Directors and their respective close associates confirm that, as at the Latest Practicable Date, they do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. We recognise the importance of good corporate governance in the protection of our Shareholders' interests. We will safeguard good corporate governance standards and avoid potential conflict of interests between our Group and our Controlling Shareholders with the following measures:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his/its associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted towards the quorum in the voting;

(b) our Group has established internal control mechanisms to identify connected transactions. Our Company will comply with the requirements in relation to connected transactions under the Listing Rules upon [REDACTED];

(c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our [REDACTED] Shareholders. We have also appointed three Supervisors in accordance with the relevant PRC laws and regulations to supervise the performance of the duties by our Board. For details of our independent non-executive Directors and Supervisors, please refer to the paragraphs headed "Directors, Supervisors and Senior Management" in this document;

(d) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except as permitted by the Articles;

(e) 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;

(f) we have appointed Caitong International Capital Company Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and internal controls; and

(g) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].

So far as our Directors are aware, immediately following the completion of the [REDACTED] without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the following persons will have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 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 or any of our subsidiaries:

			Shares held as at the Latest Practicable Date and immediately prior to the [REDACTED][(1)]		Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[(1)]		
Name of Shareholder	**Nature of Interest**	**Description of Shares**	**Number**	**Approximate percentage of interest in our Company**	**Number**	**Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate)[(2)]**	**Approximate percentage of interest in our Company**
Mr. Li	Beneficial Interest	Unlisted Shares	105,517,013 (L)	29.0522%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation[(3)]	Unlisted Shares	40,310,259 (L)	11.0987%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of concert parties[(4)]	Unlisted Shares	66,126,373 (L)	18.2067%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Su Qin (蘇琴女士)	Interest of spouse[(5)]	Unlisted Shares	211,953,645 (L)	58.3576%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Au Yeung	Beneficial Interest	Unlisted Shares	66,126,373 (L)	18.2067%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
	Interest of concert parties[(4)]	Unlisted Shares	145,827,272 (L)	40.1509%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Tong Lai Kwan (唐麗君女士)	Interest of spouse[(6)]	Unlisted Shares	211,953,645 (L)	58.3576%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Tianyu Gongchuang	Interest in controlled corporation[(3)]	Unlisted Shares	40,310,259 (L)	11.0987%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Lee Yuk Ming	Beneficial Interest	Unlisted Shares	32,349,321 (L)	8.9068%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Ms. Cheung Wai Ling (張惠玲女士)	Interest of spouse[(7)]	Unlisted Shares	32,349,321 (L)	8.9068%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Mr. Zhuang Shuguang	Beneficial Interest	Unlisted Shares	28,139,493 (L)	7.7477%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Zhang Rihuan (張日歡女士)	Interest of spouse[(8)]	Unlisted Shares	28,139,493 (L)	7.7477%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Habo Technology	Beneficial Interest[(9)]	Unlisted Shares	23,852,303 (L)	6.5673%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Habo Venture Capital	Interest in controlled corporation[(9)]	Unlisted Shares	23,852,303 (L)	6.5673%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Huawei Investment	Interest in controlled corporation[(9)]	Unlisted Shares	23,852,303 (L)	6.5673%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Huawei Investment Trade Union Committee	Interest in controlled corporation[(9)]	Unlisted Shares	23,852,303 (L)	6.5673%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Huawei Technologies	Interest in controlled corporation[(9)]	Unlisted Shares	23,852,303 (L)	6.5673%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
Dinghong Investment	Beneficial Interest[(3)]	Unlisted Shares	20,274,440 (L)	5.5822%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
		H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The letter "L" denotes the entity/person's long position (as defined under Part XV of the SFO) in such Shares.

2. The calculation is based on the total number of [REDACTED] Unlisted Shares and [REDACTED] H Shares in issue upon [REDACTED] comprising (i) an aggregate of [REDACTED] H Shares to be converted from the Unlisted Shares and (ii) [REDACTED] H Shares to be issued pursuant to the [REDACTED] (without taking into account the H Shares which may be issued upon the exercise of the [REDACTED]).

3. As at the Latest Practicable Date, each of Dinghong Investment, Runsheng Investment and Wanghe Investment was interested in 20,274,440 Unlisted Shares, 11,585,291 Unlisted Shares and 8,450,528 Unlisted Shares, respectively.

   Each of Dinghong Investment, Runsheng Investment and Wanghe Investment, as ESOP Platforms, is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su Qin, the spouse of Mr. Li.

   The limited partner of each of Dinghong Investment, Runsheng Investment and Wanghe Investment who contributed more than one third of the capital to the limited partnership is Mr. Li, who held 33.84%, 39.60% and 42.07% of the partnership interest in Dinghong Investment, Runsheng Investment and Wanghe Investment, respectively.

   Accordingly, Mr. Li is deemed to be interested in the Unlisted Shares held by Dinghong Investment, Runsheng Investment and Wanghe Investment under the SFO.

4. Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung acknowledged and confirmed that they should act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li. For details, please see "History, Development and Corporate Structure — Corporate Development — Our Company — Concert Party Arrangement" in this document. As such, each of the Concert Parties are deemed to be interested in the Shares each other is interested in.

5. Ms. Su Qin (蘇琴女士) is the spouse of Mr. Li. By virtue of the SFO, Ms. Su Qin is deemed to be interested in the equity interests held by Mr. Li.

6. Ms. Tong Lai Kwan (唐麗君女士) is the spouse of Mr. Au Yeung. By virtue of the SFO, Ms. Tong Lai Kwan is deemed to be interested in the equity interests held by Mr. Au Yeung.

7. Ms. Cheung Wai Ling (張惠玲女士) is the spouse of Mr. Lee Yuk Ming. By virtue of the SFO, Ms. Cheung Wai Ling is deemed to be interested in the equity interests held by Mr. Lee Yuk Ming.

8. Ms. Zhang Rihuan (張日歡女士) is the spouse of Mr. Zhuang Shuguang. By virtue of the SFO, Ms. Zhang Rihuan is deemed to be interested in the equity interests held by Mr. Zhuang Shuguang.

9. Habo Technology Investment Partnership (Limited Partnership)* (深圳哈勃科技投資合夥企業(有限合夥)) ("**Habo Technology**") is a limited partnership established under the laws of the PRC. The general partner of Habo Technology is Habo Technology Venture Capital Co., Ltd* (哈勃科技創業投資有限公司) ("**Habo Venture Capital**"), which held 1% of the partnership interest in Habo Technology. The limited partner of Habo Technology who contributed more than one third of the capital to the limited partnership is Huawei Technologies Co., Ltd (華為技術有限公司) ("**Huawei Technologies**"), which held 69% of the partnership interest in Habo Technology.

Both Habo Venture Capital and Huawei Technologies are wholly owned by Huawei Investment & Holding Co., Ltd (華為投資控股有限公司) ("**Huawei Investment**") and Huawei Investment is owned as to 99.42% by Huawei Investment & Holding Co., Ltd. Trade Union Committee* (華為投資控股有限公司工會委員會) ("**Huawei Investment Trade Union Committee**").

As such, under the SFO, Habo Venture Capital, Huawei Technologies, Huawei Investment and Huawei Investment Trade Union Committee are deemed to be interested in the equity interests held by Habo Technology.

SHARE CAPITAL

As at the Latest Practicable Date, the share capital of our Company is RMB363,198,011, divided into 363,198,011 Unlisted Shares with a nominal value of RMB1.00 each.

Assuming that the [REDACTED] is not exercised, the share capital of our Company immediately following the [REDACTED] will be increased to RMB[REDACTED] and set out as follows:

Number of Shares	Description of Shares	Approximate Percentage of the Enlarged Share Capital after the [REDACTED]
[REDACTED]	Unlisted Shares	[REDACTED]%
[REDACTED]	H Shares to be converted from Unlisted Shares	[REDACTED]%
[REDACTED]	H Shares to be issued under the [REDACTED]	[REDACTED]%
[REDACTED]		100.0000%

Assuming that the [REDACTED] is exercised in full, the share capital of our Company immediately following the [REDACTED] will be increased to RMB[REDACTED] and set out as follows:

Number of Shares	Description of Shares	Approximate Percentage of the Enlarged Share Capital after the [REDACTED]
[REDACTED]	Unlisted Shares	[REDACTED]%
[REDACTED]	H Shares to be converted from Unlisted Shares	[REDACTED]%
[REDACTED]	H Shares to be issued under the [REDACTED]	[REDACTED]%
[REDACTED]	H Shares to be issued upon full exercise of the [REDACTED]	[REDACTED]%
[REDACTED]		100.0000%

[REDACTED]

OUR SHARES

The H Shares in issue following the completion of the [REDACTED] and the Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to the relevant PRC laws and regulations or upon approvals of any competent authorities, including our existing Shareholders who may convert their Unlisted Shares into H Shares upon completion of filing with the CSRC, H Shares generally may not be subscribed for by or traded between legal or natural persons of the PRC.

The Unlisted Shares and H Shares will rank *pari passu* with each other in all 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 Shares are to be declared and paid by us in Hong Kong dollars or Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Our Unlisted Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to stipulations by the State Council securities regulatory authority and the Articles of Association, the Unlisted Shares may be converted into H Shares. Such converted Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted Shares shall only be effected after all requisite internal approval process have been duly completed and the approval from the relevant PRC regulatory authorities (including the CSRC) and the relevant overseas stock exchange have been obtained.

In addition, such conversion and trading shall in all respects comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted to H Shares and to be traded on the Stock Exchange, such conversion requires the approval of the relevant PRC regulatory authorities, including the CSRC. Approval of the Stock Exchange is required for the listing of such converted Shares on the Stock Exchange. Subject to fulfilling the procedures below, our Company may apply for the [REDACTED] of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares before any proposed conversion so that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any [REDACTED] of additional Shares after our Company's initial [REDACTED] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require prior application for [REDACTED] as at the time of our Company's initial [REDACTED] in Hong Kong. A vote by our Shareholders in general meeting is not required for the [REDACTED] and trading of the converted Shares on an overseas stock exchange. Any [REDACTED] of the converted Shares on the Stock Exchange after the initial [REDACTED] is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the relevant Unlisted Shares will be withdrawn from the Unlisted Share register, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the [REDACTED] to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the [REDACTED] lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange complies with the Listing Rules and the General Rules of [REDACTED] and the [REDACTED] Operational Procedures in force from time to time. Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be [REDACTED] as H Shares.

RESTRICTIONS OF SHARE TRANSFER

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the [REDACTED] will be subject to such statutory restriction on transfer within a period of one year from the [REDACTED].

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are [REDACTED] and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

For details of the lock-up undertaking given by our Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules, please refer to "[REDACTED]" in this document.

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisors, pursuant to the Articles of Association and subject to the requirements of the relevant PRC laws and regulations, our Company, upon the [REDACTED] of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Unlisted Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favor of the resolution.

GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

Subject to the completion of the [REDACTED], pursuant to the Shareholders resolutions of our Company, our Board [was granted] with (a) a general mandate to allot and issue Shares (including any sale or transfer of treasury Shares out of treasury) at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association, provided that, the number of Shares to be issued shall not exceed 20% of the total number of Shares in issue (excluding any treasury Shares) as at the date of the resolution granting the general mandate; and (b) a general mandate to repurchase Shares issued on the Stock Exchange with an aggregate number of not exceeding 10% of the total number of Shares in issue (excluding any treasury Shares) as at the date of the resolution granting the general mandate. For more details of this general mandate, please refer to "Appendix VIII — Statutory and General Information — A. Further Information about our Group — 3. Shareholders' Resolutions of our Company" to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

For details of circumstances under which our Shareholders' general meetings are required, please refer to "Appendix VII — Summary of Articles of Association" in this document.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Unlisted Shares of H-Share Listed 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, the domestic shareholders of Unlisted Shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the China Securities Depository and Clearing Corporation Limited of the Unlisted Shares involved in the application is completed.

The following discussion and analysis should be read in conjunction with our financial information included in the Accountants' Report in Appendix I to this document, together with the accompanying notes. Our historical financial information has been prepared in accordance with IFRS, which may differ in certain aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to 2021, 2022 and 2023 refer to our fiscal years ended December 31 of such years.

OVERVIEW

We are one of the first technology-leading suppliers of SiC epitaxial wafers in China, according to Frost & Sullivan, primarily focusing on the R&D, mass production and sales of self-developed SiC epitaxial wafers. Our product offerings include various sizes of SiC epitaxial wafers, namely 4-inch, 6-inch and 8-inch SiC epitaxial wafers. Our SiC epitaxial wafers are generally used in end application scenarios including new energy industries (including electric vehicles, photovoltaics, charging stands, and energy storage), rail transportation, smart grids, general aviation (such as eVTOL) and home appliances, satisfying the growing needs from these downstream industries. We believe our advanced technologies and large-scale production capacity, have enabled us to stay at the forefront of R&D of production processes and market introduction of domestic substrates, accessory consumables and core equipment, thereby promoting the domestic substitution process of major components along the SiC power semiconductor device industry value chain.

We have experienced robust business growth from 2021 to 2023. Our revenue increased from RMB154.6 million in 2021 to RMB436.9 million in 2022, and further to RMB1,171.2 million in 2023, representing a CAGR of 175.2%. In addition, our gross profit increased from RMB24.2 million in 2021 to RMB87.5 million in 2022, and further to RMB216.6 million in 2023, representing a CAGR of 199.2%. We experienced a fluctuation in our performance for the six months ended June 30, 2024 due to changes in overall market conditions and decrease in our sales to overseas markets. Our revenue decreased by 14.8% from RMB423.8 million for the six months ended June 30, 2023 to RMB361.1 million for the six months ended June 30, 2024. Our gross profit decreased significantly from RMB82.2 million for the six months ended June 30, 2023 to a gross loss of RMB43.8 million for the six months ended June 30, 2024. In 2021, 2022 and 2023, our gross profit margin was

15.7%, 20.0% and 18.5%, respectively and our gross loss margin was 12.1% for the six months ended June 30, 2024 . We had net loss of RMB180.3 million and RMB140.7 million in 2021 and for the six months ended June 30, 2024, respectively. See "Risk Factors — Risks Relating to Our Business and Industry — Our historical growth may not be indicative of our future growth, and we may not be able to manage our growth or execute our business strategies effectively." We had net profit of RMB2.8 million and RMB95.9 million in 2022 and 2023, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial performance are principally affected by the following factors:

The market demand and our product offerings

Driven by technological developments in processing power, miniaturization and energy efficiency, as well as increasing demand from downstream industries such as consumer electronics, EVs and data centers, the global semiconductor market witnessed overall growth from 2019 to 2023. Our revenue increased from RMB154.6 million in 2021 to RMB436.9 million in 2022, and further to RMB1,171.2 million in 2023, representing a CAGR of 175.2%, mainly driven by market demand. We experienced a decline in our performance for the six months ended June 30, 2024, primarily due to a decrease in our overseas sales.

Currently, SiC epitaxial wafer offered in the market can be classified as 4-inch, 6-inch and 8-inch in terms of its size. We were one of the first companies in China to achieve mass production of 4-inch and 6-inch SiC epitaxial wafers, and one of the first companies in China to possess the capability of production of 8-inch SiC epitaxial wafers, according to Frost & Sullivan. During the Track Record Period, we principally offered 4-inch and 6-inch SiC epitaxial wafers and have commenced experimental production of 8-inch epitaxial wafers, earning us high recognition from distinguished customers both domestically and internationally. Various sizes of SiC epitaxial wafers may have different average selling prices and gross profit margins. As such, the combination of the products we offer to our customers may affect our results of operations and profitability. In light of the key industry trend of adopting 8-inch SiC epitaxial wafers, we believe we are well-positioned to capture market opportunities and improve our performance going forward.

Changes in international trade policies

Sales to overseas markets, including Hong Kong, South Korea, Japan, Taiwan, Singapore, Europe and Australia, contributed a substantial portion of our revenue during the Track Record Period. Our revenue generated from countries and regions outside mainland China amounted to RMB22.7 million, RMB54.9 million, RMB518.2 million, RMB168.3 million and RMB41.2 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 14.7%, 12.6%, 44.2%, 39.7% and 11.4% of our total revenue for the respective years/periods. Accordingly, our business are subject to changes in international trade policies such as heavy tariffs or harsh trade conditions or other trade-related measures in various forms against certain countries, individuals and legal entities. Any change in international trade policies may expose us to certain liabilities and increase our costs. We may be banned from cooperation with customers located in certain countries. Accordingly, our revenue and results of operations may be adversely affected. We cannot predict the implications of any change in international trade policies and the resulting impact on our industry and the global economy. See "Risk Factors — Risks Relating to Our Business and Industry — Our business, financial condition and results of operations may be materially and adversely affected by international trade policies and international export controls and economic sanctions."

Our R&D capability

We place strong focus on R&D and innovation of production and manufacturing processes of SiC epitaxial wafers. We have established our R&D center in Dongguan, China, where we actively engage in resolving manufacturing challenges associated with mass production to bolster the overall competitiveness of our SiC epitaxial wafers. After years of R&D investment and extensive mass production experience, we have mastered a number of core technologies that encompass the key production phases of SiC epitaxial wafers including epitaxial growth technologies, grinding and polishing technologies, and cleaning technologies. In 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, we incurred R&D expenses of RMB22.3 million, RMB29.2 million, RMB55.3 million, RMB34.9 million and RMB35.5 million, respectively, demonstrating our significant and continuous efforts into the R&D of our products and technologies. Over the years of our operation, our strong commitment in R&D had enabled us to product high quality SiC epitaxial wafers of larger sizes, laying a good foundation for our business expansion. Going forward, we plan to continue to invest in R&D to promote technological innovation on mass production and manufacturing processes.

The changes in market prices of raw materials and SiC epitaxial wafer products and our manufacturing costs

During the Track Record Period, material costs is the largest component of our cost of sales. Our material costs amounted to RMB77.7 million, RMB231.2 million, RMB667.1 million, RMB226.2 million and RMB235.3 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 59.6%, 66.2%, 69.9%, 66.2% and 58.1% of our total cost of sales in the respective years/periods. Our production costs and profit margin depend on our ability to source key raw materials at competitive prices. We procure a variety of raw materials necessary for the manufacturing of our SiC epitaxial wafers, including conductive SiC substrates and other accessory materials such as graphite components, chemicals, packaging materials and special gases. During the Track Record Period, the market price of SiC substrates, our major raw material, decreased as a result of the manufacturing capacity expansion of upstream raw material suppliers and improvement of SiC substrates production process. Accordingly, we strategically lower the selling prices of our SiC epitaxial wafers, allowing our products to compete effectively in the market. Any fluctuation in prices of raw materials could affect our pricing, production costs and, in turn, the gross profit margin of our products. If we fail to price our products at a level that achieve desired margin while still remaining competitive in the market, our performance and results of operation will be adversely affected.

Manufacturing costs constituted the second largest component of our cost of sales during the Track Record Period. Our manufacturing costs mainly included depreciation and amortization, utility expenses and parts and consumables etc. Our manufacturing costs amounted to RMB30.8 million, RMB83.8 million, RMB217.7 million, RMB89.7 million and RMB80.4 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 23.6%, 24.0%, 22.8%, 26.2% and 19.8% of our total cost of sales in the respective years/periods. Any changes in the level of our manufacturing costs will have a direct impact on our gross profit margin and thus our results of operations.

In addition, we also recorded write-down of inventories of RMB11.1 million, RMB14.7 million, RMB21.3 million, RMB8.5 million and RMB63.0 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 8.5%, 4.2%, 2.2%, 2.5% and 15.6% of our total cost of sales in the respective years/periods, in light of the changes in the market prices and demand of SiC epitaxial wafers. The significant increase in write-down of inventories for the six months ended June 30, 2024 was mainly attributable to the decrease of market prices of SiC epitaxial wafers. As of June 30, 2024, we also made full provision for our 4-inch epitaxial wafers-related inventories due to the uncertainties in future demand as the smaller 4-inch epitaxial wafers are gradually being phased out in favor of the larger-sized epitaxial wafers. Any further decrease in market prices of epitaxial wafers could adversely affect our results of operation if we fail to optimize our inventory level.

BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the PRC on January 7, 2009, and was converted into a joint stock limited liability company in November 2022. For more details, please see "History, Development and Corporate Structure" in this document.

Our historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing our historical financial information, we have adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

We have identified various accounting policy information that are material to the preparation of our financial information, and the understanding of our financial condition and results of operations, details of which are disclosed in note 2 of the Accountants' Report in Appendix I to this document.

The preparation of our historical financial information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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. For details on such estimates and judgments, see note 3 to the Accountants' Report included in Appendix I to this document.

The following paragraphs discuss, among others, our critical accounting policy information, estimates and judgements applied in preparing our financial information:

Revenue recognition

Income is classified by us as revenue when it arises from the sale of goods or the provision of services in the ordinary course of our business. We are the principal for our revenue transactions and recognize revenue on a gross basis. In determining whether we act as a principal or as an agent, we consider whether we obtain control of the products before they are transferred to the customers. Control refers to our ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognized when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but we generally provide credit terms to customers.

Government grants

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. Grants that compensate us for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate us for the cost of an asset are recognized by setting up the grant as deferred income that is recognized in profit or loss on a systematic basis over the useful life of the asset.

Property, plant and equipment

The property, plant and equipment, including right-of-use assets arising from leases over leasehold properties where we are not the registered owner of the property interest and right-of-use assets arising from leases of underlying plant and equipment, are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any impairment losses. Any gains or losses on disposal of an item of property, plant and equipment is recognized in profit or loss.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services. Inventories are measured at the lower of cost and net realizable value. Cost is calculated using weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade and other receivables

A receivable is recognized when we have an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due. Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our statements of profit or loss and other comprehensive income, with line items in absolute amounts and as a percentage of our revenue for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	**154,642**	**100.0**	**436,855**	**100.0**	**1,171,214**	**100.0**	**423,834**	**100.0**	**361,132**	**100.0**
Cost of sales	(130,437)	(84.3)	(349,369)	(80.0)	(954,596)	(81.5)	(341,585)	(80.6)	(404,886)	(112.1)
Gross profit/(loss)	**24,205**	**15.7**	**87,486**	**20.0**	**216,618**	**18.5**	**82,249**	**19.4**	**(43,754)**	**(12.1)**
Other net income	9,548	6.2	3,526	0.8	55,928	4.8	16,007	3.8	9,872	2.7
Selling and distribution expenses	(5,364)	(3.5)	(8,101)	(1.9)	(11,956)	(1.0)	(5,326)	(1.3)	(8,845)	(2.4)
Administrative and other operating expenses	(28,121)	(18.2)	(42,414)	(9.7)	(74,362)	(6.3)	(32,172)	(7.6)	(74,853)	(20.7)
Research and development expenses	(22,274)	(14.4)	(29,235)	(6.7)	(55,343)	(4.7)	(34,875)	(8.2)	(35,487)	(9.8)
(Loss)/profit from operations	**(22,006)**	**(14.2)**	**11,262**	**2.6**	**130,885**	**11.2**	**25,883**	**6.1**	**(153,067)**	**(42.4)**
Finance costs	(7,224)	(4.7)	(7,516)	(1.7)	(19,876)	(1.7)	(3,686)	(0.9)	(14,468)	(4.0)
Changes in the carrying amount of financial instruments issued to investors	(154,934)	(100.2)	—	—	—	—	—	—	—	—
(Loss)/profit before taxation	(184,164)	(119.1)	3,746	0.9	111,009	9.5	22,197	5.2	(167,535)	(46.4)
Income tax credit/ (expense)	3,854	2.5	(932)	(0.2)	(15,127)	(1.3)	(1,456)	(0.3)	26,853	7.4
(Loss)/profit for the year/ period	**(180,310)**	**(116.6)**	**2,814**	**0.6**	**95,882**	**8.2**	**20,741**	**4.9**	**(140,682)**	**(39.0)**
Attributable to:										
Equity shareholders of the Company	(173,451)	(112.2)	6,951	1.6	101,436	8.7	22,963	5.4	(137,118)	(38.0)
Non-controlling interests	(6,859)	(4.4)	(4,137)	(0.9)	(5,554)	(0.5)	(2,222)	(0.5)	(3,564)	(1.0)
(Loss)/profit and total comprehensive income for the year/period	**(180,310)**	**(116.6)**	**2,814**	**0.6**	**95,882**	**8.2**	**20,741**	**4.9**	**(140,682)**	**(39.0)**

Revenue

Revenue by Business Line

During the Track Record Period, we generated our revenue from (i) sales of self-manufactured SiC epitaxial wafers; and (ii) other sales and services, which mainly include the provision of SiC epitaxial wafer-related services and sales of substandard SiC epitaxial wafers. From time to time, we reach out to customers and sell our substandard epitaxial wafers produced in the course of our production. These substandard products do not satisfy the original customers' specific requirements, but may meet other customers' requests due to their differentiated requirements of epitaxial wafers' quality and purposes of use. Such customers may use such epitaxial wafers for their testing or R&D purposes. The following table sets forth a breakdown of our revenue by business line, in absolute amounts and as a percentage of our revenue, for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Sales of self-manufactured SiC epitaxial wafers	148,558	96.1	398,341	91.2	1,127,097	96.2	410,602	96.9	355,597	98.5
— 4-inch	15,800	10.2	11,492	2.6	8,252	0.7	1,817	0.4	1,571	0.5
— 6-inch	132,758	85.9	386,849	88.6	1,118,328	95.5	408,785	96.5	349,666	96.8
— 8-inch	—	—	—	—	517	—(1)	—	—	4,360	1.2
Other sales and services	6,084	3.9	38,514	8.8	44,117	3.8	13,232	3.1	5,535	1.5
Total	**154,642**	**100.0**	**436,855**	**100.0**	**1,171,214**	**100.0**	**423,834**	**100.0**	**361,132**	**100.0**

Note:

(1) Less than 0.1%

Sales of self-manufactured SiC Epitaxial Wafers

We principally engaged in sales of self-manufactured SiC epitaxial wafers and generated revenue of RMB148.6 million, RMB398.3 million, RMB1,127.1 million, RMB410.6 million and RMB355.6 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 96.1%, 91.2%, 96.2%, 96.9% and 98.5% of our total revenue for the respective years/periods. During the Track Record Period, we primarily provided 4-inch and 6-inch SiC epitaxial wafers.

Revenue from sales of self-manufactured SiC epitaxial wafers is primarily driven by sales volume and our selling prices. The following table sets forth a summary of our revenue from sales of self-manufactured SiC epitaxial wafers, sales volume and average selling price ("**ASP**") for the years/periods indicated:

	Year ended December 31,								
	2021			2022			2023		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*
4-inch	15,800	3,551	4,449	11,492	2,777	4,138	8,252	1,818	4,539
6-inch	132,758	13,392	9,913	386,849	40,167	9,631	1,118,328	125,799	8,890
8-inch	—	—		—	—		517	15	34,467
	148,558	16,943	8,768	398,341	42,944	9,276	1,127,097	127,632	8,831

	Six months ended June 30,					
	2023			2024		
	Revenue	Sales volume	ASP	Revenue	Sales volume	ASP
	RMB'000 (unaudited)	*Piece*	*RMB/piece*	*RMB'000*	*Piece*	*RMB/piece*
4-inch	1,817	382	4,757	1,571	318	4,940
6-inch	408,785	44,683	9,149	349,666	45,450	7,693
8-inch	—	—	—	4,360	320	13,625
	410,602	45,065	9,111	355,597	46,088	7,716

Our revenue generated from sales of self-manufactured SiC epitaxial wafers increased significantly from RMB148.6 million in 2021 to RMB398.3 million in 2022 and further to RMB1,127.1 million in 2023, primarily due to an increase in our sales volume of SiC epitaxial wafers driven by our increased production capacity and downstream market demand.

- The sales volume of our 6-inch SiC epitaxial wafers increased from 13,392 pieces in 2021 to 40,167 pieces in 2022 and further to 125,799 pieces in 2023; and that of our 4-inch SiC epitaxial wafers decreased from 3,551 pieces in 2021 to 2,777 pieces in 2022 and further to 1,818 pieces in 2023. Such trend was generally in line with the substantial growth of global market of 6-inch SiC epitaxial wafers and decline of the 4-inch SiC epitaxial wafers from 2019 to 2023 as the 6-inch SiC epitaxial wafers gain its popularity as a result of technological advancement and decreased production costs, according to Frost & Sullivan. We sold 15 pieces of 8-inch SiC epitaxial wafers in 2023 as we were awarded orders from two of our overseas customers for production of sample products in 2023.

- The ASP of SiC epitaxial wafers increased from RMB8,768 in 2021 to RMB9,276 in 2022, primarily attributable to an increase in sales of 6-inch epitaxial wafers, which had a higher ASP as compared to our 4-inch products, in 2022. Specifically, the ASP of both 4-inch and 6-inch epitaxial wafers decreased from 2021 to 2022, which was primarily attributable to (i) a decrease in the price of SiC substrates, the major raw material, benefited from the manufacturing capacity expansion of upstream raw material suppliers, and (ii) an adjustment in our pricing strategy as an effort to gain more market share in the intensively competitive market. The

ASP of SiC epitaxial wafers decreased from RMB9,276 in 2022 to RMB8,831 in 2023, which was primarily due to a decrease in ASP of 6-inch epitaxial wafers, which accounted for a higher proportion of our total sales.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers decreased by 13.4% from RMB410.6 million for the six months ended June 30, 2023 to RMB355.6 million for the six months ended June 30, 2024, primarily due to a decrease in selling prices of SiC epitaxial wafers.

- The sales volume of 4-inch and 6-inch SiC epitaxial wafers collectively remained relatively stable at 45,065 pieces for the six months ended June 30, 2023 and 45,768 pieces for the six months ended June 30, 2024. We sold 320 pieces of 8-inch SiC epitaxial wafers for the six months ended June 30, 2024 as we were awarded orders from two overseas customers in 2024.

- The ASP of our epitaxial wafers decreased from RMB9,111 for the six months ended June 30, 2023 to RMB7,716 for the six months ended June 30, 2024, primarily as we strategically reduced our selling prices to improve market penetration. We benefited from a decrease in market price of SiC substrates as a result of the manufacturing capacity expansion of upstream raw material suppliers and improvement of SiC substrates production process, thus allowing us room for price adjustments. Such impact on ASP was partially offset by the effect of increased sales of our 8-inch SiC epitaxial wafers, which had higher ASP, for the six months ended June 30, 2024.

Other Sales and Services

During the Track Record Period, we also generated revenue from the provision of certain value-added services related to SiC epitaxial wafers, primarily including SiC epitaxial foundry service, epitaxial wafer cleaning service, and substrate and epitaxial wafer inspection service and from sales of certain substandard epitaxial wafers. From time to time, we reach out to customers and sell our substandard epitaxial wafers produced in the course of our production. These substandard products do not satisfy the original customers' specific requirements, but may meet other customers' requests due to their differentiated requirements of epitaxial wafers' quality and purposes of use. Such customers may use such epitaxial wafers for their testing or R&D purposes. Our revenue generated from other sales and services amounted to RMB6.1 million, RMB38.5 million, RMB44.1 million, RMB13.2 million and RMB5.5 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 3.9%, 8.8%, 3.8%, 3.1% and 1.5% of our total revenue for the respective years/periods.

Our revenue generated from other sales and services increased significantly from RMB6.1 million in 2021 to RMB38.5 million in 2022, primarily due to increased revenue from sales of semiconductor devices through Southern Semiconductor.

Our revenue generated from other sales and services increased by 14.5% from RMB38.5 million in 2022 to RMB44.1 million in 2023, primarily due to an increased revenue from sales of substandard products to our downstream customers and provision of value-added services.

Our revenue generated from other sales and services decreased by 58.2% from RMB13.2 million in the six months ended June 30, 2023 to RMB5.5 million in the six months ended June 30, 2024, mainly affected by international trade policies tension.

Revenue by Geographical Location

The following table sets forth a breakdown of our revenue by geographical location based on the location at which the services were provided or the goods were delivered, in absolute amounts and as a percentage of our revenue, for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000* (unaudited)	*% of Revenue*	*RMB'000*	*% of Revenue*
Mainland China	131,985	85.3	381,986	87.4	652,969	55.8	255,582	60.3	319,885	88.6
Hong Kong	16,565	10.7	5,936	1.4	12,733	1.1	11,100	2.6	1,065	0.3
South Korea	4,460	2.9	47,696	10.9	499,424	42.6	154,675	36.5	37,176	10.3
Others[1]	1,632	1.1	1,237	0.3	6,088	0.5	2,477	0.6	3,006	0.8
Total	**154,642**	**100.0**	**436,855**	**100.0**	**1,171,214**	**100.0**	**423,834**	**100.0**	**361,132**	**100.0**

Note:

(1) Others includes Japan, Taiwan, Singapore, Europe and Australia.

During the Track Record Period, we generated a majority of our revenue from mainland China. Our revenue generated from sales to mainland China amounted to RMB132.0 million, RMB382.0 million, RMB653.0 million, RMB255.6 million and RMB319.9 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 85.3%, 87.4%, 55.8%, 60.3% and 88.6% of our total revenue for the respective years/periods.

In addition, we expanded our business presence to overseas with a primary focus on neighboring Asian countries and regions. Our revenue generated from countries and regions outside mainland China amounted to RMB22.7 million, RMB54.9 million, RMB518.2 million, RMB168.3 million and RMB41.2 million, respectively, in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, accounting for 14.7%, 12.6%, 44.2%, 39.7% and 11.4% of our total revenue for the respective years/periods. Specifically, our revenue from South Korea increased significantly from RMB47.7 million to RMB499.4 million and decreased from RMB154.7 million for the six months ended June 30, 2023 to RMB37.2 million for the six months ended June 30, 2024, which was mainly due to large sales orders received from a customer in South Korea since 2022. Affected by geopolitical tension in the semiconductor industry, it no longer made purchases from us as a Chinese manufacturer in 2024, leading to a decrease in our sales to South Korea in the six months ended June 30,

2024. Our revenue generated from countries and regions outside mainland China decreased in the six months ended June 30, 2024 as compared to the same period in 2023, as we focused our resources in mainland China for the time being in view of the instability in the international geopolitical situation. Going forward, we may adjust our sales strategy in overseas markets from time to time to adapt to the evolving geopolitical situation and capture emerging market opportunities.

Cost of Sales

Our cost of sales primarily consist of (i) material costs, which mainly include conductive SiC substrates, (ii) manufacturing costs, which mainly include depreciation of our production plant and equipment, utility expenses and parts and consumables etc; (iii) write-down of inventories; and (iv) labor costs, which mainly include salaries, social insurance expenses, other benefits and share-based payments for our production personnel.

The following table sets forth a breakdown of cost of sales by nature in absolute amounts and as a percentage of our total cost of sales for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Material costs	77,734	59.6	231,191	66.2	667,110	69.9	226,198	66.2	235,264	58.1
Manufacturing costs	30,752	23.5	83,833	23.9	217,772	22.8	89,659	26.3	80,364	19.8
— depreciation and amortization	11,735	9.0	19,175	5.5	59,833	6.3	16,129	4.7	39,428	9.7
— utility expenses	6,194	4.7	18,693	5.3	56,306	5.9	6,336	1.9	19,896	4.9
— parts and consumables	2,738	2.1	7,011	2.0	60,700	6.3	27,854	8.2	12,751	3.1
— other manufacturing costs	10,085	7.7	38,954	11.1	40,933	4.3	39,340	11.5	8,289	2.1
Write-down of inventories	11,051	8.5	14,711	4.2	21,301	2.2	8,500	2.5	63,006	15.6
Labor costs	10,681	8.2	18,347	5.3	46,954	4.9	16,403	4.8	25,639	6.3
Others[(1)]	219	0.2	1,287	0.4	1,459	0.2	825	0.2	613	0.2
Total	**130,437**	**100.0**	**349,369**	**100.0**	**954,596**	**100.0**	**341,585**	**100.0**	**404,886**	**100.0**

Note:

(1) Others mainly include taxes.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of our gross profit and gross profit margin by business line for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sales of self-manufactured SiC epitaxial wafer products	33,153	22.3	93,681	23.5	228,005	20.2	87,946	21.4	20,722	5.8
— 4-inch	2,181	13.8	1,893	16.5	4,387	53.2	1,007	55.4	478	30.4
— 6-inch	30,972	23.3	91,788	23.7	223,377	20.0	86,939	21.3	19,881	5.7
— 8-inch	—	—	—	—	241	46.6	—	—	363	8.3
Other sales and services	2,322	38.2	9,803	25.5	11,373	25.8	3,628	27.4	(857)	(15.5)
Subtotal	35,475	22.9	103,484	23.7	239,378	20.4	91,574	21.6	19,865	5.5
Write-down of inventories	(11,051)		(14,711)		(21,301)		(8,500)		(63,006)	
Others[1]	(219)		(1,287)		(1,459)		(825)		(613)	
Total	**24,205**	**15.7**	**87,486**	**20.0**	**216,618**	**18.5**	**82,249**	**19.4**	**(43,754)**	**(12.1)**

Note:

(1) Others mainly include taxes.

In 2021, 2022, 2023 and the six months ended June 30, 2023, our gross profit was RMB24.2 million, RMB87.5 million, RMB216.6 million, RMB82.2 million, respectively. We incurred a gross loss of RMB43.8 million for the six months ended June 30, 2024, primarily due to an increase in write-down on inventories from RMB8.5 million for the six months ended June 30, 2023 to RMB63.0 million for the six months ended June 30, 2024 in view of the decrease of market prices of epitaxial wafer products. As of June 30, 2024, we also made full provision for our 4-inch epitaxial wafers-related inventories due to the uncertainties in future demand as the smaller 4-inch epitaxial wafers are gradually being phased out in favor of the larger-sized epitaxial wafers.

During the Track Record Period, our overall gross profit margin varied, primarily due to the change in our product mix, the pricing of our products/services as well as the cost of products/services, which are predominately driven by market conditions. We achieved an overall gross profit margin of 15.7%, 20.0%, 18.5% and 19.4% in 2021, 2022, 2023 and the six months ended June 30, 2023 and an overall gross loss margin of 12.1% in the six months ended June 30, 2024.

Gross Profit Margin from Sales of Self-manufactured SiC Epitaxial Wafers

Our gross profit margin from sales of self-manufactured SiC epitaxial wafers, excluding any write-down of inventories and other costs not allocated to the respective business lines, increased from 22.3% in 2021 to 23.5% in 2022, primarily due to (i) a change in product mix that we sold more 6-inch epitaxial wafers, which generally carried higher profit margin as compared to the 4-inch epitaxial wafers, in 2022; and (ii) a decrease in average costs of production of our SiC epitaxial wafers benefited from the economies of scales as our production volume increased.

Our gross profit margin from sales of self-manufactured SiC epitaxial wafers, excluding any write-down of inventories and other costs not allocated to the respective business lines, decreased from 23.5% in 2022 to 20.2% in 2023, primarily due to (i) an increase in fixed costs associated with the ramp-up of new production line launched in 2023; and (ii) a decrease in our selling prices of our 6-inch epitaxial wafers as we strategically reduced our price to gain market shares, which offset the impact of a change in product mix, as the sales volume of our 6-inch epitaxial wafers, which generally carried higher profit margin, continued to rise. We recorded increased gross profit margin for our 4-inch epitaxial wafers from 16.5% in 2022 to 53.2% in 2023, primarily due to (i) higher selling prices of our 4-inch epitaxial wafers sold in 2023, which were primarily sold in smaller orders with prices negotiated on a case-by-case basis; and (ii) a decrease in average cost of our products as a result of decreased material costs and a reversal of write-down of inventories of RMB2.2 million in prior years in respect of the 4-inch epitaxial wafers sold in 2023.

Our gross profit margin from sales of self-manufactured SiC epitaxial wafers, excluding any write-down of inventories and other costs not allocated to the respective business lines, decreased from 21.4% in the six months ended June 30, 2023 to 5.8% in the six months ended June 30, 2024, primarily due to (i) a decrease in selling prices of our 6-inch epitaxial wafers mainly driven by market conditions; and (ii) a general increase in our average cost of products as our production volume decreased and fixed costs increased as a result of the ramp-up of the new production lines.

Gross Profit Margin from Other Sales and Services

Our gross profit margin from other sales and services, excluding any write-down of inventories and other costs not allocated to the respective business lines, decreased from 38.2% in 2021 to 25.5% in 2022, primarily due to an increase in revenue generated from sales of semiconductor devices, which gross profit margin from sales of products were generally lower than that from provision of services.

Our gross profit margin from other sales and services, excluding any write-down of inventories and other costs not allocated to the respective business lines, remained relatively stable at 25.5% and 25.8% in 2022 and 2023, respectively.

Our gross profit margin from other sales and services, excluding any write-down of inventories and other costs not allocated to the respective business lines, changed from a gross profit margin of 27.4% in the six months ended June 30, 2023 to a gross loss margin of 15.5% in the six months ended June 30, 2024. The gross loss margin of 15.5% in the six months ended June 30, 2024 was mainly attributable to the sales of certain substandard products at lower prices.

Other Net Income

Other net income primarily consists of (i) government grants, which primarily represent industry-specific subsidies granted by the local government authorities in China to encourage R&D projects; (ii) net foreign exchange (loss)/gain, which mainly arises from sales to and purchases from overseas customers and suppliers denominated in US dollars; (iii) interest income from bank deposits; (iv) compensation income, representing an one-off compensation from a supplier which failed to deliver our order on time; (v) loss on disposals of property, plant and equipment; and (vi) others.

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

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	10,168	6,382	27,607	12,017	7,343
Net foreign exchange (loss)/gain	(199)	(3,221)	3,279	2,937	1,492
Interest income from bank deposits	106	1,413	3,379	1,097	808
Compensation income	—	—	21,558	—	—
Loss on disposals of property, plant and equipment	(10)	(1,144)	(3)	—	(8)
Others[1]	(517)	96	108	(44)	237
Total	**9,548**	**3,526**	**55,928**	**16,007**	**9,872**

Note:

(1) Others mainly include income from sales of scrap materials and sponsorship from suppliers for annual conference.

In 2023, we recorded compensation income of RMB21.6 million, representing compensation from one of our major suppliers in respect of its failure to deliver our orders timely. According to the supplemental agreement with that supplier in relation to the incident, the agreed compensation amount was settled by offsetting against our trade payables for the purchases we made from this supplier in 2023. See "Business — Procurement and Supply — Our Suppliers — Major Suppliers."

Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) employee expenses, which mainly include salaries and welfare of our sales and marketing staff; (ii) sample fees in relation to the provision of sample products to attract new customers; (iii) share-based payment expenses in relation to share award scheme we adopted for the purpose of providing incentives to our employees; (iv) business entertainment expenses, which mainly include meal expenses incurred by our sales personnel; (v) travel expenses; (vi) depreciation and amortization; and (vii) others. In 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, our selling and distribution expenses accounted for 3.5%, 1.9%, 1.0%, 1.3% and 2.4% of our revenue, respectively.

The following table sets forth the components of our selling and distribution expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Employee expenses	3,743	69.8	3,569	44.1	5,170	43.2	2,240	42.1	3,372	38.1
Sample fees	753	14.0	1,547	19.1	2,767	23.1	1,233	23.2	2,607	29.5
Share-based payment expenses	—	—	757	9.3	1,271	10.6	795	14.9	1,047	11.8
Business entertainment expenses	410	7.6	1,065	13.1	884	7.4	305	5.7	457	5.2
Travel expenses	47	0.9	77	1.0	635	5.3	158	3.0	359	4.1
Depreciation and amortization	42	0.8	109	1.3	177	1.5	90	1.7	139	1.6
Others	369	6.9	977	12.1	1,052	8.9	505	9.4	864	9.7
Total	**5,364**	**100.0**	**8,101**	**100.0**	**11,956**	**100.0**	**5,326**	**100.0**	**8,845**	**100.0**

Note:

(1) Others mainly include promotion expenses, office expenses, water and electricity consumption expenses, transportation expenses, property management fees and other expenses related to sales and marketing staff.

Administrative and Other Operating Expenses

Our administrative and other operating expenses primarily consist of (i) provision for impairment losses on financial assets; (ii) employee expenses, which mainly include salaries and welfare of our senior management and business operations and administration staff; (iii) depreciation and amortization; (iv) rental and property management fees; (v) share-based payment expenses in relation to certain share award scheme adopted for purposes of providing incentives to our senior management and business operations and administration staff; (vi) meal expenses, primarily represent costs incurred for our staff canteen; (vii) travel and entertainment expenses; (viii) professional fees, which primarily include service fees incurred for the potential A-share listing and consultancy services incurred for our operations such as costs in relation to environmental impact assessment reports in relation to our production facilities, tax consultancy services etc; and (ix) repair and consumable expenses.

The following table sets forth a breakdown of the components of our administrative and other operating expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(unaudited)			
Provision for impairment losses on financial assets	121	0.4	910	2.1	9,566	12.9	1,683	5.2	43,479	58.1
Employee expenses	10,186	36.2	15,420	36.4	24,070	32.4	10,973	34.1	14,992	20.0
Depreciation and amortization	6,780	24.1	4,576	10.8	6,268	8.4	3,241	10.1	3,847	5.1
Rental and property management fees	2,441	8.7	1,584	3.7	4,868	6.5	1,900	5.9	2,776	3.7
Share-based payment expenses	—	—	2,055	4.8	6,173	8.3	2,134	6.6	2,311	3.1
Meal expenses	1,104	3.9	2,197	5.2	4,957	6.7	2,336	7.3	1,522	2.0
Travel and entertainment	867	3.1	1,884	4.4	2,155	2.9	1,639	5.1	1,450	1.9
Professional fees	2,566	9.1	7,662	18.1	6,764	9.1	4,435	13.8	1,238	1.7
Repair and consumable expenses	1,333	4.7	1,713	4.0	1,620	2.2	936	2.9	1,215	1.6
Others(1)	2,723	9.7	4,413	10.4	7,921	10.7	2,895	9.0	2,023	2.7
Total	**28,121**	**100.0**	**42,414**	**100.0**	**74,362**	**100.0**	**32,172**	**100.0**	**74,853**	**100.0**

Note:

(1) Others mainly include office expenses, insurance expenses, recruitment expenses and other miscellaneous administrative expenses.

R&D Expenses

Our R&D expenses primarily consist of (i) material costs used in our R&D projects; (ii) depreciation and amortization; (iii) employee expenses, which mainly include salaries and welfare of our R&D staff; (iv) fuel and power expenses; (v) share-based payments in relation to the share award scheme we adopted for the purpose of providing incentives to our employees; and (vi) testing and certification expenses.

The following table sets forth a breakdown of the components of our R&D expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Material costs	4,621	20.7	6,635	22.7	17,686	32.0	16,080	46.1	9,970	28.1
Depreciation and amortization	4,003	18.0	3,125	10.7	8,750	15.8	3,351	9.6	8,412	23.7
Employee expenses	6,440	28.9	9,047	30.9	11,462	20.7	4,966	14.2	7,341	20.7
Fuel and power expenses	2,608	11.7	2,092	7.2	3,635	6.6	2,107	6.0	2,382	6.7
Share-based payments	—	—	3,056	10.5	3,866	7.0	3,311	9.5	2,113	6.0
Testing and certification expenses	1,302	5.8	2,107	7.2	2,734	4.9	753	2.2	521	1.5
Others[1]	3,300	14.9	3,173	10.8	7,210	13.0	4,307	12.4	4,748	13.3
Total	**22,274**	**100.0**	**29,235**	**100.0**	**55,343**	**100.0**	**34,875**	**100.0**	**35,487**	**100.0**

Note:

(1) Others mainly include transportation expenses, consulting service fees, business conference expenses, office expenses and patent related expenses.

Finance Costs

Our finance costs consist of (i) interest expenses on bank loans and other borrowings, (ii) interest expenses on loan from related parties; and (iii) interest expenses on lease liabilities.

The following table sets forth a breakdown of the components of our finance costs for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Interest expenses on										
— bank loans and other borrowings	5,189	71.8	6,239	83.0	19,897	100.1	2,934	79.6	17,076	116.2
— loan from related parties	1,409	19.5	487	6.5	—	—	—	—	—	—
— lease liabilities	626	8.7	790	10.5	2,287	11.5	807	21.9	1,410	8.7
Less: interest expense capitalized into property, plant and equipment	—	—	—	—	(2,308)	(11.6)	(55)	(1.5)	(4,018)	(24.9)
Total	**7,224**	**100.0**	**7,516**	**100.0**	**19,876**	**100.0**	**3,686**	**100.0**	**14,468**	**100.0**

Changes in the Carrying Amount of Financial Instruments Issued to Investors

We recorded changes in the carrying amount of financial instruments issued to investors of RMB154.9 million, nil, nil, nil and nil respectively in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024. Pursuant to the agreements between our controlling shareholders, investors and us, certain investors were granted the right to require us to redeem their paid-in capital for cash upon specified events. As the occurrence of the redemption events are beyond our control, we recognized a financial liability for our obligation to redeem the paid-in capitals issued to investors. In 2022, we reclassified such financial instrument to equity, because these investors' redemption rights were terminated according to our supplemental agreements with them for purpose of our potential A-share listing in the PRC. See "Financial Information — Discussion of Certain Items of Statements of Financial Position — Financial Instruments Issued to Investors" for details.

Income Tax

Our income tax expense was RMB0.9 million, RMB15.1 million and RMB1.5 million in 2022 and 2023 and for the six months ended June 30, 2023, respectively, and our income tax credit was RMB3.9 million and RMB26.7 million in 2021 and for the six months ended June 30, 2024, respectively.

The income tax provision of the Company was principally calculated at the tax rate of 25% on the taxable income during the Track Record Period in accordance with the EIT Law, except for that our Company and Southern Semiconductor were qualified as the High and New Technology Enterprise ("**HNTE**") and entitled to a preferential tax rate of 15% until 2025 and 2024, respectively. Hengxin Research Institute was qualified as the Small and Micro Enterprise and entitled to a preferential tax rate of 2.5% in 2021 and 5% in 2022, 2023 and the six months ended June 30, 2024. Our Company and Southern Semiconductor were also entitled to additional 100% tax deduction on their eligible R&D expenses during the Track Record Period.

As of the Latest Practicable Date, we did not have any material dispute with any tax authority.

DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Revenue

Our revenue decreased by 14.8% from RMB423.8 million for the six months ended June 30, 2023 to RMB361.1 million for the six months ended June 30, 2024, primarily due to a decrease in revenue generated from sales of self-manufactured SiC epitaxial wafers.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers decreased by 13.4% from RMB410.6 million for the six months ended June 30, 2023 to RMB355.6 million for the six months ended June 30, 2024, primarily due to a decrease in selling prices of SiC epitaxial wafers, as we strategically reduced our selling prices to improve market penetration.

Our revenue generated from other sales and services decreased by 58.2% from RMB13.2 million in the six months ended June 30, 2023 to RMB5.5 million in the six months ended June 30, 2024, mainly affected international trade policies tension.

Cost of Sales

Our cost of sales increased by 18.5% from RMB341.6 million in the six months ended June 30, 2023 to RMB404.9 million in the six months ended June 30, 2024, primarily attributable to a significant increase in provision for write-down of inventories in light of the decreased market prices of epitaxial wafer products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased significantly from RMB82.2 million for the six months ended June 30, 2023 to a gross loss of RMB43.8 million for the six months ended June 30, 2024. We recorded a gross profit margin of 19.4% for the six months ended June 30, 2023 and a gross loss margin of 12.1% for the six months ended June 30, 2024. Such change was primarily due to an increase in write-down on inventories from RMB8.5 million for the six months ended June 30, 2023 to RMB63.0 million for the six months ended June 30, 2024 in view of the decrease of market prices of SiC epitaxial wafer products.

Our gross profit margin from sales of self-manufactured SiC epitaxial wafers, excluding any write-down of inventories and other costs not allocated to the respective business lines, decreased from 21.4% in the six months ended June 30, 2023 to 5.8% in the six months ended June 30, 2024, primarily due to (i) a decrease in selling prices of our 6-inch epitaxial wafers mainly driven by market conditions; and (ii) a general increase in our average cost of products as our production volume decreased and fixed costs increased as a result of the ramp-up of the new production lines.

Our gross profit margin from other sales and services, excluding any write-down of inventories and other costs not allocated to the respective business lines, changed from a gross profit margin of 27.4% in the six months ended June 30, 2023 to a gross loss margin of 15.5% in the six months ended June 30, 2024. The gross loss margin of 15.5% in the six months ended June 30, 2024 was mainly attributable to the sales of certain substandard products at lower prices.

Other Net Income

Our other net income decreased by 38.3% from RMB16.0 million for the six months ended June 30, 2023 to RMB9.9 million for the six months ended June 30, 2024, primarily due to (i) a decrease in government grants of RMB4.7 million; and (ii) a decrease in net foreign exchange gain of RMB1.4 million as a result of a decrease in our overseas sales denominated in US dollars as RMB depreciated against US dollars during the period.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 66.1% from RMB5.3 million for the six months ended June 30, 2023 to RMB8.8 million for the six months ended June 30, 2024, primarily due to (i) an increase in sample fees of RMB1.4 million to new customers or for product promotion; and (ii) an increase in employee expenses of RMB1.1 million as a result of an increase in number of sales and marketing staff and an increase in average compensation paid to our sales and marketing staff.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased significantly from RMB32.2 million for the six months ended June 30, 2023 to RMB74.9 million for the six months ended June 30, 2024, primarily due to (i) an increase in provision for impairment losses on financial assets of RMB41.8 million, mainly arising from provision for trade receivables due from certain downstream customers due to their worsened operational performance; (ii) an increase in employee expenses of RMB4.0 million as a result of an increase in the number of our business operations and administration staff to support our business growth and an increase in average compensation paid to our business operations and administration staff; partially offset by (i) a decrease in professional fees of RMB3.2 million due to a decrease in consultancy services.

R&D Expenses

Our R&D expenses remained relatively stable at RMB34.9 million and RMB35.5 million for the six months ended June 30, 2023 and 2024, respectively, which was the combined effect of (i) an increase in depreciation and amortization of RMB5.1 million in relation to more depreciation allocated to our R&D activities based on the usage of our production facilities; and (ii) a decrease in material costs of RMB6.1 million decreased raw materials used in our R&D projects, as our R&D projects entered into different phases and required less materials.

Finance Costs

Our finance costs increased significantly from RMB3.7 million for the six months ended June 30, 2023 to RMB14.7 million for the six months ended June 30, 2024, primarily due to an increase in interest expenses on bank loans and other borrowings of RMB14.1 million as we drew down bank loans and other borrowings primarily for purchases of equipment. We capitalized RMB4.0 million interest expenses in the six months ended June 30, 2024 in relation to the construction of Ecological Park production base.

Profit/(Loss) for the Period

As a result of the foregoing, we recorded a profit of RMB20.7 million for the six months ended June 30, 2023 and a loss of RMB140.7 million for the six months ended June 30, 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue significantly increased significantly from RMB436.9 million in 2022 to RMB1,171.2 million in 2023, primarily due to an increase in our revenue generated from sales of self-manufactured SiC epitaxial wafers.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers increased significantly from RMB398.3 million in 2022 to RMB1,127.1 million in 2023, primarily due to an increase in our sales volume of SiC epitaxial wafers driven by our increased production capacity and downstream market demand.

Our revenue generated from other sales and services increased by 14.5% from RMB38.5 million in 2022 to RMB44.1 million in 2023, primarily due to an increased revenue from sales of substandard products to our downstream customers and provision of value-added services.

Cost of Sales

Our cost of sales increased significantly from RMB349.4 million in 2022 to RMB954.6 million in 2023, primarily attributable to the increases in material costs, manufacturing costs and labor costs, generally in line with the increase in our sales volume.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from RMB87.5 million in 2022 to RMB216.6 million in 2023. Our gross profit margin decreased from 20.0% in 2022 and 18.5% in 2023.

Our gross profit margin from sales of self-manufactured SiC epitaxial wafers, excluding any write-down of inventories and other costs not allocated to the respective business lines, decreased from 23.5% in 2022 to 20.2% in 2023, primarily due to (i) an increase in fixed costs associated with the ramp-up of new production line launched in 2023; and (ii) a decrease in our selling prices of our 6-inch epitaxial wafers as we strategically reduced our price to gain market shares, which offset the impact of a change in product mix, as the sales volume of our 6-inch wafers, which generally carried higher profit margin, continued to rise.

Our gross profit margin from other sales and services, excluding any write-down of inventories and other costs not allocated to the respective business lines, remained relatively stable at 25.5% and 25.8% in 2022 and 2023, respectively.

Other Net Income

Our other net income increased significantly from RMB3.5 million in 2022 to RMB55.9 million in 2023, primarily due to (i) an one-off compensation income of RMB21.6 million from a supplier in respect of its failure to deliver our orders timely in 2023. See "— Description of Major Components of Our Results of Operations — Other Net Income" for details; (ii) an increase in government grants of RMB21.2 million; and (iii) our recording of net foreign exchange gain of RMB3.3 million as compared to net foreign exchange loss of RMB3.2 million in 2022, mainly arising from increased overseas sales denominated in US dollars as a result of depreciation of RMB against US dollars in 2023.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 47.6% from RMB8.1 million in 2022 to RMB12.0 million in 2023, primarily due to (i) an increase in employee expenses of RMB1.6 million as a result of an increase in number of sales and marketing staff and an increase in average compensation paid to our sales and marketing staff as an effort to expand our business; (ii) an increase in sample fees of RMB1.2 million to new customers or for product promotion; (iii) an increase in travel expenses of RMB0.6 million; and (iv) an increase in share-based payment expenses of RMB0.5 million.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 75.3% from RMB42.4 million in 2022 to RMB74.4 million in 2023, primarily due to (i) an increase in provision for impairment losses on financial assets of RMB8.7 million as our trade receivables increased; (ii) an increase in employee expenses of RMB8.7 million as a result of an increase in the number of our business operations and administration staff to support our business growth and an increase in average compensation paid to our business operations and administration staff; (iii) an increase in share-based payment expenses of RMB4.1 million; (iv) an increase in rental and property management fees of RMB3.3 million staff dormitories to cope with our increase in headcount; and (v) an increase in meal expenses of RMB2.8 million in relation to increase in our headcount.

R&D Expenses

Our R&D expenses increased by 89.3% from RMB29.2 million in 2022 to RMB55.3 million in 2023, primarily due to (i) an increase in material costs of RMB11.1 million due to increased raw materials used in our R&D projects as the number of projects increased; (ii) an increase in depreciation and amortization of RMB5.6 million as the number of projects increased resulting in more fixed costs allocated to R&D expenses; (iii) an increase in other R&D expenses of RMB4.0 million, as the number of projects increased; and (iv) an increase in employee expenses of RMB2.4 million as a result of an increase in the number of our R&D staff to support our business growth and an increase in average compensation paid to our R&D staff.

Finance Costs

Our finance costs increased significantly from RMB7.5 million in 2022 to RMB19.9 million in 2023, primarily due to an increase in interest expenses on bank loans and other borrowings of RMB13.7 million as we drew down bank loans and other borrowings mainly for purchases of equipment. We capitalized RMB2.3 million interest expenses in 2023 in relation to the construction of Ecological Park production base.

Profit for the Year

As a result of the foregoing, we recorded a profit of RMB2.8 million in 2022 and RMB95.9 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased significantly from RMB154.6 million in 2021 to RMB436.9 million in 2022, primarily due to an increase in our revenue generated from sales of self-manufactured SiC epitaxial wafers.

Our revenue generated from sales of self-manufactured SiC epitaxial wafers increased significantly from RMB148.6 million in 2021 to RMB398.3 million in 2022, primarily due to an increase in our sales volume of SiC epitaxial wafers driven by our increased production capacity and downstream market demand.

Our revenue generated from other sales and services increased significantly from RMB6.1 million in 2021 to RMB38.5 million in 2022, primarily due to increased revenue from sales of semiconductor devices through Southern Semiconductor.

Cost of Sales

Our cost of sales increased significantly from RMB130.4 million in 2021 to RMB349.4 million in 2022, primarily attributable to the increases in material costs, manufacturing costs and labor costs, generally in line with the increase in our sales volume.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our overall gross profit increased significantly from RMB24.2 million in 2021 to RMB87.5 million in 2022. Our gross profit margin increased from 15.7% in 2021 to 20.0% in 2022.

Our gross profit margin from sales of SiC epitaxial wafers, excluding any write-down of inventories and other costs not allocated to the respective business lines, increased from 22.3% in 2021 to 23.5% in 2022, primarily due to (i) a change in product mix that we sold more 6-inch wafers, which generally carried higher profit margin as compared to the 4-inch wafers, in 2022; and (ii) a decrease in average costs of production of our SiC epitaxial wafers benefited from the economies of scales as our production volume increased.

Our gross profit margin from other sales and services, excluding any write-down of inventories and other costs not allocated to the respective business lines, decreased from 38.2% in 2021 to 25.5% in 2022, primarily due to an increase in revenue generated from sales of semiconductor devices, which gross profit margin from sales of products were generally lower than that from provision of services.

Other Net Income

Our other net income decreased by 63.1% from RMB9.6 million in 2021 to RMB3.5 million in 2022, primarily due to (i) a decrease in government grants of RMB3.8 million; and (ii) an increase in net foreign exchange loss of RMB3.0 million, mainly arising from purchases from overseas denominated in US dollars as a result of depreciation of RMB against US dollars in 2022.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 51.0% from RMB5.4 million in 2021 to RMB8.1 million in 2022, primarily due to (i) an increase in sample fees of RMB0.8 million to new customers or for product promotion; (ii) an increase in share-based payment expenses of RMB0.8 million; and (iii) an increase in business entertainment expenses of RMB0.6 million as a result of our effort to expand our business.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 50.8% from RMB28.1 million in 2021 to RMB42.4 million in 2022, primarily due to (i) an increase in employee expenses of RMB5.2 million as a result of an increase in the number of our business operations and administration staff to support our business growth and an increase in average compensation paid to our business operations and administration staff; (ii) an increase in professional fees of RMB5.1 million, mainly arising from professional services for A-share listing; and (iii) an increase in share-based payment expenses of RMB2.1 million as in 2022, we adopted share award scheme for purposes of providing incentives to our senior management and business operations and administration staff.

R&D Expenses

Our R&D expenses increased by 31.3% from RMB22.3 million in 2021 to RMB29.2 million in 2022, primarily due to (i) an increase in share-based payment expenses of RMB3.1 million; (ii) an increase in employee expenses of RMB2.6 million as a result of an increase in the number of our R&D staff to support our business growth and an increase in average compensation paid to our R&D staff; and (iii) an increase in material costs of RMB2.0 million due to increased materials used in our R&D projects.

Finance Costs

Our finance costs increased by 4.0% from RMB7.2 million in 2021 to RMB7.5 million in 2022, primarily due to an increase in interest expenses on bank loans and other borrowings of RMB1.1 million as we drew down more bank loans and other borrowings mainly for purchases of equipment; partially offset by a decrease in loan from related parties of RMB0.9 million as we repaid a portion of loans to certain related parties. See "— Related Party Transactions" for details of the loans.

Changes in the Carrying Amount of Financial Instruments Issued to Investors

In 2021, we recorded changes in the carrying amount of financial instruments issued to investors of RMB154.9 million, arising from the redemption rights of certain Shareholders pursuant to their respective investment agreements. See "— Description of Major Components of Our Results of Operations — Changes in the Carrying Amount of Financial Instruments Issued to Investors" and Note 24 to the Accountants' Report for details.

(Loss)/Profit for the Year

As a result of the foregoing, we recorded a loss of RMB190.3 million in 2021 and a profit of RMB2.8 million in 2022.

DISCUSSION OF CERTAIN ITEMS OF STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment consist of (i) machinery and equipment, representing machinery and equipment used in R&D and production of SiC epitaxial wafers; (ii) construction in progress, mainly representing buildings, leasehold improvements, machinery and equipment of Ecological Park production base under construction; (iii) leasehold improvements; (iv) office equipment and others; and (v) vehicles.

The following table sets forth the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Machinery and equipment	133,417	224,173	968,728	920,517
Construction in progress	51,788	179,936	368,536	652,357
Leasehold improvements	8,430	7,919	50,022	44,888
Office equipment and others	1,908	2,066	2,863	9,019
Vehicles	239	1,202	947	880
Total	**195,782**	**415,296**	**1,391,096**	**1,627,661**

Our property, plant and equipment increased from RMB195.8 million as of December 31, 2021 to RMB415.3 million as of December 31, 2022 and further to RMB1,391.1 million as of December 31, 2023 and RMB1,627.7 million as of June 30, 2024, primarily due to additions of construction in progress and machinery and equipment in relation to our Ecological Park production base; partially offset by depreciation charged in the respective years/period.

Right-of-use Assets

Our right-of-use assets include (i) leasehold land, representing the land use rights on two parcels of land in the PRC; and (ii) leased properties, representing premises used as our offices, plant and R&D base. Our right-of-use assets increased from RMB15.2 million as of December 31, 2021 to RMB96.6 million as of December 31, 2022, primarily due to addition of land use right of an industrial land of Ecological Park. Our right-of-use assets increased from RMB96.6 million as of December 31, 2022 to RMB205.4 million as of December 31, 2023, primarily due to addition of land use right of a R&D base in Songsanhu and a new lease of properties used as our office and production base. Our right-of-use assets decreased from RMB205.4 million as of December 31, 2023 to RMB199.9 million as of June 30, 2024, primarily due to the depreciation charged during the period.

Inventories

Our inventories consist of (i) raw materials, mainly including SiC substrates; (ii) semi-finished products and work in progress; and (iii) finished goods. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross amount of inventories				
Raw materials	74,167	49,852	274,275	472,584
Semi-finished products and work in progress	15,546	37,589	64,339	78,603
Finished goods	38,315	46,814	101,887	75,472
	128,028	134,255	440,501	626,659
Less: Provision for inventories				
Raw materials	14,518	10,985	6,343	30,692
Semi-finished products and work in progress	5,454	12,895	21,962	41,045
Finished goods	13,896	20,489	17,648	31,160
	33,868	44,368	45,953	102,897
Inventories, net of provision for impairment				
Raw materials	59,649	38,868	267,932	441,892
Semi-finished products and work in progress	10,092	24,694	42,377	37,558
Finished goods	24,419	26,325	94,239	44,312
Total	**94,160**	**89,887**	**394,548**	**523,762**

Our inventories decreased from RMB94.2 million as of December 31, 2021 to RMB89.9 million as of December 31, 2022, primarily due to the consumption of our raw materials as our sales increased significantly. Our inventories increased from RMB89.9 million as of December 31, 2022 to RMB394.5 million as of December 31, 2023 and further to RMB523.8 million as of June 30, 2024, primarily due to increased purchases of raw materials in anticipation of customers' orders.

Write-down of inventories is recorded when estimated net realizable value is less than cost. In determining write-down of inventories, we consider factors such as, inventory aging, forecast product demands, historical pricing trends and anticipated market prices of our products. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, we recorded write-down of inventories of RMB11.1 million, RMB14.7 million, RMB21.3 million, RMB8.5 million and RMB63.0 million, respectively.

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

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Inventory turnover days[(1)]	332	144	113	281

Note:

(1) Inventory turnover days were calculated based on the average of opening and closing inventory balance, before considering any write-down of inventories, divided by the carrying amount of inventories sold for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days or 180 days.

Our inventory turnover days decreased from 332 days in 2021 to 144 days in 2022, and further to 113 days in 2023, due to our increased sales. Our inventory turnover days significantly increased from 113 days in 2023 to 281 days for the six months ended June 30, 2024, due to an increase in raw materials in anticipation of an increase in customers' demand for SiC epitaxial wafers and a decrease in revenue, resulting from a decrease in market prices of epitaxial wafer products during the period.

As of October 31, 2024, RMB135.5 million, or 21.6% of our inventories as of June 30, 2024 had been subsequently consumed or sold.

Trade and Bills Receivables

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of SiC epitaxial wafers. The credit period granted to our customers was generally 15 days to 90 days from the date of billing. Our bills receivables primarily represent bank acceptance bill from our customers. The following table sets forth our trade and bills receivables, as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— Independent Third Parties	64,427	184,228	306,557	256,382
— Related parties	4,512	—	—	17
Bills receivables				
— Independent Third Parties	9,692	12,254	55,343	47,817
— Related parties	160	—	—	—
Less: loss allowance	(1,024)	(2,049)	(11,477)	(54,907)
Trade and bills receivables, net of loss allowance	77,767	194,433	350,423	249,309

Our trade and bills receivables increased from RMB77.8 million as of December 31, 2021 to RMB194.4 million as of December 31, 2022, and further to RMB350.4 million as of December 31, 2023, generally in line with the increase in revenue. Our trade and bills receivables decreased to RMB249.3 million as of June 30, 2024, primarily due to (i) a decrease in revenue during the six months ended June 30, 2024; and (ii) an increase in loss allowance made in relation to individual provisions made as of December 31, 2023 for one downstream customer and individual provisions made as of June 30, 2024 for three downstream customers, one of whom being Customer F. Up to October 31, 2024, we had recovered RMB11.3 million from Customer F and no subsequent settlement was received from the remaining two customers.

Our management recognizes loss allowance for expected credit losses on trade and bills receivables based on an assessment of the present value of all expected cash shortfalls between the contractual and expected amounts. These estimates are based on the information about past events, current conditions and forecasts of future economic conditions. Our management reassesses the loss allowance at the end of each period in the Track Record Period. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had loss allowance for our trade and bills receivables of RMB1.0 million, RMB2.0 million, RMB11.5 million and RMB54.9 million, respectively. The significant increase in our loss allowance as of December 31, 2023 and June 30, 2024 was primarily attributable to delay in payments by certain downstream customers due to their worsened operational performance. Our Directors consider sufficient provision for impairment of trade receivables had been made.

The following table sets forth an aging analysis of our trade and bills receivables at the end of each year/period of the Track Record Period, based on the revenue recognition date and net of loss allowance:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	64,547	161,239	299,443	188,242
91 to 180 days	10,043	29,666	42,940	31,527
181 days to 270 days	1,344	3,449	175	8,697
271 days to 365 days	1,833	79	267	17,804
More than one year	—	—	7,598	3,039
Total	**77,767**	**194,433**	**350,423**	**249,309**

As of December 31, 2023 and June 30, 2024, we had trade and bills receivables aged over one year of RMB7.6 million and RMB3.0 million, respectively, primarily due to delayed payments from three downstream customers due to their worsened operational performance.

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

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Trade and bills receivables turnover days[1]	144	115	87	166

Note:

(1) Trade and bills receivables turnover days were calculated based on the average of opening and closing trade and bills receivables balance, before considering any loss allowance, divided by revenue for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days or 180 days.

Our trade and bills receivables turnover days decreased from 144 days in 2021 to 115 days in 2022 and further to 87 days in 2023, due to our increased sales. Our trade and bills receivables turnover days increased from 87 days in 2023 to 166 days for the six months ended June 30, 2024, primarily attributable to an increase in trade receivable balance caused by the delayed payments from three downstream customers due to their worsened operational performance, as well as a decrease in revenue.

We may recover our trade receivables beyond 90 days from revenue recognition, as we may issue billings to customers a few days or weeks after the deliveries of our goods depending on the circumstances. We may also extend our standard credit terms to certain customers on a case-by-case basis to maintain strong relationships.

As of October 31, 2024, RMB129.0 million or 50.3% of our trade receivables as of June 30, 2024 had been subsequently settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of (i) prepayments for purchase of property, plant and equipment; (ii) prepayments for materials and expenses; (iii) value added tax recoverable; (iv) other deposits and receivables in relation to biddings and suppliers; and (v) amounts due from related parties.

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayments for purchase of property, plant and equipment				
— Independent Third Parties	33,084	219,065	347,154	358,737
— Related party	—	—	15,285	11,445
Others(1)	139	225	19,763	24,610
	33,223	219,290	382,202	394,792
Current				
Prepayments for materials and expenses	3,293	215,400	51,451	12,470
Other deposits and receivables	1,753	863	2,056	1,997
Amounts due from related parties	3,001	—	—	—
Value added tax recoverable	21,913	26,861	39,301	42,591
Less: loss allowance	(310)	(195)	(333)	(382)
	29,650	242,929	92,475	56,676
Total	**62,873**	**462,219**	**476,677**	**451,468**

Note:

(1) Others mainly include deposits paid in relation to finance leases.

Our prepayments for purchase of property, plant and equipment to Independent Third Parties increased from RMB33.1 million as of December 31, 2021 to RMB219.1 million as of December 31, 2022, and further to RMB347.2 million as of December 31, 2023 and to RMB358.7 million as of June 30, 2024, as we purchased more equipment to support our business expansion. As of December 31, 2023 and June 30, 2024, we had prepayments for purchase of property, plant and equipment to a related party, represented 30% prepayments in relation to the purchases of production equipment from Beijing Tesidi Semiconductor Equipment Co., Ltd in 2023. Our prepayment for purchases of property, plant and equipment to a related party decreased from RMB15.3 million as of December 31, 2023 to RMB11.4 million as of June 30, 2024, primarily due to the delivery of certain of the equipment.

Our prepayments for materials and expenses increased significantly from RMB3.3 million as of December 31, 2021 to RMB215.4 million as of December 31, 2022, primarily due to increased purchases of materials to support the increase in our sales. Our prepayments for materials and expenses decreased significantly from RMB215.4 million as of December 31, 2022 to RMB51.5 million as of December 31, 2023, primarily due to the delivery of the prepaid raw materials. Our prepayments for materials and expenses decreased further to RMB12.5 million as of June 30, 2024, primarily due to a decrease in prepayments to material suppliers as we negotiated for better payment terms.

Our value added tax recoverable increased from RMB21.9 million as of December 31, 2021 to RMB26.9 million as of December 31, 2022, and further to RMB39.3 million as of December 31, 2023 and RMB42.6 million as of the June 30, 2024, primarily due to an increase in our construction and equipment purchases throughout the Track Record Period.

Our amounts due from related parties was RMB3.0 million as of December 31, 2021, representing prepayments for purchases to Dongguan Juyuan Microelectronics Co., Ltd. of RMB2.4 million and advances to Mr. Li Xiguang of RMB0.6 million. Such amounts were unsecured, interest free and repayable on demand. These amounts had been fully repaid by our related parties as of December 31, 2022.

Intangible Assets

Our intangible assets consist of software we purchased. Our intangible assets was RMB0.4 million, RMB0.3 million, RMB0.3 million and RMB1.5 million, respectively, as of December 31, 2021, 2022, 2023 and June 30, 2024.

Deferred Tax Assets

During the Track Record Period, deferred tax assets mainly arose from unused tax losses and impairment loss of non-financial assets and provision for inventories. Our deferred tax assets decreased from RMB32.9 million as of December 31, 2021 to RMB32.0 million as of December 31, 2022, and further to RMB16.9 million as of December 31, 2023, primarily because we realized profits in 2022 and 2023 and utilized the tax losses. Our deferred tax assets increased from RMB16.9 million as of December 31, 2023 to RMB43.7 million as of June 30, 2024, primarily due to unused tax losses credited to profit or loss as we recorded net loss and inventory provision made for the six months ended June 30, 2024.

Trade and Bills Payables

Our trade and bills payables are primarily related to payments due to material suppliers. During the Track Record Period, the credit period granted to us was generally 30 to 90 days by our SiC substrate suppliers, from the date of invoice.

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

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	73,339	53,023	210,964	313,123
Bills payables	—	—	—	36,403
	73,339	53,023	210,964	349,526

Our trade and bills payables decreased from RMB73.3 million as of December 31, 2021 to RMB53.0 million as of December 31, 2022, primarily as we made prepayments for our purchases. Our trade and bills payables increased from RMB53.0 million as of December 31, 2022 to RMB211.0 million as of December 31, 2023 and further to RMB349.5 million as of June 30, 2024, primarily as we purchased more raw materials and negotiated for better payment terms with our suppliers.

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

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	50,253	35,015	208,796	306,546
One year to two years	980	589	1,655	41,576
Over two years	22,106	17,419	513	1,404
Total	**73,339**	**53,023**	**210,964**	**349,526**

The following table sets forth the trade and bills payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	**2022**	**2023**	**2024**
Trade and bills payables turnover days[(1)]	184	66	50	125

Note:

(1) Trade and bills payables turnover days were calculated based on the average of opening and closing trade and bills payables balance divided by cost of sales for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days or 180 days.

Our trade and bills payables turnover days decreased from 184 days in 2021 to 66 days in 2022 and 50 days in 2023, because we mainly purchased raw materials during such period and settled the payments generally in accordance with the credit terms granted. We recorded long trade and bills payable turnover days of 184 days in 2021, primarily due to longer settlement term of certain balances in relation to outsourced R&D services based on project progress. Our trade and bills payables turnover days significantly increased to 125 days for the six months ended June 30, 2024, primarily as we negotiated better payment terms with our suppliers and increased purchases.

As of October 31, 2024, RMB157.5 million, or approximately 50.3% of our trade payables as of June 30, 2024 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily include (i) other payables and accruals, primarily represents payables for constructions and equipment purchases; (ii) salaries, wages, bonus and benefits payable; (iii) amounts due to related parties, primarily arose from purchases of equipment; (iv) other tax payable; and (iv) loans from related parties. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables and accruals	17,468	63,183	240,002	248,175
Salaries, wages, bonus and benefits payable	15,077	18,154	17,516	18,035
Amounts due to related parties	—	—	6,042	13,444
Other tax payable	1,016	688	700	2,136
Loans from related parties	17,074	—	—	—
	50,635	82,025	264,260	281,790

Other payables and accruals increased from RMB50.6 million as of December 31, 2021 to RMB82.0 million as of December 31, 2022, primarily due to an increase in other payables and accruals attributable to increased payables for construction and equipment, partially offset by a decrease in loans from related parties as we had fully settled such balances in 2022. See "— Indebtedness — Loans from Related Parties" for details. Other payables and accruals increased from RMB82.0 million as of December 31, 2022 to RMB264.3 million as of December 31, 2023 and further to RMB281.8 million as of June 30, 2024, primarily due to an increase of other payables and accruals attributable to increased payables for construction and equipment.

Contract Liabilities

Our contract liabilities represent receipts in advance from our customers. Our contract liabilities decreased from RMB29.0 million as of December 31, 2021 to RMB4.2 million as of December 31, 2022, primarily because we delivered and recognized corresponding revenue of our products to customers from which we received advance payments in 2021. Our contract liabilities remained relatively stable at RMB4.2 million and RMB4.1 million as of December 31, 2022 and 2023, respectively. Our contract liabilities decreased from RMB4.1 million as of December 31, 2023 to RMB1.6 million as of June 30, 2024, primarily because we delivered and recognized corresponding revenue of our products.

Financial Instruments Issued to Investors

Pursuant to the agreements between our Company, our certain shareholders and the investors, the investors would have the right but not an obligation to request us and/or the controlling shareholders to purchase all or part of the shares held by them, upon the occurrence of any of the redemption events, including but not limited to: (i) a material breach on the agreement by us or the controlling shareholders, of any of their representations, warranties or undertakings under the agreement; (ii) a change in control of our Company, or the controlling shareholders depart from the Company within 5 years from the investment without reasonable reason; (iii) our main business changes significantly without written agreement of investors (the "**Redemption Right**").

The redemption price of the shares shall equal to the higher of (i) the consideration paid by the investors plus an annual rate of return of 8% for the period from the payment date of the consideration up to the redemption date less all distributed dividends; or (ii) the fair market price of the original issue shares at the date of the redemption.

As the occurrence of the redemption events are beyond our control, we recognized a financial liability for our obligation to redeem the paid-in capitals issued to investors. As of December 31, 2021, we had financial instruments issued to investors of RMB224.9 million. We also recorded in our profit or loss a change in carrying amount of financial instruments issued to investors of RMB154.9 million in 2021.

In 2022, we entered into a supplementary investment agreement with investors, pursuant to which our investors agreed to waive the obligation in respect of the redemption right in January 2022. Accordingly, we reclassified our financial liabilities in relation to the financial instruments issued to investors. See Note 24 to the Accountants' Report in Appendix I to this document for details.

Deferred Income

Our deferred income represented unamortized conditional government grants compensating us for the cost of assets. Our deferred income remained relatively stable at RMB22.4 million, RMB23.6 million, RMB21.0 million and RMB24.9 million, respectively, as of December 31, 2021, 2022 and 2023 and June 30, 2024.

Deferred Tax Liabilities

Our deferred tax liabilities arose from unrealized intra-group profit charged to profit or loss. Our deferred tax liabilities was RMB0.1 million, RMB93,000, RMB90,000 and RMB0.1 million, respectively, as of December 31, 2021, 2022 and 2023 and June 30, 2024.

INDEBTEDNESS

Our indebtedness consist of (i) bank loans and other borrowings; (ii) lease liabilities; and (iii) loans from related parties. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Bank loans and other borrowings	162,208	—	783,718	912,592	1,359,040
Lease liabilities	16,354	20,204	62,145	57,864	56,523
Loans from related parties	17,074	—	—	—	—
Total indebtedness	**195,636**	**20,204**	**845,863**	**970,456**	**1,415,563**

Save as disclosed below, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of October 31, 2024, the latest practicable date for the purpose of the indebtedness statement.

Bank Loans and Other Borrowings

The following table sets forth the principal amounts of our interest-bearing bank loans and other borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current					
Short-term bank loans and other borrowings	162,208	—	134,171	234,803	284,985
Current portion of long-term bank loans and other borrowings	—	—	164,789	191,040	248,068
	162,208	—	298,960	425,843	533,053
Non-current					
Long-term bank loans and other borrowings	—	—	484,758	486,749	825,987
	162,208	—	783,718	912,592	1,359,040

Our total outstanding bank loans and other borrowings decreased from RMB162.2 million as of December 31, 2021 to nil as of December 31, 2022, primarily due to the repayment made during the year. Our total outstanding bank loans and other borrowings increased from nil as of December 31, 2022 to RMB783.7 million as of December 31, 2023, primarily due to the draw-down of new bank loans. Our total outstanding bank loans and other borrowings increased from RMB783.7 million as of December 31, 2023 to RMB912.6 million and RMB1,359.0 million as of June 30, 2024 and October 31, 2024, respectively, primarily due to the draw-down of new bank loans for equipment and constructions.

The effective interest rates of our bank loans and other borrowings ranged from 2.52% to 5.65% per annum in 2021, 2022 and 2023 and for the six months ended June 30, 2024 and for the ten months ended October 31, 2024.

As of December 31, 2021, 2022, 2023 and June 30, 2024, certain of our bank loans and other borrowings were guaranteed by our related parties. See Note 32(e) to Appendix I for details. Our Directors confirm that all of the guarantees by provided by our related parties will either be replaced by a corporate guarantee of the Company or released prior to or upon [REDACTED].

As of December 31, 2021, 2022, 2023 and June 30, 2024, certain of our bank loans and other borrowings of were secured by certain of our assets, including property, plant and equipment and leasehold land. See Note 22(c) to Appendix I for details.

We consider our bank borrowing agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of October 31, 2024, we had unutilized banking facilities of RMB5,331.0 million.

Loans from Related Parties

As of December 31, 2021, we had loans from related parties of non-trade nature of RMB17.1 million. Our loans from related parties were unsecured, interest-bearing at 4.75% and were fully settled as of December 31, 2022. See Note 32(d) to the Accountants' Report set out in Appendix I in this document for details.

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current	2,913	4,014	8,103	7,154	5,818
Non-current	13,441	16,190	54,042	50,710	50,705
	16,354	20,204	62,145	57,864	56,523

As of December 31, 2021, 2022 and 2023 and June 30, 2024 and October 31, 2024, our lease liabilities were RMB16.4 million, RMB20.2 million, RMB62.1 million, RMB57.9 million and RMB56.5 million, respectively.

CONTINGENT LIABILITIES

As of October 31, 2024, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Company. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Company since October 31, 2024 and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our cash requirements primarily through cash generated from operating activities, capital contributions by investors and bank loans and other borrowings. In the future, we expect to continue relying on cash flows from operations, [REDACTED] from the [REDACTED], bank borrowings and other debt instruments to fund our working capital needs.

Cash Flows

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

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash (used in)/ generated from operating activities	(6,314)	(262,186)	87,394	201,531	85,946
Net cash used in investing activities	(127,414)	(514,446)	(1,090,418)	(903,842)	(301,907)
Net cash generated from financing activities	140,428	1,210,700	726,883	503,486	111,051
Net increase/ (decrease) in cash and cash equivalents	**6,700**	**434,068**	**(276,141)**	**(198,825)**	**(104,910)**
Effect of exchange rate changes	**(306)**	**(1,257)**	**271**	**2,430**	**281**
Cash and cash equivalents at the beginning of the year/period	25,272	31,666	464,477	464,477	188,607
Cash and cash equivalents at the end of the year/ period	**31,666**	**464,477**	**188,607**	**268,082**	**83,978**

Net Cash (Used in)/Generated from Operating Activities

Our net cash generated from or used in operating activities primarily comprises our loss or profit before taxation for the period adjusted by: (i) non-cash and non-operating items and (ii) changes in working capital.

In 2021, our net cash used in operating activities was RMB6.3 million, primarily due to our loss before tax of RMB184.2 million, as adjusted by (i) non-cash items, which primarily included changes in the carrying amount of financial instruments issued to investors of RMB154.9 million and depreciation of owned property, plant and equipment and right-of-use assets of RMB23.2 million; and (ii) changes in working capital, which primarily included (a) an increase in inventories of RMB43.6 million due to increased purchases to support our sales growth; and (b) an increase in trade and bills receivables of RMB35.3 million due to the growth of our sales, partially offset by (c) an increase in contract liabilities of RMB26.9 million; (d) an increase in other payables and accruals of RMB24.3 million, mainly due to increased payables for construction and equipment purchases.

In 2022, our net cash used in operating activities was RMB262.2 million, primarily due to our profit before tax of RMB3.7 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB34.3 million and provision for write-down of inventories of RMB14.7 million; and (ii) changes in working capital, which primarily included (a) an increase in prepayments, deposits and other receivables of RMB213.2 million as we purchased more equipment to support our business expansion; and (b) an increase in trade and bills receivables of RMB117.7 million due to the growth of our sales partially offset by (c) an increase in other payables and accruals of RMB48.1 million, mainly due to increased payables for construction and equipment purchases.

In 2023, our net cash generated from operating activities was RMB87.4 million, primarily due to our profit before tax of RMB111.0 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB89.1 million and provision for write-down of inventories of RMB21.3 million; and (ii) changes in working capital, which primarily included (a) an increase in inventories of RMB326.0 million due to increased purchases to support our sales growth; and (b) an increase in trade and bills receivables of RMB165.4 million due to the growth of our sales, partially offset by (c) an increase of trade and bills payables of RMB157.7 million due to increased purchases to support our sales growth; and (d) a decrease in prepayments, deposits and other receivables of RMB152.2 million, primarily due to the delivery of prepaid raw materials.

For the six months ended June 30, 2024, our net cash generated from operating activities was RMB85.9 million, primarily due to our loss before tax of RMB167.5 million, as adjusted by (i) non-cash items, which primarily included depreciation of owned property, plant and equipment and right-of-use assets of RMB66.7 million and provision for write-down of inventories of RMB63.0 million; and (ii) changes in working capital, which primarily included (a) an increase in inventories of RMB192.2 million, primarily due to increased purchases of raw materials in anticipation of customers' orders; partially offset by

(b) an increase in trade and bills payables of RMB138.3 million as we purchased more equipment to support our business expansion; (c) a decrease in trade and bills receivables of RMB57.7 million due to a decrease in our sales.

Net Cash Used in Investing Activities

In 2021, our net cash used in investing activities was RMB127.4 million, primarily due to payments for the purchase of property, plant and equipment of RMB129.5 million.

In 2022, our net cash used in investing activities was RMB514.4 million, primarily due to payments for the purchase of property, plant and equipment of RMB437.7 million and payments for the purchase of a leasehold land of RMB78.2 million.

In 2023, our net cash used in investing activities was RMB1,090.4 million, primarily due to payments for the purchase of property, plant and equipment of RMB1,021.3 million and payments for the purchase of a leasehold land of RMB72.3 million.

For the six months ended June 30, 2024, our net cash used in investing activities was RMB301.9 million, primarily due to payments for the purchase of property, plant and equipment of RMB301.4 million.

Net Cash Generated from Financing Activities

In 2021, our net cash generated from financing activities was RMB140.4 million, primarily due to proceeds from bank loans and other borrowings of RMB152.0 million and capital injection by investors of RMB70.0 million, partially offset by repayment of bank loans and other borrowings of RMB78.2 million.

In 2022, our net cash generated from financing activities was RMB1,210.7 million, primarily due to capital injection by investors of RMB1,394.0 million and proceeds from bank loans and other borrowings of RMB248.8 million, partially offset by repayment of bank loans and other borrowings of RMB430.5 million.

In 2023, our net cash generated from financing activities was RMB726.9 million, primarily due to proceeds from bank loans and other borrowings of RMB1,153.6 million, partially offset by repayment of bank loans and other borrowings of RMB370.4 million.

For the six months ended June 30, 2024, our net cash generated from financing activities was RMB111.1 million, primarily due to proceeds from bank loans and other borrowings of RMB355.6 million, partially offset by repayment of bank loans and other borrowings of RMB220.1 million and interests paid of RMB23.7 million.

Current Assets/Liabilities

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

	As of December 31,			As of June 30,	As of October 31,
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories	94,160	89,887	394,548	523,762	470,204
Trade and bills receivables	77,767	194,433	350,423	249,309	170,362
Prepayments, deposits and other receivables	29,650	242,929	92,475	56,676	69,049
Restricted cash	4,158	3,308	21,039	11,345	43,089
Cash and cash equivalents	31,666	464,477	188,607	83,978	44,602
Total current assets	**237,401**	**995,034**	**1,047,092**	**925,070**	**797,306**
Current liabilities					
Trade and bills payables	73,339	53,023	210,964	349,526	229,272
Other payables and accruals	50,635	82,025	264,260	281,790	288,428
Contract liabilities	29,040	4,197	4,146	1,641	1,772
Bank loans and other borrowings	162,208	—	298,960	425,843	533,053
Lease liabilities	2,913	4,014	8,103	7,154	5,818
Financial instruments issued to investors	224,934	—	—	—	—
Total current liabilities	**543,069**	**143,259**	**786,433**	**1,065,954**	**1,058,343**
Net current (liabilities)/assets	**(305,668)**	**851,775**	**260,659**	**(140,884)**	**(261,037)**

Net current (liabilities)/assets

We recorded net current liabilities of RMB305.7 million as of December 31, 2021 while we recorded net current assets of RMB851.8 million as of December 31, 2022, primarily due to (i) an increase in cash and cash equivalents of RMB432.8 million mainly as a result of the capital contributions by investors; (ii) a decrease in carrying value of financial instruments issued to investors of RMB225.0 million; (iii) an increase in prepayments, deposits and other receivables of RMB213.3 million; (iv) a decrease in bank loans and other borrowings of RMB162.2 million; and (v) an increase in trade and bills receivables of RMB116.7 million.

Our net current assets decreased from RMB851.8 million as of December 31, 2022 to RMB260.7 million as of December 31, 2023, primarily due to (i) an increase in bank loans and other borrowings of RMB299.0 million; (ii) an increase in trade and bills payables of RMB157.9 million; and (iii) a decrease in cash and cash equivalents of RMB275.9 million as we spent cash to support our business expansion. This was partially offset by an increase in inventories of RMB304.7 million and trade and bills receivables of RMB156.0 million.

We recorded net current liabilities of RMB140.9 million as of June 30, 2024 while we recorded net current assets of RMB260.7 million as of December 31, 2023, primarily due to (i) an increase in trade and bills payables of RMB138.6 million; (ii) an increase in bank loans and other borrowings of RMB126.9 million; (iii) a decrease in cash and cash equivalents of RMB104.6 million as we spent cash to support our business expansion and (iv) a decrease in trade and bills receivables of RMB101.1 million. This was partially offset by an increase in inventories of RMB129.2 million.

Our net current liabilities increased from RMB140.9 million as of June 30, 2024 to RMB261.0 million as of October 31, 2024, primarily due to a decrease in trade and bills receivables of RMB78.9 million, reflecting settlements from our customers; and a decrease in inventories of RMB53.6 million as we subsequently delivered our products to our customers.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of and for the years/period indicated:

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2021	2022	2023	2024
Gross profit/(loss) margin	15.7%	20.0%	18.5%	(12.1)%
Current ratio	0.4	6.9	1.3	0.9
Quick ratio	0.3	6.3	0.8	0.4
Gearing ratio	—	—	46.2%	58.3%

Gross Profit/Loss Margin

Gross profit/loss margin is calculated by the gross profit or loss divided by the revenue for the respective year/period and multiplied by 100%. See "— Discussion of Results of Operations" in this section for more details on our gross profit margin.

Current Ratio and Quick Ratio

The calculation of current ratio is based on current assets divided by current liabilities as of the year/period end. Our quick ratio is calculated by our current assets less inventories divided by our current liabilities as of the year/period end.

Our current ratio increased from 0.4 times as of December 31, 2021 to 6.9 times as of December 31, 2022 and our quick ratio increased from 0.3 times as of December 31, 2021 to 6.3 times as of December 31, 2022, primarily due to the increase in current assets outpaced the increase in current liabilities. The increase in current assets was primarily due to (i) an increase in cash and cash equivalents of RMB432.8 million mainly as a result of the capital contributions by investors; (ii) an increase in prepayments, deposits and other receivables of RMB213.3 million; and (iii) an increase in trade and bills receivables of RMB116.7 million.

Our current ratio decreased from 6.9 times as of December 31, 2022 to 1.3 times as of December 31, 2023 and our quick ratio decreased from 6.3 times as of December 31, 2022 to 0.8 times as of December 31, 2023, primarily due to the increase in current liabilities outpaced the increase in current assets. The increase in current liabilities was primarily due to (i) an increase in bank loans and other borrowings of RMB299.0 million; and (ii) an increase in trade and bills payables of RMB157.9 million.

Our current ratio decreased from 1.3 times as of December 31, 2023 to 0.9 times as of June 30, 2024 and our quick ratio decreased from 0.8 times as of December 31, 2023 to 0.4 times as of June 30, 2024, primarily due to the increase in current liabilities outpaced the increase in current assets. The increase in current liabilities was primarily due to (i) an increase in trade and bills payables of RMB138.6 million; and (ii) an increase in bank loans and other borrowings of RMB126.9 million.

Gearing Ratio

The calculation of gearing ratio is based on our loans and borrowings divided by total equity for the respective year/period and multiplied by 100.0%. Our gearing ratio increased from 46.2% as of December 31, 2023 to 58.3% as of June 30, 2024, primarily due to an increase in our bank loans and other borrowings from RMB783.7 million as of December 31, 2023 to RMB912.6 million as of June 30, 2024.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period consist of payment for property, plant and equipment. We made prepayments for property, plant and equipment during the Track Record Period, and such prepayments were classified as non-current assets in our statements of financial position, which affected our capital expenditures during the Track Record Period. Our capital expenditures amounted to RMB129.5 million, RMB437.7 million, RMB1,021.3 million, RMB832.5 million and RMB301.4 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively. Historically, we have funded our capital expenditures mainly through cash generated from our operations, the capital contributions by investors and bank loans and other borrowings.

We expect our capital expenditures to increase in the future as our business continues to grow, which we will use primarily for payment for property, plant and equipment. We expect to fund future capital expenditures through cash generated from operations, bank borrowings and the [REDACTED] from the [REDACTED].

Capital Commitments

Our capital commitments primarily relate to purchase for property, plant and equipment contracted but not provided for. Our capital commitments were RMB283.5 million, RMB1,323.0 million, RMB2,074.6 million and RMB1,902.8 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our related parties from time to time. These transactions primarily included but not limited to (i) sales and purchases of materials and equipment; (ii) provision of services to related parties, including epitaxial wafers-related services; (iii) leases in relation to property, plant and equipment; and (iv) loans and borrowings from/to related parties. For details of our related party transactions, see note 32 to the Accountants' Report in Appendix I to this document. All loans, advances, non-trade balances due to and from the related parties are expected to be settled before the [REDACTED].

It is the view of our Directors that our transactions with related parties during the Track Record Period was conducted on an arm's length basis and with normal commercial terms. Our Directors are also of the view that our transactions with related parties during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE AND FAIR VALUES

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to us. Our credit risk is primarily attributable to trade receivables and other receivables. Our exposure to credit risk arising from cash and cash equivalents, restricted cash and bills receivable are limited because the counterparties are banks and financial institutions with sound credit ratings, for which we consider to have low credit risk.

Trade Receivables and Other Receivables

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers.

As of December 31, 2021, 2022 and 2023 and June 30, 2024, 6%, 26%, 35% and 41% of the total trade receivables was due from our largest customer, respectively, and 67%, 54%, 58% and 61% of the total trade receivables was due from our five largest customers, respectively.

In respect of trade receivables, individual credit evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are due within 15 to 90 days from the date of invoice. Normally, we do not obtain collateral from customers.

We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between our different customer bases. For details of information about exposure to credit risk and ECLs for trade receivables and other receivables, please refer to note 30(a) to the Accountants' Report included in Appendix I to this document.

Liquidity Risk

Our policy is to regularly monitor current and expected liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed funding from major financial institutions to meet our liquidity requirements in the short and longer term. For details of remaining contractual maturities at the end of each Track Record Period of our financial liabilities, please refer to note 30(b) to the Accountants' Report included in Appendix I to this document.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from our bank loans and other borrowings. Bank loans and other borrowings issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. We do not use financial derivatives to hedge against the interest rate risk. However, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure.

Foreign Currency Risk

We are exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables, and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily U.S. dollars, Euros and Japanese Yen.

Fair Value Measurement

Fair Value of Financial Assets and Liabilities Carried at other than Fair Value

The carrying amounts of our financial instruments carried at cost or amortised cost were not materially different from their fair values as of December 31, 2021, 2022 and 2023 and June 30, 2024.

DIVIDENDS

No dividend had been paid or declared by our Company during the Track Record Period. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors, including our future earnings and cash inflows, future plan for use of funds, long-term development of our business, statutory reserves, discretionary common reserve funds, legal and regulatory restrictions, and other factors which our Directors consider relevant. Distribution of dividends will be decided by our Board at their discretion and will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law, any other applicable PRC laws and regulations. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

(a) recovery of accumulated losses, if any;

(b) allocation to the statutory common reserve fund an amount of 10% of our profit after tax, as determined under the Accounting Standards for Business Enterprises issued by the MOF (the "**PRC GAAP**"); until such fund has reached more than 50% of our registered capital; and

(c) allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

Payment of dividends is subject to restrictions under PRC laws. Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under PRC GAAP, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make.

WORKING CAPITAL SUFFICIENCY

As of December 31, 2021, June 30, 2024 and October 31, 2024, we recorded net current liabilities of RMB315.6 million, RMB140.9 million and RMB261.0 million, respectively, primarily attributable to significant trade and bills payables as well as bank loans and other borrowings.

We seek to improve our liquidity as well as ensure our working capital sufficiency going forward by driving our operating cash flows through our expanding our customer base and thus sales volume, as well as implementing cost control measures. See "Business — Challenges to Our Industry and Our Business — Our Strategies to Tackle the Challenges" for details.

Our Directors are of the opinion that we have sufficient working capital to meet our present needs and for the next 12 months from the date of this document after considering (1) our cash and cash equivalents balance of RMB44.6 million as of October 31, 2024, (2) unutilized banking facilities of RMB5,331.0 million from Independent Third Party commercial banks for working capital purposes as of October 31, 2024, (3) [REDACTED] of approximately HK$[REDACTED] from the [REDACTED], assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative range of the [REDACTED] range stated in this document), (4) the expected financing cash outflow considering the maturity profile of our bank loans and other borrowings as of October 31, 2024 and the related borrowings repayment and interest payment schedule in the next 12 months from the date of this document and (5) expected cash generated from operating activities.

We intend to continue to finance our working capital with cash generated from our operations, bank loans and other borrowings, and [REDACTED] from the [REDACTED]. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

DISTRIBUTABLE RESERVES

As of June 30, 2024, our Company had accumulated loss of RMB237.6 million under PRC GAAP. Accordingly, we do not have reserves available for distribution to our Shareholders.

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of HK$[REDACTED] per Share, the total estimated [REDACTED] expenses in relation to the [REDACTED] are RMB[REDACTED] (HK$[REDACTED]), assuming the [REDACTED] is not exercised, which constitute approximately [REDACTED]% of the [REDACTED]. Our total [REDACTED] expenses consist of (i) [REDACTED]-related expenses and fees (including [REDACTED] commissions, Stock Exchange trading fee, SFC and AFRC transaction levy) of RMB[REDACTED] (HK$[REDACTED]); and (ii) non-[REDACTED]-related expenses of RMB[REDACTED] (HK$[REDACTED]), including (a) fees payable to the Sole Sponsor, legal advisors and Reporting Accountants of RMB[REDACTED] (HK$[REDACTED]) and (b) other fees and expenses of RMB[REDACTED] (HK$[[REDACTED]). During the Track Record Period, we did not incur any [REDACTED] expenses. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2024 as if the [REDACTED] had taken place on June 30, 2024.

The unaudited [REDACTED] statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [REDACTED] been completed as of June 30, 2024 or any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2024(1)	**Estimated [REDACTED] from the [REDACTED](2)(4)**	**Unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of the Company as of June 2024**	**Unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of the Company per Share(3)(4)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [REDACTED] of HK$[REDACTED] per Share	[1,554,028]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	[1,554,028]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of June 30, 2024 is based on the consolidated total equity attributable to the equity shareholders of the Company of RMB1,555,388,000 as of June 30, 2024, which is extracted from the Accountants' Report set out in Appendix I to this document, deducting intangible assets of RMB1,457,000 and netting off the share of intangible assets attributable to non-controlling interests of RMB97,000.

(2) The estimated [REDACTED] from the [REDACTED] are based on the [REDACTED] of HK$[REDACTED] per [REDACTED] and HK$[REDACTED] per [REDACTED], being the lower end price and higher end price of the indicative [REDACTED] range respectively, and the issuance of [REDACTED] [REDACTED], after deduction of the [REDACTED] fees and other related [REDACTED] expenses paid or payable by the Company and do not take into account any shares which may be issued upon the exercise of the [REDACTED] of the Company.

(3) The unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of the Company per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares are expected to be in issue immediately following the [REDACTED], but do not take into account any shares which may be issued upon the exercise of the [REDACTED] of the Company.

(4) The estimated [REDACTED] from the [REDACTED] and the unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of the Company per Share are converted from or into Hong Kong dollars (the "**HK$**") at an exchange rate of RMB0.9244 to HK$1. No representation is made that HK$ amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.

(5) The Group's certain property interests located in the PRC, including certain construction in progress and leasehold land, as of October 31, 2024 have been valued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, and the full text of the valuation report is set out in Appendix IV. The above unaudited [REDACTED] statement of adjusted net tangible assets does not take into account the surplus arising from the valuation of these property interests of the Group. Such surplus has not been recorded in the historical financial information as of June 30, 2024 set forth in the Accountants' Report in the Appendix I to this document and will not be recorded in the consolidated financial statements of the Group in future periods according to the Group's accounting policies. As the Group's construction in progress is not available for use, no depreciation charge is recognised according to the Group's accounting policies. As the Group's leasehold land is stated at cost less accumulated depreciation and impairment loss (if any), had the leasehold land as of June 30, 2024 been recorded at the amount valued by the independent property valuer, additional annual depreciation of approximately RMB98,000 would be charged against the profit in the future periods.

(6) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2024.

PROPERTY INTERESTS AND PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued certain of our property interests as of October 31, 2024 and is of the opinion that the market value of our property interests as of such date was RMB541.0 million. The full text of its letter, valuation report and certificates in connection with such property interests are set out in Appendix IV to this document.

A reconciliation of the net book value of our property interests as of June 30, 2024 as set out in Accountants' Report in Appendix I to their market value as of October 31, 2024 as stated in the property valuation report set out in Property Valuation Report in Appendix IV is set out below:

	RMB'000
Net book value of the following property interests of our Group as of June 30, 2024	434,721
Including: Construction in progress	288,712
Leasehold land	146,009
Addition during the period from July 1, 2024 to October 31, 2024	91,084
Less: Depreciation during the period from July 1, 2024 to October 31, 2024	1,003
Net book value of the above property interests of our Group as of October 31, 2024	524,802
Valuation surplus, before tax	16,198
Valuation of property interests of our Group as of October 31, 2024 as set out in the Property Valuation Report	541,000

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, save as otherwise disclosed in "Summary — Recent Development and No Material Adverse Change," up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since June 30, 2024, being the end date of our latest audited financial statements, and there had been no event since June 30, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

We [have included] in Appendix III to this document the unaudited preliminary financial information of our Group for the year ending December 31, 2024, which is prepared in compliance with the content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules and [has been] agreed with the Reporting Accountants, following their work under Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

FUTURE PLANS

See "Business — Our Strategies" for a detailed discussion of our future plans.

[REDACTED]

We estimate that we will receive [REDACTED] of approximately HK$[REDACTED] from the [REDACTED], after deducting the estimated [REDACTED] commissions and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], assuming that an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised.

We intend to use the [REDACTED] as follows:

- Approximately [REDACTED]%, or HK$[REDACTED], is expected to be used to expand our overall production capacity over the next five years, thereby enhancing our market share and product competitiveness, including:

  (i) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used to purchase equipment and machinery for the expansion of production lines at our existing headquarters production base and new Ecological Park production base. The following table sets forth a breakdown of the equipment and machinery that we expect to purchase for the establishment of production lines:

	2025	**2026**	**2027**	**2028**	**2029**
			(HK$ in millions)		
Epitaxial equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Detection equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Equipment for cleaning and polishing	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ancillary equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

  (ii) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used to complete the construction of our production bases. In particular, we plan to decorate and establish the supporting systems, such as power supply system, fire protection system and sewage treatment system, to accommodate the increase in the number of our production lines.

  (iii) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used to recruit approximately 490 personnel for our headquarters production site and Ecological Park production base over the next five years, including 444 manufacturing personnel and 46 other supporting staff. We expect to pay an average annual salary per employee of approximately HK$98 thousand.

- Approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for enhancing our independent R&D and innovation capabilities over the next five years to improve product quality and shorten the development cycle of new products, so as to respond more quickly to the market demand, including:

  (i) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used to invest in R&D infrastructure. Specifically, we plan to purchase (a) R&D equipment, such as epitaxial equipment for the growth of epitaxial layers, cleaning equipment for cleaning particles and metal ion residues on the surface of epitaxial wafers, and detection equipment for detecting various morphologies, defects and roughness on the surface of epitaxial wafers; and (b) relevant software, such as simulation software for simulating and analyzing the preparation process of SiC epitaxial materials.

  (ii) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for the purchase of semiconductor materials, such as SiC substrates and gallium oxide substrates for R&D purpose.

  (iii) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used to maintain and expand our R&D team to support the upgrade of our R&D center and increase our competitive advantages in the industry. We plan to recruit approximately 126 R&D staff with rich work experience in the industry in the next five years with average annual salary per employee of approximately HK$144,000.

  (iv) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for testing the samples we develop and other relevant expenses. We engage independent third-party professional organizations to test the relevant samples.

  (v) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for other expenses in relation to our R&D projects, including fuel costs, travel expenses, consulting service fees for the protection of our intellectual property rights.

- Approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for strategic investments and/or acquisition to expand customer base, enrich our product portfolios and supplement our technologies to achieve our long-term growth strategies.

  We seek potential investment and acquisition opportunities in the domestic and overseas SiC power semiconductor device industry chain and select potential targets based on the following general selection criteria: (i) the business of the target should have synergies with or is complementary to our business. We plan to invest in and/or acquire companies in the upstream of the industry value chain, such as emerging substrate companies, graphite spare parts and consumables companies, compound material companies, and R&D teams, to ensure stable supply of raw materials and more effective cost control; (ii) the target should have strong technological capabilities that are complementary to ours and possess unique competitiveness in the industry; (iii) the target should have robust financial performance; and (iv) the management team should have appropriate knowledge and substantial experience in the semiconductor industry.

Our Directors are of the view that there are sufficient number of targets available for us to acquire, based on large amount of the number of the market players in the upstream and downstream of the industry value chain. As of the Latest Practicable Date, we had not identified or pursued any specific acquisition target. If necessary, we will seek for additional equity and/or debt funding to facilitate the acquisition.

- Approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for expanding our global sales and marketing network, in particular:

  (i) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for the office rental expenses over the next five years for the establishment of three sales centers in Malaysia, Italy and Japan by 2025 to expand our customer base and strengthen our relationship with customers.

  (ii) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used to recruit 17 sales and marketing staff with average annual salary per employee of approximately RMB350,000 in the next five years to expand the geographical coverage of our sales network and provide local customers with better services.

  (iii) approximately [REDACTED]%, or HK$[REDACTED], is expected to be used for the travel expenses in the next five years for our sales and marketing staff to expand the coverage of our marketing activities.

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

The above allocation of the [REDACTED] from 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 mid-point of the estimated [REDACTED] range.

If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately HK$[REDACTED], assuming an [REDACTED] of HK$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised, we intend to apply the additional [REDACTED] to the above purposes on a pro rata basis.

To the extent that our [REDACTED] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the [REDACTED] from the [REDACTED]. We will issue an appropriate announcement if there is any material change to the above proposed [REDACTED].

If the [REDACTED] of the [REDACTED] are not immediately applied to the above purposes, and to the extent permitted by the relevant laws and regulations, we will only deposit those [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-96, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 廣東天域半導體股份有限公司 GUANGDONG TIANYU SEMICONDUCTOR CO., LTD. (FORMERLY KNOWN AS 東莞市天域半導體科技有限公司 DONGGUAN TIANYU SEMICONDUCTOR TECHNOLOGY CO., LTD.) AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of 廣東天域半導體股份有限公司 Guangdong Tianyu Semiconductor Co., Ltd. (formerly known as 東莞市天域半導體科技有限公司 Dongguan Tianyu Semiconductor Technology Co., Ltd.) (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-5 to I-96, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 (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-5 to I-96 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 initial [REDACTED] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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 and presentation 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.

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 and presentation 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, 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six months ended 30 June 2023 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation 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 of Hong Kong Limited 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-5 have been made.

Dividends

We refer to Note 29(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

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, were audited by KPMG Huazhen LLP Shenzhen Branch (畢馬威華振會計師事務所(特殊普通合夥)深圳分所) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*(Expressed in Renminbi ("**RMB**"))*

	Note	Year ended 31 December 2021	2022	2023	Six months ended 30 June 2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	4	154,642	436,855	1,171,214	423,834	361,132
Cost of sales		(130,437)	(349,369)	(954,596)	(341,585)	(404,886)
Gross profit/(loss)		24,205	87,486	216,618	82,249	(43,754)
Other net income	5	9,548	3,526	55,928	16,007	9,872
Selling and distribution expenses		(5,364)	(8,101)	(11,956)	(5,326)	(8,845)
Administrative and other operating expenses		(28,121)	(42,414)	(74,362)	(32,172)	(74,853)
Research and development expenses		(22,274)	(29,235)	(55,343)	(34,875)	(35,487)
(Loss)/profit from operations		(22,006)	11,262	130,885	25,883	(153,067)
Finance costs	6(a)	(7,224)	(7,516)	(19,876)	(3,686)	(14,468)
Changes in the carrying amount of financial instruments issued to investors	24	(154,934)	—	—	—	—
(Loss)/profit before taxation	6	(184,164)	3,746	111,009	22,197	(167,535)
Income tax credit/(expense)	7(a)	3,854	(932)	(15,127)	(1,456)	26,853
(Loss)/profit and total comprehensive income for the year/period		(180,310)	2,814	95,882	20,741	(140,682)
Attributable to:						
Equity shareholders of the Company		(173,451)	6,951	101,436	22,963	(137,118)
Non-controlling interests		(6,859)	(4,137)	(5,554)	(2,222)	(3,564)
(Loss)/profit and total comprehensive income for the year/period		(180,310)	2,814	95,882	20,741	(140,682)
(Loss)/earnings per share	10					
Basic and diluted (RMB)		(0.58)	0.02	0.28	0.06	(0.38)

The accompanying notes are integral part of these Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 30 June 2024 RMB'000
Non-current assets					
Property, plant and equipment	11	195,782	415,296	1,391,096	1,627,661
Right-of-use assets	12	15,167	96,599	205,377	199,947
Intangible assets	13	397	254	312	1,457
Prepayments, deposits and other receivables	15	33,223	219,290	382,202	394,792
Deferred tax assets	26(a)	33,013	32,074	16,944	43,811
		277,582	763,513	1,995,931	2,267,668
Current assets					
Inventories	16	94,160	89,887	394,548	523,762
Trade and bills receivables	17	77,767	194,433	350,423	249,309
Prepayments, deposits and other receivables	15	29,650	242,929	92,475	56,676
Restricted cash	18	4,158	3,308	21,039	11,345
Cash and cash equivalents	18	31,666	464,477	188,607	83,978
		237,401	995,034	1,047,092	925,070
Current liabilities					
Trade and bills payables	19	73,339	53,023	210,964	349,526
Other payables and accruals	20	50,635	82,025	264,260	281,790
Contract liabilities	21	29,040	4,197	4,146	1,641
Bank loans and other borrowings	22	162,208	—	298,960	425,843
Lease liabilities	23	2,913	4,014	8,103	7,154
Financial instruments issued to investors	24	224,934	—	—	—
		543,069	143,259	786,433	1,065,954
Net current (liabilities)/assets		(305,668)	851,775	260,659	(140,884)
Total assets less current liabilities		(28,086)	1,615,288	2,256,590	2,126,784

		As at 31 December			As at 30 June
	Note	**2021**	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Bank loans and other borrowings	22	—	—	484,758	486,749
Lease liabilities	23	13,441	16,190	54,042	50,710
Deferred income	25	22,380	23,638	21,005	24,930
Deferred tax liabilities	26(a)	100	93	90	104
		35,921	39,921	559,895	562,493
NET (LIABILITIES)/ASSETS		(64,007)	1,575,367	1,696,695	1,564,291
CAPITAL AND RESERVES					
Paid-in/share capital	29(b)/(c)	97,704	363,198	363,198	363,198
Reserves		(170,654)	1,202,363	1,321,030	1,192,190
Total equity attributable to equity shareholders of the Company		(72,950)	1,565,561	1,684,228	1,555,388
Non-controlling interests		8,943	9,806	12,467	8,903
TOTAL (DEFICIT)/EQUITY		(64,007)	1,575,367	1,696,695	1,564,291

The accompanying notes are integral part of these Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	11	174,205	380,170	1,341,785	1,577,869
Right-of-use assets	12	10,653	90,554	200,980	196,375
Intangible assets	13	173	88	22	1,219
Prepayments, deposits and other receivables	15	31,129	213,319	381,095	393,129
Investment in subsidiaries	14	53,612	53,612	53,612	53,612
Deferred tax assets	26(a)	33,013	32,074	16,944	43,811
		302,785	769,817	1,994,438	2,266,015
Current assets					
Inventories	16	69,134	69,329	380,445	510,295
Trade and bills receivables	17	71,140	188,282	345,046	244,795
Prepayments, deposits and other receivables	15	20,486	257,416	116,201	88,805
Restricted cash	18	4,158	3,308	21,039	11,345
Cash and cash equivalents	18	29,637	460,589	183,805	76,639
		194,555	978,924	1,046,536	931,879
Current liabilities					
Trade and bills payables	19	66,390	50,136	209,869	348,850
Other payables and accruals	20	46,256	76,311	259,031	275,433
Contract liabilities	21	24,565	4,124	4,010	1,552
Bank loans and other borrowings	22	162,208	—	298,960	425,843
Lease liabilities	23	1,939	2,029	5,322	5,429
Financial instruments issued to investors	24	224,934	—	—	—
		526,292	132,600	777,192	1,057,107
Net current (liabilities)/assets		(331,737)	846,324	269,344	(125,228)
Total assets less current liabilities		(28,952)	1,616,141	2,263,782	2,140,787

	Note	**As at 31 December 2021** *RMB'000*	**As at 31 December 2022** *RMB'000*	**As at 31 December 2023** *RMB'000*	**As at 30 June 2024** *RMB'000*
Non-current liabilities					
Bank loans and other borrowings	22	—	—	484,758	486,749
Lease liabilities	23	9,722	11,460	50,976	48,229
Deferred income	25	12,006	10,783	8,079	9,586
		21,728	22,243	543,813	544,564
NET (LIABILITIES)/ASSETS		(50,680)	1,593,898	1,719,969	1,596,223
CAPITAL AND RESERVES					
Paid-in/share capital	29(b)/(c)	97,704	363,198	363,198	363,198
Reserves		(148,384)	1,230,700	1,356,771	1,233,025
TOTAL (DEFICIT)/EQUITY		(50,680)	1,593,898	1,719,969	1,596,223

The accompanying notes are integral part of these Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholders of the Company								
	Paid-in capital	**Share capital**	**Capital reserve**	**PRC statutory reserve**	**Other reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 29(b))	*(Note 29(c))*	*(Note 29(e)(i))*	*(Note 29(e)(ii))*	*(Note 29(e)(iii))*				
Balance at 1 January 2021	90,270	—	206,319	—	—	(196,187)	100,402	5,509	105,911
Changes in equity for 2021:									
Loss and total comprehensive income for the year	—	—	—	—	—	(173,451)	(173,451)	(6,859)	(180,310)
Capital injection from non-controlling interests	—	—	—	—	—	—	—	10,293	10,293
Deemed contribution from shareholders	—	—	99	—	—	—	99	—	99
Capital injection from investors *(Note 29(b))*	7,434	—	62,566	—	—	—	70,000	—	70,000
Recognition of financial instruments issued to investors as current liabilities *(Note 24)*	—	—	—	—	(70,000)	—	(70,000)	—	(70,000)
Balance at 31 December 2021 and 1 January 2022	97,704	—	268,984	—	(70,000)	(369,638)	(72,950)	8,943	(64,007)
Changes in equity for 2022:									
Profit/(loss) and total comprehensive income for the year	—	—	—	—	—	6,951	6,951	(4,137)	2,814
Reclassification of financial instruments issued to investors as equity *(Note 24)*	—	—	—	—	224,934	—	224,934	—	224,934
Capital injection from non-controlling interests	—	—	—	—	—	—	—	5,000	5,000
Deemed contribution from shareholders	—	—	4,715	—	—	—	4,715	—	4,715
Capital injection from investors before conversion into a joint stock company *(Note 29(b))*	11,270	—	891,730	—	—	—	903,000	—	903,000
Conversion into a joint stock company *(Note 29(c))*	(108,974)	108,974	(181,326)	—	—	181,326	—	—	—
Equity settled share-based transactions *(Note 28)*	—	—	7,911	—	—	—	7,911	—	7,911
Conversion of capital reserve into share capital *(Note 29(c)(iii))*	—	250,000	(250,000)	—	—	—	—	—	—
Appropriation to statutory reserve *(Note 29(e)(ii))*	—	—	—	241	—	(241)	—	—	—
Capital injection from investors after conversion into a joint stock company *(Note 29(c)(ii))*	—	4,224	486,776	—	—	—	491,000	—	491,000
Balance at 31 December 2022	—	363,198	1,228,790	241	154,934	(181,602)	1,565,561	9,806	1,575,367

	Attributable to equity shareholders of the Company								
	Paid-in capital *RMB'000* *(Note 29(b))*	**Share capital** *RMB'000* *(Note 29(c))*	**Capital reserve** *RMB'000* *(Note 29(e)(i))*	**PRC statutory reserve** *RMB'000* *(Note 29(e)(ii))*	**Other reserve** *RMB'000* *(Note 29(e)(iii))*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2023	—	363,198	1,228,790	241	154,934	(181,602)	1,565,561	9,806	1,575,367
Changes in equity for 2023:									
Profit/(loss) and total comprehensive income for the year	—	—	—	—	—	101,436	101,436	(5,554)	95,882
Capital injection from non-controlling interests	—	—	—	—	—	—	—	8,215	8,215
Appropriation to statutory reserve *(Note 29(e)(ii))*	—	—	—	10,884	—	(10,884)	—	—	—
Equity-settled share-based transactions *(Note 28)*	—	—	17,231	—	—	—	17,231	—	17,231
Balance at 31 December 2023	—	363,198	1,246,021	11,125	154,934	(91,050)	1,684,228	12,467	1,696,695

	Attributable to equity shareholders of the Company								
	Paid-in capital *RMB'000* *(Note 29(b))*	Share capital *RMB'000* *(Note 29(c))*	Capital reserve *RMB'000* *(Note 29(e)(i))*	PRC statutory reserve *RMB'000* *(Note 29(e)(ii))*	Other reserve *RMB'000* *(Note 29(e)(iii))*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
(Unaudited)									
Balance at 1 January 2023	—	363,198	1,228,790	241	154,934	(181,602)	1,565,561	9,806	1,575,367
Changes in equity for the six months ended 30 June 2023:									
Profit/(loss) and total comprehensive income for the year	—	—	—	—	—	22,963	22,963	(2,222)	20,741
Equity settled share-based transactions *(Note 28)*	—	—	10,474	—	—	—	10,474	—	10,474
Balance at 30 June 2023	—	363,198	1,239,264	241	154,934	(158,639)	1,598,998	7,584	1,606,582
Balance at 1 January 2024	—	363,198	1,246,021	11,125	154,934	(91,050)	1,684,228	12,467	1,696,695
Changes in equity for the six months ended 30 June 2024:									
Loss and total comprehensive income for the year	—	—	—	—	—	(137,118)	(137,118)	(3,564)	(140,682)
Equity-settled share-based transactions *(Note 28)*	—	—	8,278	—	—	—	8,278	—	8,278
Balance at 30 June 2024	—	363,198	1,254,299	11,125	154,934	(228,168)	1,555,388	8,903	1,564,291

The accompanying notes are integral part of these Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

		Year ended 31 December			Six months ended 30 June	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating activities						
Cash (used in)/generated from operations	18(b)	(6,314)	(262,186)	87,394	201,531	85,946
Net cash (used in)/generated from operating activities		(6,314)	(262,186)	87,394	201,531	85,946
Investing activities						
Payment for purchase of property, plant and equipment		(129,452)	(437,706)	(1,021,310)	(832,452)	(301,413)
Payment for purchase of leasehold lands		—	(78,153)	(72,258)	(72,258)	—
Payment for purchase of intangible assets		—	—	(229)	(229)	(1,302)
Proceeds from sale of other current financial assets		47,034	—	—	—	—
Payment for purchase of other current financial assets		(45,102)	—	—	—	—
Interest received		106	1,413	3,379	1,097	808
Net cash used in investing activities		(127,414)	(514,446)	(1,090,418)	(903,842)	(301,907)

		Year ended 31 December			Six months ended 30 June	
	Notes	2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Financing activities						
Capital injection by investors		70,000	1,394,000	—	—	—
Capital injection by non-controlling interests		10,293	5,000	8,215	—	—
Proceeds from bank loans and other borrowings	18(c)	151,977	248,767	1,153,606	508,939	355,618
Repayment of bank loans and other borrowings	18(c)	(78,205)	(430,518)	(370,414)	—	(220,118)
Capital element of lease rentals paid	18(c)	(2,374)	(2,352)	(5,372)	(1,146)	(4,281)
Interest element of lease rentals paid	18(c)	(626)	(790)	(2,287)	(807)	(1,410)
Payment for guarantee of other borrowings		—	—	(19,763)	(4,847)	(4,750)
(Increase)/decrease in restricted cash		(4,158)	850	(17,731)	3,308	9,694
Interests paid	18(c)	(6,479)	(4,257)	(19,371)	(1,961)	(23,702)
Net cash generated from financing activities		140,428	1,210,700	726,883	503,486	111,051
Net increase/(decrease) in cash and cash equivalents		6,700	434,068	(276,141)	(198,825)	(104,910)
Effect of exchange rate changes		(306)	(1,257)	271	2,430	281
Cash and cash equivalents at the beginning of the year/period		25,272	31,666	464,477	464,477	188,607
Cash and cash equivalents at the end of the year/period	18(a)	31,666	464,477	188,607	268,082	83,978

The accompanying notes are integral part of these Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB, unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Guangdong Tianyu Semiconductor Co., Ltd. (廣東天域半導體股份有限公司) (the "**Company**"), formerly known as Dongguan Tianyu Semiconductor Technology Co., Ltd. (東莞市天域半導體科技有限公司), was incorporated in Dongguan, Guangdong Province, the People's Republic of China (the "**PRC**") on 7 January 2009 as a limited liability company. In November 2022, the Company was converted from a limited liability company into a joint stock limited liability company.

The Company and its subsidiaries (together, the "**Group**") are principally engaged in design, research and development and manufacture of various types of silicon carbide ("**SiC**") epitaxial wafers.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of RMB140,884,000 as at 30 June 2024. Based on the projection of profit and cashflow forecast, the directors of the Company are of the opinion that the Group has sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations and to continue as a going concern for at least the next twelve months from 30 June 2024. Therefore, the directors of the Company are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new standards or interpretations that are not yet effective for the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the Track Record Period are set out in Note 34.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The Historical Financial Information and the Stub Period Corresponding Financial Information are presented in RMB, rounded to the nearest thousand (RMB'000) except when otherwise indicated. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset.

In the Company's statements of financial position, investments in subsidiaries are stated at cost less impairment losses (see Note 2(h)(ii)).

(d) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries are as follows.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investments. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(s)(ii) (a)).), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

— Fair value through other comprehensive income ("**FVOCI**") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive income ("**OCI**"). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see Note 2(s)(ii)(c)).

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any impairment losses (see Note 2(h)):

— right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

— items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(u)).

Any gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the Track Record Period are as follows:

— The Group's interests in buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and the buildings' estimated useful lives, being no more than 50 years after the date of completion.

— Leasehold land is depreciated over the unexpired term of lease.

— Machinery and equipment	5–10 years
— Vehicles	5 years
— Office equipment and others	3–5 years
— Leasehold improvements	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Intangible assets

Intangible assets acquired by the Group with finite useful lives are measured at cost less accumulated amortisation and impairment losses (see Note 2(h)).

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line basis over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the Track Record Period are as follows:

— Software	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(e) and 2(h)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see Note 2(d)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the Historical Financial Information, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

— fixed-rate financial assets, trade and bills receivables and prepayments, deposits and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected live of the instrument is less than 12 months); and

— lifetime ECLs: these are ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

— financial instruments that are determined to have low credit risk at the reporting date; and

— other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade and bills receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

— the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

— the financial asset is more than 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial assets in the consolidated statements of financial position.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default;

— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, 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 CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are to reduce the carrying amounts of the assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(h)(i)).

(k) Cash and cash equivalents and restricted cash

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Bank deposits which are restricted to use are presented separately in consolidated statements of financial position as "Restricted cash". Restricted cash is excluded from cash and cash equivalents in the consolidated cash flow statements.

Cash and cash equivalents and restricted cash are assessed for ECLs in accordance with the policy set out in Note 2(h)(i).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(m) Financial instruments issued to investors

The Company entered into a series of investment agreements with some independent investors (the "**Financial Instruments Issued to Investors**"). The instrument holders had the right to require the Company to redeem all of the instruments held by the instrument holders at a predetermined amount upon certain redemption events, which are not all within the control of the Group.

The Company's contractual obligation to deliver cash or other financial assets to the holders of such financial instruments upon events that are beyond the control of the Group gives rise to a financial liability.

The financial liabilities are measured at an amount expected to be paid to the investors upon the occurrence of any of the redemption events which is assumed to be at the dates of issuance and at the end of each reporting period. Any changes in the carrying amount of the financial liabilities resulting from the revision of estimated contractual cash flows were recognized in profit or loss.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(u).

(o) Contract liabilities

A Contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable is also recognised (see Note 2(j)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(s)(ii)(a)).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in Chinese Mainland are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share awards granted to employees is recognised as an employee cost with a corresponding increase in the capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the shares were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the awards is spread over the vesting period, taking into account the probability that the shares will vest.

During the vesting period, the number of share awards that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the right is exercised (when it is included in the amount recognised in share capital for the shares issued) or the shares expires (when it is released directly to retained profits).

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

— temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

— temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

— those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised by setting up the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(c) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group has only one single reportable segment. Accordingly, no segmental analysis is presented.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognised in the Historical Financial Information:

(a) Impairment of non-current assets

If circumstances indicate that the carrying value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstance indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(b) Impairment of trade and bills receivables and prepayment, deposits and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and bills receivables and prepayment, deposits and other receivables that are measured at amortised cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated cost necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's profit or loss and net assets value. The Group reassesses these estimates annually.

(d) Useful lives of property, plant and equipment

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(e) Deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group principally generates its revenue from the sales of SiC epitaxial wafer and other products.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15					
Disaggregated by major products					
4-inch epitaxial wafer	15,800	11,492	8,252	1,817	1,571
6-inch epitaxial wafer	132,758	386,849	1,118,328	408,785	349,666
8-inch epitaxial wafer	—	—	517	—	4,360
Other sales and services	6,084	38,514	44,117	13,232	5,535
	154,642	436,855	1,171,214	423,834	361,132

(ii) Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group in the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	47,815	N/A*	N/A*	45,209	44,845
Customer B	28,385	N/A*	N/A*	N/A*	N/A*
Customer C	22,879	N/A*	N/A*	N/A*	N/A*
Customer D	N/A*	92,139	N/A*	N/A*	N/A*
Customer E	N/A*	79,721	119,232	85,109	N/A*
Customer F	N/A*	45,854	N/A*	N/A*	N/A*
Customer G	N/A*	N/A*	491,791	152,730	N/A*
Customer H	N/A*	N/A*	125,738	N/A*	N/A*
Customer I	N/A*	N/A*	N/A*	N/A*	189,943
Customer J	N/A*	N/A*	N/A*	N/A*	37,238

* Revenue from relevant customers was less than 10% of the Group's total revenue for the respective year/period.

Details of concentrations of credit risk arising from these customers are set out in Note 30(a). For the Track Record Period, certain amounts of revenue are related to sales to related parties (see Note 32(c)).

The Group has also applied the practical expedient in paragraph 121(a) of IFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of electronic products that had an original expected duration of one year or less.

(iii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Chinese Mainland	131,985	381,986	652,969	255,582	319,885
Hong Kong	16,565	5,936	12,733	11,100	1,065
South Korea	4,460	47,696	499,424	154,675	37,176
Others	1,632	1,237	6,088	2,477	3,006
	154,642	436,855	1,171,214	423,834	361,132

All assets of the Group are located in Chinese Mainland and no analysis of geographic information is presented.

5 OTHER NET INCOME

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest income from bank deposits	106	1,413	3,379	1,097	808
Government grants *(note)*	10,168	6,382	27,607	12,017	7,343
Loss on disposals of property, plant and equipment	(10)	(1,145)	(3)	—	(7)
Compensation income	—	—	21,558	—	—
Net foreign exchange (loss)/gain	(199)	(3,221)	3,279	2,937	1,492
Others	(517)	97	108	(44)	236
	9,548	3,526	55,928	16,007	9,872

Note: The amounts mainly represented government incentive and support to the Group received during the Track Record Period. There are no unfulfilled conditions or contingencies relating to the grants.

6 (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on bank loans and other borrowings	5,189	6,239	19,897	2,934	17,076
Interest expenses on loan from related parties *(Note 32)*	1,409	487	—	—	—
Interest on lease liabilities	626	790	2,287	807	1,410
	7,224	7,516	22,184	3,741	18,486
Less: Interest expense capitalised into property, plant and equipment *(note)*	—	—	(2,308)	(55)	(4,018)
	7,224	7,516	19,876	3,686	14,468

Note: The borrowing costs have been capitalised at the rates of 4.00%–4.50%, 4.00%–4.50% and 3.75%–4.50% per annum for the year ended 31 December 2023 and six months ended 30 June 2023 and 2024, respectively.

(b) Staff costs (including directors' and supervisors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, wages and other benefits	29,566	43,202	80,617	32,881	46,398
Contributions to defined contribution retirement plans	1,825	3,182	7,039	2,057	4,946
Equity-settled shared-based payment expenses *(Note 28)*	—	7,911	17,231	10,474	8,278
	31,391	54,295	104,887	45,412	59,622

(c) Other items

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Amortisation of intangible assets *(Note 13)*	142	143	171	92	157
Depreciation charge					
— Owned property, plant and equipment *(Note 11)*	22,832	31,431	80,018	24,687	61,298
— Right-of-use assets *(Note 12)*	393	2,902	9,123	3,772	5,430
	23,225	34,333	89,141	28,459	66,728
Auditors' remuneration	730	555	1,228	739	329
Cost of inventories sold *(note) (Note 16(b))*	130,219	348,082	953,137	340,760	404,273
(Reversal of)/provision for impairment losses on financial assets					
— Trade receivables *(Note 30(a))*	(186)	1,025	8,495	1,274	43,430
— Bills receivables *(Note 30(a))*	—	—	933	—	—
— Other receivables *(Note 30(a))*	307	(115)	138	409	49
	121	910	9,566	1,683	43,479

Note: Cost of inventories includes RMB22,416,000, RMB37,522,000, RMB106,787,000, RMB32,532,000 (unaudited) and RMB65,067,000 for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, respectively, relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Deferred tax					
Origination and reversal of temporary differences *(Note 26(a))*	(3,854)	932	15,127	1,456	(26,853)
Income tax (credit)/ expense	(3,854)	932	15,127	1,456	(26,853)

Notes:

(i) In accordance with relevant PRC rules and regulations, the PRC Corporate Income Tax rate applicable to the Company and Company's subsidiaries registered in Chinese Mainland is principally 25% during the Track Record Period, except as described below:

(a) Guangdong Tianyu Semiconductor Co., Ltd. was originally qualified as the High and New Technology Enterprise ("**HNTE**") and entitled to a preferential tax rate of 15% until 2025.

(b) Dongguan Southern Semiconductor Technology Co., Ltd. was qualified as HNTE and entitled to a preferential tax rate of 15% until 2024.

(c) Dongguan Hengxin Third Generation Semiconductor Research Institute was qualified as the Small and Micro Enterprise and entitled to preferential tax rates of 2.5% for the year ended 31 December 2021 and 5% for the years ended 31 December 2022 and 2023 and six months ended 30 June 2024.

(ii) The additional deduction for research and development expenses mainly represents an additional 100% tax deduction on eligible research and development expenses incurred by Guangdong Tianyu Semiconductor Co., Ltd. and Dongguan Southern Semiconductor Technology Co., Ltd. during the Track Record Period.

(b) Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit before taxation	(184,164)	3,746	111,009	22,197	(167,535)
Notional tax on (loss)/profit before taxation, calculated at the tax rates applicable to the respective tax jurisdictions	(27,624)	562	16,651	3,329	(25,130)
Tax effect of PRC preferential tax treatments	(1)	(1)	9	—	4
Tax effect of non-deductible expenses	280	1,738	2,899	1,488	1,332
Tax effect of non-taxable income	—	—	(686)	—	—
Tax effect of unused tax losses and deductible temporary differences not recognised	2,989	2,215	3,554	1,187	1,685
Tax effect of changes in the carrying amount of financial instruments issued to investors	23,240	—	—	—	—
Tax effect of utilisation of tax losses and deductible temporary differences not recognised in prior years/periods	—	—	(104)	(9)	(2)
Additional deduction for research and development expenses	(2,738)	(3,582)	(7,196)	(4,539)	(4,742)
Actual tax (credit)/expense	(3,854)	932	15,127	1,456	(26,853)

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments during the Track Record Period are as follows:

For the year ended 31 December 2021

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Mr. Li Xiguang 李錫光	—	899	776	36	1,711	—	1,711
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
Supervisor							
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
	—	899	776	36	1,711	—	1,711

For the year ended 31 December 2022

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Mr. Li Xiguang 李錫光	—	901	1,154	42	2,097	—	2,097
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才	—	—	—	—	—	—	—
Independent directors							
Mr. He Zhengsheng 賀正生	30	—	—	—	30	—	30
Ms. Li Min 李旻	30	—	—	—	30	—	30
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	172	19	18	209	49	258
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	60	1,073	1,173	60	2,366	49	2,415

For the year ended 31 December 2023

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Mr. Li Xiguang 李錫光	—	2,097	200	43	2,340	2,789	5,129
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才	—	—	—	—	—	—	—
Independent directors							
Mr. He Zhengsheng 賀正生	120	—	—	—	120	—	120
Ms. Li Min 李旻	120	—	—	—	120	—	120
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	607	10	45	662	584	1,246
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	240	2,704	210	88	3,242	3,373	6,615

For the six months ended 30 June 2023 (unaudited)

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Mr. Li Xiguang 李錫光	—	1,047	100	21	1,168	—	1,168
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才	—	—	—	—	—	—	—
Independent directors							
Mr. He Zhengsheng 賀正生	60	—	—	—	60	—	60
Ms. Li Min 李旻	60	—	—	—	60	—	60
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	245	5	22	272	292	564
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	120	1,292	105	43	1,560	292	1,852

For the six months ended 30 June 2024

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments *(note (j))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors							
Mr. Li Xiguang 李錫光	—	1,051	555	23	1,629	—	1,629
Mr. Au Yeung Chung 歐陽忠	—	—	—	—	—	—	—
Mr. Jiang Dacai 姜達才	—	—	—	—	—	—	—
Independent directors							
Mr. He Zhengsheng 賀正生	60	—	—	—	60	—	60
Ms. Li Min 李旻	60	—	—	—	60	—	60
Supervisors							
Ms. Yin Xuefang 尹雪芳	—	286	15	24	325	292	617
Mr. Zhuang Shuguang 莊樹廣	—	—	—	—	—	—	—
Mr. Yuan Yi 袁毅	—	—	—	—	—	—	—
	120	1,337	570	47	2,074	292	2,366

Notes:

(a) Mr. Li Xiguang (李錫光) acted as a director since 2009 and was re-designed as an executive director in November 2024.

(b) Mr. Zhuang Shuguang (莊樹廣) joined the Group as a director in June 2021, and was re-appointed as a supervisor in October 2022.

(c) Mr. Yuan Yi (袁毅) joined the Group as a director in June 2021, and was re-appointed as a supervisor in October 2022.

(d) Mr. Au Yeung Chung (歐陽忠) acted as a supervisor since 2009 and was appointed as a director in October 2022 and re-designed as a non-executive director in November 2024.

(e) Mr. Jiang Dacai (姜達才) was appointed as a director in October 2022 and re-designated as a non-executive director in November 2024.

(f) Mr. He Zhengsheng (賀正生) was appointed as an independent director in October 2022 and re-designated as an independent non-executive director in November 2024.

(g) Ms. Li Min (李旻) was appointed as an independent director in October 2022 and re-designated as an independent non-executive director in November 2024.

(h) Ms. Yin Xuefang (尹雪芳) was appointed as a supervisor in October 2022.

(i) Mr. Vincent Chin (錢棨澤) was appointed as an independent non-executive director in November 2024.

(j) These represent the estimated value of the restricted shares (Note 28) granted to the directors and supervisors of the Company under the Company's share award scheme. The value of these restricted shares is measured according to the Group's accounting policy for share-based payment transactions as set out in Note 2(p)(ii). The details of the share award scheme are disclosed in Note 28.

(k) During the Track Record Period, no director or supervisor has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors and the supervisors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 FIVE HIGHEST PAID INDIVIDUALS

The number of directors, supervisors and other employees included in the five highest paid individuals for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024 are set forth below:

	Year ended 31 December			**Six months ended 30 June**	
	2021	**2022**	**2023**	**2023**	**2024**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
Directors and supervisors	1	1	1	1	1
Other employees	4	4	4	4	4
	5	5	5	5	5

The emoluments of the directors and supervisors are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid non-director/supervisor individuals, are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	2,613	2,656	5,423	2,764	1,856
Discretionary bonuses	1,067	1,764	260	130	1,035
Share-based payments	—	2,871	2,883	1,392	2,111
Retirement scheme contributions	1,662	168	129	63	92
	5,342	7,459	8,695	4,349	5,094

The emoluments of the remaining highest paid non-director/supervisor individuals are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals*
HK$Nil to HK$1,000,000	2	—	—	1	1
HK$1,000,001 to HK$1,500,000	—	1	—	2	2
HK$1,500,001 to HK$2,000,000	—	1	1	1	—
HK$2,000,001 to HK$2,500,000	2	1	1	—	1
HK$2,500,001 to HK$3,000,000	—	—	2	—	—
HK$3,000,001 to HK$3,500,000	—	1	—	—	—

During the Track Record Period, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share during the Track Record Period is based on the (loss)/profit attributable to ordinary equity shareholders of the Company and the weighted-average number of ordinary shares in issue or deemed to be in issue for the respective years/periods.

As described in Note 29(c)(i), the Company converted into a joint stock company with limited liability and issued 108,974,000 shares with the par value of RMB1 each in November 2022. For the purpose of computing basic and diluted (loss)/earnings per share, the weighted average number of ordinary shares deemed to be in issue before the Company's conversion into a joint stock company was determined assuming the conversion into joint stock company had occurred on 1 January 2021, at the conversion ratio established in the conversion in November 2022.

In addition, the Company issued 250,000,000 shares (approximately 2.21 shares for each share in issue) by converting RMB250,000,000 from capital reserve to share capital in December 2022. Accordingly, the weighted average number of shares has also been adjusted retrospectively from 1 January 2021 for such capitalisation issue.

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit for the year/period attributable to all equity shareholders of the Company	(173,451)	6,951	101,436	22,963	(137,118)
Allocation of (loss)/profit for the year/period attributable to ordinary shares with redemption right issued to investors *(Note 24)*	6,860	(41)	—	—	—
(Loss)/profit of the year/period attributable to ordinary equity shareholders of the Company	(166,591)	6,910	101,436	22,963	(137,118)

(ii) Weighted-average number of ordinary shares

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023** (unaudited)	**2024**
Ordinary shares (deemed to be) in issue at 1 January	90,270	97,704	363,198	363,198	363,198
Effect of ordinary shares in issue or deemed to be in issue	3,717	6,227	—	—	—
Effect of ordinary shares with redemption right issued to investors *(Note 24)*	(3,717)	(620)	—	—	—
Effect of capitalisation issue *(Note 29(c)(iii))*	199,364	228,164	—	—	—
Weighted average number of ordinary shares (deemed to be) in issue at 31 December/30 June	289,634	331,475	363,198	363,198	363,198

(b) Diluted (loss)/earnings per share

For the year ended 31 December 2021, ordinary shares with redemption right issued to investors (Note 24) was not included in the calculation of diluted loss per share because their effect would have been anti-dilutive. Accordingly, diluted earnings per share was equal to basic earnings per share.

For the years ended 31 December 2022 and 2023 and six months ended 30 June 2023 and 2024, the Company did not have any dilutive potential ordinary shares outstanding. Accordingly, diluted (loss)/earnings per share were equal to basic (loss)/earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

The Group:

	Machinery and equipment *RMB'000*	Office equipment and others *RMB'000*	Vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2021	199,221	3,897	683	13,300	7,567	224,668
Additions	2,177	431	—	—	97,893	100,501
Disposals	(1)	(39)	—	—	—	(40)
Transfers within property, plant and equipment	49,690	—	—	3,982	(53,672)	—
At 31 December 2021 and 1 January 2022	251,087	4,289	683	17,282	51,788	325,129
Additions	708	876	1,078	—	249,428	252,090
Disposals	(10,716)	(191)	—	—	—	(10,907)
Transfers within property, plant and equipment	118,519	—	—	2,761	(121,280)	—
At 31 December 2022 and 1 January 2023	359,598	4,974	1,761	20,043	179,936	566,312
Additions	2,873	520	—	—	1,052,428	1,055,821
Disposals	(11)	(1)	—	—	—	(12)
Transfers within property, plant and equipment	812,641	1,066	—	50,121	(863,828)	—
At 31 December 2023 and 1 January 2024	1,175,101	6,559	1,761	70,164	368,536	1,622,121
Additions	374	56	—	—	297,440	297,870
Disposals	—	(154)	—	—	—	(154)
Transfers within property, plant and equipment	6,433	6,787	—	399	(13,619)	—
At 30 June 2024	1,181,908	13,248	1,761	70,563	652,357	1,919,837

	Machinery and equipment *RMB'000*	Office equipment and others *RMB'000*	Vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation:						
At 1 January 2021	(99,182)	(1,872)	(313)	(5,178)	—	(106,545)
Charge for the year *(Note 6(c))*	(18,489)	(538)	(131)	(3,674)	—	(22,832)
Written back on disposals	1	29	—	—	—	30
At 31 December 2021 and 1 January 2022	(117,670)	(2,381)	(444)	(8,852)	—	(129,347)
Charge for the year *(Note 6(c))*	(27,374)	(670)	(115)	(3,272)	—	(31,431)
Written back on disposals	9,619	143	—	—	—	9,762
At 31 December 2022 and 1 January 2023	(135,425)	(2,908)	(559)	(12,124)	—	(151,016)
Charge for the year *(Note 6(c))*	(70,956)	(789)	(255)	(8,018)	—	(80,018)
Written back on disposals	8	1	—	—	—	9
At 31 December 2023 and 1 January 2024	(206,373)	(3,696)	(814)	(20,142)	—	(231,025)
Charge for the period *(Note 6(c))*	(55,018)	(680)	(67)	(5,533)	—	(61,298)
Written back on disposals	—	147	—	—	—	147
At 30 June 2024	(261,391)	(4,229)	(881)	(25,675)	—	(292,176)
Net book value:						
At 31 December 2021	133,417	1,908	239	8,430	51,788	195,782
At 31 December 2022	224,173	2,066	1,202	7,919	179,936	415,296
At 31 December 2023	968,728	2,863	947	50,022	368,536	1,391,096
At 30 June 2024	920,517	9,019	880	44,888	652,357	1,627,661

As at 31 December 2021, 2022 and 2023 and 30 June 2024, certain property, plant and equipment of the Group with net book value amounting RMB42,889,000, Nil, RMB564,952,000 and RMB535,208,000 were secured for bank loans and other borrowings granted to the Group.

The Company:

	Machinery and equipment *RMB'000*	Office equipment and others *RMB'000*	Vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost:						
At 1 January 2021	196,236	2,176	272	8,401	4,635	211,720
Additions	541	309	—	—	85,108	85,958
Disposals	(1)	(17)	—	—	—	(18)
Transfers within property, plant and equipment	37,623	—	—	3,982	(41,605)	—
At 31 December 2021 and 1 January 2022	234,399	2,468	272	12,383	48,138	297,660
Additions	657	579	1,077	—	232,967	235,280
Disposals	(10,716)	(189)	—	—	—	(10,905)
Transfers within property, plant and equipment	112,098	—	—	1,036	(113,134)	—
At 31 December 2022 and 1 January 2023	336,438	2,858	1,349	13,419	167,971	522,035
Additions	2,855	428	—	—	1,032,161	1,035,444
Disposals	(10)	—	—	—	—	(10)
Transfers within property, plant and equipment	782,656	1,066	—	47,874	(831,596)	—
At 31 December 2023 and 1 January 2024	1,121,939	4,352	1,349	61,293	368,536	1,557,469
Additions	374	56	—	—	293,719	294,149
Disposals	—	(154)	—	—	—	(154)
Transfers within property, plant and equipment	6,133	6,787	—	399	(13,319)	—
At 30 June 2024	1,128,446	11,041	1,349	61,692	648,936	1,851,464

	Machinery and equipment	Office equipment and others	Vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:						
At 1 January 2021	(98,864)	(1,505)	(13)	(4,049)	—	(104,431)
Charge for the year	(17,208)	(203)	(52)	(1,578)	—	(19,041)
Written back on disposals	1	16	—	—	—	17
At 31 December 2021 and 1 January 2022	(116,071)	(1,692)	(65)	(5,627)	—	(123,455)
Charge for the year	(25,511)	(301)	(102)	(2,255)	—	(28,169)
Written back on disposals	9,619	140	—	—	—	9,759
At 31 December 2022 and 1 January 2023	(131,963)	(1,853)	(167)	(7,882)	—	(141,865)
Charge for the year	(66,641)	(372)	(255)	(6,559)	—	(73,827)
Written back on disposals	8	—	—	—	—	8
At 31 December 2023 and 1 January 2024	(198,596)	(2,225)	(422)	(14,441)	—	(215,684)
Charge for the period	(52,387)	(469)	(67)	(5,133)	—	(58,056)
Written back on disposals	—	145	—	—	—	145
At 30 June 2024	(250,983)	(2,549)	(489)	(19,574)	—	(273,595)
Net book value:						
At 31 December 2021	118,328	776	207	6,756	48,138	174,205
At 31 December 2022	204,475	1,005	1,182	5,537	167,971	380,170
At 31 December 2023	923,343	2,127	927	46,852	368,536	1,341,785
At 30 June 2024	877,463	8,492	860	42,118	648,936	1,577,869

12 RIGHT-OF-USE ASSETS

Reconciliation of carrying amount

The Group:

	Leasehold land *RMB'000*	Leased property *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2021	—	11,824	11,824
Additions	—	5,006	5,006
At 31 December 2021 and 1 January 2022	—	16,830	16,830
Additions	78,153	6,202	84,355
Disposals	—	(99)	(99)
At 31 December 2022 and 1 January 2023	78,153	22,933	101,086
Additions	72,258	45,643	117,901
At 31 December 2023, 1 January 2024 and 30 June 2024	150,411	68,576	218,987
Accumulated depreciation:			
At 1 January 2021	—	(1,270)	(1,270)
Charge for the year *(Note 6(c))*	—	(393)	(393)
At 31 December 2021 and 1 January 2022	—	(1,663)	(1,663)
Charge for the year *(Note 6(c))*	(131)	(2,771)	(2,902)
Written back on disposals	—	78	78
At 31 December 2022 and 1 January 2023	(131)	(4,356)	(4,487)
Charge for the year *(Note 6(c))*	(2,767)	(6,356)	(9,123)
At 31 December 2023 and 1 January 2024	(2,898)	(10,712)	(13,610)
Charge for the period *(Note 6(c))*	(1,504)	(3,926)	(5,430)
At 30 June 2024	(4,402)	(14,638)	(19,040)
Net book value:			
At 31 December 2021	—	15,167	15,167
At 31 December 2022	78,022	18,577	96,599
At 31 December 2023	147,513	57,864	205,377
At 30 June 2024	146,009	53,938	199,947

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost in Chinese Mainland, with remaining lease term of between 10 and 50 years	—	78,022	147,513	146,009
Other properties leased for own use, carried at depreciated cost	15,167	18,577	57,864	53,938
	15,167	96,599	205,377	199,947

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	As at 31 December			As at 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying assets:					
Ownership interests in leasehold land and buildings	—	131	2,767	1,264	1,504
Other properties leased for own use	393	2,771	6,356	2,508	3,926
	393	2,902	9,123	3,772	5,430
Interest on lease liabilities *(Note 6(a))*	626	790	2,287	807	1,410
Expense relating to short-term leases	2,441	1,584	4,868	1,900	2,776

Details of total cash outflow for leases is set out in Note 18(d) and the maturity analysis of lease liabilities is set out in Note 23.

The Group has obtained the right to use certain leasehold land in Chinese Mainland. Lump sum payments were made upfront to acquire these land use right interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, certain leasehold land of the Group amounting Nil, Nil, Nil and RMB146,009,000 were secured for bank loans granted to the Group.

The Company:

	Leasehold land	Leased property	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	—	11,824	11,824
Additions	—	170	170
At 31 December 2021 and 1 January 2022	—	11,994	11,994
Additions	78,153	3,363	81,516
Disposals	—	(99)	(99)
At 31 December 2022 and 1 January 2023	78,153	15,258	93,411
Additions	72,258	45,643	117,901
At 31 December 2023, 1 January 2024 and 30 June 2024	150,411	60,901	211,312
Accumulated depreciation:			
At 1 January 2021	—	(1,270)	(1,270)
Charge for the year	—	(71)	(71)
At 31 December 2021 and 1 January 2022	—	(1,341)	(1,341)
Charge for the year	(131)	(1,463)	(1,594)
Written back on disposals	—	78	78
At 31 December 2022 and 1 January 2023	(131)	(2,726)	(2,857)
Charge for the year	(2,767)	(4,708)	(7,475)
At 31 December 2023 and 1 January 2024	(2,898)	(7,434)	(10,332)
Charge for the period	(1,504)	(3,101)	(4,605)
At 30 June 2024	(4,402)	(10,535)	(14,937)
Net book value:			
At 31 December 2021	—	10,653	10,653
At 31 December 2022	78,022	12,532	90,554
At 31 December 2023	147,513	53,467	200,980
At 30 June 2024	146,009	50,366	196,375

13 INTANGIBLE ASSETS

The Group:

	Software
	RMB'000
Cost:	
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	715
Additions	229
At 31 December 2023 and 1 January 2024	944
Additions	1,302
At 30 June 2024	2,246
Accumulated amortisation:	
At 1 January 2021	(176)
Charge for the year *(Note 6(c))*	(142)
At 31 December 2021 and 1 January 2022	(318)
Charge for the year *(Note 6(c))*	(143)
At 31 December 2022 and 1 January 2023	(461)
Charge for the year *(Note 6(c))*	(171)
At 31 December 2023 and 1 January 2024	(632)
Charge for the period *(Note 6(c))*	(157)
At 30 June 2024	(789)
Net book value:	
At 31 December 2021	397
At 31 December 2022	254
At 31 December 2023	312
At 30 June 2024	1,457

The amortisation charges during the Track Record Period are included in "administrative and other operating expenses" in the consolidated statements of profit or loss and other comprehensive income.

The Company:

	Software
	RMB'000
Cost:	
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022, 1 January 2023, 31 December 2023 and 1 January 2024	423
Additions	1,302
At 30 June 2024	1,725
Accumulated amortisation:	
At 1 January 2021	(166)
Charge for the year	(84)
At 31 December 2021 and 1 January 2022	(250)
Charge for the year	(85)
At 31 December 2022 and 1 January 2023	(335)
Charge for the year	(66)
At 31 December 2023 and 1 January 2024	(401)
Charge for the period	(105)
At 30 June 2024	(506)
Net book value:	
At 31 December 2021	173
At 31 December 2022	88
At 31 December 2023	22
At 30 June 2024	1,219

14 SUBSIDIARIES

(a) Particulars of principal subsidiary

During the Track Record Period and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiary:

			Effective interest held by the Group					
			As at 31 December				At the date	
Company name	Place and date of establishment	Particulars of issued and paid-up capital	2021	2022	2023	30 June 2024	of this report	Principal activities and place of operation
Directly held by the Company								
Dongguan South Semiconductor Technology Co., Ltd. 東莞南方半導體科技有限公司 *(note)*	The PRC/ 23 November 2016	RMB 92,000,000	59.29%	59.29%	59.29%	59.29%	59.29%	Inspection and sale of devices in Dongguan, Guangdong Province, the PRC

Note: The official name of this entity is in Chinese. The English translation is for identification purposes only. The entity is a limited liability company established in the PRC. The financial statements of this entity for the years ended 31 December 2021, 2022 and 2023 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC. The financial statements for the year ended 31 December 2021 were audited by Shenzhen Zhongsheng Certified Public Accountants (深圳中勝會計師事務所) and the financial statements for the years ended 31 December 2022 and 2023 were audited by RSM China Certified Public Accountants LLP Shenzhen Branch (容誠會計師事務所(特殊普通合夥)深圳分所).

(b) Material non-controlling interest (the "NCI")

The following table lists out the information relating to Dongguan South Semiconductor Technology Co., Ltd., the only subsidiary of the Group which has a material NCI. The summarised financial information presented below represents the amounts before any inter-company elimination.

	Year ended 31 December			Six months ended 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NCI percentage	40.71%	40.71%	40.71%	40.71%
Current assets	39,619	34,624	23,980	25,245
Non-current assets	29,409	48,308	56,105	56,265
Current liabilities	13,739	29,312	33,469	41,817
Non-current liabilities	14,093	17,585	15,992	17,824
Net assets	41,196	36,035	30,624	21,869
Carrying amount of NCI	8,943	9,806	12,467	8,903
Revenue	4,071	25,195	8,722	1,241
Loss and total comprehensive income	(16,854)	(10,161)	(13,626)	(8,755)
Loss allocated to NCI	(6,859)	(4,137)	(5,554)	(3,564)
Cash flows from operating activities	(29,631)	18,659	9,803	1,367
Cash flows from investing activities	(7,217)	(21,244)	(16,241)	(4,823)
Cash flows from financing activities	38,670	4,444	7,351	2,671

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group:

	Note	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current					
Prepayments for purchase of property, plant and equipment					
— third parties		33,084	219,065	347,154	358,737
— related parties	32(d)	—	—	15,285	11,445
Others		139	225	19,763	24,610
		33,223	219,290	382,202	394,792
Current					
Prepayments for materials and expenses		3,293	215,400	51,451	12,470
Other deposits and receivables		1,753	863	2,056	1,997
Amounts due from related parties	32(d)	3,001	—	—	—
Value added tax recoverable		21,913	26,861	39,301	42,591
		29,960	243,124	92,808	57,058
Less: loss allowance		(310)	(195)	(333)	(382)
		29,650	242,929	92,475	56,676
		62,873	462,219	474,677	451,468

The Company:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayments for purchase of property, plant and equipment				
— third parties	31,129	213,319	346,212	357,239
— related parties	—	—	15,285	11,445
Others	—	—	19,598	24,445
	31,129	213,319	381,095	393,129
Current				
Prepayments for materials and expenses	1,845	215,227	51,294	12,470
Other deposits and receivables	1,546	18,882	25,830	34,650
Value added tax recoverable	17,260	23,443	39,284	41,950
	20,651	257,552	116,408	89,070
Less: loss allowance	(165)	(136)	(207)	(265)
	20,486	257,416	116,201	88,805
	51,615	470,735	497,296	481,934

All of the prepayments, deposits and other receivables (including amounts due from related parties) are expected to be recovered or recognised as expense within one year, except for non-current prepayments which mainly represent deposits paid to suppliers for the purchases of property, plant and equipment.

As at 31 December 2021, the amounts due from related parties were unsecured, interest-free and repayable on demand.

16 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprises:

The Group:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	59,649	38,868	267,932	441,892
Semi-finished products and work in progress	10,092	24,694	42,377	37,558
Finished goods	24,419	26,325	84,239	44,312
	94,160	89,887	394,548	523,762

The Company:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	44,990	30,163	265,459	439,513
Semi-finished products and work in progress	10,092	24,694	42,377	37,558
Finished goods	14,052	14,472	72,609	33,224
	69,134	69,329	380,445	510,295

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group:

	As at 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Carrying amount of inventories sold	119,168	333,371	931,836	332,260	341,267
Write down of inventories	11,051	14,711	21,301	8,500	63,006
	130,219	348,082	953,137	340,760	404,273

17 TRADE AND BILLS RECEIVABLES

The Group:

	Note	As at 31 December 2021	2022	2023	As at 30 June 2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
— third parties		64,427	184,228	306,557	256,382
— related parties	32(d)	4,512	—	—	17
		68,939	184,228	306,557	256,399
Bills receivables					
— third parties		9,692	12,254	55,343	47,817
— related parties	32(d)	160	—	—	—
		9,852	12,254	55,343	47,817
Less: loss allowance		(1,024)	(2,049)	(11,477)	(54,907)
		77,767	194,433	350,423	249,309

The Company:

	As at 31 December 2021	2022	2023	As at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— third parties	62,353	178,010	301,611	251,631
— related parties	—	4	—	19
	62,353	178,014	301,611	251,650
Bills receivables				
— third parties	9,532	12,254	53,910	47,817
— related parties	160	—	—	—
	9,692	12,254	53,910	47,817
Less: loss allowance	(905)	(1,986)	(10,475)	(54,672)
	71,140	188,282	345,046	244,795

The Group and the Company derecognised the bills receivables issued by the major banks or the banks with qualified rating when the bill receivables are transferred to others through endorsement to suppliers or discounting to other banks. As at 31 December 2021, 2022 and 2023 and 30 June 2024, bills receivables of Nil, Nil, RMB2,750,000 and RMB19,500,000 were transferred but not derecognised.

Aging analysis

As of the end of each reporting period, the aging analysis of trade and bill receivables, based on the revenue recognition date and net of loss allowance, is as follows:

The Group:

	As at 31 December			As of 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	64,547	161,239	299,443	188,242
91–180 days	10,043	29,666	42,940	31,527
181–270 days	1,344	3,449	175	8,697
271–365 days	1,833	79	267	17,804
Over 1 year	—	—	7,598	3,039
	77,767	194,433	350,423	249,309

The Company:

	As at 31 December			As of 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	61,922	157,546	294,586	187,498
91–180 days	6,733	27,255	42,676	30,848
181–270 days	629	3,404	—	5,609
271–365 days	1,856	77	186	17,801
Over 1 year	—	—	7,598	3,039
	71,140	188,282	345,046	244,795

Trade receivables are due within 15 to 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 30(a).

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	35,824	467,785	209,646	95,323
Less: Restricted cash				
— Deposits pledged for issuing bank acceptance	—	—	—	(3,641)
— Deposits pledged for letters of credit	(4,158)	(3,308)	(21,039)	(7,704)
	(4,158)	(3,308)	(21,039)	(11,345)
Cash and cash equivalents in the consolidated statements of financial position and the consolidated cash flow statements	31,666	464,477	188,607	83,978

The Company:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	33,795	463,897	204,844	87,984
Less: Restricted cash				
— Deposits pledged for issuing bank acceptance	—	—	—	(3,641)
— Deposits pledged for letters of credit	(4,158)	(3,308)	(21,039)	(7,704)
	(4,158)	(3,308)	(21,039)	(11,345)
Cash and cash equivalents in the statements of financial position of the Company	29,637	460,589	183,805	76,639

(b) Reconciliation of (loss)/profit before taxation to cash (used in)/generated from operations:

		Years ended 31 December			Six months ended 30 June	
	Note	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
(Loss)/profit before taxation		(184,164)	3,746	111,009	22,197	(167,535)
Adjustments for:						
Depreciation	6(c)	23,225	34,333	89,141	28,459	66,728
Amortisation of intangible assets	6(c)	142	143	171	92	157
Provision for impairment losses on financial assets	6(c)	121	910	9,566	1,683	43,479
Interest income	5	(106)	(1,413)	(3,379)	(1,097)	(808)
Finance costs	6(a)	7,224	7,516	19,876	3,686	14,468
Provision for write-down of inventories	16(b)	11,051	14,711	21,301	8,500	63,006
Loss on disposals of property, plant and equipment	5	10	1,145	3	—	7
Changes in the carrying amount of financial instruments issued to investors	24	154,934	—	—	—	—
Equity settled share-based payment expenses	6(b)	—	7,911	17,231	10,474	8,278
Changes in working capital:						
Increase in inventories		(43,570)	(10,438)	(325,962)	(210,502)	(192,220)
(Increase)/decrease in trade and bills receivables		(35,291)	(117,691)	(165,418)	(47,249)	57,684
(Increase)/decrease in prepayments, deposits and other receivables		(6,303)	(213,229)	152,211	(24,189)	35,653
Increase/(decrease) in trade and bills payables		15,353	(14,343)	157,670	472,838	138,280
Increase/(decrease) in other payables and accruals		24,301	48,098	6,658	(61,734)	17,349
(Decrease)/increase in deferred income		(171)	1,258	(2,633)	(2,999)	3,925
Increase/(decrease) in contract liabilities		26,930	(24,843)	(51)	1,372	(2,505)
Cash (used in)/generated from operations		(6,314)	(262,186)	87,394	201,531	85,946

(c) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statements as cash flows from financing activities.

	Bank loans and other borrowings *RMB'000* *(Note 22)*	Loans from related parties *RMB'000* *(Note 20)*	Lease liabilities *RMB'000* *(Note 23)*	Total *RMB'000*
Balance at 1 January 2021	78,112	27,279	13,722	119,113
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	151,977	—	—	151,977
Repayment of bank loans and other borrowings	(68,000)	(10,205)	—	(78,205)
Capital element of lease rentals paid	—	—	(2,374)	(2,374)
Interest element of lease rentals paid	—	—	(626)	(626)
Interest paid	(5,070)	(1,409)	—	(6,479)
Total changes from financing cash flows	78,907	(11,614)	(3,000)	64,293
Other changes:				
Interests incurred during the year	5,189	1,409	626	7,224
Increase in lease liabilities	—	—	5,006	5,006
Total other changes	5,189	1,409	5,632	12,230
Balance at 31 December 2021	162,208	17,074	16,354	195,636

	Bank loans and other borrowings *RMB'000* *(Note 22)*	Loans from related parties *RMB'000* *(Note 20)*	Lease liabilities *RMB'000* *(Note 23)*	Total *RMB'000*
Balance at 1 January 2022	162,208	17,074	16,354	195,636
Changes from financing cash flows:				
Proceeds from bank loans and other borrowings	248,767	—	—	248,767
Repayment of bank loans and other borrowings	(413,444)	(17,074)	—	(430,518)
Capital element of lease rentals paid	—	—	(2,352)	(2,352)
Interest element of lease rentals paid	—	—	(790)	(790)
Interest paid	(3,770)	(487)	—	(4,257)
Total changes from financing cash flows	(168,447)	(17,561)	(3,142)	(189,150)
Other changes:				
Interests incurred during the year	6,239	487	790	7,516
Increase in lease liabilities	—	—	6,202	6,202
Total other changes	6,239	487	6,992	13,718
Balance at 31 December 2022	—	—	20,204	20,204

	Bank loans and other borrowings *RMB'000* *(Note 22)*	Lease liabilities *RMB'000* *(Note 23)*	Total *RMB'000*
Balance at 1 January 2023	—	20,204	20,204
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	1,153,606	—	1,153,606
Repayment of bank loans and other borrowings	(370,414)	—	(370,414)
Capital element of lease rentals paid	—	(5,372)	(5,372)
Interest element of lease rentals paid	—	(2,287)	(2,287)
Interest paid	(19,371)	—	(19,371)
Total changes from financing cash flows	763,821	(7,659)	756,162
Other changes:			
Interests incurred during the year	17,589	2,287	19,876
Capitalised borrowing costs	2,308	—	2,308
Increase in lease liabilities	—	47,313	47,313
Total other changes	19,897	49,600	69,497
Balance at 31 December 2023	783,718	62,145	845,863

	Bank loans and other borrowings *RMB'000* *(Note 22)*	Lease liabilities *RMB'000* *(Note 23)*	Total *RMB'000*
(Unaudited)			
Balance at 1 January 2023	—	20,204	20,204
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	508,939	—	508,939
Capital element of lease rentals paid	—	(1,146)	(1,146)
Interest element of lease rentals paid	—	(807)	(807)
Interest paid	(1,961)	—	(1,961)
Total changes from financing cash flows	506,978	(1,953)	505,025
Other changes:			
Interests incurred during the period	2,879	807	3,686
Capitalised borrowing costs	55	—	55
Increase in lease liabilities	—	34,161	34,161
Total other changes	2,934	34,968	37,902
Balance at 30 June 2023	509,912	53,219	563,131

	Bank loans and other borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	
Balance at 1 January 2024	783,718	62,145	845,863
Changes from financing cash flows:			
Proceeds from bank loans and other borrowings	355,618	—	355,618
Repayment of bank loans and other borrowings	(220,118)	—	(220,118)
Capital element of lease rentals paid	—	(4,281)	(4,281)
Interest element of lease rentals paid	—	(1,410)	(1,410)
Interest paid	(23,702)	—	(23,702)
Total changes from financing cash flows	111,798	(5,691)	106,107
Other changes:			
Interests incurred during the period	13,058	1,410	14,468
Capitalised borrowing costs	4,018	—	4,018
Total other changes	17,076	1,410	18,486
Balance at 30 June 2024	912,592	57,864	970,456

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprises the following:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Within operating cash flows	2,441	1,584	4,868	1,900	2,776
Within financing cash flows	3,000	3,142	7,659	1,953	5,691
	5,441	4,726	12,527	3,853	8,467

(e) Major non-cash transactions

During the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, the Group endorsed bills receivables of Nil, Nil, RMB2,750,000, Nil (unaudited) and RMB19,500,000 for settlement of purchase of inventories and property, plant and equipment. Such transactions were considered as non-cash transactions.

19 TRADE AND BILLS PAYABLES

The Group:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	73,339	53,023	210,964	313,123
Bills payables	—	—	—	36,403
	73,339	53,023	210,964	349,526

The Company:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	66,390	50,136	209,869	312,447
Bills payables	—	—	—	36,403
	66,390	50,136	209,869	348,850

All trade and bills payables are expected to be settled within one year or are repayable on demand.

As of the end of each of the reporting period, the ageing analysis of trade and bills payables, based on the invoice date, is as follows:

The Group:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	50,253	35,015	208,796	306,546
1 year to 2 years	980	589	1,655	41,576
Over 2 years	22,106	17,419	513	1,404
	73,339	53,023	210,964	349,526

20 OTHER PAYABLES AND ACCRUALS

The Group:

	Notes	As at 31 December 2021	2022	2023	As at 30 June 2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, wages, bonus and benefits payable		15,077	18,154	17,516	18,035
Other tax payable		1,016	688	700	2,136
Other payables and accruals		17,468	63,183	240,002	248,175
Loans from related parties (i)	32(d)	17,074	—	—	—
Amounts due to related parties (iii)	32(d)	—	—	6,042	13,444
		50,635	82,025	264,260	281,790

The Company:

	As at 31 December 2021	2022	2023	As at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, wages, bonus and benefits payable	14,223	17,340	16,966	17,495
Other tax payable	482	553	667	1,639
Other payables and accruals	14,477	58,418	235,356	242,855
Loans from related parties (i)	17,074	—	—	—
Amounts due to related parties (iii)	—	—	6,042	13,444
	46,256	76,311	259,031	275,433

Notes:

(i) Loans from related parties are unsecured, interest-bearing at 4.75% and repayable before 31 December 2022.

(ii) All other payables and accruals (excluding loans from related parties) are expected to be settled within one year or are repayable on demand.

(iii) Amounts due to related parties are unsecured, interest-free and repayable on demand. The above amounts will be repaid before the [REDACTED] of the Company.

21 CONTRACT LIABILITIES

Contract liabilities represent receipts in advance from customers before the delivery of the goods recognised. Movement of contract liabilities are as follows:

The Group:

	Year ended 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	2,110	29,040	4,197	4,146
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(2,110)	(26,571)	(2,937)	(2,516)
Increase in contract liabilities as a result of billing in advance of sales activities	29,040	1,728	2,886	11
Balance at the end of the year/period	29,040	4,197	4,146	1,641

The amounts of contract liabilities expected to be recognised as income after more than one year are Nil, RMB2,469,000, RMB1,260,000 and RMB1,336,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024. All of the other contract liabilities are expected to be recognised as income within one year.

The Company:

	Year ended 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	2,110	24,565	4,124	4,010
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(2,110)	(22,096)	(2,864)	(2,469)
Increase in contract liabilities as a result of billing in advance of sales activities	24,565	1,655	2,750	11
Balance at the end of the year/period	24,565	4,124	4,010	1,552

22 BANK LOANS AND OTHER BORROWINGS

The maturity profile for the interest-bearing bank loans and other borrowings of the Group and the Company at the end of each reporting period is as follows:

The Group and the Company:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Short-term bank loans and other borrowings	162,208	—	134,171	234,803
Current portion of long-term bank loans and other borrowings	—	—	164,789	191,040
	162,208	—	298,960	425,843
Non-current				
Long-term bank loans and other borrowings	—	—	484,758	486,749
	162,208	—	783,718	912,592

(a) The analysis of the repayment schedule of bank loans is as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	162,208	—	180,592	266,176
After 2 years but within 5 years	—	—	232,108	197,685
After 5 years	—	—	21,543	70,268
	—	—	253,651	267,953
	162,208	—	434,243	534,129

(b) The analysis of the repayment schedule of other borrowings is as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	—	—	118,368	159,667
After 1 year but within 2 years	—	—	188,051	182,800
After 2 years but within 5 years	—	—	43,056	35,996
	—	—	231,107	218,796
	—	—	349,475	378,463

(c) Assets pledged as security and covenants for bank loans and other borrowings

At the end of each reporting period, the bank loans and other borrowings were secured and guaranteed as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— Unsecured and guaranteed	65,112	—	340,093	451,394
— Secured and guaranteed	97,096	—	94,623	78,886
	162,208	—	434,716	530,280
Other borrowings				
— Secured and unguaranteed	—	—	243,341	290,877
— Secured and guaranteed	—	—	105,661	91,435
	—	—	349,002	382,312
	162,208	—	783,718	912,592

As at 31 December 2021, 2022 and 2023 and 30 June 2024, certain bank loans and other borrowings granted to the Group were also guaranteed by related parties. The details have been disclosed in Note 32(e). The directors of the Company confirm that all of the guarantees by related parties will either be replaced by a corporate guarantee of the Company or be fully released prior to or upon the [REDACTED] of the Company in the Main Board of the Stock Exchange.

The Group's bank loans and other borrowings were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment *(Note 11)*	42,889	—	564,952	535,208
Leasehold land *(Note 12)*	—	—	—	146,009
	42,889	—	564,952	681,217

Further details of the Group's management of liquidity risk are set out in Note 30(b). As at 31 December 2021, 2022 and 2023 and 30 June 2024, the directors of the Company confirmed that none of the covenants relating to drawn down facilities had been breached.

23 LEASE LIABILITIES

At the end of each reporting period, the lease liabilities were repayable as follows:

The Group:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,913	4,014	8,103	7,154
After 1 year but within 2 years	2,056	3,237	7,348	7,559
After 2 years but within 5 years	6,453	8,143	19,648	19,432
After 5 years	4,932	4,810	27,046	23,719
	13,441	16,190	54,042	50,710
	16,354	20,204	62,145	57,864

The Company:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,939	2,029	5,322	5,429
After 1 year but within 2 years	1,151	1,573	5,560	5,695
After 2 years but within 5 years	3,639	5,077	18,370	18,815
After 5 years	4,932	4,810	27,046	23,719
	9,722	11,460	50,976	48,229
	11,661	13,489	56,298	53,658

24 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

Pursuant to the agreements between the Company, its certain shareholders and the investors, the investors would have the right but not the obligation to request the Company and/or the controlling shareholder of the Company to purchase all or part of the shares of the Company held by them, upon the occurrence of any of the redemption events, including but not limited to: (i) a material breach on the agreement by the Company or the controlling shareholders, of any of their representations, warranties or undertakings under the agreement; (ii) a change in control of the Company ("**a Change-in-Control Event**"), or the controlling shareholders depart from the Company within 5 years from the investment without reasonable reason; (iii) the main business of the Company changes significantly without written agreement of investors (the "**Redemption Right**").

The redemption price of the shares shall equal to the higher of (i) the consideration paid by the investors plus an annual rate of return of 8% for the period from the payment date of the consideration up to the redemption date less all distributed dividends; or (ii) the fair market price of the original issue shares at the date of the redemption.

As the occurrence of the redemption events such as a Change-in-Control Event is beyond the control of the Company, the Company recognised a financial liability for its obligation to redeem its own equity instrument, i.e. the paid-in capitals issued to investors. As described in Note 2(m), the financial instruments issued to investors is measured at the present value of the redemption amount. The subsequent changes in the carrying amount of the financial instruments issued to investors was recorded in profit or loss as "changes in the carrying amount of financial instruments issued to investors".

The movement of the financial instruments issued to investors are set out below:

The Group and the Company:

	Years ended 31 December	
	2021	2022
	RMB'000	*RMB'000*
At the beginning of the year	—	224,934
Recognition of financial instruments issued to investors	70,000	—
Changes in the carrying amount of the financial instruments issued to investors	154,934	—
Reclassification of financial instruments issued to investors to equity	—	(224,934)
At the end of the year	224,934	—

In 2022, the Company entered into a supplementary investment agreement with investors, pursuant to which the investors agreed to waive the obligation of the Company from the Redemption Right on 31 January 2022. Therefore, the Company's redemption obligation was terminated on 31 January 2022, upon which then the carrying amount of the financial instruments issued to investors recognised was reclassified to equity.

25 DEFERRED INCOME

Deferred income represented unamortised conditional government grants for compensating the Group and Company for the cost of assets and will be recognised in profit or loss over the useful lives of these assets.

26 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the statements of financial position of the Company and the movements during the year/period are as follows:

	Inventory provision	Credit loss allowance	Deferred income	Unused tax losses	Unrealised intra-group profit	Lease liabilities	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021	4,039	179	2,189	22,652	—	—	—	29,059
Credited/(charged) to profit or loss *(Note 7(a))*	287	(18)	(388)	4,037	(100)	1,634	(1,598)	3,854
Balance at 31 December 2021 and 1 January 2022	4,326	161	1,801	26,689	(100)	1,634	(1,598)	32,913
Credited/(charged) to profit or loss *(Note 7(a))*	1,162	157	(184)	(2,105)	8	312	(282)	(932)
Balance at 31 December 2022 and 1 January 2023	5,488	318	1,617	24,584	(92)	1,946	(1,880)	31,981
Credited/(charged) to profit or loss *(Note 7(a))*	226	1,424	(405)	(16,635)	3	6,400	(6,140)	(15,127)
Balance at 31 December 2023 and 1 January 2024	5,714	1,742	1,212	7,949	(89)	8,346	(8,020)	16,854
Credited/(charged) to profit or loss *(Note 7(a))*	8,370	6,498	226	11,606	(15)	(297)	465	26,853
Balance at 30 June 2024	14,084	8,240	1,438	19,555	(104)	8,049	(7,555)	43,707

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	33,013	32,074	16,944	43,811
Net deferred tax liabilities recognised in the consolidated statements of financial position	(100)	(93)	(90)	(104)
	32,913	31,981	16,854	43,707

(b) Deferred tax assets not recognised

As of 31 December 2021, 2022 and 2023 and 30 June 2024, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB22,281,000, RMB30,978,000, RMB53,203,000 and RMB64,623,000 and temporary difference of RMB9,857,000, RMB15,925,000, RMB17,378,000 and RMB17,187,000 respectively as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. These tax losses will be expired within 10 years.

27 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The Group mainly participates in the social insurance schemes for its employees in Chinese Mainland.

The employees of the Company and its subsidiaries in Chinese Mainland are members of the state-managed retirement benefits schemes operated by the PRC government. They are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligations of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

28 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution of the board of directors of the Group approved in January 2022, a share award scheme (the "**2022 Share Award Scheme**") was adopted for purpose of providing incentives to the selected employees of the Group.

Under the 2022 Share Award Scheme, 66 employees of the Group were granted with a total of 7,302,750 restricted shares (after consideration of capitalisation issue as disclosed Note 29(c)(iii)) of the Group in January 2022 (the "**First Batch**") through 2 employees' share incentive platforms.

In November 2022 (the "**Second Batch**"), 43 employees were granted with the total of 1,725,375 restricted shares (after consideration of capitalisation issue as disclosed Note 29(c)(iii)) through 3 employees' share incentive platforms.

In November 2023 (the "**Third Batch**"), additional 561,750 restricted shares were granted to certain employees.

(a) The terms and conditions of the grants are as follows:

Once the vesting conditions underlying the respective restricted shares are met, the restricted shares are considered duly and validly issued to the holder, with restrictions on transfer of such entitlements at any time during a period subject to the listing rule commencing on the date on which the shares of the Company are publicly issued (the "**Lock-up Period**").

Where the conditions for unlocking as required by the scheme are fulfilled within the unlocking period, the restricted shares shall be unlocked in four tranches, on the condition that employees remain in service (the "**Service Period**"). If the employees leave the Group before the end of the Service Period or does not meet the following assessment criteria the awarded shares will be forfeited. The terms are as follows: (1) sign the performance appraisal letter according to the requirements of the general manager; (2) has worked in the Company or subsidiary companies for more than 3 years; (3) others in accordance with relevant laws and regulations.

25% restricted shares would vest on the first anniversary after the Lock-up Period, and the remaining of the shares shall be vested on straight-line basis at the anniversary years over a period of the remaining three years.

(b) Movements in the number of restricted shares granted to employees and the respective weighted-average grant date fair value are as follows:

	Numbers of restricted shares *(Note)*
Outstanding as at 1 January 2021, 31 December 2021 and 1 January 2022	—
Granted during the year	9,028,125
Outstanding as at 31 December 2022 and 1 January 2023	9,028,125
Granted during the period	561,750
Forfeited during the period	(738,300)
Outstanding as at 31 December 2023 and 1 January 2024	8,851,575
Forfeited during the period	(93,090)
Outstanding as at 30 June 2024	8,758,485

Note: In December 2022, the Company issued 250,000,000 shares (approximately 2.21 shares for each share in issue) by converting RMB250,000,000 from capital reserve to share capital. Accordingly, the number of restricted shares has been adjusted after consideration of capitalisation issue as disclosed in Note 29(c)(iii).

The weighted-average subscription price per restricted share is ranged of RMB4.42–RMB5.50. No restricted share was vested as at 31 December 2021, 2022 and 2023 and 30 June 2024.

Fair value of restricted shares granted to the selected employees of the First Batch are measured using the guideline transaction method by the directors of the Company.

The directors have used the income approach to determine the fair value of the restricted shares of the Second Batch and the Third Batch. The discounted cash flow derived by management considered the Group's future business plan, specific business and financial risks, the stage of development of the Group's operations and economic and competitive elements affecting the Group's business, industry and market.

(c) Fair value of restricted shares and assumptions

The fair value of services received in return for restricted shares granted is measured by reference to the fair value of restricted shares granted. Key valuation assumptions used to determine the fair value of the restricted shares are as follows.

	First Batch
Fair value at measurement date (after consideration of capitalisation issue as disclosed in Note 29(c)(iii)) *(RMB)*	9.65
Expected volatility	61.31%–70.07%
Expected dividend yield	0%
Risk-free interest rate	2.22%–2.38%

The expected volatility is referenced to the average of daily historical share price volatility of comparable companies operating in similar industry of the Company. No dividends are expected based on the historical record.

	Second Batch	**Third Batch**
Fair value at measurement date (after consideration of capitalisation issue as disclosed in Note 29(c)(iii)) *(RMB)*	36.32	33.32
Weighted average cost of capital ("WACC")	12.29%	10.69%
Market premium	6.0%	5.5%
Risk-free interest rate	3.5%	3.5%

Changes in the subjective input assumption could materially affect the fair value estimate.

(d) Equity settled share-based transactions expenses recognised in the consolidated statements of profit or loss and other comprehensive income during the Track Record Period:

Share-based payment expense of Nil, RMB7,911,000, RMB17,231,000, RMB10,474,000 (unaudited) and RMB8,278,000 are recognised as staff costs (Note 6(b)) in the consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024 respectively.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year during the Track Record Period are set out below:

	Paid-in capital *RMB'000*	Share capital *RMB'000*	Capital reserve *RMB'000*	PRC statutory reserve *RMB'000*	Other reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2021	90,270	—	206,319	—	—	(183,336)	113,253
Changes in equity for 2021:							
Loss and total comprehensive income for the year	—	—	—	—	—	(164,032)	(164,032)
Deemed contribution from shareholders	—	—	99	—	—	—	99
Capital injection by investors *(Note 29(b))*	7,434	—	62,566	—	—	—	70,000
Recognition of financial instruments issued to investors as current liabilities *(Note 24)*	—	—	—	—	(70,000)	—	(70,000)
At 31 December 2021 and 1 January 2022	97,704	—	268,984	—	(70,000)	(347,368)	(50,680)
Changes in equity for 2022:							
Profit and total comprehensive income for the year	—	—	—	—	—	13,018	13,018
Reclassification of financial instruments issued to investors as equity *(Note 24)*	—	—	—	—	224,934	—	224,934
Deemed contribution from shareholders	—	—	4,715	—	—	—	4,715
Capital injection from investors before conversion into a joint stock company *(Note 29(b))*	11,270	—	891,730	—	—	—	903,000
Conversion into a joint stock company *(Note 29(c))*	(108,974)	108,974	(181,326)	—	—	181,326	—
Equity settled share-based transactions *(Note 28)*	—	—	7,911	—	—	—	7,911
Conversion of capital reserve into share capital *(Note 29(c)(iii))*	—	250,000	(250,000)	—	—	—	—
Appropriation to statutory reserve *(Note 29(e)(ii))*	—	—	—	241	—	(241)	—
Capital injection from investors after conversion into a joint stock company *(Note 29(c))*	—	4,224	486,776	—	—	—	491,000

	Paid-in capital	Share capital	Capital reserve	PRC statutory reserve	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022 and 1 January 2023	—	363,198	1,228,790	241	154,934	(153,265)	1,593,898
Changes in equity for 2023:							
Profit and total comprehensive income for the year	—	—	—	—	—	108,840	108,840
Appropriation to statutory reserve *(Note 29(e)(ii))*	—	—	—	10,884	—	(10,884)	—
Equity-settled share-based transactions *(Note 28)*	—	—	17,231	—	—	—	17,231
At 31 December 2023 and 1 January 2024	—	363,198	1,246,021	11,125	154,934	(55,309)	1,719,969
Loss and total comprehensive income for the period	—	—	—	—	—	(132,024)	(132,024)
Equity settled share-based transactions *(Note 28)*	—	—	8,278	—	—	—	8,278
At 30 June 2024	—	363,198	1,254,299	11,125	154,934	(187,333)	1,596,223
(Unaudited)							
At 1 January 2023	—	363,198	1,228,790	241	154,934	(153,265)	1,593,898
Changes in equity for the six months ended 30 June 2023:							
Profit and total comprehensive income for the year	—	—	—	—	—	26,149	26,149
Equity settled share-based transactions *(Note 28)*	—	—	10,474	—	—	—	10,474
At 30 June 2023	—	363,198	1,239,264	241	154,934	(127,116)	1,630,521

(b) Paid-in capital

The paid-in capital of the Group represents the paid-in capital of the Company before it was converted into a joint stock company with limited liability.

	Paid-in capital
	RMB'000
At 1 January 2021	90,270
Capital contribution from investors (i)	7,434
At 31 December 2021 and 1 January 2022	97,704
Capital contribution from investors (ii)	11,270
Conversion into a joint stock limited liability company *(Note 29(c)(i))*	(108,974)
At 31 December 2022 and 2023 and 30 June 2024	—

Notes:

(i) In May 2021, the Company entered into an investment agreement with certain investors, pursuant to which, the investors agreed to make an investment of RMB70,000,000 in the Company as consideration of subscription for the Company's paid-in capital of RMB7,434,000.

(ii) In January, March and August 2022, the Company entered into investment agreements with several investors, pursuant to which, the investors agreed to make a total investment of RMB903,000,000 in the Company as consideration of subscription for the Company's paid-in capital of RMB11,270,000.

(c) Share capital

	Number of shares	*RMB'000*
Ordinary shares, issued and fully paid:		
At 1 January 2022	—	—
Issuance of new shares upon conversion into a joint stock limited liability company (i)	108,974	108,974
Capital contribution from investors (ii)	4,224	4,224
Conversion of capital reserve into share capital (iii)	250,000	250,000
At 31 December 2022 and 2023 and 30 June 2024	363,198	363,198

Notes:

(i) On 8 November 2022, the Company was converted into a joint stock company with limited liability under the PRC Company Law. The net assets of the Company as of the conversion base date were converted into 108,974,000 ordinary shares with par value of RMB1 each. The excess of net assets converted over nominal value of the ordinary shares was credited to the Company's capital reserve.

(ii) In December 2022, the Company entered into investment agreements with several investors, pursuant to which, the investors subscribed for 4,224,000 ordinary shares of the Company at a consideration of RMB491,000,000. The excess of the consideration of RMB491,000,000, over the increase in the share capital of RMB4,224,000, amounting to RMB486,776,000 was credited to capital reserve.

(iii) In December 2022, the share capital of the Company was increased to RMB250,000,000 by way of conversion of capital reserve into share capital.

(d) Dividends

No dividends have been declared by the Company during the Track Record Period.

(e) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly comprises (i) the portion of the grant date fair value of unvested shares granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments and (ii) the excess of the contributions from the shareholders of the Company over the total paid-in capital or ordinary shares issued.

(ii) PRC statutory reserve

According to the PRC laws, the PRC subsidiaries of the Group and the Company are required to set up two statutory reserve funds which are general reserve fund and staff general fund. General reserve fund was set up by appropriating at least 10% of the entity's annual profit after taxation, as determined under PRC regulations, until the balance of the fund equals to 50% of the entity's registered capital. This fund can be used to make up previous years' losses or to convert into paid-in capital. Transfer from retained earnings to staff general fund is made at the discretion of the board of directors of the entities.

PRC statutory reserve in the Group's consolidated statements of changes in equity represented the amount allocated for the Company and relevant subsidiaries.

(iii) Other reserve

Other reserve mainly represents the recognition of financial instruments issued to investors.

As disclosed in Note 24, the financial instruments issued to investors did not meet the definition of equity for the Company. Therefore, the Company recognised the financial instruments as liabilities and reclassified from other reserve to current liabilities. On 31 January 2022, the corresponding liabilities were reclassified from current liabilities to equity since the investors agreed to waive the obligation of the Company from the redemption right.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted cash and bills receivable are limited because the counterparties are banks and financial institutions with sound credit ratings, for which the Group considers to have low credit risk.

Trade receivables and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

As of 31 December 2021, 2022 and 2023 and 30 June 2024, 6%, 26%, 35% and 41% of the total trade receivables was due from the Group's largest customer respectively, and 67%, 54%, 58% and 61% of the total trade receivables was due from the Group's five largest customers respectively.

In respect of trade receivables, individual credit evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bills receivables are due within 15 to 90 days from the date of invoice. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

As at 31 December 2023 and 30 June 2024, the loss allowance of trade receivables is determined as below:

	As at 31 December 2023			
	Expected loss rates	**Gross carrying amount**	**Loss allowance**	**Net balance**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables for which the loss allowance is measured on an individual basis	50%	15,195	(7,597)	7,598
Trade receivables for which the loss allowance is measured using a provision matrix		291,362	(2,947)	288,415
		306,557	(10,544)	296,013

	As at 30 June 2024			
	Expected loss rates	**Gross carrying amount**	**Loss allowance**	**Net balance**
	%	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables for which the loss allowance is measured on an individual basis	66%	79,619	(52,677)	26,942
Trade receivables for which the loss allowance is measured using a provision matrix		176,780	(2,230)	174,550
		256,399	(54,907)	201,492

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables which are assessed collectively as at the end of the reporting periods:

	As at 31 December 2021		
	Expected loss rates	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
0–90 days	0.30%	56,861	170
91–180 days	1.18%	8,143	96
181–270 days	3.03%	1,386	42
271–365 days	5.61%	1,942	109
Over 1 year	100.00%	607	607
		68,939	1,024

	As at 31 December 2022		
	Expected loss rates	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
0–90 days	0.40%	151,995	612
91–180 days	2.06%	27,841	573
181–270 days	7.33%	3,722	273
271–365 days	20.20%	99	20
Over 1 year	100.00%	571	571
		184,228	2,049

	As at 31 December 2023		
	Expected loss rates	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
0–90 days	0.37%	245,935	902
91–180 days	3.96%	44,712	1,772
181–270 days	17.06%	211	36
271–365 days	44.14%	478	211
Over 1 year	100.00%	26	26
		291,362	2,947

	As at 30 June 2024		
	Expected loss rates	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
0–90 days	0.23%	140,607	325
91–180 days	2.82%	32,073	906
181–270 days	21.61%	3,948	853
271–365 days	25.00%	8	2
Over 1 year	100.00%	144	144
		176,780	2,230

These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Loss allowance made for bills receivables as of 31 December 2021, 2022, 2023 and six months ended 30 June 2024 was Nil, Nil, RMB933,000 and Nil. These bills receivables are issued by customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the bill receivables will partially or entirely have difficulty to be recovered and has recognised impairment losses.

Loss allowances of trade receivables

Movement in the loss allowance account in respect of trade receivables during the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024 is as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,210	1,024	2,049	10,544
Transfer from bills receivables	—	—	—	933
(Reversal of impairment loss)/impairment loss during the year/period	(186)	1,025	8,495	43,430
At the end of the year/period	1,024	2,049	10,544	54,907

Loss allowances of other receivables

Loss allowances in respect of other receivables are recorded using an allowance account unless the Group is satisfied that there is no reasonable expectation of further recoveries in which case the receivables are written off.

The movement in the loss allowances in respect of other receivables during the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024 is as follows.

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	3	310	195	333
Impairment loss/(reversal of impairment loss) during the year/period	307	(115)	138	49
At the end of the year/period	310	195	333	382

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that is maintains sufficient reserves of cash and adequate committed funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of RMB140,884,000 of the Group at 30 June 2024. The directors are of the opinion that the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

The following table details the remaining contractual maturities as at the end of the reporting periods of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates on, if floating, based on rates current at the end of the reporting periods) and the earliest date the Group can be required to pay.

For borrowings subject to repayment on demand clause which can be exercised at the bank's sole discretion, the maturity analysis shows the cash outflow based on expected repayment dates with reference to the schedule of repayments set out in the banking facilities letter.

As at 31 December 2021

	Within 1 year or on demand	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial instruments issued to investors	224,934	—	—	—	224,934	224,934
Trade and bills payables	73,339	—	—	—	73,339	73,339
Other payables and accruals	50,635	—	—	—	50,635	50,635
Bank loans and other borrowings	169,763	—	—	—	169,763	162,208
Lease liabilities	3,089	2,651	7,250	5,388	18,378	16,354
	521,760	2,651	7,250	5,388	537,049	527,470

As at 31 December 2022

	Within 1 year or on demand	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	53,023	—	—	—	53,023	53,023
Other payables and accruals	82,025	—	—	—	82,025	82,025
Lease liabilities	4,107	3,712	9,368	5,149	22,336	20,204
	139,155	3,712	9,368	5,149	157,384	155,252

As at 31 December 2023

	Within 1 year or on demand	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	**More than 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	210,964	—	—	—	210,964	210,964
Other payables and accruals	264,260	—	—	—	264,260	264,260
Bank loans and other borrowings	321,687	217,834	288,698	23,668	851,887	783,718
Lease liabilities	9,746	9,749	24,880	29,674	74,049	62,145
	806,657	227,583	313,578	53,342	1,401,160	1,321,087

	As at 30 June 2024					
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	349,526	—	—	—	349,526	349,526
Other payables and accruals	281,790	—	—	—	281,790	281,790
Bank loans and other borrowings	458,611	193,425	286,755	72,955	1,011,746	912,592
Lease liabilities	9,726	9,785	23,910	25,744	69,165	57,864
	1,099,653	203,210	310,665	98,699	1,712,227	1,601,772

(c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from the Group's bank loans and other borrowings. Bank loans and other borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. However, if interest rate fluctuates significantly, appropriate measures would be taken to manage interest risk exposure. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group at the end of the reporting periods.

	As at 31 December 2021		As at 31 December 2022		As at 31 December 2023		As at 30 June 2024	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*
Fixed rate instruments:								
Bank loans and other borrowings	3.85%–5.65%	162,208	—	—	2.85%–5%	347,694	2.55%–5.0%	66,280
Loans from related parties	4.75%	17,074	—	—	—	—	—	—
Lease liabilities	4.75%–4.90%	16,354	4.75%–4.90%	20,204	4.75%–4.90%	62,145	4.75%–4.90%	57,864
		195,636		20,204		409,839		124,144
Variable rate instruments:								
Bank loans and other borrowings		—		—	3.45%–4.65%	436,024	3.1%–4.65%	846,312
		195,636		20,204		845,863		970,456

(ii) Sensitivity analysis

As at 31 December 2021, 2022, 2023 and 30 June 2024, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would have increase/decrease the Group's (loss)/profit after taxation and accumulated losses by Nil, Nil, RMB4,360,000 and RMB8,463,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's (loss)/profit after taxation that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments the Group held at the end of the reporting periods, the impact on the Group's (loss)/profit after taxation is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis during the Track Record Period.

(d) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases which give rise to receivables, payables, and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars ("**USD**"), Euro ("**EUR**") and Japanese Yen ("**JPY**").

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the period end date.

The Group's exposures to foreign currencies are as follows:

	As at 31 December									As at 30 June		
	2021			2022			2023			2024		
	USD	EUR	JPY	USD	EUR	JPY	USD	EUR	JPY	USD	EUR	JPY
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	8,488	—	—	231	—	—	67,187	—	—	26,870	—	—
Trade and bills receivables	5,905	—	—	8,885	—	—	107,544	10	—	2,646	—	—
Prepayments, deposits and other receivables	—	—	—	55,668	700	—	81,971	19,593	19,272	78,134	97	22,789
Trade and bills payables	(10,996)	—	(225)	(4,440)	—	(507)	(28,427)	(3,192)	(2,544)	(52,438)	(5,037)	—
	3,397	—	(225)	60,344	700	(507)	228,275	16,411	16,728	55,212	(4,940)	22,789

(ii) Sensitivity analysis

A 5% strengthening of RMB against the following currencies at the reporting date is estimated that a general decrease/increase the (loss)/profit after taxation (and accumulated losses) by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant.

	Year ended 31 December			Six months ended 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	170	3,017	11,414	2,761
EUR	—	35	821	(247)
JPY	(11)	(25)	836	1,140

A 5% weakening of RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis during the Track Record Period.

(e) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2021, 2022 and 2023 and 30 June 2024.

31 COMMITMENTS

Capital commitments outstanding at the end of the reporting periods not provided for in the Historical Financial Information were as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for acquisition of property, plant and equipment	107,950	909,938	1,499,269	1,811,359
Authorised but not contracted for:				
— acquisition of property, plant and equipment	175,560	413,016	575,362	91,478
Total	283,510	1,322,954	2,074,631	1,902,837

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the Track Record Period, the directors are of the view that the following are related parties of the Group:

Name of related party	Relationship with the Group
Mr. Li Xiguang 李錫光	Executive directors
Mr. Au Yeung Chung 歐陽忠	Non-executive director
Mr. Jiang Dacai 姜達才	Non-executive director
Mr. Zhuang Shuguang 莊樹廣	Supervisor
Mr. Yuan Yi 袁毅	Supervisor
Ms. Li Yongmei 李詠梅	Vice general manager
Ms. Tang Lijun 唐麗君	A close family member of Mr. Au Yeung Chung
Ms. Su Qin 蘇琴	A close family member of Mr. Li Xiguang
Ms. Zhang Rihuan 張日歡	A close family member of Mr. Zhuang Shuguang
Ms. Liang Ruinan 梁瑞南	A close family member of Mr. Yuan Yi
Dongguan Jintian Real Estate Co., Ltd.* 東莞市金田置業有限公司	An entity controlled by Mr. Au Yeung Chung
Dongguan Gaotian Real Estate Development Co., Ltd.* 東莞市高田房地產開發有限公司	An entity controlled by Mr. Au Yeung Chung
Dongguan Juyuan Microelectronics Co., Ltd.* (deregistered in June 2023) 東莞市巨源微電子有限公司	An entity controlled by Mr. Li Xiguang
Dongguan Baohong Technology Co., Ltd.* (deregistered in May 2023) 東莞市寶泓科技有限公司	An entity controlled by close relatives of Mr. Zhuang Shuguang
Dongguan Hongying Semiconductor Co., Ltd.* (deregistered in December 2022) 東莞宏盈半導體有限公司	An entity controlled by Ms. Li Yongmei
Dongguan Jintian Paper Co., Ltd.* 東莞市金田紙業有限公司	An entity controlled by Mr. Au Yeung Chung
Dongguan Yuebao Digital Disc Company Limited* 東莞市粵寶數碼光盤有限公司	An entity commonly owned by Mr. Li Xiguang and Mr. Au Yeung Chung

Name of related party	Relationship with the Group
Dongguan Jiazhi Investment Service Center (Limited Partnership)* (deregistered in January 2023) 東莞市佳智投資服務中心(有限合夥)	An entity controlled by Mr. Li Xiguang
Guangdong Simiaotang Health Management Co., Ltd.* 廣東思邈堂健康管理有限公司	An entity controlled by Ms. Su Qin
Shanghai Xianpu Gas Technology Co., Ltd.* 上海先普氣體技術有限公司	An entity which has significant influence by Mr. Jiang Dacai
Beijing Tesidi Semiconductor Equipment Co., Ltd.* 北京特思迪半導體設備有限公司	An entity which has significant influence by Mr. Jiang Dacai

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other emoluments	1,547	3,413	7,545	3,904	3,455
Discretionary bonuses	954	2,833	484	242	1,290
Share-based payments	—	2,817	7,288	2,200	2,795
Retirement scheme contributions	76	201	245	112	138
	2,577	9,264	15,562	6,458	7,678

Total remuneration is included in "staff costs" (see Note 6(b)).

In addition to the related party information disclosed elsewhere in the Historical Financial Information, the Group entered into the following material related party transactions.

(c) Transactions with related parties

Transactions with related parties are carried out based on terms agreed with the counterparties in ordinary course of business. Apart from disclosures made in other parts of the Historical Financial Information, the Group entered into the following material related party transactions during the Track Record Period.

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sale of goods to related parties					
Dongguan Hongying Semiconductor Co., Ltd.	899	—	—	—	—
Provision of service to related parties					
Beijing Tesidi Semiconductor Equipment Co., Ltd.	—	—	—	—	17
Dongguan Jintian Paper Co., Ltd.	—	594	—	—	—
Dongguan Juyuan Microelectronics Co., Ltd.	—	2	—	—	—
	—	596	—	—	17

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Purchases of goods from					
Dongguan Juyuan Microelectronics Co., Ltd.	529	9,083	—	—	—
Guangdong Simiaotang Health Management Co., Ltd.	—	—	49	30	—
Shanghai Xianpu Gas Technology Co., Ltd.	—	—	2,115	1,027	30
Beijing Tesidi Semiconductor Equipment Co., Ltd.	—	—	10,763	6,569	11,540
Dongguan Baohong Technology Co., Ltd.	—	8,928	—	—	—
	529	18,011	12,927	7,626	11,570
Rental income from					
Dongguan Juyuan Microelectronics Co., Ltd.	3	33	19	17	—
Lease expenses to					
Dongguan Yuebao Digital Disc Company Limited	1,155	1,910	4,820	1,373	3,930
Interest income from					
Mr. Li Xiguang	29	20	—	—	—
Interest expense to					
Dongguan Jintian Paper Co., Ltd.	1,102	285	—	—	—
Mr. Au Yeung Chung	187	123	—	—	—
Mr. Yuan Yi	40	26	—	—	—
Mr. Zhuang Shuguang	80	53	—	—	—
	1,409	487	—	—	—

(d) Balances with related parties

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables				
Dongguan Hongying Semiconductor Co., Ltd.	4,669	—	—	—
Beijing Tesidi Semiconductor Equipment Co., Ltd.	—	—	—	17
Dongguan Juyuan Microelectronics Co., Ltd.	3	—	—	—
	4,672	—	—	17
Contract liabilities				
Dongguan Jintian Paper Co., Ltd.	4,446	—	—	—
Prepayments, deposits and other receivables				
Dongguan Juyuan Microelectronics Co., Ltd.	2,404	—	—	—
Beijing Tesidi Semiconductor Equipment Co., Ltd.	—	—	15,285	11,445
Mr. Li Xiguang	597	—	—	—
	3,001	—	15,285	11,445
Other payables and accruals				
Loans from related parties				
Mr. Li Xiguang	12	—	—	—
Mr. Au Yeung Chung	4,249	—	—	—
Mr. Zhuang Shuguang	1,808	—	—	—
Mr. Yuan Yi	903	—	—	—
Dongguan Jintian Paper Co., Ltd.	10,102	—	—	—
	17,074	—	—	—
Amounts due to related parties				
Shanghai Xianpu Gas Technology Co., Ltd	—	—	1,968	2,354
Beijing Tesidi Semiconductor Equipment Co., Ltd	—	—	4,074	11,090
	—	—	6,042	13,444
	17,074	—	6,042	13,444

(e) Guarantees provided by related parties

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Banking facilities granted to the Group with guarantees by related parties	810,978	915,739	3,240,164	7,740,164

Note: Certain facilities granted to the Group were guaranteed by certain directors, supervisors and related parties.

33 CONTROLLING PARTIES

Mr. Li Xiguang, Mr. Au Yeung Chung, Dongguan Tianyu Gongchuang Investment Consulting Co., Ltd. (東莞市天域共創投資諮詢有限公司) ("**Tianyu Gongchuang**"), Dongguan Dinghong Investment Consulting Center (Limited Partnership) (東莞市鼎弘投資諮詢中心(有限合夥)) ("**Dinghong Investment**"), Dongguan Runsheng Investment Consulting Center (Limited Partnership) (東莞市潤生投資諮詢中心(有限合夥)) ("**Runsheng Investment**"), and Dongguan Wanghe Investment Consulting Center (Limited Partnership) (東莞市旺和投資諮詢中心(有限合夥)) ("**Wanghe Investment**") are acting in concert with each other pursuant to the acting-in-concert agreement. In light of the above, Mr. Li Xiguang, Mr. Au Yeung Chung, Tianyu Gongchuang, Dinghong Investment, Runsheng Investment and Wanghe Investment are considered to be the Group's immediate and ultimate controlling parties.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE TRACK RECORD PERIOD

Up to the date of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *Lack of Exchangeability*	1 January 2025
Amendments to IFRS 9 and IFRS 7, *Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
Annual Improvements to IFRS Accounting Standards — Volume 11	1 January 2026
IFRS 18, *Presentation and Disclosure in Financial Statements*	1 January 2027
IFRS 19, *Subsidiaries without Public Accountability: Disclosures*	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information of the Group.

35 SIGNIFICANT NON-ADJUSTING EVENTS AFTER THE TRACK RECORD PERIOD

There was no material non-adjusting event after the Track Record Period up to the date of this report.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2024.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[•]

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 October 2024 of the selected property interests held by the Group.

JLL®
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

[Date]

The Board of Directors
Guangdong Tianyu Semiconductor Co., Ltd.
No.5 Industrial North First road
Songshan Lake High-Tech Zone
Dongguan City
Guangdong Province
The PRC

Dear Sirs,

In accordance with your instructions to value the selected property interests held by **Guangdong Tianyu Semiconductor Co., Ltd.** (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**"), in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the selected property interests as at 31 October 2024 (the "**valuation date**").

The selected property interests form part of non-property activities that each property has a carrying amount of 15% or more of the Group's total assets and therefore the valuation of the property interests is required to be included in this document.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest in Group I which is held under development by the Group in the PRC, we have assumed that it will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of value, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the property as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

Comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. Given that relevant land comparable sales transactions are available, we have therefore used comparison approach which is in line with the market practice.

For the purpose of our valuation, real estate developments under development are those for which the Construction Work Commencement Permit(s) has (have) been issued while the Construction Work Completion and Inspection Certificate(s)/Table(s) of the building(s) has (have) not been issued.

We have valued the property interest in Group II which is held for future development by the Group in the PRC by the comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market.

For the purpose of our valuation, real estate development for future development is that the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates/Real Estate Title Certificates (for land) have been obtained.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contract, Real Estate Title Certificate, Construction Land Planning Permit, Construction Work Planning Permits, Construction Work Commencement Permits and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Deheng Law Offices (Shenzhen), concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out on 3 September 2024 by Mr. Jason Chen who is a China Certified Public Valuer and has more than 5 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS R.P.S. (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 30 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Property interests held under development by the Group in the PRC

Group II: Property interests held for future development by the Group in the PRC

"–" or N/A: Not applicable or not available

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	The total market value in existing state as at the valuation date *RMB* Total:
1.	Ecological Park production base located at the northeastern side of the intersection of Luxi Middle Road and Dajin East Road Songshan Lake High-Tech Zone Dongguan City Guangdong Province The PRC	415,000,000	54,000,000	469,000,000
2.	A parcel of land located at the northern side of the intersection of Zongbu Third Road and Keji Eighth Road Songshan Lake High-Tech Zone Dongguan City Guangdong Province The PRC	—	72,000,000	72,000,000
	Total	**415,000,000**	**126,000,000**	**541,000,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Ecological Park production base located at the northeastern side of the intersection of Luxi Middle Road and Dajin East Road Songshan Lake High-Tech Zone Dongguan City Guangdong Province The PRC	The property is located at the northeastern side of the intersection of Luxi Middle Road and Dajin East Road. It is about 15 minutes' driving distance to the Songshan Lake North Station. The locality is a well-developed industrial area with mature and sophisticated infrastructural facilities. The property comprises a parcel of land with a site area of approximately 63,197.68 sq.m., which is being developed into an industrial development. Portions of the property were under construction (the "**CIP**") as at the valuation date and are scheduled to be completed in March 2025. The construction of the remaining portion of the property (the "**bare land**") had not been commenced as at the valuation date. The classification, usage and gross floor area details of the property are set out in note 6. As advised by the Group, the development cost (excluding the land cost) of the CIP of the property is estimated to be approximately RMB486,400,000, of which approximately RMB372,400,000 had been incurred as at the valuation date. The land use rights of the property have been granted for a term expiring on 1 December 2072 for industrial use.	As at the valuation date, portions of the property were under construction whilst the remaining portion of the property was bare land.	469,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Dong Zi Ran Chu Rang (Shi Chang) He (2022) Di No. 064 dated 25 November 2022, the land use rights of the property with a site area of approximately 63,197.68 sq.m. were contracted to be granted to Guangdong Tianyu Semiconductor Co., Ltd. (the "**Company**") and the land premium was RMB75,840,000. The plot ratio accountable gross floor area of the property is 189,593.04 sq.m. for industrial use.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. 441900202300044, permission towards the planning of the property with a site area of approximately 63,197.68 sq.m. has been granted to the Company.

3. Pursuant to a Real Estate Title Certificate — Yue (2022) Dong Guan Bu Dong Chan Quan Di No.0261564, the land use rights of a parcel of the land of the property with a site area of approximately 63,197.68 sq.m. have been granted to the Company for a term of 50 years expiring on 1 December 2072 for industrial use.

4. Pursuant to 4 Construction Work Planning Permits — Jian Zi Di Nos. 2023–87–1014, 2023–87–1015, 2023–87–1016 and 2023–87–1028 in favour of the Company, portions of the property with a total gross floor area of approximately 62,090.88 sq.m. have been approved for construction.

5. Pursuant to 4 Construction Work Commencement Permits — Nos. 441900202306140101, 441900202309150201, 441900202309150301 and 441900202410300101 in favour of the Company, permissions by the relevant local authority were given to commence the construction of portions of the property with a total gross floor area of approximately 62,090.88 sq.m.

6. According to the information provided by the Group, the planned gross floor area ("GFA") of the property is set out as below:

Group	**Usage**	**Planned Gross Floor Area** *(sq.m.)*
Group I — Property interests held under development by the Group in the PRC	Factory	55,927.96
	Ancillary	2,905.48
	Basement	3,257.44
	Sub-total:	**62,090.88**
Group II — Property interests held for future development by the Group in the PRC	Factory	76,356.89
	Dormitory	56,475.71
	Warehouse	1,624.93
	Basement	25,530.00
	Sub-total:	**159,987.53**
	Total:	**222,078.41**

7. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The accommodation value of these comparable land sites ranges from RMB400 to RMB440 per sq.m. for industrial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed accommodation value for the property. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and valuation date is considered.

8. We have been provided with the legal opinion containing the property interests by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The Company is legally and validly in possession of the land use rights of the property and is the sole legal land user of the land use rights of the property. The Company has the rights to legally occupy, use, lease and dispose of the land parcel of the property; and

   b. The Company has legally obtained the Construction Work Planning Permits and the Construction Work Commencement Permit in respect of the CIP of the property.

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	Portion
d.	Construction Work Planning Permit	Portion
e.	Construction Work Commencement Permit	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A
g.	Building Ownership Certificate/Real Estate Title Certificate (for building)	N/A

10. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Property interests held under development by the Group	415,000,000
Group II — Property interests held for future development by the Group	54,000,000
Total:	**469,000,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	A parcel of land located at the northern side of the intersection of Zongbu Third Road and Keji Eighth Road Songshan Lake High-Tech Zone Dongguan City Guangdong Province The PRC	The property is located at the northern side of the intersection of Zongbu Third Road and Keji Eighth Road. It is about 10 minutes' driving distance to the Songshan Lake North Station. The locality is a well-developed R&D zone with mature and sophisticated infrastructural facilities. The property comprises a parcel of land with a site area of approximately 13,218.99 sq.m., which will be developed into a R&D development with a total planned plot ratio accountable gross floor area of approximately 52,875.96 sq.m. As advised by the Group, the construction of the property had not been commenced as at the valuation date. The land use rights of the property have been granted for a term expiring on 25 February 2073 for scientific research use.	As at the valuation date, the property was bare land.	72,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Dong Zi Ran Chu Rang (Shi Chang) He (2023) Di No. 016 dated 7 February 2023, the land use rights of the property with a site area of approximately 13,218.99 sq.m. were contracted to be granted to the Company and the land premium was RMB70,120,000. The plot ratio accountable gross floor area of the property is 52,875.96 sq.m. for scientific research use.

2. Pursuant to a Real Estate Title Certificate — Yue (2023) Dong Guan Bu Dong Chan Quan Di No.0054160, the land use rights of the property with a site area of approximately 13,218.99 sq.m. have been granted to the Company for a term of 50 years expiring on 25 February 2073 for scientific research use.

3. Our valuation has been made on the following basis and analysis:

   In undertaking our valuation, we have identified and analyzed various relevant sales evidences of land in the locality which have similar characteristics as the subject property such as nature, use, site area, layout and accessibility of the property. The accommodation value of these comparable land sites ranges from RMB1,300 to RMB1,400 per sq.m. for scientific research use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the assumed accommodation value for the property. Alternatively, if the comparable property is inferior or less desirable than the property, an upward adjustment is made. Regarding to time adjustment, the market condition between the transaction date and valuation date is considered.

4. We have been provided with the legal opinion containing the property interests by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   The Company is legally and validly in possession of the land use rights of the property and is the sole legal land user of the land use rights of the property. The Company has the rights to legally occupy, use, lease and dispose of the land parcel of the property.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Real Estate Title Certificate (for land)	Yes
c.	Construction Land Planning Permit	N/A
d.	Construction Work Planning Permit	N/A
e.	Construction Work Commencement Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A
g.	Building Ownership Certificate/Real Estate Title Certificate (for building)	N/A

6. For the purpose of this report, the property is classified into the group as "Group II — Property interests held for future development by the Group" according to the purpose for which it is held.

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 residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, which is subject to change or adjustment and may have retrospective effect. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Share.

TAXATION IN THE PRC

Taxation on Dividends

Individual Investor

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 31 August 2018 and its implementation rules, for individual income including interest, dividend and bonus, individual income tax with applicable proportional tax rate of 20% shall be paid. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus are deemed as derived from the PRC whether the payment place is in the PRC. Pursuant to the Circular on Certain Issues Concerning *the Notice of the MOF and the STA on Policies of Individual Income Tax* (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) promulgated on 13 May 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a uniform enterprise income tax rate of 25% is imposed on all resident enterprises in China, including foreign-invested enterprises; a non-resident enterprise is generally subject to enterprise income tax at a rate of 10% on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable 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.

The Circular on Issues relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (《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》), which was issued by the SAT on 6 November 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends distributed to overseas non-resident enterprise shareholders of H Shares in 2008 and any subsequent year. In addition, *the Response of the STA to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares* (《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》), which was issued by the SAT on 24 July 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends distributed to overseas non-resident enterprise shareholders of H Shares in 2008 and any subsequent year. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Double Tax Avoidance Arrangement, which was signed on 21 August 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. *The Fifth Protocol of the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion 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》第五議定書), which came in to effect on 6 December 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, after taking into account all relevant facts and conditions, are reasonably deemed to be obtaining such benefits, except when the grant of such benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the statutory requirements of PRC tax law documents, such as *the Notice of the STA on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《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》).

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties/Arrangements with a number of countries and regions including 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 Chinese 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 Chinese tax authorities.

Taxation on Share Transfer

Individual Investor

According to the IIT Law and its implementation rules, gains realized on the sale of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to *the Circular of the MOF and the STA on Continuing to Temporarily Exempt Individual Income Tax on Income from the Transfer of Shares by Individuals* (《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》) issued by the MOF and the SAT in March 1998, from 1 January 1997, income of individuals from transfer of the shares of listed enterprises shall continue to be exempted from individual income tax. On 31 December 2009, the MOF, the SAT and CSRC jointly issued *the Circular on Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed Company* (《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》), this circular provides that any individual's income from the transfer of listed shares on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in *the Supplementary Notice of the MOF, the STA and the CSRC on Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed Company* (《財政部、國家稅務總局、證監會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》) jointly issued by the abovementioned three departments on 10 November 2010).

As of the Latest Practicable Date, no aforesaid provisions had expressly provided that whether individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of our Company, in practice, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of PRC resident enterprises listed on overseas stock exchange. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 10% 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 premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable 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 Stamp Duty Law of the PRC* (《中華人民共和國印花稅法》) issued by the SCNPC on 10 June 2021 and implemented on 1 July 2022, the PRC stamp duty applies to entities and individuals that conclude taxable documents and conduct securities transactions within the PRC and the entities and individuals that conclude taxable documents outside the PRC which are used within the PRC. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies does not apply to the acquisition and disposal of H shares outside the PRC by non-PRC investors.

Estate Duty

The PRC currently does not impose any estate duty.

MAJOR TAXES ON OUR COMPANY IN THE PRC

ENTERPRISE INCOME TAX

According to the EIT Law, which was promulgated on 16 March 2007 and amended from time to time, together with its implementation rules, enterprises are classified into resident enterprises and non-resident enterprises. Enterprises, which are incorporated in the PRC or incorporated pursuant to the foreign laws with their "de facto management bodies" located in the PRC, are deemed as "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.

VAT

According to *the Announcement on Relevant Policies for Deepening the VAT Reform* (《關於深化增值稅改革有關政策的公告》), which came into effect on 1 April 2019, According to *the Provisional Regulations on the VAT of the PRC* (《中華人民共和國增值稅暫行條例》), which was promulgated on 13 December 1993 and latest amended on 19 November 2017, together with its implementation rules, 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 the VAT. Pursuant to *the Notice of the MOF and the STA on Adjusting the VAT Rates* (《財政部、國家稅務總局關於調整增值稅稅率的通知》) effective on 1 May 2018, a taxpayer who is previously subject to 17% on value-added tax-taxable sales activities shall have the applicable tax rate adjusted to 16%. According to *the Announcement on Relevant Policies for Deepening the VAT Reform* (《關於深化增值稅改革有關政策的公告》), which came into effect on 1 April 2019, for value-added tax-taxable sales or imported goods of a VAT general taxpayer where the VAT rate of 16% and 10% applies currently, it shall be adjusted to 13% and 9% respectively.

TAXATION IN HONG KONG

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 us.

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 H Shares effected on the 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 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 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 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 ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable, and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to *the Regulations on Foreign Exchange Administration of the PRC* (《中華人民共和國外匯管理條例》) promulgated on 29 January 1996 and amended from time to time, 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 SAFE or its designated banks is obtained.

According to the Circular 16, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign currency capital and foreign debts) may convert from foreign currency into RMB on self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under 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 Circular of the SAFE on Further Promoting the Facilitation of Cross-border Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was promulgated on 23 October 2019, 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 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.

On 26 December 2014, *the SAFE issued the Circular of the SAFE on Relevant Issues Concerning the Administration of Foreign Exchange for 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 the notice, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be 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. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special account for overseas listing of domestic company" at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance, and transfer of funds for the business concerned.

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISION

This Appendix contains a summary of laws and regulations on companies and securities in the PRC. The principal objective of this summary is to provide potential investors 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 investors. For discussion of laws and regulations specifically governing the business of the Company, see "Regulatory Overview".

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* (《中華人民共和國立法法》) (the "**Legislation Law**"), the NPC and the SCNPC are empowered to exercise the legislative power of the State in accordance with the Constitution. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC 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, organs endowed with administrative functions directly under the State Council and the organizations prescribed by laws 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. 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, ecological civilization development, grassroots governance, and historical and cultural 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 SCNPC 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.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to *the Decision of the SCNPC 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 10 June 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 laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and *the Law on the Organization of the People's Courts of the PRC* (《中華人民共和國人民法院組織法》), 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 level 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 body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**") was adopted in 1991 and amended in 2007, 2012, 2017, 2021 and 2023, and its latest version has come into effect on 1 January 2024. The Civil Procedure Law 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 judgment 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 same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment 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 judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment 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 judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity. However, if the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest, or if other circumstances specified in Article 300 of the Civil Procedure Law occur, the people's court shall, upon examination, not to recognize or enforce such judgment or ruling.

THE PRC 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 Hong Kong Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law (《中華人民共和國公司法》) which was promulgated by the SCNPC 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 latest amendment was implemented on July 1, 2024.

- The Overseas Listing Trial Measures and its five guidelines which were promulgated by the CSRC on 17 February 2023 and came into effect on 31 March 2023, applicable to the overseas offering and listing of joint stock limited 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 VII — Summary of Articles of Association" in this document.

Set out below is a summary of the major provisions of the PRC Company Law, Overseas Listing Trial Measures and Guidance for Articles of Association.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors 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.

To incorporate a joint stock limited company by promotion, there must be more than one but not more than 200 promoters, with at least half residing within the PRC.

For a joint stock limited company incorporated by promotion, the timing and voting procedures for the inaugural meeting are determined by the company's articles of association or the promoters' agreement. For a joint stock limited company incorporated by public subscription, the promoters must convene the inaugural meeting within thirty days from the date when the full subscription payment for the shares is received. The promoters are required to notify all subscribers or make a public announcement of the meeting date at least fifteen days in advance. The inaugural meeting can only be held if more than half of the shareholders with voting rights are present. The meeting will discuss and adopt the company's articles of association and elect directors and supervisors. Any resolutions made at the inaugural meeting must be approved by a majority of the voting rights held by the shareholders present.

Within 30 days following the conclusion of the inaugural meeting, an authorized representative of the board of directors must apply for the registration of the joint stock limited company's incorporation with the company registration authority.

If a promoter fails to pay for the shares they have subscribed to, or if the actual value of non-monetary assets contributed as capital is significantly less than the value of the subscribed shares, the other promoters shall bear joint responsibility for the deficiency.

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 shall issue registered share.

Under the Overseas Listing Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and make dividend distributions in foreign currency or RMB. Subject to specific circumstances, the Overseas Listing Trial Measures requires that, among other things, (i) initial public offerings or listings on overseas markets of domestic companies shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas.

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.

According to the PRC Company Law, a company must decide between issuing par value shares or no-par value shares as specified in its articles of association.

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.

A joint stock limited company must maintain a register of shareholders at the company, detailing the following: (i) the name and domicile of each shareholder; (ii) the types and numbers of shares held by each shareholder; (iii) the serial numbers of printed share certificates; and (iv) the date on which each shareholder acquired the shares.

The shareholders' register cannot be modified within 20 days prior to the shareholders' meeting or within five days before the record date set by the company for dividend distribution.

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. The offering price of par value shares can be equal to or greater than the nominal value, but it must not be less than the nominal value.

Under the Overseas Listing Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and make dividend distributions in foreign currency or RMB. Subject to specific circumstances, the Overseas Listing Trial Measures requires that, among other things, (i) initial public offerings or listings on overseas markets of domestic companies shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas.

Increase of Share Capital

According to the PRC 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. For companies issuing no-par value shares, the proceeds from the new share issuance will be credited to the registered capital. 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 a 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 PRC 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 capital reduction within 10 days and publish an announcement of the reduction in the newspaper or the national enterprise credit information public disclosure system within 30 days after the resolution approving the reduction has been passed;
- 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; and
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC 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 are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) use of shares for conversion of corporate bonds issued by the company that can be converted into stock; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' interest.

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 authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled 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 issued 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, centralized 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 PRC 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.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares issued prior to the public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares transferred each year by the directors, supervisors and senior management of a joint stock limited company during their respective term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot neither be transferred within one year from the listing date of the shares nor within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

Under PRC law, our Domestic Unlisted Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for and traded by the government or government authorized departments, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a foreign currency other than Renminbi, may only be subscribed for, and traded by investors from Hong Kong, Macau or Taiwan Region of the People's Republic of China or any country and territory outside the PRC, or qualified domestic institutional investors. However, qualified institutional investors and individual investors may trade Southbound Hong Kong trading Link and Northbound Shanghai trading Link (or the Northbound Shenzhen trading Link) shares via participating in Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

When the application for "full circulation" has been approved by the CSRC, the domestic unlisted shares of the H share listed company might be listed and circulated on the Hong Kong Stock Exchange.

Shareholders

Under the PRC Company Law and the Guidance for Articles of Association, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to require, convene, preside over, participate in or send proxies of shareholders to attend shareholders' general meeting and to exercise the corresponding voting rights according to the law;
- the right to transfer, donate or pledge their shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to supervise, make suggestions on or question the Company's operations;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory committee and financial and accounting reports;

- any shareholder who has a different view on a resolution on the merger or division of the Company made by a shareholders' general meeting has the right to require the Company to buy back his/its shares;

- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;

- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

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.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to elect or replace the directors and supervisors (other than the representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;

- to examine and approve reports of the board of directors;

- to examine and approve reports of the supervisory committee;

- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;

- 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, liquidation or change of company form and other matters;

- 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 PRC 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 fewer than the number required by 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 supervisory committee so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC 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 supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee 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 PRC Company Law, notice of shareholders' general meeting shall state the time, venue 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 PRC 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 supervisory committee 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.

Under the PRC Company Law, shareholders attending the general meeting have one vote per share they hold, except for shares with different voting rights issued by the company. However, 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 PRC 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) the merger, division, dissolution, liquidation or change in the form of the company; (iv) any purchase or sale of major assets or any provision of guarantee within one year in an amount in excess of 30% of the Company's latest audited total assets; (v) any equity incentive scheme; and (vi) any other matters specified by laws, administrative regulations or the Articles of Association and 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 PRC 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 PRC Company Law, a joint stock limited company shall have a board of directors comprising more than three 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.

Under the PRC 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 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 powers under the articles of association or as granted by the shareholders' general meeting.

Board Meetings

Under the PRC 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 supervisory committee. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall beheld 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 authorization to attend the meeting on his behalf.

If a resolution by the board of directors violates the laws, administrative regulations, the articles of association, or resolutions of the shareholders' general meetings, resulting in serious losses for the company, the directors involved 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 released from that liability.

Chairman of the Board

Under the PRC 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 PRC 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 bribery, corruption, embezzlement, misappropriation of property, or destruction of the socialist market economy order; or who has been deprived of political rights due to crimes, in cases where less than five years have passed since completing the sentence; or who has been deprived of political rights due to crimes, in cases where less than two years have passed since completing the probation period.
- 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 or is designated by the people's court as an untrustworthy debtor.

Supervisory Committee

A joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee 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 representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the supervisory committee 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 supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee 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 supervisory committee.

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 supervisory committee of a company shall hold at least one meeting every six months.

Under the PRC Company Law, the supervisory committee mainly 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;
- 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 supervisory committee 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

According to the PRC Company Law and the Guidance for Articles of Association, a manager shall be appointed by the company, with their hiring or dismissal determined by the board of directors. The manager is accountable to the board and exercises authority in accordance with the articles of association or as authorized by the board. The manager attends board meetings.

According to the PRC 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.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and they have fiduciary 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, supervisors and senior management are prohibited from:

- misuse of company assets and embezzlement of company funds;
- depositing the company's funds into an account opened under their personal name or another individual's name;
- using their official position to engage in bribery or receive illegal income;

- claiming commissions from others' transactions with the company for personal gain;
- unauthorized disclosure of company secrets; or
- other actions that violate the duty of loyalty 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 to the company.

Derivative Action by Minority Shareholders

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding more than 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. In the event that the supervisory board violates their obligations and cause damages to company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of aforesaid written request from the shareholders, if the supervisory board or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days from the date of receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

Finance and Accounting

Under the PRC 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 PRC 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. It 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 the legal accumulation fund (except where the fund has reached 50% of its registered capital).

If its legal accumulation 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 legal accumulation fund pursuant to the above provisions.

After allocation of the legal accumulation fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate the optional accumulation fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of the accumulation 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 from issuing par value shares above their nominal value, or funds from issuing no-par value shares not included in the registered capital, along with other items specified by the Ministry of Finance under the State Council for inclusion in the capital accumulation fund, should be classified as the company's capital accumulation fund.

The company's accumulation fund is utilized to cover losses, expand business operations, or convert into registered capital. When using the capital accumulation fund to cover losses, the optional accumulation fund and the legal accumulation fund should be used first; if these are insufficient, the capital accumulation fund can be used according to regulations. When the legal accumulation fund is converted into the registered capital, the remaining legal accumulation fund must be no less than 25% of the previously registered capital.

The Company shall have no other accounting books except the statutory accounting books. Company funds should not be kept in accounts registered under any individual's name.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC 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 PRC Company Law, a company shall not distribute profits before losses are covered and the legal accumulation fund 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 PRC 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 have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; 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.

If (i) or (ii) occurs and the company's residual assets have not yet been allocated to shareholders, it may continue its existence by amending its articles of association or through a resolution at the shareholders' general meeting. Such amendments or resolutions must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidating group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The company's liquidating group consists of directors unless the articles of association or a shareholders' general meeting resolution specifies otherwise. If a liquidating group is not formed within the stipulated time or is formed but does not conduct liquidation, interested parties may apply to the people's court to appoint relevant personnel to form a alternative liquidating group and proceed with liquidation. The people's court should accept the application and promptly organize a alternative liquidating group to carry out the liquidation.

The liquidating group shall exercise the following powers during the liquidation period:

- to handle 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 allocate the company's remaining assets after settling its debts; and
- to represent the company in civil lawsuits.

The liquidating group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or the national enterprise credit information public disclosure system within 60 days. A creditor shall lodge his claim with the liquidating 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 liquidating group shall register such creditor rights. The liquidating 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 liquidating group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

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 liquidating 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 bankruptcy liquidation.

Once the people's court accepts the application, the liquidating group must hand over the liquidation affairs to the bankruptcy administrator appointed by the court.

After the liquidation process is completed, the liquidating group must prepare a liquidation report, submit it to the shareholders' general meeting or the court for confirmation, and then report to the company registration authority to apply for the cancellation of the company's registration.

Members of the liquidating group must fulfill their fiduciary duties. If they neglect their responsibilities, causing losses to the company, they are liable for compensation. Additionally, they are responsible for compensation if they intentionally or through gross negligence cause losses to creditors.

Overseas Listing

Subject to specific circumstances, the Overseas Listing Trial Measures and its guidelines require that, among other things, (i) initial public offerings or listings on overseas markets of domestic companies shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas; and (iv) if the overseas offering or listing has not been completed within one year upon the completion of the filing with CSRC, the filing documents shall be updated if such overseas offering or listing is going to further proceed.

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

CSRC, a ministerial-level public institution directly under the State Council, performs a unified regulatory function, according to the relevant laws and regulations, and with the authority by the State Council, over the securities and futures market of China, maintains an orderly securities and futures market order, and ensure a legal operation of the capital market.

The Securities Law of the PRC (《中華人民共和國證券法》) took effect on 1 July 1999 and was revised on 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 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 (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Termination of Listing

The PRC Securities Law stipulates that the trading of shares of a company of a stock exchange may be terminated if so decided by the stock exchange.

Where the stock exchange decides on delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

The Overseas Listing Trial Measures requires that, upon the occurrence of voluntary or mandatory delisting after an issuer has offered and listed securities on an overseas market, the issuer shall submit a report to CSRC within three working days after the occurrence and public announcement of such event.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

According to *the Arrangements of the Supreme People's Court for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region* (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), effective on 29 January 2024, and promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court regarding civil and commercial cases, excluding certain types, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court.

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

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was passed by the SCNPC on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 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, shall apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized 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 10 June 1958 pursuant to a resolution of the SCNPC passed on 2 December 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 recognized 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 SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognize 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 18 June 1999, the Supreme People's Court adopted *the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong* (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) (the "**Arrangement**"), which became effective on 1 February 2000. In accordance with this arrangement, and its supplemental arrangements, upon satisfying certain requirements, 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.

On January 25, 2024, the Supreme People's Court promulgate *the Arrangement of the Supreme People's Court 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* (《最高人民法院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 was formally implemented on January 29, 2024. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. Concurrently, the Government of the Hong Kong Special Administrative Region enacted the "Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance" (Chapter 645), aimed at enforcing this new arrangement within the Hong Kong

Special Administrative Region through local legislative measures, also coming into force on the same date. From January 29, 2024, this New Arrangement superseded the previous Arrangement.

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.

DIVIDENDS

The Company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC laws on any dividends or other distributions payable to a shareholder. Under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of such limitation of actions.

SHARES

Issuance of Shares

The shares of our Company are evidenced by share certificates, and our Company's share certificates shall be in registered form.

Shares of our Company shall be issued in an open, fair and just manner. Shares of the same class shall rank *pari passu* with each other. For the same class of shares under the same issuance, each share shall be issued under the same conditions and at the same price. For the shares subscribed by any entity or individual, the price payable for each share shall be the same.

Increase, Reduction and Repurchase of Shares

Based on the needs of operation and development, our Company may increase capital by the following means in accordance with the provisions of laws and regulations after the resolution is passed by the general meeting:

(I) public offering of shares;

(II) non-public offering of shares;

(III) distributing bonus shares to existing shareholders;

(IV) conversion of the accumulation fund into share capital;

(V) other methods approved by laws, administrative regulations, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**SEHK Listing Rules**") and other methods approved by the securities regulatory authority of the State Council and other relevant regulatory bodies.

After our Company's capital increase to issue new shares is approved according to the provisions of the Articles of Association and the SEHK Listing Rules, it shall be handled according to the procedures specified in the relevant laws and administrative regulations of the PRC, the Articles of Association and the SEHK Listing Rules.

Without violating the laws, regulations, the SEHK Listing Rules, and the provisions of the Articles of Association, our Company may repurchase its own shares under the following circumstances, in accordance with the laws, administrative regulations, departmental rules, and the provisions of the Articles of Association:

(I) to decrease the registered capital of our Company;

(II) to merge with another company holding shares of our Company;

(III) to utilize shares for employee stock ownership plans or equity incentives.

(IV) shareholders who object to resolutions on our Company's merger or division passed at the shareholders' general meeting, demanding that our Company purchase their shares;

(V) to satisfy the conversion of the corporate bonds convertible into shares issued by our Company with shares;

(VI) to safeguard corporate value and the interests of the shareholders as necessary;

(VII) other circumstances permitted in laws, administrative regulations and the SEHK Listing Rules.

Where our Company acquires its shares for circumstances set out in items (I) and (II) above, it shall be subject to approval by the general meeting; where our Company acquires its shares for circumstances set out in items (III), (V) and (VI) above, it can be carried out in accordance with the provisions of the Articles of Association or authorization of the general meeting upon resolution by more than two-thirds of the directors present at a Board meeting.

If our Company acquires its own shares according to the above provisions and it falls under item (I), the shares must be canceled within 10 days from the acquisition date. If it falls under items (II) or (IV), the shares must be transferred or canceled within 6 months. In cases falling under items (III), (V), or (VI), our Company shall not hold more than 10% of the total issued shares and must transfer or cancel the shares within 3 years.

If the laws, administrative regulations, or relevant provisions of the securities regulatory authority where our Company's stock is listed have different stipulations regarding the aforementioned share repurchase, those provisions shall take precedence.

Our Company may reduce its registered capital. When doing so, it must adhere to the procedures outlined in the Company Law, the SEHK Listing Rules, and other relevant regulations, as well as the provisions of the Articles of Association.

Transfer of Shares

Unless otherwise stipulated by laws, administrative regulations, or the securities regulatory authority where our Company's stock is listed, shares of our Company with fully paid-up capital can be freely transferred and are not subject to any lien. Our Company shares may be gifted, inherited, and pledged in accordance with relevant laws, administrative regulations, and the provisions of the Articles of Association. The transfer of our Company shares must be registered with the local stock registration authority authorized by our Company. Our Company does not accept its own shares as collateral for pledges.

Shares issued before our Company's public issuance shall not be transferred within one year from the date our Company's shares are listed and traded on the stock exchange. Directors, supervisors, and senior management must declare their holdings of our Company's shares and any changes in such holdings. During their tenure, they may transfer no more than 25% of their total shares in our Company each year. Their shares may not be transferred within one year from the date our Company's stock is listed for trading. If they apply for resignation within six months of the initial public offering, they may not transfer their directly held company shares within eighteen months from the date of resignation. If they apply for resignation between the seventh and twelfth months from the initial public offering, they may not transfer their directly held company shares within twelve months from the date of resignation.

All transfers of H shares shall be effected by transfer instrument in writing in a general or common form or in any other form acceptable to the Board, including the standard transfer form or form of transfer specified by the Hong Kong Stock Exchange from time to time. The transfer instrument may be signed by hand or stamped with our Company's seal (where the transferor or transferee is a corporation) only. 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 transfer instrument may be signed by hand or in printed form. All the transfer instruments shall be kept at the legal address of our Company or an address designated by the Board from time to time.

Register of Members

Our Company maintains a register of shareholders based on the certificates provided by the securities registration institution. This register serves as conclusive evidence of a shareholder's ownership of our Company shares. A shareholder is a person who legally holds our Company shares and whose name is recorded in the register. Shareholders enjoy rights and assume obligations according to the types and amounts of shares they hold; those holding the same type of shares enjoy equal rights and assume the same obligations. The H-share register should be kept in Hong Kong for shareholders' access.

When our Company holds a shareholders' general meeting, distributes dividends, liquidates, or engages in other activities requiring shareholder identity confirmation, the Board or the convener of the shareholders' general meeting will set the date of record. Those registered as shareholders after the close of business on the date of record are entitled to the relevant rights and benefits.

SHAREHOLDERS AND GENERAL MEETINGS

Rights and Obligations of Shareholders

Ordinary shareholders of our Company are entitled to the following rights:

(I) to receive dividends and other benefit distributions according to their shareholding proportions;

(II) to legitimately request, convene, chair, attend, or appoint proxies to attend the shareholders' general meeting, speak at the meeting, and exercise voting rights (except where voting rights must be waived on specific matters according to securities regulatory rules where our Company's stock is listed);

(III) to supervise our Company's operations, propose suggestions, or make inquiries;

(IV) to transfer, donate, or pledge their shares in accordance with laws, administrative regulations, relevant securities regulators' rules, and the Articles of Association;

(V) to obtain relevant information in accordance with the Articles of Association, including:

(i) a copy of the Articles of Association upon payment of costs;

(ii) access to our Company's accounting books and accounting vouchers;

(iii) free access to, and the right to copy upon payment of a reasonable fee, the following information:

the complete register of shareholders;

personal information of directors, supervisors, and senior management;

the report on the issued capital status of our Company;

the report on the total nominal value, quantity, highest and lowest price of each class of shares repurchased by our Company since the previous fiscal year, and all expenses paid by our Company for this purpose (segmented into non-listed shares and H shares);

resolutions of the Board meetings and the Supervisory Committee meetings;

the most recent audited financial statements of our Company, and reports of the Board, the auditor, and the Supervisory Committee;

a copy of the latest annual report submitted to the industry and commerce administration of China or other competent authorities;

minutes of the shareholder's general meetings.

The Hong Kong branch of the shareholder register must be accessible for shareholders' inspection, but our Company may temporarily suspend shareholder registration handling under terms equivalent to Section 632 of the Companies Ordinance (Cap. 622).

In compliance with applicable laws, administrative regulations, and securities regulatory rules where our Company's stock is listed, our Company may refuse to provide information if the content to be inspected and copied involves our Company's business secrets, insider information, or personal privacy of relevant personnel.

Shareholders may entrust intermediary institutions, such as accounting firms or law firms, to review the aforementioned materials.

Shareholders, along with the accounting firms, law firms, or other intermediary institutions they entrust to review or copy relevant materials, must comply with laws and administrative regulations regarding the protection of state secrets, trade secrets, personal privacy, and personal information.

(VI) upon the dissolution or liquidation of our Company, to participate in the distribution of remaining assets in proportion to their shareholding;

(VII) dissenting shareholders who object to resolutions on our Company's merger or division passed at the shareholders' general meeting are entitled to demand that our Company purchase their shares;

(VIII) other rights as provided by laws, administrative regulations, departmental rules, normative documents, listing regulatory rules where our Company's stock is listed, or the Articles of Association.

Shareholders of our Company shall undertake the following obligations:

(I) to comply with laws, administrative regulations, and the Articles of Association;

(II) to pay subscription monies according to the shares subscribed for and the method of subscription;

(III) not to make divestments unless in circumstances stipulated by laws and administrative regulations;

(IV) not to misuse shareholder rights to harm the interests of our Company or other shareholders; not to misuse the independent legal status of our Company and the limited liability of shareholders to harm the interests of our Company's creditors;

(V) to fulfill other obligations stipulated by laws, administrative regulations, the SEHK Listing Rules, and the Articles of Association.

Shareholders who misuse their rights and cause losses to our Company or other shareholders shall be liable for compensation according to the law.

Shareholders who misuse the independent legal status of our Company and the limited liability of shareholders to evade debts and severely harm the interests of our Company's creditors shall bear joint liability for our Company's debts.

Proxies

Shareholders may attend the shareholders' general meeting in person or appoint a proxy (who does not need to be a shareholder of our Company) to attend and vote on their behalf.

The power of attorney issued by a shareholder to appoint a proxy to attend a general meeting shall specify:

(I) the name of the proxy and the number of shares represented by the proxy;

(II) whether or not the proxy has any voting rights;

(III) instructions to vote for, against, or abstain from voting on each matter under consideration included in the agenda of the general meeting;

(IV) whether there are voting rights for temporary proposals that may be included in the agenda of the shareholders' general meeting, and if there are voting rights, specific instructions on how to exercise such voting rights;

(V) the date of issue and validity period of the power of attorney;

(VI) signature (or seal) of the principal. If the principal is a corporate shareholder, the corporate seal shall be affixed or the power of attorney should be signed by an authorized representative;

(VII) other matters required to be specified by the listing regulatory rules of the stock exchange where our Company's stock is listed.

The power of attorney shall be kept at our Company's domicile or at such other place as specified in the notice of the meeting at least 24 hours prior to the convening of the meeting at which the power of attorney authorizes voting, or 24 hours prior to the designated voting time. If the power of attorney for voting by proxy is signed by the authorized person of the principal, the letter of authority for signing or other authorization documents shall be notarized. The notarized power of attorney and other authorization documents shall, together with the power of attorney for voting, be kept at our Company's domicile or at such other place as specified in the notice of the meeting.

Power of the Shareholders' General Meeting and Matters to be Determined

The general meeting is the authoritative body of our Company and shall exercise the following functions and powers in accordance with the law:

(I) to decide on the operating guidelines and investment plans of our Company;

(II) to elect and replace directors and supervisors who are not staff representatives and to decide on matters relating to their remuneration;

(III) to consider and approve reports from the Board;

(IV) to consider and approve reports from the Supervisory Committee;

(V) to consider and approve our Company's annual financial budget plans and final account plans;

(VI) to consider and approve our Company's profit distribution plans and loss coverage plans;

(VII) to decide on increases or reductions in our Company's registered capital;

(VIII) to make resolutions on the issuance of corporate bonds, other securities, and proposals for listing;

(IX) to decide on mergers, divisions, dissolutions, liquidations, or changes in the form of our Company;

(X) to amend the Articles of Association, Rules of Procedure for Shareholders' General Meetings, Rules of Procedure for the Board, and Rules of Procedure for the Supervisory Committee;

(XI) to make resolutions regarding our Company's appointments, removals, or non-renewals of accounting firms, as well as their compensation;

(XII) to consider and approve transactions or external guarantees that should be decided by the shareholders' general meeting according to the Articles of Association and the Rules of Procedure for Shareholders' General Meetings;

(XIII) to consider and approve matters related to the purchase or sale of significant assets exceeding 30% of our Company's total audited assets in the most recent year;

(XIV) to consider and approve changes in the intended use of the raised funds;

(XV) to consider and approve related-party transactions, external investments, asset mortgages, external financing, and donations that require the approval of the shareholders' general meeting according to the SEHK Listing Rules;

(XVI) to consider the equity incentive plan and employee stock ownership plan;

(XVII) to consider proposals submitted by shareholders who individually or collectively hold more than 1% of the voting shares of our Company;

(XVIII) to consider other matters that should be decided by the shareholders' general meeting as stipulated by laws, administrative regulations, departmental rules, normative documents, the Articles of Association, or the SEHK Listing Rules.

The aforementioned authority of the shareholders' general meeting cannot be delegated to the Board or other organizations and individuals for exercise. Without violating laws, regulations, and the mandatory provisions of the securities regulatory authorities where our Company's stock is listed, the shareholders' general meeting may authorize or entrust the Board to manage matters it has authorized or entrusted.

The following external guarantee issues by our Company must be considered and approved by the general meeting of shareholders:

(I) any guarantee provided after the total amount of external guarantees by our Company and its subsidiaries exceeds 50% of the most recent audited net assets;

(II) any guarantee provided for entities with a debt-to-asset ratio over 70%;

(III) any single guarantee that exceeds 10% of the most recent audited net assets;

(IV) any guarantee resulting in the total amount of guarantees exceeding 30% of our Company's most recent audited total assets within twelve consecutive months;

(V) any guarantee provided after the total amount of our Company's external guarantees exceeds 30% of the most recent audited total assets;

(VI) any guarantee provided to shareholders, the actual controller, and their related parties;

(VII) other situations stipulated by laws, administrative regulations, departmental rules, the SEHK Listing Rules, or the Articles of Association.

The aforementioned external guarantee matters that require the shareholders' general meeting for approval must first be considered and approved by the Board before being submitted to the general meeting of shareholders. The resolution on item (IV) must be approved by more than two-thirds of the voting rights held by shareholders present at the meeting.

When the shareholders' general meeting considers proposals to provide guarantees for shareholders, the actual controller, and their related parties, related shareholders or shareholders controlled by the actual controller shall not participate in the voting. The resolution must be approved by more than half of the voting rights held by other shareholders present at the meeting.

If directors or senior management violate laws, administrative regulations, or the Articles of Association regarding the consideration and approval authority and procedure for external guarantees, causing losses to our Company, they shall be liable for compensation. Our Company may file a lawsuit against them in accordance with the law.

Significant transactions meeting any of the following criteria (excluding external guarantees) must be submitted for consideration and approval at the shareholders' general meeting:

(I) any transaction where the total assets involved (whichever is higher between book value and evaluation value) exceed 50% of our Company's total assets according to the most recent audited financial statements;

(II) any transaction where the transaction amount exceeds 50% of our Company's market value;

(III) any transaction where the net asset value of the transaction target (e.g., equity) from the most recent fiscal year exceeds 50% of our Company's market value;

(IV) any transaction where the operating revenue related to the transaction target (e.g., equity) from the most recent fiscal year exceeds 50% of our Company's audited operating revenue for the most recent fiscal year and is more than 50 million yuan;

(V) any transaction generating profit that exceeds 50% of our Company's audited net profit for the most recent fiscal year and is more than 5 million yuan;

(VI) any transaction where the net profit related to the transaction target (e.g., equity) from the most recent fiscal year exceeds 50% of our Company's audited net profit for the most recent fiscal year and is more than 5 million yuan.

Before our Company achieves profitability, the net profit criteria in the above standards may be exempted. The transaction amount specified above refers to the transaction amount paid and the debts and expenses borne. If the transaction arrangement involves possible future payments or consideration, or does not involve specific amounts, or the amount is determined based on set conditions, the expected highest amount is the transaction amount.

The market value mentioned in the above provisions refers to the arithmetic average of the closing market values for the 10 trading days preceding the transaction.

If our Company conducts a transaction in stages, the above provisions should be applied based on the total transaction amount. Our Company must promptly disclose the actual occurrence of staged transactions.

Transactions where our Company unilaterally gains benefits, such as receiving donated cash assets, obtaining debt relief, accepting guarantees, and receiving subsidies, are exempt from the requirement to follow the shareholders' general meeting consideration and approval procedures as stipulated in the above provisions.

Resolutions at general meetings are categorized as ordinary and special resolutions.

Ordinary resolutions require approval by more than half of the voting rights held by shareholders (including their proxies) present at the meeting.

Special resolutions require approval by more than two-thirds of the voting rights held by shareholders (including their proxies) present at the meeting.

Shareholders (including their proxies) shall exercise their voting rights according to the number of shares with voting rights they represent, except when voting rights must be waived for specific matters according to the securities regulatory rules of the stock exchange where our Company's stock is listed. Each share carries one vote.

When voting, shareholders (including their proxies) with two or more votes are not required to cast all their votes in favor or against.

Shares in our Company that are held by our Company do not carry any voting rights and are not included in the total number of voting shares represented by shareholders present at the general meeting.

The following matters shall be approved by an ordinary resolution at the shareholders' general meeting:

(I) work reports from the Board and the Supervisory Committee;

(II) profit distribution plans and loss coverage plans proposed by the Board;

(III) appointments and removals of members of the Board and the Supervisory Committee, including their remunerations and payment methods;

(IV) annual financial budget plans and final account plans of our Company;

(V) annual reports, balance sheets, profit and loss statements, and other financial statements of our Company;

(VI) appointments, removals, or non-renewals of accounting firms, including their compensation;

(VII) other significant matters exceeding the investment and decision-making authority of the Board as stipulated in the Articles of Association;

(VIII) other matters that, except as required by laws, administrative regulations, departmental rules, normative documents, the listing rules where our Company's stock is listed, the SEHK Listing Rules, and the Articles of Association, shall be approved by a special resolution.

The following matters shall be approved by a special resolution at the shareholders' general meeting:

(I) making resolutions concerning the increase or decrease of our Company's registered capital and the issuance of any type of shares, warrants, and other similar securities;

(II) making resolutions regarding the issuance of corporate bonds, other securities, and listing;

(III) making resolutions on mergers, divisions, dissolutions, liquidations, or changes in the form of our Company;

(IV) amending the Articles of Association;

(V) considering and approving the purchase or sale of significant assets exceeding 30% of our Company's total audited assets in the most recent period within a year;

(VI) share schemes;

(VII) matters required by laws, administrative regulations, the SEHK Listing Rules, or the Articles of Association, as well as other matters that may have a significant impact on our Company as approved by an ordinary resolution of the shareholders' general meeting.

Convening, Proposal and Notice of the Meeting

Shareholders who individually or collectively hold 10% or more of our Company's shares have the right to request the Board to convene an extraordinary general meeting and add proposals to the meeting agenda. The request must be submitted in writing to the Board and clarify the topics of the meeting. The Board shall provide written feedback on its consent or refusal to convene an extraordinary general meeting within 10 days of receiving the request, pursuant to laws, administrative regulations, or the Articles of Association, and shall not delay or obstruct without cause. If the Board agrees to convene the extraordinary general meeting, a notice convening the meeting shall be issued within 5 days after the Board resolves to do so. Consent from relevant shareholders shall be sought for any alteration to the original request specified in the notice. If the Board does not agree to convene the extraordinary general meeting or does not reply in writing within 10 days of receiving the request, shareholders who individually or collectively hold 10% or more of our Company's shares have the right to request the Supervisory Committee to convene an extraordinary general meeting. The request must be submitted in writing to the Supervisory Committee. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice thereof within 5 days of receiving the request, and any amendment made in the notice to the original proposals shall be subject to the consent of the relevant shareholders. If the Supervisory Committee fails to issue a notice of the general meeting within the specified period, it shall be deemed that the Supervisory Committee will not convene and preside over the general meeting, and shareholders who individually or collectively hold 10% or more of our Company's shares for more than 90 consecutive days are entitled to convene and preside over the meeting themselves.

Contents of a proposal must align with the terms of reference of the general meeting, have clear themes and specific matters for resolutions, and comply with relevant laws, administrative regulations, the listing rules of the location where our Company's stock is listed, and the Articles of Association. The proposal must be submitted in writing.

For the general meeting convened by our Company, the Board, the Supervisory Committee, and shareholders who individually or collectively hold 1% or more of our Company's shares are entitled to submit proposals to our Company.

Shareholders who individually or collectively hold 1% or more of our Company's shares may submit extraordinary proposals to the convener in writing 10 days before the meeting or within the timeframe stipulated by the listing rules where our Company's stock is listed. The convener shall issue a supplementary notice of the general meeting to announce the content of the extraordinary proposals within 2 days after receiving them or within the timeframe stipulated by the listing rules where our Company's stock is listed.

Except as stipulated above, once the notice of the general meeting has been published by the convener, the proposals listed in the notice shall not be altered, and new proposals shall not be added.

Proposals not included in the notice of the shareholders' general meeting or that do not comply with the Articles of Association shall not be voted on or resolved at the shareholders' general meeting.

General meetings are categorized as annual general meetings and extraordinary general meetings. An annual general meeting must be held once a year and occur within six months after the end of the previous financial year.

Our Company shall convene an extraordinary general meeting within two months if any of the following situations arise:

(I) when the number of directors falls below the statutory minimum required by the Company Law or is less than two-thirds of the number of directors stipulated by the Articles of Association;

(II) when our Company's unrecovered losses reach one-third of its total paid-in share capital;

(III) when requested by shareholders who individually or collectively hold 10% or more of our Company's shares (the number of shares held shall be based on the date of the shareholder's written request);

(IV) when the Board deems it necessary;

(V) when the Supervisory Committee proposes to convene;

(VI) other circumstances as provided by laws, administrative regulations, departmental rules, the SEHK Listing Rules, the listing rules of the place where our Company's stock is listed, and the Articles of Association.

If the extraordinary general meeting is convened in accordance with the listing rules of the place where our Company's stock is listed, the actual date of the extraordinary general meeting may be adjusted based on the approval progress of the stock exchange in the listing location, if applicable.

Notice of the shareholders' general meeting shall be given in writing and include the following contents:

(I) the time, location, and duration of the meeting;

(II) the matters and proposals to be submitted for consideration at the meeting;

(III) a clear statement indicating that all shareholders have the right to attend the shareholders' general meeting, and may appoint a proxy in writing to attend the meeting and participate in voting. The proxy does not need to be a shareholder of our Company;

(IV) the date of record for shareholders entitled to attend the shareholders' general meeting;

(V) the name and telephone number of the permanent contact person for the meeting;

(VI) information and explanations necessary for shareholders to make informed decisions on the matters to be discussed. This principle includes (but is not limited to) providing the specific terms and contracts (if any) of proposed transactions and offering a thorough explanation of their causes and consequences when our Company proposes mergers, share repurchase, capital restructuring, or other reorganizations;

(VII) the nature and extent of directors, supervisors, managers, and other senior management's interest if they have a significant interest in the matters to be discussed. If the discussed matters affect these personnel as shareholders differently from other shareholders of the same category, this difference must be explained;

(VIII) the full text of any special resolutions proposed to be passed at the meeting;

(IX) the delivery time and location of the power of attorney for the proxies voting at the meeting;

(X) the voting time and procedures for online or other voting methods;

(XI) other matters stipulated by laws, administrative regulations, normative documents, and the SEHK Listing Rules.

The notice and supplementary notice of the shareholders' general meeting must fully and completely disclose the specific content of all proposals. If independent non-executive directors need to express their opinions on the discussed matters, their opinions and reasons must be disclosed alongside the issuance of the shareholders' general meeting notice or supplementary notice.

If the shareholders' general meeting uses alternative voting methods, the notice should also specify the voting time and matters for these methods. For meetings using online or other methods, the notice must clearly state the voting time and procedures for these methods. The starting time for online or other voting methods must not be earlier than 3:00 PM on the day before the on-site shareholders' general meeting, and not later than 9:30 AM on the day of the on-site shareholders' general meeting. The closing time must not be earlier than 3:00 PM on the day the on-site shareholders' meeting concludes.

The interval between the date of record and the meeting date must comply with the regulations of the relevant regulatory authorities where our Company's stock is listed. Once the date of record is confirmed, it cannot be changed.

DIRECTORS AND SENIOR MANAGEMENT

Appointment, Removal and Retirement

Directors are elected or replaced by the general meeting of shareholders. Each term of office lasts three years and is renewable upon re-election and re-appointment after expiration. Directors may concurrently serve as the general manager or other senior management, but those holding positions as both directors and general managers or other senior management must not exceed half of the total number of our Company's directors.

The Board consists of seven members. The Board shall have one chairman. The chairman is elected by a majority vote of all the directors.

Directors have a duty of loyalty to our Company and must take steps to avoid conflicts of interest between their personal interests and our Company's interests. They must not misuse their authority to seek improper benefits. Directors shall comply with laws, administrative regulations, this Articles of Association, and the SEHK Listing Rules:

(I) not to use their official position to accept bribes or other illegal income;

(II) not to exploit their position for the benefit of the actual controller, shareholders, employees, themselves, or other third parties to the detriment of our Company's interests;

(III) not to embezzle company funds or misappropriate company assets;

(IV) not to deposit company assets or funds into an account opened under their personal name or another individual's name;

(V) not to lend company funds to others or provide guarantees using company assets, in violation of the Articles of Association or without the consent of the shareholders' general meeting or the Board meeting;

(VI) not to enter into contracts or conduct transactions with our Company, in violation of the Articles of Association or without the consent of the shareholders' general meeting;

(VII) not to use their official position to seek business opportunities that should belong to our Company for themselves or others, or engage in or operate businesses similar to our Company's for themselves or others, without the consent of the shareholders' general meeting;

(VIII) not to accept commissions from transactions with our Company for personal gain;

(IX) not to disclose company secrets without authorization;

(X) not to use their related party relationships to harm our Company's interests;

(XI) safeguard our Company's financial security and not assist or condone the controlling shareholder and its subsidiaries in misappropriating company assets;

(XII) comply with other loyalty duties as stipulated by laws, administrative regulations, departmental rules, the SEHK Listing Rules, and the Articles of Association.

A director who directly or indirectly enters into a contract or conducts a transaction with our Company must report the relevant details to the Board or the shareholders' general meeting and secure approval through a resolution of the Board or the shareholders' general meeting, as stipulated in the Articles of Association.

The aforementioned provisions also apply to the close relatives of directors, enterprises directly or indirectly controlled by the director or their close relatives, and related parties with other relationships to the director, when they enter into a contract or conduct a transaction with our Company.

A director shall not exploit their position to pursue business opportunities belonging to our Company for personal gain or for others. However, this restriction does not apply in the following circumstances:

(I) the director reports the matter to the Board or the shareholders' general meeting and secures approval through a resolution of the Board or the shareholders' general meeting, in accordance with the Articles of Association;

(II) our Company is unable to utilize the business opportunity due to restrictions under laws, administrative regulations, or the Articles of Association.

Directors, supervisors, and senior management shall not engage in or operate, for themselves or on behalf of others, businesses of the same type as our Company without reporting the matter to the Board or the shareholders' general meeting and obtaining approval through a resolution of the Board or the shareholders' general meeting, as stipulated in the Articles of Association.

When the Board passes a resolution on aforementioned matters, the related director shall abstain from voting, and their voting rights shall be excluded from the total count. If fewer than three unrelated directors are present at the Board meeting, the matter shall be referred to the shareholders' general meeting for deliberation.

Any income obtained by directors in violation of the above provisions shall belong to our Company; if losses are caused to our Company, they shall be liable for compensation.

Directors shall comply with laws, administrative regulations, departmental rules, the SEHK Listing Rules, and the Articles of Association. In performing their duties, they shall act in the best interests of our Company and exercise the level of reasonable care generally expected of a manager. Directors subject to the following duties of diligence:

(I) exercise the rights granted by our Company with caution, diligence, and dedication to ensure that our Company's commercial activities comply with national laws, administrative regulations, and various national economic policies, and that business activities do not exceed the scope specified in the business license;

(II) treat all shareholders fairly;

(III) stay informed about our Company's business operations and management status;

(IV) provide written confirmation opinions on periodic reports. Ensure that the information disclosed by our Company is true, accurate, and complete. If directors cannot guarantee the authenticity, accuracy, or completeness of the securities issuance documents and periodic report contents or have objections, they should express their opinion and state their reasons in the written confirmation, which our Company should disclose. If the company does not disclose it, the director may apply for disclosure directly;

(V) provide truthful information and materials to the Supervisory Committee and not obstruct the Supervisory Committee or supervisors from exercising their powers;

(VI) fulfill other diligence duties as stipulated by laws, administrative regulations, departmental rules, the CSRC, the Hong Kong Stock Exchange, the SEHK Listing Rules, and the Articles of Association.

If the controlling shareholder or actual controller of our Company does not serve as a director but actively participates in our Company's operations, the provisions of the Articles of Association concerning the fiduciary duties of directors shall apply.

The director of our Company must be a natural person without any of the following circumstances applying:

(I) a person with no or limited civil capacity;

(II) a person who has been convicted of corruption, bribery, embezzlement, misappropriation of property, or undermining the socialist market economic order and sentenced to criminal punishment, or who has been deprived of political rights due to a criminal offense, with less than five years having passed since the completion of the sentence or less than two years since the end of the probation period for those sentenced to probation;

(III) a person who has been a former director, factory manager, or general manager of a company or enterprise that entered into insolvent liquidation and was personally liable for the insolvency, where less than three years have passed since the completion of the bankruptcy and liquidation of the company or enterprise;

(IV) a person who acted as a legal representative of a company or enterprise whose business license was revoked due to legal violations and was ordered to close down, and who was personally responsible, where less than three years have passed since the date of revocation and closure order;

(V) a person who has defaulted on a significant debt upon maturity and has been designated by the people's court as a dishonest individual subject to enforcement;

(VI) a person subject to securities market entry restrictions imposed by the CSRC, with the restriction period not yet expired;

(VII) other content stipulated by laws, administrative regulations, departmental rules, or the securities regulatory rules of the place where the company's stock is listed.

If the election, appointment, or designation of directors violates the aforementioned provisions, such election, appointment, or designation shall be deemed invalid.

If a director exhibits any of the circumstances listed in the aforementioned provisions during their term of office, our Company will remove them from their position.

Power to Dispose of the Assets of our Company or Any Subsidiary

The Board considers transactions such as purchasing or selling assets, external investments (excluding the purchase of bank wealth management products), transferring or acquiring R&D projects, signing license agreements, leasing in or out assets, entrusting or being entrusted with asset and business management, gifting or receiving assets, debt claims, debt restructuring, providing financial assistance, or other transactions recognized by the Shanghai Stock Exchange, where the single transaction amount or the cumulative transaction amount within twelve consecutive months meets any of the following criteria and does not fall within the scope of the shareholders' general meeting approval:

(I) any transaction where the total assets involved exceed 10% of our Company's total assets according to the most recent audited financial statements. If both book value and evaluation value exist for the assets involved, the higher value shall be used for calculation;

(II) any transaction where the transaction amount exceeds 10% of our Company's market value;

(III) any transaction where the net asset value of the transaction target (e.g., equity) from the most recent fiscal year exceeds 10% of our Company's market value;

(IV) any transaction where the operating revenue related to the transaction target (e.g., equity) from the most recent fiscal year exceeds 10% of our Company's audited operating revenue for the most recent fiscal year and is more than 10 million yuan;

(V) any transaction generating profit that exceeds 10% of our Company's audited net profit for the most recent fiscal year and is more than 1 million yuan;

(VI) any transaction where the net profit related to the transaction target (e.g., equity) from the most recent fiscal year exceeds 10% of our Company's audited net profit for the most recent fiscal year and is more than 1 million yuan;

For the calculation of the above transaction items (I) to (VI), if the data involved are negative, their absolute values shall be used. Before our Company achieves profitability, the net profit criteria in the above standards may be exempted.

(VII) any external guarantee matter not subject to consideration by the shareholders' general meeting as stipulated in the Articles of Association;

(VIII) any related transaction matter that should be considered by the Board meeting according to the listing rules of the stock exchange where the company's stock is listed;

The purchase or sale of assets mentioned above does not include transactions related to daily operations, such as the purchase of raw materials, fuel, and power, as well as the sale of products or goods.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Accounts and Audit

The financial and accounting systems of our Company are formulated by our Company in accordance with laws, administrative regulations and the requirements of relevant authorities of the State.

At the end of each fiscal year, our Company prepares financial accounting reports, which are audited by the accounting firm in accordance with the law. The financial accounting reports are prepared in compliance with relevant laws, administrative regulations, departmental rules, and the SEHK Listing Rules.

Our Company is required to submit, disclose, and/or present annual reports, interim reports, preliminary results announcements, and other documents to shareholders in accordance with laws, administrative regulations, the regulations of the CSRC, and the securities regulatory rules of the stock exchange where our Company's stock is listed.

Profit Distribution

In distributing this year's profit after tax, 10% shall be allocated to our Company's legal accumulation fund. Once the fund reaches 50% or more of our Company's registered capital, no further appropriations are needed.

If the legal accumulation fund is insufficient to cover the previous year's losses, current year profits must first address these losses before allocation to the legal accumulation fund as per the aforementioned provision.

After allocating profits to the legal accumulation fund, our Company may allocate profits to the optional accumulation fund upon a resolution at the shareholders' general meeting.

Remaining after-tax profits, after covering losses and allocations to the accumulation fund, may be distributed to shareholders in proportion to their holdings unless specified otherwise by the Articles of Association.

If the shareholders' general meeting distributes profits improperly before covering losses and allocating to the legal accumulation fund, shareholders must return the improperly distributed profits.

Shares of our Company held by our Company do not participate in profit distribution.

The accumulation fund shall be used to cover losses, expand production operations, or be converted to increase our Company's share capital.

When the legal accumulation fund is converted into share capital, the remaining amount of that fund must not be less than 25% of our Company's registered capital before conversion.

MERGER, DIVISION, DISSOLUTION AND LIQUIDATION OF OUR COMPANY

In the event of a merger involving our Company, the parties shall execute a merger agreement and formulate a balance sheet and a list of assets. Our Company will notify creditors within 10 days of the resolution date and publish an announcement in newspapers within 30 days. Creditors may, within 30 days of receiving notice or within 45 days of the announcement if they have not received notice, require our Company to settle its debt or provide a relevant guarantee.

Upon a merger, the claims and debts of involved parties shall be assumed by the surviving company or newly established company.

In the event of a division of our Company, its properties shall be allocated accordingly.

For the division, a balance sheet and a list of assets shall be formulated. Our Company shall notify creditors within 10 days of the merger resolution and publish an announcement in newspapers within 30 days.

The company is dissolved for the following reasons:

(I) the term of operations specified in the Articles of Association has expired, or another circumstance for dissolution outlined in the Articles of Association has occurred;

(II) the general meeting decides to dissolve it;

(III) it is necessary to dissolve due to a merger or division of our Company;

(IV) its business license is canceled, or it is ordered to close down or dissolve according to the law;

(V) when our Company faces severe operational and management difficulties, its continuous existence may cause material losses to shareholders' interests, and such difficulties cannot be resolved otherwise, shareholders holding more than 10% of the voting rights may apply to the people's court to dissolve our Company;

(VI) our Company is declared bankrupt by law due to its inability to repay debts as they become due.

If our Company is to be dissolved according to the provisions of sub-paragraphs (I), (II), (IV), (V), and (VI) of the preceding Article, a liquidating group shall be established, and liquidation shall commence within 15 days from the date the cause for dissolution arises. The liquidating group shall consist of personnel determined by the directors or the general meeting. If our Company fails to establish the liquidating group and carry out the liquidation within the time limit, its creditors may petition the people's court to appoint relevant persons to form a liquidating group and proceed with the liquidation.

The liquidating group must notify creditors within 10 days of its establishment and make public announcements in newspapers within 60 days of its establishment. Creditors should declare their claims to the liquidating group within 30 days from receiving the written notice or, if they did not receive a written notice, within 45 days from the announcement date.

When declaring their claims, creditors must explain the particulars relevant to their claims and provide supporting documentation. The liquidating group shall register the claims.

During the claims declaration period, the liquidating group shall not repay the debts to creditors.

After the liquidation group has liquidated our Company's property and formulated a balance sheet and a list of assets, it shall draft a liquidation plan and submit it to the general meeting or the people's court for confirmation. Our Company's property remaining after payment of the liquidation expenses, employee wages, social insurance premiums, statutory compensation for the employees, taxes owed, and all our Company's debts shall be distributed to the shareholders in proportion to the shares they hold.

During liquidation, our Company shall continue to exist but may not engage in any business activities unrelated to the liquidation. Our Company's property will not be distributed to the shareholders until its debts are repaid in accordance with the preceding provision.

If the liquidating group, after liquidating our Company's property and formulating a balance sheet and a list of assets, finds that our Company's property is insufficient to fully pay its debts, it shall apply to the people's court for a bankruptcy declaration in accordance with the law.

Once the people's court declares our Company bankrupt, the liquidating group shall transfer the liquidation matters to the people's court.

After completing the liquidation of our Company, the liquidating group shall formulate a liquidation report, submit it to the general meeting or the people's court for confirmation, and to our Company's registration authority to apply for company deregistration, and announce the termination of our Company.

OTHER PROVISIONS MATERIAL TO OUR COMPANY AND OUR SHAREHOLDERS

General Provisions

Our Company is a joint stock limited company, with perpetual duration.

From the date the Articles of Association take effect, they shall serve as a legally binding document regulating our Company's organization and conduct, as well as the rights and obligations between our Company and its shareholders, and among the shareholders themselves. This document is legally binding on our Company, shareholders, directors, supervisors, and senior management. The aforementioned personnel may assert their rights related to Company matters in accordance with the Articles of Association. Under the Articles of Association, shareholders may sue other shareholders, directors, supervisors, the general manager, and other senior management of our Company. Similarly, our Company may sue shareholders, directors, supervisors, the general manager, and other senior management.

The Board

The Board exercises the following powers:

(I) responsible for convening the shareholders' general meeting and reporting work progress to it;

(II) implement the resolutions of the shareholders' general meeting;

(III) decide on our Company's business plans and investment proposals;

(IV) formulate our Company's annual financial budget plans and final account plans;

(V) formulate our Company's profit distribution plans and loss coverage plans;

(VI) formulate plans for our Company to increase or reduce registered capital, issue bonds or other securities, and listing plans;

(VII) draft plans for significant acquisitions, repurchase of our Company's shares, mergers, divisions, dissolution, and changes in company form;

(VIII) approve related transactions, external investments, asset mortgages, external financing, and donations as stipulated by the listing rules of the stock exchange where our Company's stock is listed;

(IX) consider external guarantees except those requiring approval by the shareholders' general meeting;

(X) consider the purchase and sale of assets except those requiring approval by the shareholders' general meeting;

(XI) determine the structuring of our Company's internal management institutions;

(XII) determine the appointment or dismissal of the general manager, secretary to the Board, and other senior management, and decide their remuneration, rewards, and penalties. Based on the general manager's nomination, determine the appointment or dismissal of deputy general managers, the person in charge of finance, and other senior management, and decide their remuneration, rewards, and penalties;

(XIII) formulate our Company's basic management system;

(XIV) draft the establishment plan for the Board's special committees and submit it to the shareholders' general meeting for approval, and determine the selection of personnel for the Board's special committees;

(XV) formulate amendments to the Articles of Association;

(XVI) manage our Company's information disclosure matters;

(XVII) propose to the shareholders' general meeting to appoint or replace the accounting firm for our Company's audit;

(XVIII) hear the general manager's work report and inspect the general manager's work;

(XIX) exercise other powers granted by laws, administrative regulations, departmental rules, the SEHK Listing Rules, or the Articles of Association.

Matters exceeding the approval authority granted by the shareholders' general meeting as specified above, and matters that must be submitted to the shareholders' general meeting for consideration and approval according to laws, administrative regulations, departmental rules, the SEHK Listing Rules, and the Articles of Association, shall be submitted by the Board to the shareholders' general meeting for consideration and approval.

A Board meeting can occur only if more than half of the directors are present. To pass a resolution, it must receive approval from more than half of all directors.

Voting on Board resolutions follows a one-person, one-vote principle.

When our Company's directors, supervisors, the general manager, or other senior management have a direct or indirect material interest in our Company's existing or proposed contracts, transactions, or arrangements (excluding employment contracts between our Company and its directors, supervisors, the general manager, and other senior management), they must promptly disclose the nature and extent of their interests to the Board, regardless of whether the matter requires Board approval under normal circumstances. If a director or their associate (as defined under the prevailing SEHK Listing

Rules) has a related interest or material interest in matters or entities being resolved in a Board meeting, unless permitted by laws, regulations, or the securities regulatory rules where our Company's stock is listed:

(I) the director shall not exercise voting rights on such resolutions and shall not proxy the voting rights of other directors;

(II) when determining whether a quorum is present at the Board meeting, the director shall not be counted, and the Board meeting shall be held with the presence of more than half of the unrelated directors, and resolutions of the Board meeting shall be passed by more than half of the unrelated directors;

(III) if fewer than three unrelated directors attend the Board meeting, the matter shall be submitted to the shareholders' general meeting for consideration.

The Board's resolutions concerning "related transactions" as defined under the SEHK Listing Rules must comply with the relevant provisions of the SEHK Listing Rules.

Special Committees of the Board

The Board has the audit committee, the nomination committee, and the remuneration committee. These special committees are accountable to the Board and perform their duties in accordance with the Articles of Association and the Board's authorization. The proposals of the special committees must be submitted to Board meetings for consideration and approval. All members of the special committees are directors. The chairman of the audit committee must be appointed by the Board and must be an independent non-executive director. The chairman of the audit committee should be a professional accountant with the appropriate professional qualifications or relevant accounting or financial management expertise as required by the SEHK Listing Rules. The chairman of the nomination committee must be either the chairman of the Board or an independent non-executive director from among the committee members and appointed by the Board. The chairman of the remuneration committee is appointed by the Board and must be an independent non-executive director. The Board is responsible for formulating the working rules of the special committees to regulate their operations. The Board is also responsible for formulating the rules of procedure for each special committee, specifying matters such as their composition, powers, and procedures. Each special committee may engage intermediary organizations to provide professional advice, with the related costs borne by our Company.

Independent Non-Executive Directors

Our Company shall have independent non-executive directors. Unless otherwise required, the provisions of the Articles of Association regarding the qualifications and obligations of the directors shall apply to the independent non-executive directors. Matters related to our Company's independent non-executive directors should be conducted in accordance with laws, administrative regulations, relevant regulatory authorities, and the stock exchange rules, as specifically stipulated by the working rules of independent non-executive directors of our Company.

The Board consists of seven directors, including three independent non-executive directors elected by the general meeting of shareholders. At any time, there must be no fewer than three independent non-executive directors, who must comprise more than one-third of the total number of Board members. Among our Company's independent non-executive directors, at least one must possess appropriate accounting or relevant financial management expertise. Independent non-executive directors should have sufficient commercial or professional experience to perform their duties competently, fulfill their responsibilities faithfully, and protect our Company's interests. They must particularly ensure that the legal rights of public shareholders are not infringed, thereby ensuring the interests of all shareholders are fully represented. At least one independent non-executive director must be a permanent resident of Hong Kong.

If an independent non-executive director's term exceeds six years, the continuation of their service should adhere to the appropriate consideration procedures specified by the SEHK Listing Rules.

General Manager

Our Company will appoint one general manager, nominated by the Chairman of the Board and hired or dismissed by the Board. The general manager's term of office is three years per term, renewable upon re-election and re-appointment after expiration. The general manager shall be accountable to the Board and exercise the following powers:

(I) preside over our Company's production, operations, and management; organize the implementation of Board meeting resolutions; and report work progress to the Board;

(II) organize the implementation of our Company's annual business plans and investment proposals; execute our Company's financial budget plans;

(III) draft proposals for structuring our Company's internal management institutions;

(IV) draft our Company's basic management system;

(V) formulate our Company's specific regulations;

(VI) propose to the Board the appointment or dismissal of deputy general managers and the person in charge of finance;

(VII) decide on the appointment or dismissal of management, except for those whose appointment or dismissal is decided by the Board;

(VIII) decide on matters regarding external guarantees, external investments, external financing, purchase or sale of assets, asset mortgages, and related transactions that do not require approval from the shareholders' general meeting, the Board meeting, or the chairman of the Board;

(IX) other powers granted by the Articles of Association, the Board, or the chairman of the Board;

The general manager attends Board meetings but does not have voting rights if they are not a member of the Board.

Secretary to the Board

Our Company shall have one secretary to the Board responsible for preparing shareholders' general meetings and Board meetings, maintaining documents, managing shareholders' information, and handling information disclosure matters. The secretary to the Board should be a natural person with the necessary professional knowledge and experience and must meet the requirements under the listing rules where our Company's stock is listed. The secretary to the Board is nominated by the chairman of the Board and appointed or dismissed by the Board. Each term of office for a secretary to the Board shall be three years, renewable upon re-election and re-appointment after expiration.

Supervisory Committee

Directors, the general manager, and other senior management shall not serve as supervisors during their term of office.

Each supervisor's term is 3 years, renewable upon re-election and re-appointment after expiration.

Our Company has a Supervisory Committee, consisting of three supervisors, with one chairperson. The chairperson is elected by a majority of all supervisors and convenes and presides over the Supervisory Committee meetings. If the chairperson is unable or fails to perform these duties, more than half of the supervisors can jointly elect one supervisor to convene and preside over the meetings.

The Supervisory Committee includes representatives of shareholders and employees, with employee representatives making up at least one-third of the Board. Employee representatives are elected democratically by the employees through an employee representative assembly, employee assembly, or other forms.

The Supervisory Committee is accountable to the shareholders' general meeting and exercises the following powers in accordance with the law:

(I) review the periodic reports prepared by the Board and provide written audit opinions;

(II) inspect our Company's financial affairs;

(III) supervise the conduct of directors and senior management in performing their duties for our Company and propose the removal of directors and senior management who violate laws, administrative regulations, the Articles of Association, or resolutions of the shareholders' general meeting;

(IV) require directors and senior management to rectify their conduct when they harm our Company's interests;

(V) propose the convening of an extraordinary shareholders' general meeting and convene and preside over shareholders' general meetings when the Board fails to fulfill its duties to convene and preside over such meetings as stipulated by the Company Law and other laws, regulations, and listing rules of the place where our Company's stock is listed;

(VI) submit proposals to the shareholders' general meeting;

(VII) propose the convening of an extraordinary Board meeting;

(VIII) attend Board meetings and raise inquiries or suggestions regarding matters resolved by the Board;

(IX) initiate litigation against directors and senior management in accordance with the Company Law and the Articles of Association;

(X) conduct investigations when any abnormal business operations of our Company are discovered, and, if necessary, engage professional institutions such as accounting firms or law firms to assist in its work, with the expenses borne by our Company;

(XI) other powers granted by laws, administrative regulations, departmental rules, normative documents, the SEHK Listing Rules, and the Articles of Association.

Meetings of the Supervisory Committee shall be convened at least once every six months. Supervisors may propose holding an extraordinary meeting.

Amendments to Constitutional Documents of our Company

Under any of the following circumstances, our Company shall amend the Articles of Association:

(I) if amendments to the Company Law, the SEHK Listing Rules, or relevant laws and administrative regulations result in conflicts with the provisions of the Articles of Association;

(II) if changes in our Company's status quo lead to inconsistencies with the matters recorded in the Articles of Association;

(III) if the shareholders' general meeting decides to amend the Articles of Association.

The Board shall amend the Articles of Association in accordance with the resolutions of the shareholders' general meeting and the approval opinions of the relevant competent authorities. Amendments to the Articles of Association passed by the shareholders' general meeting that require approval from the competent authorities must be submitted for their approval. If the amendments involve matters of company registration, the changes must be registered in accordance with the law. If the amendments to the Articles of Association pertain to information required by law or regulations to be disclosed, they shall be announced as prescribed.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was established as a limited liability company under the laws of PRC on January 7, 2009, and was subsequently converted into a joint stock company with limited liability on November 8, 2022. Our registered office is located at Floor 2, No. 5, Industrial North First Road, Songshan Lake North Industrial Zone, Dongguan, Guangdong Province, the PRC.

Our Company has established a principal place of business in Hong Kong at 28/F, Henley Building, 5 Queen's Road Central, Central, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on December 4, 2024. Our Company has appointed DeHeng Law Offices (Hong Kong) LLP as its authorised representative under the Companies Ordinance for the acceptance of service of process and notices in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company is incorporated in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices VI and VII to this document.

2. Changes in the Share Capital of our Company

As at the date of the establishment of our Company, our initial registered capital was RMB10,000,000. As at the Latest Practical Date, our share capital was RMB363,198,011 consisting of 363,198,011 issued Unlisted Shares with a nominal value of RMB1.00 each, which has been fully paid up.

Save as disclosed in "History, Development and Corporate Structure", there had been no alteration in the share capital of our Company within two years immediately preceding the date of this document.

Immediately following the completion of the [REDACTED] and the Conversion of Unlisted Shares into H Shares, assuming that the [REDACTED] is not exercised, our issued share capital will be increased to RMB[REDACTED], divided into [REDACTED] Unlisted Shares and [REDACTED] H Shares, with a nominal value of RMB1.00 each fully paid up or credited as fully paid up, representing approximately [REDACTED]% and [REDACTED]% of our enlarged share capital, respectively.

3. Shareholders' Resolutions of our Company

Pursuant to the general meeting held on [•], the following resolutions, among others, were duly passed by our Shareholders:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [REDACTED] on the Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the [REDACTED] shall be approximately [REDACTED]% of the enlarged share capital of our Company upon completion of the [REDACTED] (in fulfillment of the lowest applicable [REDACTED] requirement pursuant to the Listing Rules) and granting the [REDACTED] the [REDACTED] of no more than [REDACTED]% of the above number of H Shares to be issued;

(c) upon the completion of the [REDACTED], [REDACTED] Unlisted Shares in aggregate will be converted into H Shares on a one-for-one basis;

(d) subject to the completion of the [REDACTED], the conditional adoption of the Articles of Association, which shall become effective on the [REDACTED]; and

(e) authorisation of our Board and its authorised persons to handle all matters relating to, among other things, the [REDACTED], the issue and [REDACTED] of the H Shares on the Stock Exchange.

4. Changes in the registered capital of our subsidiaries

The list of our subsidiaries is set out in Note 14 to the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as disclosed in the section headed "History, Development and Corporate Structure — Corporate Development — Our Subsidiaries" in this document, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

5. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, please refer to the sections headed "Summary of Articles of Association" which is set out in Appendix VII to this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

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, which is or may be material:

(a) the supplemental agreement to the capital increase agreement (《增資協議》之補充協議) dated June 6, 2023 entered into among (1) the Company, (2) Mr. Li, (3) Mr. Au Yeung, (4) Lee Yuk Ming (李玉明), (5) Zhuang Shuguang (莊樹廣), (6) Yuan Yi (袁毅), (7) Dinghong Investment, (8) Wanghe Investment, (9) Runsheng Investment, and (10) Shenzhen Habo Technology Investment Partnership (Limited Partnership)* (深圳哈勃科技投資合夥企業(有限合夥)) ("**Habo Technology**"), in relation to, among other things, the agreement on termination of the special rights granted to Habo Technology in relation to its investments in our Company;

(b) the supplemental agreement to the shareholders' agreement (《股東協議》之補充協議) dated June 6, 2023 entered into among (1) the Company, (2) Mr. Li, (3) Mr. Au Yeung, (4) Lee Yuk Ming (李玉明), (5) Zhuang Shuguang (莊樹廣), (6) Yuan Yi (袁毅), (7) Dinghong Investment, (8) Wanghe Investment, (9) Runsheng Investment, (10) Habo Technology, (11) Qingdao Shangqi Huizhu Zhanxin Industry Investment Fund Partnership (Limited Partnership)* (青島尚頎匯鑄戰新產業投資基金合夥企業(有限合夥)) ("**Shangqi Huizhu**"), (12) Shanghai Shangqi Qiying Business Consulting Partnership (Limited Partnership)* (上海尚頎頎盈商務諮詢合夥企業(有限合夥)) (currently known as Jiaxing Qiying Venture Capital Partnership (Limited Partnership)* (嘉興頎盈創業投資合夥企業(有限合夥))) ("**Jiaxing Qiying**"), (13) BYD Company Limited (比亞迪股份有限公司) ("**BYD**"), and (14) Shenzhen Chuangqi Kaiying Venture Capital Partnership (Limited Partnership)* (深圳市創啓開盈創業投資合夥企業(有限合夥)) (currently known as Jiaxing Chuangqi Kaiying Venture Capital Partnership (Limited Partnership)* (嘉興市創啟開盈創業投資合夥企業(有限合夥))) ("**Chuangqi Kaiying**"), in relation to, among other things, the agreement on termination of the special rights granted to Shangqi Huizhu, Jiaxing Qiying, BYD and Chuangqi Kaiying in relation to their respective investments in our Company;

(c) the supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議) dated June 6, 2023 entered into among (1) the Company, (2) Mr. Li, and (3) China-Belgium Direct Equity Investment Fund* (中國 — 比利時直接股權投資基金) ("**China-Belgium Fund**"), in relation to, among other things, the agreement on termination of the special rights granted to China-Belgium Fund in relation to its investments in our Company;

(d) the supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議) dated June 6, 2023 entered into among (1) the Company, (2) Mr. Li, (3) Shenzhen Chunyang Jiutai Venture Capital Partnership (Limited Partnership)* (深圳春陽久泰創業投資合夥企業(有限合夥)) ("**Chunyang Jiutai**"), and (4) Shanghai Qingyi Xinyang Venture Capital Partnership (Limited Partnership)* (上海氫毅昕陽創業投資合夥企業(有限合夥)) ("**Qingyi Xinyang**"), in relation to, among other things, the agreement on termination of the special rights granted to Chunyang Jiutai and Qingyi Xinyang in relation to their respective investments in our Company;

(e) the supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議) dated June 6, 2023 entered into among (1) the Company, (2) Mr. Li, (3) Guangdong Liwan Equity Investment Partnership (Limited Partnership)* (廣東立灣股權投資合夥企業(有限合夥)) ("**Liwan Investment**"), (4) Guangzhou Zhongguangyuan Shangkechuang Phase II Venture Capital Partnership (Limited Partnership)* (廣州中廣源商科創二期創業投資合夥企業(有限合夥)) ("**Zhongguangyuan**"), and (5) Dongguan Liwan Youxuan No. 7 Venture Capital Partnership (Limited Partnership)* (東莞立灣優選七號創業投資合夥企業(有限合夥)) ("**Liwan Youxuan**"), in relation to, among other things, the agreement on termination of the special rights granted to Liwan Investment, Zhongguangyuan and Liwan Youxuan in relation to their respective investments in our Company;

(f) the supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議) dated June 6, 2023 entered into among (1) the Company, (2) Mr. Li, (3) Dongguan Yueke Xintai Industrial Control Venture Capital Partnership (Limited Partnership)* (東莞粵科鑫泰工控創業投資合夥企業(有限合夥)) ("**Yueke Xintai**"), and (4) Dongguan Yueke Tianyu Equity Investment Partnership (Limited Partnership)* (東莞粵科天域股權投資合夥企業(有限合夥)) (currently known as Jinyun Tianyu Equity Investment Partnership (Limited Partnership)* (縉雲天域股權投資合夥企業(有限合夥))) ("**Jinyun Tianyu**"), in relation to, among other things, the agreement on termination of the special rights granted to Yueke Xintai and Jinyun Tianyu in relation to their respective investments in our Company;

(g) the supplemental agreement to the share subscription agreement (關於《股份認購協議》之補充協議) dated June 6, 2023 entered into among (1) the Company, (2) Mr. Li, and (3) Hangzhou Huanyu Equity Investment Partnership (Limited Partnership)* (杭州寰域股權投資合夥企業(有限合夥)) ("**Huanyu Investment**"), in relation to, among other things, the agreement on termination of the special rights granted to Huanyu Investment in relation to its investments in our Company;

(h) the supplemental agreement to the share subscription agreement (關於《股份認購協議》之補充協議) dated June 6, 2023 entered into among (1) the Company, (2) Mr. Li, (3) Nantong Zhaoshang Jianghai Industrial Development Fund Partnership (Limited Partnership)* (南通招商江海產業發展基金合夥企業(有限合夥)) ("**Zhaoshang Jianghai**"), and (4) Nantong Zhaohua Zhaozheng Equity Investment Partnership (Limited Partnership)* (南通招華招證股權投資合夥企業(有限合夥)) ("**Zhaohua Zhaozheng**"), in relation to, among other things, the agreement on termination of the special rights granted to Zhaoshang Jianghai and Zhaohua Zhaozheng in relation to their respective investments in our Company;

(i) the supplemental agreement to the share subscription agreement (關於《股份認購協議》之補充協議) dated June 6, 2023 entered into among (1) the Company, (2) Mr. Li, and (3) Dongguan Liwan Beizeng No. 1 Venture Capital Partnership (Limited Partnership)* (東莞立灣倍增一號創業投資合夥企業(有限合夥)) ("**Liwan Beizeng**"), in relation to, among other things, the agreement on termination of the special rights granted to Liwan Beizeng in relation to its investments in our Company;

(j) the supplemental agreement to the shareholders' agreement (《股東協議》之補充協議) dated November 29, 2024 entered into among (1) the Company, (2) Mr. Li, (3) Mr. Au Yeung, (4) Lee Yuk Ming (李玉明), (5) Zhuang Shuguang (莊樹廣), (6) Yuan Yi (袁毅), (7) Dinghong Investment, (8) Wanghe Investment, (9) Runsheng Investment, (10) Habo Technology, (11) Shangqi Huizhu, (12) Jiaxing Qiying, (13) BYD, and (14) Chuangqi Kaiying, in relation to, among other things, the agreement on termination of the special rights granted to Shangqi Huizhu, Jiaxing Qiying, BYD and Chuangqi Kaiying in relation to their respective investments in our Company;

(k) the supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議) dated November 29, 2024 entered into among (1) the Company, (2) Mr. Li, and (3) China-Belgium Fund, in relation to, among other things, the agreement on termination of the special rights granted to China-Belgium Fund in relation to its investments in our Company;

(l) the supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議) dated November 29, 2024 entered into among (1) the Company, (2) Mr. Li, (3) Chunyang Jiutai, and (4) Qingyi Xinyang, in relation to, among other things, the agreement on termination of the special rights granted to Chunyang Jiutai and Qingyi Xinyang in relation to their respective investments in our Company;

(m) the supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議) dated November 29, 2024 entered into among (1) the Company, (2) Mr. Li, (3) Liwan Investment, (4) Zhongguangyuan, and (5) Liwan Youxuan, in relation to, among other things, the agreement on termination of the special rights granted to Liwan Investment, Zhongguangyuan and Liwan Youxuan in relation to their respective investments in our Company;

(n) the supplemental agreement to the capital increase agreement (關於《增資協議》之補充協議) dated November 29, 2024 entered into among (1) the Company, (2) Mr. Li, (3) Yueke Xintai, and (4) Jinyun Tianyu, in relation to, among other things, the agreement on termination of the special rights granted to Yueke Xintai and Jinyun Tianyu in relation to their respective investments in our Company;

(o) the supplemental agreement to the share subscription agreement (關於《股份認購協議》之補充協議) dated November 29, 2024 entered into among (1) the Company, (2) Mr. Li, and (3) Liwan Beizeng, in relation to, among other things, the agreement on termination of the special rights granted to Liwan Beizeng in relation to its investments in our Company; and

(p) the [REDACTED].

2. Our Material Intellectual Property Rights

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which we considered to be material to our business:

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
1.		Our Company	Singapore	9 35	40202317560V	From August 10, 2023 to August 9, 2033
2.	TYSiC	Our Company	Australia	9 35	2378593 2378602	From August 9, 2023 to August 9, 2033
3.		Our Company	Australia	9 35	2378618 2378608	From August 9, 2023 to August 9, 2033
4.	天域	Our Company	Australia	9	2378614	From August 9, 2023 to August 9, 2033
5.	天域	Our Company	Hong Kong	9 35	306319125	From August 10, 2023 to August 9, 2033
6.	TYSiC	Our Company	Hong Kong	9 35	306319189	From August 10, 2023 to August 9, 2033

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
7.		Our Company	Hong Kong	9 35	306319107	From August 10, 2023 to August 9, 2033
8.	TYSiC	Our Company	The PRC	9 35	41688924 41707333	From June 21, 2020 to June 20, 2030
9.	天域	Our Company	The PRC	9	23312397	From March 14, 2018 to March 13, 2028
10.	TYSiC	Our Company	The PRC	9	23313330	From January 28, 2020 to January 27, 2030
11.	TYSTC	Our Company	The PRC	35	17133179	From August 21, 2016 to August 20, 2026
12.	天域	Our Company	The PRC	9	9562768	From January 28, 2023 to January 27, 2033
13.		Our Company	The PRC	9	9562655	From January 14, 2024 to January 13, 2034
14.	天域	Our Company	United Kingdom	9 35	UK00004099564	From September 13, 2024 to September 12, 2034
15.		Our Company	United Kingdom	9 35	UK00004099587	From September 13, 2024 to September 12, 2034
16.	TYSiC	Our Company	United Kingdom	9 35	UK00004099573	From September 13, 2024 to September 12, 2034
17.	召芯	South Semiconductor	The PRC	9	38775463	From February 7, 2020 to February 6, 2030
18.	CWBG	South Semiconductor	The PRC	9	39757628	From April 14, 2020 to April 13, 2030

(b) Patents

(i) As at the Latest Practicable Date, we have registered 76 patents and we set out below the details of patents which we considered to be material to our business:

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
1.	Methods and apparatus for constructing trays used in equipment for planetary epitaxial growth (行星式外延生長設備中托盤的構成方法和裝置)	Our Company	201110133831.2	Invention	The PRC	May 23, 2011	May 23, 2031
2.	A vertical silicon apparatus for oxidation of carbide at a high temperature (一種垂直式碳化硅高溫氧化裝置)	Our Company	201210203696.9	Invention	The PRC	June 19, 2012	June 19, 2032
3.	A horizontal silicon apparatus for oxidation of carbide at high temperature (一種水平式碳化硅高溫氧化裝置)	Our Company	201210226334.1	Invention	The PRC	July 2, 2012	July 2, 2032
4.	A processing method and apparatus for extensive silicon carbide epitaxial growth at high temperature (一種高溫大面積碳化硅外延生長裝置及處理方法)	Our Company	201210260432.7	Invention	The PRC	July 25, 2012	July 25, 2032
5.	A double-sealed structure for quartz tube of ultra-high temperature with dual cooling layer used in vacuum chambers (一種超高溫雙層水冷石英管真空室用雙密封結構)	Our Company	201310470610.3	Invention	The PRC	October 9, 2013	October 9, 2033
6.	A chemical-mechanical cleaning method for SiC epitaxial wafer (一種SiC外延片的化學機械清洗方法)	Our Company	201410353373.7	Invention	The PRC	July 23, 2014	July 23, 2034

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
7.	A CVD heating coil structure of high temperature used in vacuum chamber (一種真空室用高溫CVD加熱線圈結構)	Our Company	201611251450.3	Invention	The PRC	December 30, 2016	December 30, 2036
8.	A processing method for the back of large SiC chips (一種大尺寸SiC晶片的背面處理方法)	Our Company	201710010531.2	Invention	The PRC	January 6, 2017	January 6, 2037
9.	An epitaxial method for minimizing triangular defects on the surface of SiC epitaxial wafers (一種降低SiC外延晶片表面三角形缺陷的外延方法)	Our Company	201710120128.5	Invention	The PRC	March 2, 2017	March 2, 2037
10.	A cleaning method for removing metal contamination or residues on SiC epitaxial wafers (一種去除SiC外延晶片金屬污染或殘留的清洗方法)	Our Company	201710120161.8	Invention	The PRC	March 2, 2017	March 2, 2037
11.	A preparation method for materials of silicon carbide high-voltage PiN diode devices (一種SiC超高壓PiN二極管器件材料的製備方法)	Our Company	201710459941.5	Invention	The PRC	June 17, 2017	June 17, 2037
12.	A method for preparing epitaxial materials for SiC avalanche photodiode equipment (一種SiC雪崩光電二極管器件外延材料的製備方法)	Our Company	201710459925.6	Invention	The PRC	June 17, 2017	June 17, 2037
13.	A materials and manufacturing method for high-voltage P-channel silicon carbide IGBT devices (一種超高壓P溝道SiC IGBT器件材料及其製造方法)	Our Company	202010439522.7	Invention	The PRC	May 22, 2020	May 22, 2040

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
14.	An epitaxy method and application for reducing stacking faults in epitaxial wafers (一種降低外延片堆疊層錯缺陷的外延方法及其應用)	Our Company	202010439296.2	Invention	The PRC	May 22, 2020	May 22, 2040
15.	A cleaning method for reaction chamber components of silicon carbide chemical vapor deposition equipment (一種SiC化學氣相沉積設備反應腔配件清潔方法)	Our Company	202010452392.0	Invention	The PRC	May 26, 2020	May 26, 2040
16.	A preparation method for gradient PN junction materials (一種漸變式PN結材料的製備方法)	Our Company	202010501945.7	Invention	The PRC	June 4, 2020	June 4, 2040
17.	A method for suppressing crown defects at epitaxial edges (一種抑制外延邊緣Crown缺陷的方法)	Our Company	202110771412.5	Invention	The PRC	July 8, 2021	July 8, 2041
18.	A method for rapidly removing backside deposits from wafers during silicon carbide epitaxy (一種快速去除碳化硅外延過程中晶片背面沉積物的方法)	Our Company	202110978852.8	Invention	The PRC	August 25, 2021	August 25, 2041
19.	A preparation method for composite coatings on sample trays for silicon carbide epitaxy (一種碳化硅外延晶片生長用樣品托上的複合塗層製備方法)	Our Company	202111107336.4	Invention	The PRC	September 22, 2021	September 22, 2041
20.	A method for reducing warpage in semiconductor epitaxy wafers (一種降低半導體外延片翹曲度的方法)	Our Company	202210729428.4	Invention	The PRC	June 24, 2022	June 24, 2042

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
21.	A method for growing low-warpage semiconductor substrate wafers (一種生長低翹曲半導體基底晶片的方法)	Our Company	202210729423.1	Invention	The PRC	June 24, 2022	June 24, 2042
22.	A structure of an 8-inch single-substrate high-temperature silicon carbide epitaxy growth chamber (一種8英吋單片高溫碳化硅外延生長室結構)	Our Company	201621419794.6	Utility Model	The PRC	December 21, 2016	December 21, 2026
23.	A main plate structure for rotating satellite disks in silicon carbide epitaxy (一種衛星盤自轉的SiC外延生長主盤結構)	Our Company	201621419760.7	Utility Model	The PRC	December 21, 2016	December 21, 2026
24.	A detachable composite polishing disk (一種可拆卸的組合式拋光盤)	Our Company	201720061831.9	Utility Model	The PRC	January 17, 2017	January 17, 2027
25.	A structure of a growth chamber for large-area silicon carbide epitaxial layers with uniform doping (超摻雜均勻性大面積SiC外延層生長腔室結構)	Our Company	201720237302.X	Utility Model	The PRC	March 10, 2017	March 10, 2027
26.	A weight-press type ring blade grinder for polishing equipment (一種拋光設備用的配重加壓式環刀型修盤器)	Our Company	201921570583.6	Utility Model	The PRC	September 20, 2019	September 20, 2029
27.	A cylinder-press type ring blade grinder (一種氣缸加壓式環刀型修盤器)	Our Company	201921570597.8	Utility Model	The PRC	September 20, 2019	September 20, 2029
28.	A gas supply device for epitaxy furnaces (一種外延爐供氣裝置)	Our Company	201921368527.4	Utility Model	The PRC	August 20, 2019	August 20, 2029

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
29.	A polishing device for changing the warpage of silicon carbide wafers (一種改變SiC晶片翹曲度的拋光裝置)	Our Company	202021000501.9	Utility Model	The PRC	June 3, 2020	June 3, 2030
30.	A gas mixing device for silicon carbide chemical vapor deposition equipment (一種碳化硅化學氣相沉積設備氣體混合裝置)	Our Company	202121551692.0	Utility Model	The PRC	July 9, 2021	July 9, 2031
31.	A sample tray and device for growing silicon carbide epitaxial wafers (一種生長碳化硅外延晶片用樣品托及其裝置)	Our Company	202121544878.3	Utility Model	The PRC	July 8, 2021	July 8, 2031
32.	A platform for eliminating large area contact on wafer fronts (一種避免晶圓正面大面積接觸的載物台)	Our Company	202121597934.X	Utility Model	The PRC	July 14, 2021	July 14, 2031
33.	A tray structure for suppressing white spots or particles on the backside of silicon carbide epitaxial wafers (抑制SiC外延片背面生長白斑或顆粒物的托盤結構)	Our Company	202121597910.4	Utility Model	The PRC	July 14, 2021	July 14, 2031
34.	A mercury CV magnetic testing fixture (一種汞CV磁吸式測試夾具)	Our Company	202121600230.3	Utility Model	The PRC	July 14, 2021	July 14, 2031
35.	A silicon carbide chemical vapor deposition reactor (一種碳化硅化學氣相沉積反應器)	Our Company	202122118366.7	Utility Model	The PRC	September 3, 2021	September 3, 2031
36.	A tray for semiconductor epitaxy growth (半導體外延生長用托盤)	Our Company	202221089361.4	Utility Model	The PRC	May 7, 2022	May 7, 2032
37.	An epitaxial wafer tray (外延片托盤)	Our Company	202221060880.8	Utility Model	The PRC	May 5, 2022	May 5, 2032

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
38.	A tray for epitaxy growth (用於外延生長的托盤)	Our Company	202221060631.9	Utility Model	The PRC	May 5, 2022	May 5, 2032
39.	A clamp for gripping silicon carbide epitaxial wafers of various sizes (一種用於夾取多種尺寸的半導體碳化硅外延片的夾子)	Our Company	202221602714.6	Utility Model	The PRC	June 24, 2022	June 24, 2032
40.	An accessory structure for growing high-quality semiconductor epitaxial wafers (一種用於生長高品質半導體外延片的配件結構)	Our Company	202221602761.0	Utility Model	The PRC	June 24, 2022	June 24, 2032
41.	A condensation device for cooling circulating water (一種冷卻循環水的冷凝裝置)	Our Company	202221539492.8	Utility Model	The PRC	June 20, 2022	June 20, 2032
42.	A sample tray for growing silicon carbide epitaxial wafers with composite coating (一種具有複合塗層的碳化硅外延晶片生長用樣品托)	Our Company	202122291067.3	Utility Model	The PRC	September 22, 2021	September 22, 2031
43.	A current heating device for conductive silicon carbide wafers (用於導電型碳化硅晶片的電流加熱裝置)	Our Company	202221248562.4	Utility Model	The PRC	May 20, 2022	May 20, 2032
44.	An epitaxy furnace device (外延爐裝置)	Our Company	202221248535.7	Utility Model	The PRC	May 20, 2022	May 20, 2032
45.	A pipeline supply system (管路供應系統)	Our Company	202221487953.1	Utility Model	The PRC	June 14, 2022	June 14, 2032
46.	A silicon carbide epitaxy growth pipeline system (碳化硅外延生長管路系統)	Our Company	202221486035.7	Utility Model	The PRC	June 15, 2022	June 15, 2032

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
47.	A butterfly valve cleaning fixture and splash protection device (一種蝶閥清洗固定與防潑水裝置)	Our Company	202221908151.3	Utility Model	The PRC	July 22, 2022	July 22, 2032
48.	A vacuum suction pen (真空吸筆)	Our Company	202222776427.3	Utility Model	The PRC	October 20, 2022	October 20, 2032
49.	A carrier for hollow detection of semiconductor wafers (用於半導體晶片空洞檢測的載台)	Our Company	202222775929.4	Utility Model	The PRC	October 20, 2022	October 20, 2032
50.	A detachable probe for silicon carbide carrier concentration test instruments (一種用於碳化硅載流子濃度測試儀上的可拆卸探頭)	Our Company	202223537322.9	Utility Model	The PRC	December 28, 2022	December 28, 2032
51.	A device for improving production efficiency in silicon carbide epitaxy furnace wafer handling (一種提高生產效率的碳化硅外延爐托盤取片裝置)	Our Company	202223536028.6	Utility Model	The PRC	December 30, 2022	December 30, 2032
52.	A tray for growing semiconductor epitaxy wafers (用於生長半導體外延片的托盤)	Our Company	202223592696.0	Utility Model	The PRC	January 3, 2023	January 3, 2033
53.	An accessory for guiding flow of process gas (一種製程工藝氣體的導流配件)	Our Company	202320072195.5	Utility Model	The PRC	January 10, 2023	January 10, 2033
54.	A CV testing fixture capable of switching between different sizes (一種能夠自由切換不同大小尺寸的CV測試夾具)	Our Company	202320221899.4	Utility Model	The PRC	February 15, 2023	February 15, 2033
55.	A clamp for testing the roughness of silicon carbide surfaces (碳化硅表面粗糙度測試儀卡位器)	Our Company	202321388527.7	Utility Model	The PRC	June 2, 2023	June 2, 2033

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
56.	A quartz bell jar protection device (石英鐘罩保護裝置)	Our Company	202323659215.8	Utility Model	The PRC	December 29, 2023	December 29, 2033
57.	A device for improving the uniformity of process gas mixing (一種提高工藝氣體混合均勻性的裝置)	Our Company	202420558283.0	Utility Model	The PRC	March 21, 2024	March 21, 2034
58.	Silicon carbide epitaxial wafer growth carrier (碳化硅外延片生長載盤)	Our Company	202420642554.0	Utility Model	The PRC	April 1, 2024	April 1, 2034
59.	Silicon carbide epitaxial growth support device (碳化硅外延生長承載裝置)	Our Company	202420642548.5	Utility Model	The PRC	April 1, 2024	April 1, 2034
60.	Structure, method and device of step-style silicon carbide trench field stop (一種台階式SiC溝槽場限環終端結構、製備方法及其器件)	Southern Semiconductor	202011034646.3	Invention	The PRC	September 27, 2020	September 27, 2040
61.	A digital synchronous rectification control method and digital signal processor (數位同步整流控制方法及數位信號處理器)	Southern Semiconductor	202011458643.2	Invention	The PRC	December 11, 2020	December 11, 2040
62.	A method and circuit for attaining boost mode and constant power control of soft-switching bidirectional DC-DC converters (軟開關雙向直流變換器的升壓模式恆功率控制方法及電路)	Southern Semiconductor	202010054157.8	Invention	The PRC	January 17, 2020	January 17, 2040
63.	A method and circuit for attaining boost mode and constant current control of soft-switching bidirectional DC-DC converters (軟開關雙向直流變換器的升壓模式恆電流控制方法及電路)	Southern Semiconductor	202010052980.5	Invention	The PRC	January 17, 2020	January 17, 2040

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
64.	A method and circuit for attaining boost mode and constant voltage control of soft-switching bidirectional DC-DC converters (軟開關雙向直流變換器的升壓模式恒電壓控制方法及電路)	Southern Semiconductor	202010052944.9	Invention	The PRC	January 17, 2020	January 17, 2040
65.	An operation power supply system and power electronic transformer system (操作電源系統及電力電子變壓器系統)	Southern Semiconductor	201911223450.6	Invention	The PRC	December 3, 2019	December 3, 2039
66.	A multi-channel voltage regulator circuit and electronic device (多路穩壓電源電路及電子設備)	Southern Semiconductor	201911105636.1	Invention	The PRC	November 13, 2019	November 13, 2039
67.	A multi-phase autotransformer and rectifier system (多相自耦變壓器及整流器系統)	Southern Semiconductor	202110153886.3	Invention	The PRC	February 4, 2021	February 4, 2041
68.	A multi-phase transformer and rectifier system (多相變壓器及整流器系統)	Southern Semiconductor	202110153893.3	Invention	The PRC	February 4, 2021	February 4, 2041
69.	A multi-phase transformer and rectifier system (多相變壓器及整流器系統)	Southern Semiconductor	202120318756.6	Utility Model	The PRC	February 4, 2021	February 4, 2031
70.	A multi-phase autotransformer and rectifier system (多相自耦變壓器及整流器系統)	Southern Semiconductor	202120317865.6	Utility Model	The PRC	February 4, 2021	February 4, 2031
71.	A power switch module test box (功率開關模塊測試箱)	Southern Semiconductor	202222825003.1	Utility Model	The PRC	October 25, 2022	October 25, 2032
72.	A power switch module test fixture (功率開關模塊測試工裝)	Southern Semiconductor	202222825005.0	Utility Model	The PRC	October 25, 2022	October 25, 2032
73.	A fixture for chip radiation testing (芯片輻照測試夾持裝置)	Southern Semiconductor	202223313585.1	Utility Model	The PRC	December 8, 2022	December 8, 2032

No.	Patent	Registered Owner	Patent Number	Patent Type	Place of Registration	Date of Application	Date of Patent Expiration
74.	A fixture for multi-layered power chip radiation resistance testing (疊層式功率芯片抗輻照測試夾持裝置)	Southern Semiconductor	202320510526.9	Utility Model	The PRC	March 15, 2023	March 15, 2033
75.	A maximum power point tracking control method, system, and photovoltaic power generation output device (最大功率點跟蹤控制方法、系統及光伏發電輸出裝置)	Southern Semiconductor	202310136197.0	Invention	The PRC	February 17, 2023	February 17, 2043
76.	Power semiconductor device thermal resistance testing fixture (功率半導體器件熱阻測試工裝)	Southern Semiconductor	202420433956.X	Utility Model	The PRC	March 6, 2024	March 6, 2034

(ii) As at the Latest Practicable Date, we have applied for the registration of the following patents which we considered to be material to our business:

No.	Patent	Applicant	Place of Application	Patent Type	Application Number	Date of Application
1.	A method for reducing background doping concentration in silicon carbide epitaxy (降低碳化硅外延背景摻雜濃度的方法)	Our Company	The PRC	Invention	202210503801.4	May 10, 2022
2.	A current heating device for conductive silicon carbide wafers (用於導電型碳化硅晶片的電流加熱裝置)	Our Company	The PRC	Invention	202210549425.2	May 20, 2022
3.	A processing method for silicon carbide epitaxial wafers (碳化硅外延片的處理方法)	Our Company	The PRC	Invention	202210596257.2	May 27, 2022
4.	A cleaning method for silicon carbide epitaxial wafers after film application on the silicon surface (一種碳化硅外延晶片硅面貼膜後的清洗方法)	Our Company	The PRC	Invention	202210598538.1	May 30, 2022
5.	A method to prevent resin residue on the surface of silicon carbide epitaxial wafers during polishing (一種防止磨拋過程中碳化硅外延片表面膠質殘留的方法)	Our Company	The PRC	Invention	202210611254.1	May 31, 2022

No.	Patent	Applicant	Place of Application	Patent Type	Application Number	Date of Application
6.	A method for removing epitaxial regrowth substrates from silicon carbide epitaxial wafers (碳化硅外延片去除外延再生襯底的方法)	Our Company	The PRC	Invention	202210617214.8	June 1, 2022
7.	A silicon carbide epitaxy growth tube system (碳化硅外延生長管路系統)	Our Company	The PRC	Invention	202210667129.2	June 14, 2022
8.	A pipeline supply system (管路供應系統)	Our Company	The PRC	Invention	202210668231.4	June 14, 2022
9.	A method for detecting trace metals on the surface of silicon carbide epitaxial wafers (一種檢測碳化硅外延晶片表面痕量金屬的方法)	Our Company	The PRC	Invention	202210719450.0	June 23, 2022
10.	A method for correcting warpage of silicon carbide epitaxial wafers (矯正碳化硅外延片翹曲度的方法)	Our Company	The PRC	Invention	202211693602.0	December 28, 2022
11.	A growth method to improve basal plane dislocations in silicon carbide epitaxial layers (一種改善碳化硅外延層基平面位錯的生長方法)	Our Company	The PRC	Invention	202211729418.7	December 30, 2022
12.	A method for cleaning residual silica polishing solution from the surface of silicon carbide (一種清洗碳化硅表面殘留過氧化矽拋光液的方法)	Our Company	The PRC	Invention	202211729191.6	December 30, 2022
13.	An efficient cleaning method for removing contamination from silicon carbide substrate wafers (一種高效去除碳化硅襯底晶片污染的清洗方法)	Our Company	The PRC	Invention	202310012004.0	January 5, 2023
14.	A cleaning method for removing metal residues from the surface of silicon carbide wafers (一種碳化硅晶片表面金屬殘留的清洗方法)	Our Company	The PRC	Invention	202310022126.8	January 7, 2023
15.	An epitaxial growth detection method (外延生長檢測方法)	Our Company	The PRC	Invention	202310291626.1	March 22, 2023
16.	A sample holder for epitaxial growth on double-layer structure substrates (用於雙層結構生長襯底外延生長的樣品托)	Our Company	The PRC	Invention	202310291640.1	March 22, 2023
17.	A method for filling trenches in silicon carbide structures during epitaxy (一種溝槽結構碳化硅的外延填充方法)	Our Company	The PRC	Invention	202310283692.4	March 22, 2023
18.	An efficient cleaning method for silicon carbide epitaxial wafers after film application (一種高效碳化硅外延晶片硅面貼膜後的清洗方法)	Our Company	The PRC	Invention	202310328225.9	March 30, 2023

No.	Patent	Applicant	Place of Application	Patent Type	Application Number	Date of Application
19.	A cleaning method and equipment for large-sized silicon carbide wax polishing substrates (一種用於大型碳化硅蠟拋襯底的清洗方法及設備)	Our Company	The PRC	Invention	202310415600.3	April 18, 2023
20.	A stress relief epitaxial growth device and method (應力消除外延生長裝置及外延生長方法)	Our Company	The PRC	Invention	202311866172.2	December 29, 2023
21.	A method for reducing thinning pattern in silicon carbide (一種減少減薄碳化硅紋路的方法)	Our Company	The PRC	Invention	202311857742.1	December 29, 2023
22.	A grinding device and system for graphite components (石墨配件磨光裝置及磨光系統)	Our Company	The PRC	Invention	202410116046.3	January 26, 2024
23.	A cleaning method for removing contamination after peeling off silicon carbide epitaxial wafers (一種去除碳化硅外延片揭膜後髒污的清洗方法)	Our Company	The PRC	Invention	202410280241.X	March 12, 2024
24.	A growth process for silicon carbide epitaxial wafers (碳化硅外延片的生長工藝)	Our Company	The PRC	Invention	202410373221.7	March 31, 2024
25.	A probe grinding and cleaning method (探頭磨光清潔方法)	Our Company	The PRC	Invention	202410609502.8	May 16, 2024
26.	A method and tray for improving warpage of silicon carbide epitaxial wafers (改善碳化硅外延片翹曲的方法及托盤)	Our Company	The PRC	Invention	202410653793.0	May 24, 2024
27.	An epitaxial layer growth method with porous surface structure (表面多孔結構的外延層生長方法)	Our Company	The PRC	Invention	202410663362.2	May 27, 2024
28.	A structure of a graphite piece for silicon carbide epitaxy (一種碳化硅外延用上半月石墨件結構)	Our Company	The PRC	Utility Model	202323646488.9	December 29, 2023
29.	A device for adhesive attachment pads (一種粘貼吸附墊的裝置)	Our Company	The PRC	Utility Model	202420474937.1	March 12, 2024
30.	A wafer testing probe (晶片測試探頭)	Our Company	The PRC	Utility Model	202421073886.8	May 17, 2024
31.	An auxiliary fixture for cleaning graphite components (一種石墨配件清潔輔助治具)	Our Company	The PRC	Utility Model	202421122774.7	May 22, 2024
32.	A feeding device for silicon carbide epitaxy growth with loading detection capability (一種具有上料檢測功能的碳化硅外延生長進料設備)	Our Company	The PRC	Utility Model	202421122775.1	May 22, 2024
33.	Graphite components for silicon carbide epitaxy (碳化硅外延用石墨件)	Our Company	The PRC	Utility Model	202422011781.6	August 19, 2024
34.	A testing probe with reduced contact area (減少接觸面積的測試探頭)	Our Company	The PRC	Utility Model	202422010914.8	August 19, 2024
35.	A manual wafer flipping device (一種晶圓手動倒片器)	Our Company	The PRC	Utility Model	202422040915.7	August 22, 2024

No.	Patent	Applicant	Place of Application	Patent Type	Application Number	Date of Application
36.	An embedded quantitative grinding fixture for grinding CV probes (一種研磨CV探頭的鑲嵌式定量磨削夾具)	Our Company	The PRC	Utility Model	202422004899.6	August 22, 2024
37.	A cleaning tool for the inner wall of quartz bell jars in horizontal airflow SiC epitaxy equipment (一種水平氣流SiC外延設備石英鐘罩內壁清潔工具)	Our Company	The PRC	Utility Model	202323646489.3	December 29, 2023
38.	A surface passivation method for the terminal area of silicon carbide power devices (一種碳化硅功率器件終端區表面鈍化方法)	Southern Semiconductor	The PRC	Invention	202011036141.0	September 27, 2020
39.	A neural network-based maximum power point tracking method and system for photovoltaic modules (基於神經網絡的光伏模組最大功率點跟蹤方法及系統)	Southern Semiconductor	The PRC	Invention	2022113305996	October 25, 2022
40.	A testing method for power switch modules (功率開關模組測試方法)	Southern Semiconductor	The PRC	Invention	202211316165.0	October 25, 2022
41.	A design method and device for energy-saving motors (節能電機的設計方法及裝置)	Southern Semiconductor	The PRC	Invention	202310172698.4	February 17, 2023
42.	An auxiliary fixture for radiation resistance testing of silicon carbide power chips (碳化硅功率芯片抗輻照測試輔助夾具)	Southern Semiconductor	The PRC	Invention	202211743028.5	December 30, 2022
43.	A thermal resistance testing system and method for power semiconductor devices (功率半導體器件熱阻測試系統及方法)	Southern Semiconductor	The PRC	Invention	2024102538173	March 6, 2024
44.	A power cycling test platform compatible with water-cooled heat dissipation modules (適配水冷散熱模組的功率循環測試平台)	Southern Semiconductor	The PRC	Invention	2024211965426	May 28, 2024
45.	A fixed device for cycling test of power semiconductor devices (功率半導體器件循環測試固定裝置)	Southern Semiconductor	The PRC	Invention	202422283795.3	September 18, 2024

(c) Software copyrights

As at the Latest Practicable Date, our Group was the registered owner of the following software copyrights in the PRC which we considered to be material to our business:

No.	Software Name	Registered Owner	Registration Number	Date of Registration
1.	Real-time control software for medium and small variable-speed constant-frequency brushless doubly-fed generators (中小型變速恆頻無刷雙饋發電機實時控制軟件)	Dongguan South Semiconductor Technology Co., Ltd	2020SR1027055	September 2, 2020

(d) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which we considered to be material to our business:

No.	Domain name	Registered Owner	Expiration Date
1.	sicty.com	Our Company	December 7, 2025
2.	cwbg-nf.com	Southern Semiconductor	September 29, 2029

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

1. Particulars of Directors' and Supervisors' Contracts

Each of our Directors and Supervisors [has] entered into a service contract with our Company. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

2. Remuneration of Directors and Supervisors

For details of the remuneration or benefits in kind paid to our Directors and Supervisors during the Track Record Period, please refer to the section headed "Directors, Supervisors and Senior Management" and Note 8 to the Accountants' Report in Appendix I to this document.

During the Track Record Period, no fees were paid by our Group to any of our Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office, and there has been no arrangement under which a Director or Supervisor has waived or agreed to waive any emoluments.

D. DISCLOSURE OF INTERESTS

1. Disclosure of Interests of Directors, Supervisors and Chief Executive of our Company

Immediately following the completion of the [REDACTED], the interest and/or short position (as applicable) of our Directors, Supervisors and chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are [REDACTED], will be as follows:

				Shares held as at the Latest Practicable Date and immediately prior to the [REDACTED][(1)]		Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[(1)]		
Name of Director, Supervisor or chief executive of our Company	Position	Nature of Interest	Description of Shares	Number	Approximate percentage of interest in our Company	Number	Approximate percentage of interest in the Unlisted Shares/ H Shares (as appropriate)[(2)]	Approximate percentage of interest in our Company[(2)]
Mr. Li[(3)&(4)]	Chairman, executive Director and general manager	Beneficial Interest	Unlisted Shares	105,517,013 (L)	29.0522%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
			H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
		Interest in controlled corporation[(3)]	Unlisted Shares	40,310,259 (L)	11.0987%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
			H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
		Interest of concert parties[(4)]	Unlisted Shares	66,126,373 (L)	18.2067%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
			H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Au Yeung[(4)]	Non-executive Director	Beneficial Interest	Unlisted Shares	66,126,373 (L)	18.2067%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
			H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
		Interest of concert parties[(4)]	Unlisted Shares	145,827,272 (L)	40.1509%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
			H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Zhuang Shuguang	Chairman of our Supervisory Committee, shareholder representative Supervisor	Beneficial Interest	Unlisted Shares	28,139,493 (L)	7.7477%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
			H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Yuan Yi	Shareholder representative Supervisor	Beneficial Interest	Unlisted Shares	14,057,580 (L)	3.8705%	[REDACTED] (L)	[REDACTED]%	[REDACTED]%
			H Shares	Nil	—	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The letter "L" denotes the entity/person's long position (as defined under Part XV of the SFO) in such Shares.

2. The calculation is based on the total number of [REDACTED] Unlisted Shares and [REDACTED] H Shares in issue upon [REDACTED] comprising (i) an aggregate of [REDACTED] H Shares to be converted from the Unlisted Shares and (ii) [REDACTED] H Shares to be issued pursuant to the [REDACTED] (without taking into account the H Shares which may be issued upon the exercise of the [REDACTED]).

3. As at the Latest Practicable Date, each of Dinghong Investment, Runsheng Investment and Wanghe Investment was interested in 20,274,440 Unlisted Shares, 11,585,291 Unlisted Shares and 8,450,528 Unlisted Shares, respectively. Each of Dinghong Investment, Runsheng Investment and Wanghe Investment, as ESOP Platforms, is managed by its executive partner, namely Tianyu Gongchuang, which is in turn owned as to 99% by Mr. Li and as to 1% by Ms. Su Qin, the spouse of Mr. Li. The limited partner of each of Dinghong Investment, Runsheng Investment and Wanghe Investment who contributed more than one third of the capital to the limited partnership is Mr. Li, who held 33.84%, 39.60% and 42.07% of the partnership interest in Dinghong Investment, Runsheng Investment and Wanghe Investment, respectively. Accordingly, Mr. Li is deemed to be interested in the Unlisted Shares held by Dinghong Investment, Runsheng Investment and Wanghe Investment under the SFO.

4. Pursuant to the Acting-in-concert Agreement, Mr. Li and Mr. Au Yeung acknowledged and confirmed that they should act in concert by aligning their votes at the Board and/or Shareholders' meetings of our Company in accordance with the consensus achieved between them, and in the event that they are unable to reach consensus on any matter presented, the parties shall vote in accordance with the direction of Mr. Li. For details, see "History, Development and Corporate Structure — Corporate Development — Our Company — Concert Party Arrangement" in this document. As such, each of the Concert Parties (i.e. Mr. Li and Mr. Au Yeung) is deemed to be interested in the Shares each other is interested in.

2. Disclosure of Interests of Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors are not aware of any person (other than our Director, Supervisor or chief executive of our Company) who will, immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, 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 any member of our Group.

3. Disclaimers

Save as disclosed in the sections headed "Business" and "Substantial Shareholders" in this document and the paragraphs headed "C. Further Information about our Directors and Supervisors" and "D. Disclosure of Interests" in this section:

(a) none of our Directors or chief executive has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(c) none of our Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business; and

(d) without taking into account any Shares which may be taken up under the [REDACTED], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED], be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

E. EMPLOYEE INCENTIVE SCHEME

We have adopted the Employee Incentive Scheme on January 22, 2022. The Employee Incentive Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of Shares or the grant of options by our Company to subscribe for the Shares after the [REDACTED]. Given the underlying Shares under the Employee Incentive Scheme have already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the awards under the Employee Incentive Scheme.

(a) Purpose

The purpose of the Employee Incentive Scheme is to incentivize the Participants to service long-term and work towards enhancing the value of our Company and cultivates a sense of long-term shared interests between our Shareholders and our management team.

(b) Participants

The participants (the "**Participants**") of the Employee Incentive Scheme include the directors, senior management, core technical personnel and service backbones of our Company or its subsidiaries, and other persons with material impact on our Company's operating performance and future development of whom our Company considers appropriate (except for the independent non-executive Directors).

(c) Administration

Our Board was authorized to manage the Employee Incentive Scheme, including, but not limited to, formulating and amending implementation documents of the Employee Incentive Scheme, and choosing the appropriate administrator of the ESOP Platforms. The administrator of ESOP Platforms was authorized to manage the daily operation of the platforms, including among others, managing, maintaining and distributing assets of the platforms. Tianyu Gongchuang, the executive partner of the ESOP Platforms, acts as the administrator of the ESOP Platforms.

(d) Granting of Incentive Awards

We have established three ESOP Platforms, namely Dinghong Investment, Runsheng Investment and Wanghe Investment, to implement the Employee Incentive Scheme. As of the Latest Practicable Date, our ESOP Platforms held in aggregate 40,310,259 Shares, representing approximately 11.10% of the share capital of our Company. For details of our ESOP Platforms, please refer to "History, Development and Corporate Structure — Our ESOP Platforms" in this document.

The Participants subscribe for limited partnership interests from the ESOP Platforms (the "**Incentive Awards**"), thereby indirectly holding the Shares in our Company by virtue of their capacity as limited partners of the relevant ESOP Platform. Incentive Awards would be granted to the Participants upon timely contribution of their full subscription price to the respective ESOP Platforms and where relevant written confirmation had been obtained from the administrator of the ESOP Platforms.

(e) Redemption of the Incentive Awards

After our Company is [REDACTED], where the Participant's employment relationship with our Company terminates without misconduct, the relevant Participant may transfer his/her partnership interests in the ESOP Platforms to the administrator of the ESOP Platforms or a third party designated by the administrator at the actual subscription price plus certain interest calculated pursuant to the Employee Incentive Scheme.

(f) Details of the Incentive Awards Granted under the Employee Incentive Scheme

As of the Latest Practicable Date, Incentive Awards corresponding to a total of approximately 8,590,785 Shares, representing approximately 2.3653% of our total issued Shares, have been granted to 102 Participants under the Employee Incentive Scheme. Save for the above, no further partnership interest had been awarded under the Employee Incentive Scheme and no further partnership interest will be awarded thereunder on or after the [REDACTED].

Details of the Incentive Awards granted to Directors, Supervisors and senior management of our Company under the Employee Incentive Scheme as of the Latest Practicable Date are set out below:

Name	Position	Relevant ESOP Interests of the ESOP Platforms	Approximate Partnership Interests of the ESOP Platforms	Approximate Number of Shares Corresponding to the Incentive Awards Held by the Participant	Approximate Shareholding Percentage Corresponding to the Incentive Awards Held by the Participant in the Total Number of Shares in Issue Immediately Prior to the [REDACTED]	Approximate Shareholding Percentage Corresponding to the Incentive Awards held by the Participant in the Total Number of Shares in Issue Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised)
Directors, Supervisors, Senior Management						
Mr. Peng Guanghui	Chief financial officer	Dinghong Investment	3.6399%	737,969	0.2032%	[REDACTED]%
Ms. Li Yongmei	Deputy general manager	Dinghong Investment	4.5894%	930,475	0.2562%	[REDACTED]%
Mr. Li Zhuoxing	Board secretary and joint company secretary	Dinghong Investment	1.6617%	336,900	0.0928%	[REDACTED]%
Ms. Yin Xuefang	Employee representative Supervisor	Wanghe Investment	1.5187%	128,338	0.0353%	[REDACTED]%
Mr. Han Jingrui	Deputy general manager and the head of R&D department	Dinghong Investment	5.5389%	1,122,980	0.3092%	[REDACTED]%
Others						
97 employees	/	/	/	5,334,123	1.4687%	[REDACTED]%

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for [REDACTED] of, and permission to deal in, (i) the H Shares to be issued by us pursuant to the [REDACTED] (including any H Shares which may be issued pursuant to the exercise of the [REDACTED]); and (ii) the H Shares to be converted from our Unlisted Shares.

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor a fee of USD500,000 to act as the sponsor of our Company in connection with the proposed [REDACTED] of H Shares on the Stock Exchange.

4. Preliminary Expenses

As of the Latest Practicable Date, our Company did not incur any material preliminary expenses.

5. Promoters

Information of our promoters as at the time of our Company's conversion into a joint stock company in November 2022 is set out in the section headed "History, Development and Corporate Structure — Corporate Development — Our Company — Joint stock reform in November 2022" in this document.

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

6. Qualifications of experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this document, are as follows:

Name	Qualification
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
DeHeng Law Offices (Shenzhen)	Legal advisers to our Company as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
KPMG	Certified Public Accountants and Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Hogan Lovells	Legal advisers to our Company as to International Sanctions law

7. Consents of experts

Each of the parties named above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which it is respectively included.

As at the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Taxation of Holders of H Shares

(a) Hong Kong

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

(b) Consultation with Professional Advisers

Intending holders of the H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the H Shares. It is emphasised that none of our Company, our Directors, Supervisors or the other parties involved in the [REDACTED] will accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the H Shares or exercise of any rights attaching to them.

9. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. No Material Adverse Change

Our Directors believe that there has been no material adverse change in the financial or trading position since June 30, 2024 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

11. Miscellaneous

Save as disclosed in the sections headed "History, Development and Corporate Structure", "Business", "Financial Information" and "[REDACTED]" in this document and the paragraph headed "A. Further Information about our Group" in this section:

(a) within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our H Shares to be issued in connection with the [REDACTED], none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made to enable the H Shares to be admitted into [REDACTED] for clearing and settlement.

12. Bilingual Document

The English Language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a certified copy of each of the material contracts referred to in "B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix VIII to this document; and

(b) a copy of each of the written consents referred to in "F. Other Information — 7. Consents of experts" in Appendix VIII to this document.

DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.sicty.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 from KPMG, the text of which is set out in Appendix I to this document;

(c) the report from KPMG in relation to unaudited [REDACTED] financial information of our Group, the text of which is set out in Appendix II to this document;

(d) the property valuation report from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix IV to this document;

(e) the audited consolidated financial statements of our Group for the years ended December 31, 2021, 2022 and 2023 and for the [nine] months ended [September 30], 2024;

(f) the industry report prepared by Frost & Sullivan;

(g) the material contracts referred to in the paragraph headed "B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix VIII to this document;

(h) the written consents referred to in the paragraph headed "F. Other Information — 7. Consents of Experts" in Appendix VIII to this document;

(i) the legal opinion issued by DeHeng Law Offices (Shenzhen) as to the laws of the PRC, in respect of certain general corporate matters and the property interests of our Group in the PRC;

(j) the legal memorandum issued by Hogan Lovells, our legal advisers as to International Sanctions law;

(k) the service contracts referred to in the paragraph headed "C. Further Information about Our Directors and Supervisors — 1. Particulars of Directors' and Supervisors' Contracts" in Appendix VIII to this document;

(l) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof; and

(m) the terms of the Employee Incentive Scheme.