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Application Proof of

Shanghai Putailai New Energy Technology Group Co., Ltd.* 上海璞泰來新能源科技集團股份有限公司

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

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Shanghai Putailai New Energy Technology Group Co., Ltd.* 上海璞泰來新能源科技集團股份有限公司

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

[REDACTED]

Number of [REDACTED] under : [REDACTED] H Shares (subject to the
the [REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to
[REDACTED] and the [REDACTED])
[REDACTED] : [REDACTED] per H Share, plus brokerage of
1.0%, SFC transaction levy of 0.0027%,
AFRC transaction levy of 0.00015% and
Hong Kong Stock Exchange trading fee of
0.00565% (payable in full on application in
Hong Kong dollars and subject to refund)
Nominal value : RMB1.00 per Share
Stock code : [●]

Sole Sponsor, [REDACTED] and [REDACTED]



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SUMMARY

OVERVIEW

We are a leading comprehensive solutions provider in the upstream of the new energy battery value chain. In the new energy era, we push the boundaries of battery materials innovation and intelligent manufacturing. We empower the world’s top new energy battery enterprises. We have established a vertically integrated presence across the upstream of the new energy battery value chain, delivering platform-based industry solutions. Driven by technological innovation, we lead technology upgrades, promote cost reduction and efficiency improvement across the industry, create value for energy conservation, environmental protection and sustainable global energy development.

With deep expertise in new energy battery materials and processing technologies, we have accumulated extensive technological know-how and industry experience in battery materials and automation equipment. Building on this foundation, we have progressively expanded into CAAS electrode processing services, making us the only new energy battery materials and automation equipment enterprise with electrode processing service capabilities, according to CIC. We provide domestic and international battery manufacturers, automakers and energy storage customers with comprehensive upstream solutions for new energy batteries.

Our processing technologies, high-quality products and services have been widely recognized by globally leading customers. We have covered nine out of the top ten global new energy battery enterprises by new energy battery shipment volume in 2025, according to CIC. The customer ecosystem we have established has become a key driver of our continued expansion along the value chain.

The following chart sets out a summary of our key achievements.

Key Materials

No. 1 Globally

Shipment volume and market share of **coated separator** for seven consecutive years⁽¹⁾

Shipment volume and market share of **PVDF** for three consecutive years⁽²⁾

No. 6 Globally

Shipment volume and market share of **artificial graphite anode material**⁽³⁾

Automation Equipment

Globally Leading

New energy battery automation equipment manufacturer

No. 1 Globally

Market share of **electrode coating machine**⁽³⁾

Markets and Customers

High Profile Clients⁽⁴⁾

Serve **nine out of the top ten** global new energy battery manufacturers

Production

Competitive Production Capacity⁽⁵⁾

Coated separator: 14 billion m²

Base separator film: 2.1 billion m²

Anode materials: 250,000 tonnes

PVDF: 30,000 tonnes

Boehmite and alumina: 30,000 tonnes

CAAS electrode processing: 62 million m²

R&D⁽⁶⁾

R&D Centers: **10**

R&D Personnel: **1,700+**

Doctor’s & Master’s Team: **nearly 300**

Patents: **around 1,800**

Invention Patents: **340**

ESG

MSCI ESG Rating of **AA**

Eight “Green Factory” certification & **Five** “Carbon Neutral Factory” certification⁽⁷⁾

CDP Water Security and Climate Change **dual B rating**

Notes:

(1) From 2019 to 2025, according to CIC.

SUMMARY

- (2) From 2023 to 2025, according to CIC.
- (3) In 2025, according to CIC.
- (4) By shipment volume in 2025, according to CIC.
- (5) Annual designed production capacity as of December 31, 2025.
- (6) As of December 31, 2025.
- (7) Accredited by provincial Department of Industry and Information Technology and qualified third-party institutions.

OUR STRENGTHS

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

- Comprehensive upstream coverage across the new energy battery value chain, underpinned by high-performance products that empower the entire value chain
- Integrated strategic layout delivering strong product and service competitiveness
- Platform-based layout delivering deep synergies and building the upstream ecosystem of the value chain
- Cross-business platform-based R&D system driving industry technology evolution
- In-depth value chain positioning and a premium customer ecosystem creating mutual empowerment, building brand strength and scale advantages
- Commitment to ESG development, creating value for global energy sustainability
- Experienced and visionary management team

OUR STRATEGIES

We intend to pursue the following strategies.

- Continue to invest in R&D and cross-business R&D platforms to sustain our industry-leading position
- Deepen integrated value chain synergies to achieve mutual enhancement of technology and products
- Actively expand into overseas markets and advance an integrated global business layout
- Further attract and develop outstanding talent
- Our long-term sustainable development strategy

OUR PRODUCTS OFFERINGS

We are primarily engaged in the R&D, manufacturing and sales of new energy battery key materials and new energy battery automation equipment.

SUMMARY

Leveraging our robust R&D capabilities in battery materials and production processes, together with our deep understanding of the electrochemical systems and process routes underpinning new energy batteries, we have evolved into a platform-based enterprise centered on “materials + equipment,” establishing a highly differentiated, synergy-driven capabilities platform within the industry. In the area of new energy battery materials and services, we are able to supply coated separators and film materials, anode materials and functional materials on a stand-alone basis, or deliver integrated material solutions tailored to customers’ specific process requirements, including CAAS electrode processing services. In the area of automation equipment and services, we are able to supply automation equipment and related technical services for use in new energy battery and new energy material production, either on a stand-alone or integrated basis, thereby addressing customers’ needs for individual product procurement as well as integrated, customized solutions spanning key materials and core equipment, and ultimately helping customers achieve cost reduction, efficiency improvement and product performance optimization.

RESEARCH AND DEVELOPMENT

We are dedicated to the research and development of underlying technologies, product development and design of new energy battery key materials and automation equipment. We place high emphasis on the development of new composite graphite anodes, silicon-carbon anodes, ultra-thin high-strength separators, new coated separators, high-speed base separator film production lines and high-speed coating machines. We have made significant and ongoing investments in R&D to diversify our product portfolio, enhance the performance, efficiency and safety of our products, and to develop expertise in the production of key materials. For the years ended December 31, 2023, 2024 and 2025, our R&D expenses accounted for 6.3%, 5.5% and 5.7%, respectively, of our total revenue. See “Financial Information — Principal Components of Consolidated Statements of Profit or Loss — Research and Development Expenses” for details. With the anticipated growth of our business going forward, we expect our research and development expenses to continue to increase.

MANUFACTURING

We adopt a make-to-order production model, scheduling manufacturing runs in response to customer orders so as to maintain optimal inventory levels. We are committed to advancing automation and digitalization across our operations to ensure the consistency and stability of product quality, deploying ERP and MES systems to maintain rigorous control over production costs and processes. Our coated separator and film materials business division has further implemented lights-out manufacturing to achieve the highest practicable level of automation. We have also established a comprehensive ISO/IATF production process management and control system to ensure effective oversight of all production operations.

As of December 31, 2025, we owned and operated 17 production bases, with a further eight production bases under construction. As of December 31, 2025, our designed annual production capacity comprised 14 billion m² for coated separators, 2.1 billion m² for base separator films, 250,000 tonnes for anode materials, 30,000 tonnes for PVDF, 30,000 tonnes for boehmite and alumina and 62 million m² for CAAS electrode processing.

SALES

We are principally engaged in direct sales to our customers. This approach minimizes intermediary costs and facilitates clear, direct communication with our customers. Given that our customers typically demand high product quality and may require customized solutions, maintaining open channels of communication is critical for ensuring product standards and reducing the likelihood of returns or the need for additional after-sales services.

See “Business — Sales and Marketing.”

SUMMARY

PRICING

We determine the selling prices of our products by balancing customer acceptability with our profitability requirements, taking into account a number of factors including, among others, raw material costs, customer purchase volumes, customer relationships, prevailing market competition conditions and the prevailing market prices for comparable products in the target sales regions. We reserve the right to further adjust the prices of our products in response to significant fluctuations in the market prices of key raw materials. Our automation equipment products are primarily customized in nature, command relatively high unit prices and involve longer production and acceptance cycles. Accordingly, we typically require customers to pay a specified proportion of the purchase price as an advance payment upon order signing, a further proportion upon delivery of the products to the customer’s designated site, a further proportion upon customer acceptance, and the remaining balance upon expiry of the warranty period. The selling prices of our products are determined through arm’s length negotiations with our customers.

See “Business — Sales and Marketing — Pricing.”

COMPETITION

According to CIC, the global new energy battery market has grown rapidly, with market size increasing from approximately 530.5 GWh in 2021 to approximately 2,257.0 GWh in 2025, representing a CAGR of 43.6%. The market is projected to reach approximately 6,284.3 GWh by 2030, representing a CAGR of 22.7% from 2025 to 2030, driven by sustained growth in new energy vehicles, energy storage systems and consumer electronics.

The upstream new energy battery materials and equipment markets in which we operate are characterized by high concentration among leading participants. According to CIC, the top five participants accounted for approximately 70.9% of global coated separator shipment volume and approximately 73.7% of global electrode coating machine revenue in 2025. We hold industry-leading positions across multiple product segments. We ranked first globally by the shipment volume of coated separator for new energy battery for seven consecutive years, with market share of 35.3% in 2025, and first globally by the shipment volume of PVDF for new energy battery for three consecutive years, with a market share of 27.6% in 2025. We also ranked sixth globally by artificial graphite anode material shipment volume with a market share of 5.4%, and first globally by electrode coating machine revenue with a market share of 35.2%.

See “Industry Overview.”

CUSTOMERS AND SUPPLIERS

Our primary customers for new energy battery key materials and automation equipment are new energy battery manufacturers. In 2023, 2024 and 2025, the revenue generated from our five largest customers amounted to RMB10,771.6 million, RMB8,860.4 million and RMB9,135.2 million, respectively, representing 70.4%, 66.1% and 58.4% of our total revenue for the respective years. During the same periods, revenue attributable to our largest customer accounted for 39.4%, 39.2% and 39.0% of our total revenue, respectively. During the Track Record Period, we maintained stable business relationships with our five largest customers.

We procure raw materials and components directly from our suppliers. The primary raw materials used in the production of new energy battery key materials include petroleum coke, needle coke, primary graphite, graphite crucibles and box boards, base separator films, binders, ceramic materials and fluorine-containing organic compounds. The primary raw materials used in the production of new energy battery automation equipment include coating dies, various rollers, motors, controllers, ovens and other components.

In 2023, 2024 and 2025, our purchases from our five largest suppliers amounted to RMB1,081.7 million, RMB800.5 million and RMB1,149.9 million, respectively, representing 12.5%, 17.3% and 14.0% of our total purchases for the respective years. Our purchases from our largest supplier in each year accounted for 4.1%, 4.1% and 3.9% of our total purchases, respectively. During the Track Record Period, we maintained stable business relationships with our five largest suppliers.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data during the Track Record Period, extracted from the Accountants’ Report as set out in Appendix I to this document. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, our financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with the IFRS.

Results of Operations

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Revenue	15,292,852	13,398,812	15,655,757
Cost of sales	(11,339,110)	(10,435,779)	(11,000,839)
Gross profit	3,953,742	2,963,033	4,654,918
Other income and gains	545,748	527,569	475,191
Selling and distribution expenses	(196,521)	(161,739)	(155,368)
Administrative expenses	(713,622)	(681,199)	(834,007)
Research and development expenses	(960,650)	(743,384)	(888,241)
Impairment losses on financial and contract assets	(7,170)	(36,868)	(55,691)
Other expenses	(27,534)	(121,631)	(69,521)
Finance cost	(252,316)	(255,938)	(235,486)
Share of profits and losses of – Joint ventures	(16,969)	(25,627)	(19,994)
– Associates	42,811	55,506	86,558
Profit before tax	2,367,519	1,519,722	2,958,359
Income tax expenses	(214,368)	(132,499)	(344,408)
Profit for the year	2,153,151	1,387,223	2,613,951

Revenue

Revenue by Product Type

During the Track Record Period, we primarily generated our revenue through two main types of product, namely (i) new energy battery key materials and (ii) new energy battery automation equipment.

The following table sets forth a breakdown of our revenue by product type for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
	(RMB in thousands, except for percentage)					
New energy battery key materials	11,729,430	76.7	9,633,424	71.9	11,325,315	72.3
New energy battery automation equipment	3,421,882	22.4	3,672,486	27.4	4,148,247	26.5
Others ⁽¹⁾	141,540	0.9	92,902	0.7	182,195	1.2
Total	15,292,852	100.0	13,398,812	100.0	15,655,757	100.0

Note:

(1) Others primarily included revenue derived from the sale of scrap materials.

SUMMARY

Revenue by Geographical Location

The following table sets forth a breakdown of our revenue by geographical location for the periods indicated

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentage)						
Chinese Mainland	13,010,804	85.1	11,982,478	89.4	14,719,306	94.0
Overseas ⁽¹⁾	2,282,048	14.9	1,416,334	10.6	936,451	6.0
Total	15,292,852	100.0	13,398,812	100.0	15,655,757	100.0

Note:

- (1) Overseas primarily included Europe and Asia (except China). Our revenue from overseas decreased from 2023 to 2025, primarily due to a decrease in selling prices of our anode materials.

Sales Volume and Average Selling Price

The table below sets forth the breakdown of the sales volume and average selling prices by product type for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Sales volume ⁽²⁾	Average selling prices	Sales volume ⁽²⁾	Average selling prices	Sales volume ⁽²⁾	Average selling prices
New energy battery key materials						
– Coated separators and film materials ⁽¹⁾ (million m ² , RMB/m ²)	5,316	0.8	7,026	0.6	11,000	0.6
– Anode materials ⁽¹⁾ (thousand tonnes, RMB/kg)	155	40.5	132	30.2	143	24.5
– Functional materials ⁽¹⁾ (thousand tonnes, RMB/kg)	11	91.5	24	44.9	45	33.4
– CAAS electrode processing ⁽³⁾ (thousand m ² , RMB/m ²)	7	27.3	358	6.2	3,818	6.5
New energy battery automation equipment ⁽⁴⁾ (units, RMB’000/unit)	656	N/A	603	N/A	811	N/A

Notes:

- (1) The average selling prices of the products declined year by year primarily due to the intensified market competition.
- (2) The sales volume refers to those used for external sales only.
- (3) As the CAAS electrode processing business was still in the business development stage in 2023, with the most orders for testing purpose, the relatively high average selling prices in 2023 was not meaningful as a reference metric.
- (4) The average selling prices of our new energy battery automation equipment are not meaningful as a reference metric, primarily attributable to (i) the varying proportion of different equipment with a wide price range sold each year from our diverse product portfolio and (ii) the highly customized nature of our equipment.

SUMMARY

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)	Gross profit	Gross profit margin (%)
(RMB in thousands, except for percentage)						
New energy battery key materials	3,240,861	27.6	2,302,498	23.9	3,867,700	34.2
New energy battery automation equipment . . .	693,421	20.3	621,357	16.9	718,143	17.3
Others ⁽¹⁾	19,460	13.7	39,178	42.2	69,075	37.9
Total	3,953,742	25.9	2,963,033	22.1	4,654,918	29.7

Note:

(1) Others primarily included revenue derived from the sale of scrap materials.

Summary of Consolidated Statements of Financial Position

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

	As of December 31,		
	2023	2024	2025
(RMB in thousands)			
Total non-current assets	15,006,036	18,688,782	19,541,330
Total current assets	28,668,910	23,414,773	26,729,377
Total current liabilities	20,391,011	16,858,311	19,910,806
Net current assets	8,277,899	6,556,462	6,818,571
Total assets less current liabilities	23,283,935	25,245,244	26,359,901
Total non-current liabilities	4,553,911	5,704,864	4,578,137
Net assets	18,730,024	19,540,380	21,781,764

Our net current assets increased from RMB6,556.5 million as of December 31, 2024 to RMB6,818.6 million as of December 31, 2025, primarily due to (i) an increase in financial assets at FVTPL resulting from our purchase of wealth management products and an increase in bills receivables in line with our sales growth, (ii) an increase in trade and bills receivables in line with our sales growth, partially offset by an increase in trade and bills payables in line with our sales growth.

SUMMARY

Our net current assets decreased from RMB8,277.9 million as of December 31, 2023 to RMB6,556.5 million as of December 31, 2024, primarily due to (i) a decrease in inventories resulting from (a) a decrease in work in progress, finished goods and raw materials driven by our optimized inventory management, including strategically reduced procurement amount, consumption of existing inventories and increased self-supply of key raw materials and (b) a decrease in goods delivered as inventories of new energy battery automation equipment decreased and (ii) a decrease in cash and cash equivalents resulting from repayment of certain banking borrowings and the incurrence of capital expenditure, partially offset by a decrease in trade and bills payables resulting from a decrease in our raw material procurement resulting from our enhanced inventory management.

Summary of Consolidated Statements of Cash Flow

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

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Net cash flows from operating activities	1,117,806	2,371,683	2,697,298
Net cash flows used in investing activities	(4,984,329)	(3,708,754)	(2,974,026)
Net cash flows from/(used in) financing activities	6,592,318	(880,786)	(670,314)
Net increase/(decrease) in cash and cash equivalents	2,725,795	(2,217,857)	(947,042)
Cash and cash equivalents at beginning of year .	5,621,506	8,352,507	6,136,514
Effect of foreign exchange rate changes, net . . .	5,206	1,864	226
Cash and cash equivalents at end of year	8,352,507	6,136,514	5,189,698

KEY FINANCIAL RATIOS

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

	Year ended/As of December 31,		
	2023	2024	2025
Gross profit margin (%) ⁽¹⁾	25.9	22.1	29.7
Net profit margin (%) ⁽²⁾	14.1	10.4	16.7
Current ratio ⁽³⁾	1.4	1.4	1.3
Debt-to-asset ratio ⁽⁴⁾	0.6	0.5	0.5

Notes:

- (1) Gross profit margin is calculated by dividing gross profit by total revenue for the same period.
- (2) Net profit margin is calculated by dividing net profit by total revenue for the same period.
- (3) Current ratio is calculated by dividing current assets by current liabilities as of the date indicated.
- (4) Debt-to-asset ratio is calculated by dividing total liabilities by total asset as of the date indicated. Total debt is defined to include all interest-bearing borrowings and lease liabilities.

SUMMARY

RISK FACTORS

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to where we conduct business; and (iii) risks relating to the [REDACTED]. You should read that section in its entirety carefully before you decide to invest in the [REDACTED]. Some of the major risks we face include, but are not limited to:

- Demand for our products is driven by the demand of our customers’ products. If we are unable to respond effectively to these changes, our business, results of operations and financial condition will be materially and adversely affected.
- The average selling price of our products may face downward pressure, which will adversely affect our profit margins, result of operations and financial condition.
- Our success depends not only on our own ability but also on our customers’ ability to develop and produce, market and sell their products in a timely and cost-efficient manner to address evolving preferences of their customers, regulatory standards and technological advancement.
- Our business is susceptible to any policy changes affecting the new energy vehicle, energy storage and consumer electronics industry, which may materially and adversely affect our business.
- We face intense competition in the industries in which we operate.
- We may not be able to achieve the desired benefits from our R&D efforts and achieve the most advanced technology or respond to the evolvement in industry standards.
- Changes in supply and costs of key raw materials, utilities, transportation, warehousing and other necessary supplies or services with respect to our business may impact our business, financial condition and results of operations.
- We may be subject to risks associated with our product quality.
- We are subject to risks associated with the overseas expansion of our business.
- We are exposed to credit risk of our customers and we may fail to collect our accounts receivables in a timely manner or at all.

USE OF PROCEEDS

Assuming the [REDACTED] is not exercised and the [REDACTED] is HK\$[REDACTED] per [REDACTED] (being the midpoint of the range of the [REDACTED] stated in this document), after deducting [REDACTED], fees, and estimated expenses payable by us in connection with the [REDACTED], we estimate that we will receive net proceeds of approximately HK\$[REDACTED] from the [REDACTED].

We intend to use our proceeds for the purposes, subject to adjustments based on our ongoing business needs and changing market conditions:

- Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated to further improve our production capabilities.

SUMMARY

- Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated to support our R&D initiatives, primarily in advanced anode materials and separator materials, as well as novel solid-state battery electrolyte materials. We believe such investment will enhance our product offerings and better position us to capitalize on the future opportunities.
- Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated for working capital and general corporate purposes.

See “Future Plans and Use of Proceeds.”

OUR LISTING ON THE MAIN BOARD OF SHANGHAI STOCK EXCHANGE

Since November 2017, our Company’s A Shares have been listed on the main board of Shanghai Stock Exchange. Our Directors confirmed that, as of the Latest Practicable Date, we had no instance of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange. Our PRC Legal Advisor advised us that during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material administrative penalties or regulatory measures imposed by PRC securities regulatory authorities and we had complied with the relevant laws and regulations on A share listings applicable to us in all material respects. Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Advisor’s view, nothing has come to the Sole Sponsor’s attention that would reasonably cause them to disagree with the Directors’ confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange in any material respect.

OUR CONTROLLING SHAREHOLDERS GROUP

As of the Latest Practicable Date, Mr. Liang is a direct beneficial owner of 531,510,881 A Shares and is deemed to be interested in a total of (i) 230,261,325 A Shares held by Ningbo Shengyue, in which Mr. Liang is the largest limited partner as to 84.50%; and (ii) 199,799,546 A Shares held by Ningbo Kuoneng, in which Mr. Liang acts as its general partner. Mr. Liang is the founder, chairman of the Board and an executive Director of our Company.

Ningbo Shengyue is a limited partnership established under the laws of the PRC on November 3, 2014, whose principal business is investment management. It is held by its general partner, Ms. Shao Xiaomei (邵曉梅), the spouse of Mr. Liang, as to 0.50%, and by its limited partners, Mr. Liang and Mr. Chen Wei, as to 84.50% and 15.00%, respectively. Ningbo Kuoneng is a limited partnership established under the laws of the PRC on August 14, 2015, whose principal business is investment management. It is held by its general partner, Mr. Liang, as to 1.0677%, and 18 limited partners, none of whom holds 30% or more interest therein.

As advised by the PRC Legal Advisor, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng are parties deemed to be acting-in-concert pursuant to the applicable laws and regulations of the PRC. Therefore, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng were in aggregate entitled to exercise the voting rights attached to 961,571,752 Shares and approximately 45.01% of our Shares in issue and constituted our Controlling Shareholders Group as of the Latest Practicable Date.

Immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng will be entitled to exercise in aggregate the voting rights attached to approximately [REDACTED] of our Shares in issue. Assuming the [REDACTED] is exercised in full, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng will be entitled to exercise in aggregate the voting rights attached to approximately [REDACTED]% of our Shares in issue. Accordingly, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng will remain as the Controlling Shareholders Group of our Company upon Listing.

SUMMARY

[REDACTED]

The statistics in the following table are based on the assumptions that (i) the [REDACTED] is completed and [REDACTED] H Shares are newly issued in the [REDACTED]; (ii) the [REDACTED] is not exercised; and (iii) 2,103,766,661 A Shares (excluding 32,632,415 treasury shares) are issued and outstanding following the completion of the [REDACTED]:

	Based on the [REDACTED] of [REDACTED] per H Share
Market capitalization of our Shares upon the completion of the [REDACTED] ⁽¹⁾	HK\$[REDACTED]
Market capitalization of our H Shares	HK\$[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾ . . .	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalization of our Shares is based on the assumption that [REDACTED] H Shares will be in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and 2,103,766,661 A Shares (excluding 32,632,415 treasury shares) will be in issue immediately after completion of the [REDACTED] with an average closing price of the Company for the five trading days immediately preceding the Latest Practicable Date of RMB27.55 (or approximately HK\$31.24) per A Share.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share as of December 31, 2025 was calculated after making the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” of this document.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, and there had been no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DIVIDEND POLICY

Pursuant to PRC laws and regulations, including the PRC Company Law (中華人民共和國公司法), and the Articles of Association, we have adopted an annual dividend policy. We prioritize distributing dividends in the form of cash, but may also distribute dividends in the form of stocks or a combination of cash and stocks. Except in certain special circumstances, the cash dividends distributed in a given year must not be less than 10% of the annual distributable profit for that year. Any proposed distribution of dividends is subject to the discretion of the Board of Directors and the approval at our Shareholders’ meetings.

The following table sets forth the dividend that has been declared by us during the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Final dividend	472,882	297,951	357,770

SUMMARY

As of the Latest Practicable Date, dividends declared during 2023, 2024 and 2025 had been fully settled. In March 2026, we declared a final dividend of RMB483.9 million for the year ended December 31, 2025, which is expected to be paid before the Listing.

LISTING EXPENSES

Listing expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. Listing expenses to be borne by us are estimated to be approximately HK\$[REDACTED], comprising: (i) [REDACTED] fees of HK\$[REDACTED]; and (ii) [REDACTED] related expenses of HK\$[REDACTED], which are further categorized into: (a) fees and expenses of legal advisors and accountants of HK\$[REDACTED]; and (b) other fees and expenses of HK\$[REDACTED], assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range), approximately HK\$[REDACTED] of which was charged or is expected to be charged to our consolidated statements of profit or loss, and approximately HK\$[REDACTED] of which is expected to be deducted from equity upon the completion of the [REDACTED].

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below. Certain other terms are explained “Glossary of Technical Terms” in this document.

“2025 Share Option Incentive Scheme”	the 2025 share option incentive scheme of our Company as approved by the Board on March 25, 2025
“A Share(s)”	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
“Accountant’s Report”	the accountant’s report of our Company for the Track Record Period, the text of which is set out in Appendix I to this document
“affiliate(s)”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company, as amended, which shall become effective from the Listing Date and a summary of which is set out in Appendix III to this document
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CIC”	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
“CIC Report”	the report prepared by CIC
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance” or “C(WUMP)O”	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”	Shanghai Putailai New Energy Technology Group Co., Ltd. (上海璞泰來新能源科技集團股份有限公司), a joint stock company with limited liability established under the laws of the PRC on November 6, 2012, the A Shares of which have been listed on the Shanghai Stock Exchange (stock code: 603659)
“Compliance Advisor”	has the meaning ascribed to it under the Listing Rules
“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 Shareholders Group”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng. See “Relationship with Our Controlling Shareholders Group” for more details
“CSDC”	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“General Rules of HKSCC”	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
[REDACTED]	
“Governmental Authority”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company and its subsidiaries from time to time, their predecessors (as the case may be), and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide for New Listing Applicants”	the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange effective from January 1, 2024 (as amended, supplemented or otherwise modified from time to time)

DEFINITIONS

“H Share(s)”	overseas listed foreign shares in our ordinary share capital with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and to be listed on the Main Board of the Stock Exchange

[REDACTED]

“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong

“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“HKSCC”	Hong Kong Securities Clearing Company Limited

[REDACTED]

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

“HKSCC Operational Procedures”	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force

“HKSCC Participant(s)”	a participant admitted participating in CCASS as a direct clearing participant, a general clearing participant or a custodian participant

“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

[REDACTED]

DEFINITIONS

[REDACTED]

“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules

[REDACTED]

“Jiangxi Zichen”	Jiangxi Zichen Technology Co., Ltd. (江西紫宸科技有限公司), a company established in the PRC on December 21, 2012 and a subsidiary of our Company
“Jiangsu Zhuogao”	Jiangsu Zhuogao New Material Technology Co., Ltd. (江蘇卓高新材料科技有限公司), a company established in the PRC on April 17, 2017 and a subsidiary of our Company

[REDACTED]

“Katop Automation”	Jiangsu Katop Automation Co., Ltd. (江蘇嘉拓新能源智能裝備股份有限公司), a company established in the PRC on July 17, 2017 and a subsidiary of our Company
“Latest Practicable Date”	March 10, 2026, being the latest practicable date for ascertaining certain information in this document before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions

DEFINITIONS

“Listing”	the listing of the H Shares on the Main Board
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
[REDACTED]	
“Major Subsidiaries”	our major subsidiaries as identified in “History and Corporate Structure — Our Major Subsidiaries”
“MOF”	Ministry of Finance of the PRC (中華人民共和國財政部)
“Mr. Liang”	Mr. Liang Feng (梁豐), our founder, the chairman of the Board and an executive Director
“Ningbo Kuoneng”	Ningbo Kuoneng Entrepreneurship Investment Partnership Enterprise (Limited Partnership) (寧波闊能創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 14, 2015 and a member of our Controlling Shareholders Group
“Ningbo Shengyue”	Ningbo Shengyue Venture Capital Partnership (Limited Partnership) (寧波勝越創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 3, 2014 and a member of our Controlling Shareholders Group
“Ningde Zhuogao”	Ningde Zhuogao New Material Technology Co., Ltd. (寧德卓高新材料科技有限公司), a company established in the PRC on November 18, 2015 and a subsidiary of our Company
“Nomination Committee”	the nomination committee of the Board

[REDACTED]

“Overseas Listing Trial Measures”	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)

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, but for the purposes of this document only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	the Company Law of the PRC, as amended, modified and/or otherwise supplemented from time to time
“PRC GAAP”	generally accepted accounting principles in the PRC
“PRC Government Body”	has the meaning ascribed to it under the Listing Rules
“PRC Legal Advisor”	King & Wood, our legal advisor on PRC laws

[REDACTED]

“Regulation S”	Regulation S under the U.S. Securities Act
“RMB or Renminbi”	Renminbi, the lawful currency of China
“Ruyuan Fluorine Resin”	Ruyuan Dongyangguang Fluorine Resin Co., Ltd. (乳源東陽光氟樹脂有限公司), a company established in the PRC on November 21, 2013 and a subsidiary of our Company
“SAFE”	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
“Share(s)”	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising our A Shares and our H Shares
“Shareholder(s)”	holders of Share(s)

DEFINITIONS

“Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
“Shenzhen Katop”	Shenzhen Katop Automation Technology Co., Ltd. (深圳市新嘉拓自動化技術有限公司), a company established in the PRC on March 22, 2013 and a subsidiary of our Company
“Sichuan Zhuoqin”	Sichuan Zhuoqin New Material Technology Co., Ltd. (四川卓勤新材料科技有限公司), a company established in the PRC on November 26, 2020 and a subsidiary of our Company
“Sichuan Zichen”	Sichuan Zichen Technology Co., Ltd. (四川紫宸科技有限公司), a company established in the PRC on January 15, 2021 and a subsidiary of our Company

[REDACTED]

“Sole Sponsor”	the sole sponsor of the Listing as named in “Directors and Parties Involved in the [REDACTED]”
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange” or “Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Track Record Period”	the three years ended December 31, 2023, 2024 and 2025

[REDACTED]

“U.S.”, “US” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdictions
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
“VAT”	value-added tax

DEFINITIONS

[REDACTED]

“%”

per cent

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

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Company and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“3C fast-charging”	charging a lithium-ion battery at a current equal to three times its rated capacity
“4C fast-charging”	charging a lithium-ion battery at a current equal to four times its rated capacity
“5C fast-charging”	charging a lithium-ion battery at a current equal to five times its rated capacity
“alumina”	a ceramic material used as a separator coating to enhance battery safety
“aluminum laminated film”	the flexible packaging material used for pouch cell batteries
“anode foil”	the metal foil that serves as the current collector for the anode
“anode materials”	materials used in the battery’s negative electrode to store charge carriers (e.g., lithium ions in new energy battery) during charging
“base separator film”	the uncoated porous film that forms the basis of a battery separator
“binder”	an agent that holds the active material particles together on the current collector
“boehmite”	a ceramic material used as a separator coating to improve battery safety
“CAAS electrode processing”	coating as a service electrode processing, an advanced electrode manufacturing method, providing processing services to customers, in which active materials, conductive agents and binders are mixed by the stirring process to form electrode slurry, which is then coated onto metal foil and dried, followed by rolling
“CAGR”	compound annual growth rate
“coated separator”	a separator with a functional coating to enhance battery safety, battery life and electrochemical performance
“coating”	the process of applying the electrode slurry uniformly onto the current collector
“composite aluminum foil”	a composite current collector with a multilayer structure consisting of a polymer layer in the middle and thin aluminum layer on both sides, for use as the anode current collector
“composite copper foil”	a composite current collector with a multilayer structure consisting of a polymer layer in the middle and thin copper layer on both sides, for use as the anode current collector

GLOSSARY OF TECHNICAL TERMS

“composite current collectors” or “composite foil”	an advanced and lightweight current collector with a multilayer structure consisting of a polymer layer in the middle and thin metal layer on both sides
“consumer batteries”	batteries used in consumer electronics such as smartphones and laptops
“current collectors”	metal liquid foils that collect and conduct electrons from the electrodes to the external circuit
“electrolyte”	the medium that transports ions between the positive and negative electrodes
“electrolyte injection”	the process of filling the assembled cell with a precise amount of electrolyte
“energy storage batteries”	batteries designed for energy storage systems to store and release electrical energy
“formation and capacity grading”	the initial charge-discharge cycle to activate the battery, followed by testing and sorting the cells based on their measured capacity
“functional materials”	core materials beside cathode materials, anode materials, separators, electrolytes, and aluminum laminated film, which are necessary for the manufacturing of new energy batteries
“GWh”	gigawatt-hours, a unit of electric energy, 1 GWh=1 billion Wh
“helium detection”	a high-precision leak test that uses helium gas to check if the finished battery cell is perfectly sealed
“kilotonne”	a unit of mass equal to 1,000 metric tonnes
“kWh”	kilowatt-hours, a unit of electric energy, 1 kWh=1,000 Wh
“LATP”	lithium aluminium titanium phosphate, a solid electrolyte material used in lithium batteries
“LFP”	lithium iron phosphate, a type of material used for the cathode (positive electrode) in some lithium-ion batteries
“Li ⁺ ”	the chemical symbol for the lithium-ion
“LiC ₁₂ ”	the chemical formula for a specific lithium—graphite intercalation compound formed in lithium-ion batteries
“LiC ₆ ”	the chemical formula for a lithium—graphite intercalation compound with the highest typical lithiation level in a graphite anode
“lithium-ion batteries”	a type of rechargeable battery that uses lithium ions as charge carriers

GLOSSARY OF TECHNICAL TERMS

“LLZO”	lithium lanthanum zirconium oxide, a solid electrolyte material for lithium batteries
“m ² ”	square meter
“new energy battery”	batteries for new energy applications, batteries used in electric vehicles and energy storage systems, such as lithium-ion batteries and sodium-ion batteries
“PAA”	polyacrylic acid, a type of binder often used for anodes and coated separator
“PFAS”	per- and polyfluoroalkyl substances, a large group of synthetic fluorinated chemicals that are highly persistent in the environment and can accumulate in living organisms
“PMMA”	polymethyl methacrylate, a polymer commonly used as a coating material
“power batteries”	batteries that provide power for electric vehicles and other transportation
“PVDF”	polyvinylidene fluoride, a polymer commonly used as a binder in battery cathodes and can also be used as a coating material
“SEI film”	solid electrolyte interphase film, a very thin that forms on the surface of the active material when the battery is first charged
“semi-solid-state batteries”	batteries that contain both solid electrolyte components and a small amount of liquid electrolyte
“slitting”	the process of cutting the wide coated electrode rolls into narrower strips of a specific width
“slurry mixing”	the process of creating a uniform slurry by mixing electrode materials
“sodium-ion batteries”	a type of rechargeable battery that uses sodium ions as charge carriers
“solid-state batteries”	batteries that use a solid electrolyte instead of a liquid one
“stacking”	an assembly method where individual electrode and separator sheets are stacked on top of each other in an alternating pattern
“tonne”	one tonne equals 1,000 kilograms
“winding”	an assembly method where electrodes and separators are rolled together tightly to create a cylindrical or prismatic cell core

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 and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "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 Group 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:

- our operation and business prospects;
- our strategies, plans, objectives and goals and our ability to successfully implement them;
- estimates of our costs, expenses, future revenues, capital expenditures and our needs for additional financing;
- our ability to attract and retain senior management and key employees;
- future developments, trends, conditions and competitive landscape in the industry and markets in which we operate;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our financial condition and operating results and performance;
- our capital expenditure plans;
- our dividend policy;
- industry trends and competition; and
- general political and economic conditions.

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

You should carefully consider all the information in this document, including the risks and uncertainties described below and our financial statements and the related notes, prior to investing in the H Shares. The risk factors relating to our business and our industry and the jurisdiction where we conduct business may not typically be associated with investing in equity securities of similar companies from other jurisdictions. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks. The trading price of the H Shares could decrease due to any of these risks and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to where we conduct business; and (iii) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Demand for our products is driven by the demand of our customers’ products. If we are unable to respond effectively to these changes, our business, results of operations and financial condition will be materially and adversely affected.

We produce key materials and automation equipment for the production and manufacture of new energy batteries. Demand for our new energy battery key materials and automation equipment is closely tied to the market demand for their end applications, including power batteries, consumer batteries and energy storage batteries. The demand for power batteries, consumer batteries and energy storage batteries is affected by various factors beyond our control. Power batteries are primarily used in new energy vehicles, including passenger vehicles and commercial vehicles, and the electrification of other emerging areas. The demand for electrification in these applications may fluctuate due to various factors, including but not limited to the macroeconomic environment, end-user preferences, cost efficiency, electrification technology and completeness of the infrastructure. Consumer batteries are primarily used in mobile phones, laptops, drones, small robots, wearable devices, and other emerging consumer electronic devices. The demand for consumer batteries is influenced by factors such as consumer spending patterns, technological advancements in electronic devices, replacement cycles, overall economic conditions, and shifts in consumer preferences. Energy storage batteries are primarily used in energy storage, power transmission and distribution, power consumption, data center and other sub-sectors. The demand for energy storage batteries in these applications is affected by various factors, including but not limited to global power demand, global penetration rate of renewable energy sources such as wind and solar, demand for grid stability, technological improvement in relevant areas, as well as cost efficiency. As a result, changes in these factors may affect the demand in the end applications of our products. The demand for new energy batteries is influenced by factors such as technological advancements, the development of substitute materials, replacement cycles, overall economic conditions, and shifts in industry preferences. If we are unable to adapt promptly to these changes, our business, financial condition and operating results may also be adversely affected. Furthermore, the commercial maturity of other emerging new energy technologies, such as hydrogen fuel cells, advanced supercapacitors, or alternative energy storage solutions, may dilute the use of new energy batteries in certain application scenarios. As these alternative technologies become more technologically and economically viable, especially for specific sectors or end uses, reliance on new energy batteries could decrease. In that case, our business, financial condition, and results of operations would be materially and adversely affected.

The average selling price of our products may face downward pressure, which will adversely affect our profit margins, result of operations and financial condition.

The average selling price of our products is influenced by a variety of factors beyond our control, including but not limited to raw material costs, competitor pricing, market trends and labor costs. During the Track Record Period, our product prices have experienced fluctuations. Please see “Financial Information — Revenue — Sales Volume and Average Selling Price.” We cannot predict the future trend

RISK FACTORS

of the average selling price of our products, nor can we guarantee that the fluctuation of average selling price will not continue. Any decline in the average selling price could result in reduced gross profit margins and net profit, which may adversely affect our results of operations and financial condition.

Our success depends not only on our own ability but also on our customers’ ability to develop and produce, market and sell their products in a timely and cost-efficient manner to address evolving preferences of their customers, regulatory standards and technological advancement.

Our revenue is principally generated from sales to corporate customers. Therefore, our business performance largely relies on our customers’ ability to develop and produce, market and sell their products in a timely and cost-efficient manner to address the evolving preferences of their end customers, regulatory standards and technological advancement. We cannot assure you that our customers will continue to strengthen their sales and marketing efforts, comply with the relevant regulatory standards and respond to the technological advancement, and will not make any adjustments to their existing sales and marketing strategies. Inability to do so could reduce the demand for our products, which in turn could cause a decline in our revenue and profitability. Further, any such adjustments to our customers’ sales and marketing strategies may affect their sales, and may in turn, result in a material and adverse impact on our business, financial condition and results of operations.

Our business is susceptible to any policy changes affecting the new energy vehicle, energy storage and consumer electronics industry, which may materially and adversely affect our business.

New policy for new energy batteries or changes in the regulatory requirements concerning the end markets for new energy batteries may affect our business, financial condition, results of operations and prospects. For example, the national new energy vehicle subsidy policy for purchase of new energy vehicle under the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (Cai Jian [2020] No. 86) (關於完善新能源汽車推廣應用財政補貼政策的通知(財建[2020]86號)) was gradually terminated. The gradual termination of the subsidy policy could directly affect the profitability of new energy vehicle manufacturers in the short term and some of them may choose to pass down such increased costs to end customers, which may discourage end customers from choosing energy vehicles, and thus affect the overall market demand of new energy battery materials and equipment.

In addition, in the context of the national goal of becoming carbon neutral, the energy storage market in China has welcomed a series of favorable policies. For instance, Action Plan for Carbon Dioxide Peaking Before 2030 (2030年前碳達峰行動方案) issued by the State Council in 2021 unveiled a series of action plans to accelerate energy storage development. As for the energy storage industry, on July 23, 2021, the National Development and Reform Commission (the “NDRC”) and the National Energy Administration (the “NEA”) issued the Guiding Opinions on Accelerating the Development of New Energy Storage (Fa Gai Neng Yuan Gui [2021] No. 1051) (關於加快推動新型儲能發展的指導意見) (發改能源規[2021]1051號), which set the goal of achieving the comprehensive market development of new energy storage by 2030. On July 26, 2021, the NDRC issued the Notice on Further Improvement of the Time-of-use Pricing Mechanism (Fa Gai Jia Ge [2021] No. 1093) (關於進一步完善分時電價機制的通知) (發改價格[2021]1093號), which encouraged the use of energy storage to reduce the power load in peak hours. On December 21, 2021, the NEA issued the Regulations on Power Grid Connection and Operations (Guo Neng Fa Jian Guan Gui [2021] No. 60) (電力併網運行管理規定) (國能發監管規[2021]60號), which included electrochemical energy storage and other new energy storage into the management of grid-connected subjects. On January 29, 2022, the NDRC and NEA issued the “14th Five-Year Plan” New Energy Storage Development Implementation Plan (Fa Gai Neng Yuan [2022] No. 209) (“十四五”新型儲能發展實施方案) (發改能源[2022]209號), which encouraged to innovate new energy storage business models and explore the application of business models such as shared energy storage, cloud energy storage and energy storage aggregation. The Standards for Lithium-Ion Battery Industry (2024 edition) (鋰離子電池行業規範條件(2024年本)) and the Measures for the Administration of Lithium-Ion Battery Industry (2024 edition) (鋰離子電池行業規範公告管理辦法(2024年本)) were released by the Ministry of Industry and Information Technology, which enhanced the performance specifications requirements for lithium-ion batteries and the application requirements for production capacity expansion.

RISK FACTORS

In relation to the consumer electronics market, our business is also influenced by a range of industrial policies. The Chinese government has introduced several policies aimed at stimulating consumption and fostering industrial growth, which have created a favorable environment for the consumer electronics market. For instance, on September 24, 2025, the Ministry of Commerce and seven other departments issued the Guiding Opinions on Vigorously Developing Digital Consumption and Jointly Creating a Better Life in the Digital Era (大力發展數位消費共創數位時代美好生活的指導意見). Additionally, the Action Plan for Stable Growth in the Electronic Information Manufacturing Industry (2025-2026) (電子資訊製造業2025-2026年穩增長行動方案) (Gong Xin Bu Lian Dian Zi [2025] No. 181), jointly issued by the Ministry of Industry and Information Technology and the State Administration for Market Regulation on August 22, 2025, is designed to bolster the industry’s development. Furthermore, the Ministry of Commerce and six other departments issued the Notice on Implementing the 2026 Consumer Goods Trade-in Policy with Improved Quality and Efficiency (關於提質增效實施2026年消費品以舊換新政策的通知) (Shang Xiao Fei Si Han [2025] No. 697) in 2025. These policies are intended to promote the consumption of electronic devices, which may in turn support the demand for our products. However, the customer electronic industry also faces increasingly stringent regulatory standards. For instance, on December 16, 2025, the State Administration for Market Regulation and other departments issued the Special Action Plan for the Governance of Quality and Safety of Industrial Products Sold Online (2025-2027) (網售工業產品品質安全專項治理行動方案(2025-2027年)) (Guo Shi Jian Zhi Jian Fa [2025] No. 107). This plan aims to strengthen the supervision of product quality and safety for industrial goods sold online, specifically identifying electronic appliances as a key area of focus. This regulation could lead to increased operational complexity and compliance costs for manufacturers of consumer electronics, which in turn affects upstream suppliers like us.

We may need to change or adapt our business focus from time to time in response to new rules and regulations regarding the end markets of our products, but may not be able to do so timely and efficiently. Any new legislation or changes in the regulatory requirements regarding our end markets could have a material and adverse effect on our end customers, which in turn could materially and adversely affect our business, financial condition and results of operations. Over the past few years, we have benefited from government policy support, driving the development of new energy battery-related industries, including that of new energy battery key materials and automation equipment. However, there is no assurance that these policies will not change or be concluded in the future, in which case the entire lithium-ion battery industry chain, including the new energy battery key materials and automation equipment industries, may be adversely affected, which would have an adverse effect on our business, financial condition, and results of operations.

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

We compete with a number of domestic and international companies focusing on the production of new energy battery key materials and automation equipment, including those with extensive marketing and sales networks and strong industry experience. According to CIC, the global new energy battery coated separator industry was relatively concentrated in 2025, with the top five market participants accounting for approximately 70.9% of the global shipment volume of new energy battery coated separator. According to the same source, the global new energy battery electrode coating machine industry was relatively concentrated in 2025, with the top five market participants accounting for approximately 73.7% of the global shipment volume of new energy battery electrode coating machine.

New and existing competitors strive to increase their market share with continued R&D efforts, optimized production processes and active marketing campaigns. We expect to face competition from both existing and new competitors as we expand into new business lines, geographic markets and product categories. Competition could also have a material and adverse impact on the customers’ demand for, and product pricing of, our new energy battery key materials and automation equipment, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to maintain or enlarge our market share, which would have a material adverse effect on our businesses, financial condition and results of operations.

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We may not be able to achieve the desired benefits from our R&D efforts and achieve the most advanced technology or respond to the evolvement in industry standards.

We rely on technological innovation to drive our continued growth. The battery materials industry is undergoing rapid technological change, with new materials and technologies continuously emerging, which places increasingly high demands on our R&D capabilities. As expectations for new energy battery performance and safety increase, the requirements for the performance of new energy battery key materials are also becoming more stringent. We have made significant investments in R&D to diversify our product portfolio, enhance the performance, efficiency and safety of our products, and to develop expertise in the production of key materials and equipment. In 2023, 2024 and 2025, our R&D expenses amounted to approximately RMB960.7 million, RMB743.4 million and RMB888.2 million, respectively, accounting for 6.3%, 5.5% and 5.7% of our total revenue during the relevant year. In order to maintain and expand our competitive advantages, we may devote more resources in the future. We may not always be able to achieve the desired benefits from R&D investments, reach the industry’s technological frontier, or respond promptly to changes in industry standards. If our R&D and technology cannot deliver timely product updates, we may fall behind market trends and be unable to launch new or improved products promptly. This could result in a loss of market share as customers choose competing products that better meet evolving industry requirements or consumer preferences. There is no assurance that our product development efforts will succeed, be completed within the expected time frame or budget, or that new products will achieve broad market acceptance.

Furthermore, we cannot guarantee that competitors will not develop products that are similar, superior, or more cost-effective than ours, or that we can quickly respond to changes in industry standards. The new energy battery key materials and automation equipment industries are becoming increasingly competitive, and investments in new technologies, processes and techniques have been rising. Any of these factors could render our existing technologies or products obsolete. Therefore, our success depends, in part, on our ability to identify, develop, acquire or license leading technologies applicable to our business. Product development cycles are often unpredictable, and the window for market adoption may be brief. As a result, products under development may have to be abandoned, even after substantial investment, if it becomes commercially unviable. This could materially and adversely affect our business, financial condition, results of operations and prospects.

Changes in supply and costs of key raw materials, utilities, transportation, warehousing and other necessary supplies or services with respect to our business may impact our business, financial condition and results of operations.

We rely on third-party suppliers for the supply of certain key raw materials used in the production of our new energy battery materials and automation equipment, such as petroleum coke, needle coke, primary graphite, graphite crucibles and box boards, base separator films, binders, ceramic materials, fluorine-containing organic compounds, coating dies, various rollers, motors, controllers, ovens and other components. Any increase in the prices of these key raw materials may have a material and adverse effect on our business performance and financial results.

For the year ended December 31, 2023, 2024 and 2025, our raw materials accounted for approximately 47.7%, 52.8% and 59.3%, respectively, of our total costs of sales. As we procure certain key raw materials based on market pricing, our cost structure is subject to volatility in the prices of these raw materials, as well as fluctuations in the prices of utilities, transportation, warehousing, and other necessary supplies and services. Such volatility is influenced by factors beyond our control, including inflation, currency exchange rate fluctuations, extreme weather events, and changes in the broader supply and demand environment. We may not be able to offset increases in input prices by process innovation or pass the adverse effect onto our customers, which could result in a reduction in profit margins and, consequently, a material adverse impact on our financial condition and operating results. Furthermore, significant increases in the prices of our products may erode our competitive advantage, potentially leading to a loss of sales and customer attrition. Accordingly, our business, financial condition, and results of operations may be materially and adversely affected.

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In addition, any unexpected shortages, delivery delays or substandard quality in key raw materials may disrupt our supply chain and, consequently, interrupt our production schedule. In such circumstances, we may be required to source key raw materials from alternative suppliers. If we are unable to identify alternative suppliers promptly or on comparable commercial terms, both the quality of our products and our profitability could be adversely affected. Failure to secure sufficient and high-quality supply of key raw materials for our operations at reasonable cost, or at all, may have a material and adverse impact on our business, financial condition, and results of operations.

Furthermore, we rely on third-party service providers for some services in connection with our business, such as logistics. We obtain services from third-party service providers who we believe are able to meet our requirements. However, the services provided by any of the third-party service providers may not be provided in a timely manner and the services provided by them may not be of satisfactory quality. If the third-party service providers do not perform satisfactorily, substantially reduce the amount and scope of their services, substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services not complying with our requirements or applicable laws and regulations, our reputation in the industry will be affected. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

We may be subject to risks associated with our product quality.

New energy batteries used in energy vehicles, energy storage systems and consumer electronics are inherently complex and may be subject to failure, accidents or other malfunctions. Our new energy battery materials and the products of third parties in which our products are a component are becoming increasingly sophisticated and complicated as technologies continue to advance. We cannot guarantee that there are no and will not be any quality issues with our products. Any quality issues with our products could compromise our product performance, lose customers and/or orders, and reduce our profitability. In addition, third parties who have suffered losses may bring product liability claims or legal proceedings against us, which could require us to pay monetary compensation. Moreover, a product liability claim could generate considerable negative publicity about our products and business, which would materially and adversely affect our brand, business, prospects and results of operations.

We are subject to risks associated with the overseas expansion of our business.

We plan to continue to expand our business in selected overseas markets. As a result, we are subject to a variety of risks and uncertainties associated with overseas operations and sales, including compliance with foreign laws, regulations and local industry standards; export control and economic sanctions laws and regulations; exposure to increased overseas litigation risks; political and economic instability, as well as geopolitical tensions, including the threat of war or terrorist attacks; foreign currency exchange rate fluctuations, currency controls and cash repatriation restrictions; restrictions on imports from the PRC or other trade barriers; unfamiliarity with local operating and market conditions and competitive landscape; uncertainty on the degree of market acceptance; competition from local companies; failure to attract and retain locally qualified management and employees; alignment of the operations, culture and systems of the international team with our existing operations; foreign taxes; environmental, safety and labor regulatory compliance; and potential disputes and difficulty in managing relationships with overseas customers. Additionally, we may expand our business in overseas markets, we will face management risks associated with the growth of our international team and the management of territories under our international strategy. We sell our products in China as well as other regions around the world. For the year ended December 31, 2023, 2024 and 2025, our revenue from overseas sales amounted to RMB2,282.0 million, RMB1,416.3 million and RMB936.5 million, respectively, accounting for 14.9%, 10.6% and 6.0% of our revenue, respectively.

Any failure to manage the foregoing and other risks and uncertainties could result in operational inefficiencies, increased costs and a diversion of management’s attention from other business matters, which in turn could adversely affect our overseas business and its expansion, and result in reduced turnover from our overseas operations, which in turn could materially and adversely affect our business, financial condition and results of operations.

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In addition, our success in expanding our business, providing products and services internationally and competing in international markets is subject to our ability to manage various risks and difficulties, including, but not limited to:

- difficulties in gaining an in-depth understanding of local markets, community and cultures;
- higher levels of payment fraud, legal and compliance risks;
- higher shipment costs;
- requirement to adapt to possible import and export controls, sanctions, trade embargoes and other heightened regulatory requirements;
- challenges and increased expenses associated with staffing and managing international and cross-border operations and managing an organization spread over various jurisdictions;
- ability to recruit talent and challenges in replicating or adapting our policies and procedures to operate in new markets;
- difficulties of integrating any foreign acquisitions, strictly complying with all procedures prescribed under foreign laws and regulations in respect of foreign acquisition and investments and managing our foreign operations;
- ability to provide sufficient levels of technical support in different locations or provide sufficient oversight over the management of our overseas subsidiaries;
- difficulties in establishing cooperative relationships with international partners;
- ability to develop and maintain relationships with customers and other local stakeholders; and
- potential damage to our brand and reputation if we are unable to provide optimal products and services to our customers or properly oversee the management of our operations in such local markets.

In particular, significant political, trade, or regulatory developments could give rise to circumstances outside our control that could have negative impacts on our business operations, including as a result of an economic downturn and geopolitical events. As we expand further into new regions and markets, these risks could intensify. If one or more of these factors were to materialize, it could adversely impact our international operations, and our efforts to expand our operations internationally may not be successful.

We are exposed to credit risk of our customers and we may fail to collect our accounts receivables in a timely manner or at all.

We enter into a wide variety of contractual arrangements with different customers in the ordinary course of our business. We generally grant credit periods ranging from zero to 120 days to our customers. Our trade and bills receivables amounted to RMB3,827.6 million, RMB4,493.2 million and RMB5,828.2 million as of December 31, 2023, 2024 and 2025, respectively. Although our major customers are well-known players in the new energy battery industry with good reputations, and we have established a relatively strict management system for our trade receivables, if any of our customers experience financial difficulties in settling the trade receivables due to factors beyond their control such as adverse changes in the competitive landscape and government policies of the industries in which they operate, not only will the receivables recoverability of our corresponding trade be adversely affected, our ability to meet payment obligations to our suppliers due to the nature of our payment arrangements may also be challenged. This could further expose us to potential disputes with the corresponding suppliers or additional liquidity pressure. If we are unable to collect our trade receivables from our customers in a timely manner per contractual terms or at all, or if there are any material delays in payment by our customers, our liquidity and cash management will be materially and adversely affected, which, in turn, might affect our business, financial condition and results of operations.

RISK FACTORS

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

Our inventories primarily included raw materials, work in progress, finished products and goods delivered. As of December 31, 2023, 2024 and 2025, the balances of our inventories amounted to RMB11,478.0 million, RMB8,364.5 million and RMB8,904.8 million, respectively. Our average inventory turnover days were 362 days, 347 days and 286 days in 2023, 2024 and 2025, respectively. We may not be able to effectively manage our inventory level or to identify any excessive build-up or insufficient stock of inventory in our global operations. We may misjudge market demand. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, and the sale of excess inventory at discounted prices could impair the image of our brands and harm our gross margin. However, if we underestimate the demand for our products, insufficient stock could result in delays in the shipment of our products, thereby impacting our ability to generate sales and cause damages to our reputation and relationships with our customers. Therefore, failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, either of which could adversely impact our business, financial condition and results of operations.

We are subject to customer concentration risk and the loss of, or a significant reduction in purchases from, our major customers would significantly reduce our profitability and materially and adversely affect our prospects, business, results of operations and financial condition.

During the Track Record Period, a majority of our products were sold to a relatively limited number of customers, and we expect our customer concentration to remain at a relatively high level in the near future. In 2023, 2024 and 2025, the revenue contributed by our top five customers in each period accounted for 70.4%, 66.1% and 58.4% of our total revenue, respectively. As such, we may be subject to concentration risks from these major customers. We cannot assure you that we will be able to maintain our relationships with our major customers in the future. Unless otherwise agreed in individual contracts, our major customers are not obliged in any way to continue to cooperate with us in the future at a level that is similar to that in the past. Should any of our major customers reduce substantially their demand for our products or terminate its business relationship with us entirely, or fail to settle its payments on time, we may not be able to secure new business from other customers to compensate for such reduction in sales demand or loss of business. If our relationships with these major customers deteriorate, or if there is a perceived decline in the quality of our products, our sales to these major customers may decrease accordingly. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to properly manage our production capacity.

We strategically operate our production facilities to secure efficient production with high utilization rates. Please see “Business — Manufacturing — Production Facilities.” Despite the increase in our production capacity, our ability to meet the growing demands for our customers may still be constrained by limitations in our production facilities.

We expect to expand our production capacity to meet customers’ expected demands for our products. Our business, results of operations and financial condition depend in part on our ability to effectively manage our production capacity. To effectively manage the expected growth of our operations and personnel, we will need to continue to improve the management of our production capacity. However, there is no assurance that our production capacity expansion plans will be successfully implemented as scheduled or will be commercially successful. Our production capacity expansion plan is also subject to interruptions caused by risks commonly associated with large construction and expansion projects, such as sufficiency of capital, failure to obtain requisite approvals from regulatory authorities, adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems, and other factors beyond our control. As such, we may not be able to achieve the planned production capacity expansion on time.

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Furthermore, our investment in such expansion plans may not necessarily lead to the desired results. If the expansion results in production capacity that exceeds our business growth or does not align with market demand for certain product categories, we may encounter issues such as low utilization rates of production capacity, overproduction, increased fixed costs, and reduced margins. If any of the foregoing events occur, our results of operations, financial performance and business prospects could be materially and adversely affected.

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

Our manufacturing processes are complex, requiring equipment that is periodically modified and upgraded to improve manufacturing yields and product performance. From time to time, production difficulties may arise that could cause delivery delays or reduced output. There is no guarantee that we will not encounter manufacturing issues in achieving acceptable output or timely product delivery due to factors such as construction delays, challenges in upgrading or modifying existing production lines, building new plants, adapting to new manufacturing technologies or processes or delays in equipment deliveries. Any of these issues could constrain our production capacity and adversely affect our results of operations.

In addition, we may experience disruptions in our production lines due to additional factors such as labor shortages or natural disasters, which may delay our production and delivery, leading to sales loss, increased costs and damaged customer relationships. Any such event may adversely affect our business, results of operations, financial condition, and prospects.

Our interest-bearing indebtedness exposes us to interest rate risk in relation to our floating-rate debt, and our level of indebtedness may prevent us from meeting relevant obligations under our indebtedness, which may adversely affect our ability to raise additional capital to fund our operations.

We operate in a capital-intensive industry that requires substantial capital and other long-term expenditures, including expenditures for the purchase of equipment and construction of manufacturing bases. During the Track Record Period, we had certain borrowings to finance our business operations and capital expenditures. We expect that we may continue to do so in the future and our liquidity risk may increase. As of December 31, 2023, 2024 and 2025, we had interest-bearing bank and other borrowings of RMB10,637.6 million, RMB11,180.4 million, RMB10,413.8 million, respectively. The effective interest rate on our bank borrowings ranges from 0.40% to 4.90% during the Track Record Period.

We are exposed to interest rate risk resulting from interest rate fluctuations. Rising interest rates could increase interest expenses relating to our outstanding floating-rate borrowings, which could materially and adversely affect our business, results of operations, financial condition and prospects.

We cannot assure you that we will not have a substantial amount of borrowings in the future. The high amount of borrowings may (i) make it more difficult for us to fulfil our obligations under relevant indebtedness, exposing us to the risk of default, which, in turn, would negatively affect our ability to operate as a going concern; (ii) require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow for other purposes (such as working capital, capital expenditure and other corporate purposes); (iii) expose us to higher pressure under adverse economic or industry conditions; (iv) limit our flexibility in planning for strategic targets, or reacting to changes in our business or in the industry in which we operate; (v) potentially restrict us from pursuing potential strategic business opportunities; (vi) limit our ability to borrow additional funds; (vii) increase our exposure to interest rate fluctuations; (viii) increase our exposure to unpredictable adverse events, such as not having enough cash to cover potential product liability and/or expenses for upgrading technologies or constructing manufacturing facilities; and (ix) limit our finance budget, each of which will materially and adversely impact our business, results of operations and financial condition.

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As a result of the covenants and restrictions, our business may be limited, and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. A breach of any of the restrictive covenants could result in a default with respect to the related indebtedness. If a default occurs, the relevant lenders could demand immediate payment. This, in turn, could cause cross-default or payment acceleration of our other debts. In the event that some or all of our debt payments are accelerated and become immediately due and payable, we may not have the funds to repay, or the ability to refinance, such debt.

We may need additional capital for business operations and expansion, and may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

We may require additional capital beyond those generated by the operating activities from time to time to grow our business, better serve our customers, develop and enhance our products, and improve our operating facilities. Accordingly, we may need to issue additional equity or debt securities or obtain a credit facility. The incurrence of debt financing would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders. Our ability to obtain additional capital is subject to a variety of uncertainties, including: our market position and competitiveness in the markets in which we operate, our future profitability, overall financial condition and results of operations, general market conditions for capital-raising activities by companies in the new energy battery key materials and automation equipment or other relevant markets in China, which in turn are dependent on the prospects of such industries; and economic, political and other conditions in China and globally.

We may be unable to obtain additional capital in a timely manner or on commercially acceptable terms, or at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our business growth could be significantly impaired, and our business and prospects may be adversely affected.

We may be subject to penalties under relevant PRC laws and regulations due to failure to be in full compliance with social insurance and housing provident fund regulations.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee’s actual salary level of the previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period and up to the Latest Practicable Date, although we have not made contributions based on certain employee’s actual salary level, we have not received any notice requiring us to pay any outstanding social insurance and housing provident fund contributions, nor have we been subject to any administrative action or penalty by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions. In the event that competent social insurance or housing fund authorities require us in the PRC to make contributions within a prescribed period or to make supplementary contributions and overdue charges (if any), we will take appropriate remedial measures in order to comply with such requirements in a timely manner. Our PRC Legal Advisor has advised us that once we pay the outstanding amounts of social insurance and housing funds and the overdue charges (if any) in full in timely manner after receiving notices from the relevant regulatory authorities, we will not be subject to administrative fines. In addition, we consulted with and obtained confirmations from the competent governmental authorities and have been advised by our PRC Legal Advisor that, in general, the likelihood that we would be required to pay the deficient amount and overdue charges by such authorities in connection with social insurance and housing funds is remote.

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Our leased property interests may be defective and our right to lease or use the property may be affected.

As of the Latest Practicable Date, we had not registered the lease agreements for 12 of our leased properties with the relevant competent authorities in accordance with applicable regulations. As advised by our PRC Legal Advisor, failure to register the lease agreement would not affect the validity of such lease agreement. However, if we and the landlord fail to register such lease agreement within the prescribed time period by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for such unregistered lease agreement. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities.

Additionally, as of the Latest Practicable Date, the actual use of few of our leased properties did not fit into the prescribed scope of usage shown on the relevant certificates. For the leased properties with usage defects, as advised by our PRC Legal Advisor, our usage of the leased properties with usage defects may be interrupted. Furthermore, as of the Latest Practicable Date, the lessor of the same leased property was unable to provide a valid ownership certificate or other sufficient ownership documents evidencing its right to lease the property to us. Any dispute or claim in relation to the title of the leased property, including any litigation involving allegations of illegal or unauthorized use of the leased property, could require us to relocate.

Any preferential income tax treatment and the government grants that we enjoy may be altered or terminated.

We recorded government grants of RMB234.3 million, RMB212.1 million and RMB192.3 million in 2023, 2024 and 2025, respectively. Not all of those grants are recurring in nature. In addition, we enjoyed certain preferential income tax treatment during the Track Record Period. For example, certain of our subsidiaries are accredited as “High and New Technology Enterprise” and were entitled to a preferential EIT rate of 15% during the Track Record Period. Both the preferential income tax treatment and the government grants we have received are subject to certain criteria and procedures stipulated by local governments, and their continuity is not guaranteed. We cannot assure you that we will be able to receive any such tax treatment or grants in the future. If we are unable to obtain future government grants or preferential tax treatment at comparable levels, or at all, our profitability for the period may be adversely affected.

Unauthorized use of our intellectual property by third parties may harm our brand and reputation, materially and adversely affect our business, and we may incur substantial expenses to protect our intellectual property rights.

We regard our patents, trademarks and other intellectual properties as critical to our success. See “Business — Intellectual Property.” We have made advanced progress and attained a large number of R&D achievements since our inception. However, some of our R&D is still in the process of patent applications. We may face risks that our applications may be rejected. In addition, some of our proprietary technologies are non-patented technologies. If such technologies are leaked or violated, our business and financial conditions may be adversely affected.

In addition, we cannot assure you that our intellectual properties will not be subjected to unauthorized use by third parties, that we will have adequate remedies to prevent such unauthorized use in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise be disclosed to third parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

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Furthermore, our business partners may not always comply with our contract terms prohibiting the unauthorized use of our brands, images and other intellectual property rights. The agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

Implementation of intellectual property laws in China has been developing. Monitoring the unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of resources, including management time and attention, and could disrupt our business, as well as materially and adversely affect our financial condition and results of operations.

We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend and may result in the diversion of our financial and management resources.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights, patents, know-how, trade secrets or other intellectual property rights held by third parties without our being aware of such. We may from time to time be subject to proceedings and claims pending or threatened against us relating to the intellectual property rights of others. We cannot assure you that holders of patents or other intellectual property rights purportedly relating to some aspect of our technology infrastructure or business, if any such holders exist, would not seek to enforce such patents or other intellectual property rights against us. Further, the application and interpretation of laws relating to patents and other intellectual property rights and the procedures and standards for granting such patents or other intellectual property rights are evolving and may be subject to change, and we cannot assure you that courts or regulatory authorities would agree with our analysis. As we face increasing competition from competitors in China and abroad, there may be a higher risk of us being subject to intellectual property infringement claims or other legal proceedings. We may incur additional costs in monitoring and detecting potential infringement.

If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and may incur licencing fees or be forced to develop alternatives of our own. Defending against any infringement or licencing allegations and claims can be costly and time-consuming and may divert management's time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgement, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position, results of operations, prospects and reputation could be materially and adversely affected.

Failure to comply with environmental, fire control, and health and safety laws and regulations may subject us to fines or penalties or incur costs that could materially and adversely affect the success of our business.

We are subject to a number of environmental, fire control, health and safety laws and regulations, including, but not limited to, the treatment and discharge of pollutants into the environment during our business operations. See "Regulatory Overview." In addition, our production facilities can only be put into production after the requirements of the relevant administrative authorities in charge of environmental protection, fire control, and health and safety in China have been met. Delays or failures in obtaining all the requisite regulatory approvals or having duly organized the relevant completion acceptance of such facilities may affect our ability to develop, manufacture and commercialize our products as planned. We may be subject to rectification orders, fines, potentially monetary damages, or production suspensions in our business operations if we fail to meet requisite requirements within the time limit. During the Track Record Period, we were not subject to any material administrative penalties due to violation of relevant

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environmental protection, fire control, and health and safety laws and regulations. As such laws and regulations may evolve, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with relevant laws and regulations, we may be subject to rectification orders, fines, potentially monetary damages, or production suspensions in our business operations. In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of testing, development and manufacturing of our products. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage.

We may be required to incur costs to comply with current or future environmental laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in fines, penalties or other sanctions. Any of the foregoing could adversely affect our business, financial condition, results of operations and prospects.

Furthermore, our production processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury or death. We cannot guarantee that material workplace accidents will not occur despite our safety policies and measures. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs and damage to our reputation, which may materially and adversely affect our business, financial position and results of operations. During the Track Record Period, we were not subject to any material administrative penalties associated with fire and other work-related accidents and the handling and storage of hazardous materials. The storage of these hazardous, toxic or flammable materials near our production facilities and the handling of these materials in the production process pose inherent risks. Any incident relating to our production processes or the handling and storage of hazardous materials, regardless of its location, could result in substantial production interruptions and delays, or claims for significant damage due to personal injuries or property damage, thereby adversely impacting our business, financial condition and results of operations.

Any negative publicity regarding our Company, Directors, employees or products, regardless of its veracity, could adversely affect our business.

Our image is sensitive to the public's perception of us as a business in its entirety, which includes not only the quality and competitiveness of our products, but also our corporate management and culture. We cannot guarantee that no one will, intentionally or otherwise, distribute information about us, especially information regarding the quality of our products or our internal management matters, that may result in a negative perception of us by the public. Any negative publicity about our Company, Directors, employees or products, regardless of veracity, could lead to potential loss of customers or difficulty in retaining or recruiting talent that are essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

Acquisitions, investments or strategic cooperation may fail and materially and adversely affect our reputation, business and results of operations.

We may acquire additional assets or businesses that may generate synergies when combined with our existing business. The cost of identifying and consummating acquisitions may be significant. We may also have to obtain shareholders' approvals and licences from the government authorities for the acquisitions and comply with applicable laws and regulations. Obtaining such approvals and licences may delay, if not halt, our acquisition efforts. Future acquisitions, investments and the subsequent integration of new assets and businesses into our own may entail a number of risks, including increased operating expenses and capital need, share dilution from the issuance of additional securities, incurrence of debt, goodwill impairment charges, amortization expenses for other intangible assets and contingent or unforeseen liabilities, diversion of our management's attention and resources from our existing business in the pursuit

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of such acquisition, frictions in the assimilation of operations, talents, intellectual property and products of an acquired business, and loss of key personnel and business relationships as a result of such acquisition. We may also in the future enter into strategic cooperation with various third parties. Strategic cooperation with third parties could subject us to a number of risks, including: disclosure or misappropriation of proprietary information, defaults including breach of covenants, non-performance by the counterparty; and negative publicity related to these third-parties or such strategic cooperation.

If we fail to address the risks related to our future acquisitions, investments and strategic cooperation, we may not be able to realize the anticipated benefits and our reputation, business, financial condition and results of operations may be adversely affected.

Work stoppages, increases in labor cost and other labor-related matters may have an adverse effect on our business.

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

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase, which may further increase our manufacturing costs. Factors contributing to rising labor costs include inflationary pressures, changes in minimum wage laws and increased demand for skilled workers. Additionally, regulatory changes or enhanced employee benefits mandated by law could further exacerbate these costs. The competition for skilled labor in our industry is intense and we may be required to offer more attractive compensation packages to retain and attract qualified personnel. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively affect staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above issues related to our workforce may materially and adversely affect our operations and future growth. In such circumstances, our profit margin may decrease and our financial condition and results of operations may be materially and adversely affected.

We are exposed to risks relating to the retention of our senior management, key employees and talents.

The continued commitment of our senior management team has been a key element of our success and our ability to operate effectively. Our future success is also significantly dependent upon the continued service of our key executives and other personnel who make up our management team, and our ability to attract and retain personnel who have the necessary experience and expertise. If we lose our senior management members to competitors or other industries, our competitiveness, operations and ability to grow may be adversely affected.

Our business depends substantially on the continuous efforts of our talent pool comprising key employees and scientists who support our existing operations and future growth. If we are unable to retain, attract, recruit or train such personnel, our business may be materially and adversely affected. Our success depends on our ability to attract, recruit and retain existing key personnel including scientists and experts. In particular, we rely on our research and development team to develop technologies and our experienced sales personnel to maintain relationships with our customers. We cannot assure you that we will be able to attract or retain the qualified workforce necessary to support our future growth.

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We may be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, antitrust, infringement of intellectual property rights, and environmental matters. See “Business — Legal Proceedings and Compliance Matters.” If we fail in defending against any such claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us, or brought against us, with or without merit, may result in substantial costs and diversion of resources and may materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We rely on information technology systems to facilitate communications among our employees and with suppliers and customers and other aspects of our business operations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be adversely affected.

Our insurance coverage may not be sufficient to cover all losses, which may increase our costs of operation.

We maintain property risk insurance and employee-related insurance for our business operations. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate all types of loss, damage and liability we may suffer in the future. For example, insurances covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our policies can be renewed on similar or acceptable terms, or at all. If we suffer unexpected severe losses or losses that far exceed the policy limits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our business and operations may be materially and adversely affected by natural disasters, epidemics and pandemics, and industrial accidents could subject us to liabilities and production interruptions.

Our business may be adversely affected by the occurrence of typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events especially in the areas where we operate. In addition, any outbreak of a contagious disease, such as severe acute respiratory syndrome (SARS), Middle East respiratory syndrome, avian influenza or novel coronavirus disease (COVID-19), could disrupt our operations with respect to our supply chain, production, delivery and sales. Such events could decrease the demand for our products, impact the productivity of our workforce, make it difficult or impossible for us to manufacture and deliver products to our customers in a timely manner, or to receive materials and equipment from our suppliers. Should major public health emergencies, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, additional requirements in freight, relevant policies affecting the movement of products between regions, delays in the ramp-up of the production capacity and disruptions in the operations of our suppliers. In the event of a natural disaster, we could incur significant losses, which could require substantial recovery time and result in significant expenditures in order to resume operations.

RISK FACTORS

Our business operations are subject to risks relating to ESG.

Our business is subject to extensive and increasingly stringent environmental and ESG laws and regulations, which pose reputational, regulatory and other risks to us. We devote significant resources to developing technologies and products to reduce our carbon footprint and operate in an environmentally responsible way, but there is no assurance that our practices will always comply with all applicable requirements or prove commercially successful. Some competitors may adopt less ambitious ESG targets, which could affect our competitiveness.

Complying with ESG and environmental requirements requires additional resources, and any failure to comply could result in legal liability, fines, suspension of production or other sanctions, operational disruptions, securities litigation and loss of investor confidence, any of which could materially and adversely affect our business and financial performance. If we are unable, or perceived to be unable, to respond adequately to sustainability concerns or to meet evolving ESG standards or targets, investors may view our corporate responsibility policies as inadequate and invest elsewhere. This could damage our brand and reputation and have a material adverse impact on our business, financial condition and results of operations.

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

We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected. The severity and frequency of international trade friction and disputes have increased in recent years. We cannot guarantee you that these countries will not strengthen their import policies or product certification requirements for new energy battery-related industries in the future, which may have an adverse effect on our operations.

In recent years, complexities in international relations have presented new challenges. For example, the United States has imposed increased tariffs and import restrictions on certain imports from the PRC as well as various other countries. In response, the PRC and other countries have imposed or proposed additional tariffs on certain imports from the United States. Recent developments that challenge the legality of such tariffs may further hinder negotiations between the United States and its trade partners, thereby exacerbating the uncertainties relating to the scope and level of tariffs that could be imposed. In March 2026, the U.S. International Trade Commission determined that the activate anode material imported from China have not materially retarded the establishment of the industry in the U.S. thus will not issue an antidumping duty order or a countervailing duty order on the imports of such products from China. In addition, the export of artificial graphite from the PRC has been subject to evolving export control regulations. See “Regulatory Overview — Industrial Policies And Regulatory Provisions” for more details. There is significant uncertainty on how the relevant tariffs or other trade restrictions measures may evolve, and any rising political tensions, as well as increases in tariffs or changes to trade policies between the U.S. and China, may have a significant impact on our customers’ business which may in term adversely affect demands for our products and business.

In addition, the recent outbreak of military confrontation in West Asia heightens the risk of unpredictable escalation and introduces significant uncertainty with respect to energy markets, supply chains and cross-border operations. As the situation develops, we cannot predict the ultimate scope or duration of the confrontation or its impact on international political stability, trade flows, regulatory regimes or macroeconomic conditions.

Furthermore, concerns over inflation, energy costs, geopolitical frictions, capital market volatility and liquidity issues may create difficult operating conditions in the future. Sales of our products in certain countries and sales of products that include components obtained from certain foreign suppliers maybe be materially and adversely affected by international trade regulations. Certain foreign jurisdictions may impose investment restrictions, economic sanctions and trade restrictions directly or indirectly affecting China-based companies. For example, on October 28, 2024, the U.S. Department of the Treasury

RISK FACTORS

(“**Treasury**”) issued a final rule, codified in the United States Code of Federal Regulations at 31 C.F.R. part 850, to implement the Executive Order 14105 of August 9, 2023 (the “**Final Rule**”), which became effective on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as “Covered Foreign Persons.” U.S. persons subject to the Final Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as “Covered Transactions,” and include certain acquisitions of an equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. While we believe that we are not a “Covered Foreign Person” as defined in the Final Rule, we cannot assure you that the U.S. authorities will not take a different view on the applicability of the Final Rule. Notably, President Trump issued the America Investment Policy Memorandum on February 21, 2025, which proposes to further expand the set of technologies of concern. These rules may limit our ability to engage in certain kinds of research or to invest or maintain investments in China; they may also limit our ability to raise capital from U.S. and other sources. Such laws and regulations are likely subject to frequent changes, and their interpretations and enforcements involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are outside of our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be burdensome or costly to comply with and may materially and adversely affect us, business partners and our key suppliers’ and customers’ abilities to obtain technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations, and may affect our sales or the sales of our customers to certain foreign markets. We have an extensive global operation network, and there is no guarantee that we will continue to be able to operate in existing geographic markets or enter into new markets given the investment restrictions, economic sanctions and trade restrictions that may be promulgated from time to time. In addition, our suppliers, customers and other business counterparties, either in China or overseas, may be subject to sanctions or other restrictions themselves. If we are unable to effectively and timely identify high-risk counterparties and adopt compliance measures accordingly, we may be subject to the risks of investigations, penalties or reputational damage.

Fluctuations in exchange rates could have an adverse effect on our results of operations.

The majority of our overseas business was settled in US dollar. We recorded foreign exchange gains of RMB8.7 million and RMB20.8 million in 2023 and 2024, respectively. We recorded foreign exchange loss of RMB1.2 million in 2025. As we have expanded in, and expect to continue to explore, overseas markets, we are increasingly subject to risks associated with foreign exchange fluctuations.

RISKS RELATING TO WHERE WE CONDUCT BUSINESS

Changes in the economic, political or social conditions or government policies in the countries and regions where we operate could affect our business, financial condition and results of operations.

A substantial part of our assets and operations are located in China. In addition, we operate our business in a number of other geographic markets globally. Accordingly, our business, financial condition and results of operations could also be influenced by political, economic and social conditions in these markets. Economic growth in each of our geographic markets has been uneven, both geographically and among various sectors within any one of the relevant economies. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations. Changes in the economic or political environment could increase our costs, increase our exposure to legal and business risks, disrupt our operations and affect our results of operations.

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We may be subject to the approval or other requirements of the China Securities Regulatory Commission or other PRC governmental authorities in connection with future security activities.

As the PRC laws and regulations in relation to overseas issuance and listing of shares develop, we may be required to make filings with or report to CSRC or other PRC regulatory authorities for our future capital raising activities. On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “**Overseas Listing Trial Measures**”) and their implementation guidelines. The Overseas Listing Trial Measures, which came into effect on March 31, 2023, mainly provide the scope of activities subject to the filing requirement, the entities subject to filing obligations, and the filing procedures. See “Regulatory Overview — Securities Law And Regulations.” We are required to file with the CSRC in accordance with the Overseas Listing Trial Measures after our application for the Offering is submitted. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

On February 24, 2023, the CSRC, the Ministry of Finance of the PRC (the “MOF”), the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (the “**Archives Rules**”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. Any failure to comply with Archives Rules may materially and adversely affect our business, results of operations, financial conditions and prospects.

We are closely monitoring how they will affect our operations and our future financing. In addition, if the CSRC or other PRC regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for future capital raising activities, there can be no assurance that we will be able to obtain a waiver of such requirements, if and when procedures are established to obtain such a waiver. Any unforeseen situations or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, financial condition, prospects and the trading price of our Shares.

Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgement on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

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Furthermore, many of the legal systems in the geographic markets where we operate are based in part on their respective government policies and internal interpretations, some of which are not published on a timely basis or at all and may have retroactive effects. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

The conversion of Renminbi is subject to applicable laws and regulations in China. We cannot guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be registered in advance by the SAFE or its designated banks.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, results of operations and financial condition, may be affected.

We could be subject to changes in our tax rates, the adoption of new tax legislation or exposure to additional tax liabilities.

For the companies established in mainland China, the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”) imposes a tax rate of 25% on business enterprises. Our Company and some of our subsidiaries are entitled to preferential tax treatment. For example, several of our subsidiaries in mainland China have been qualified as high-tech enterprises or engaged in policy-encouraged businesses, accordingly, they were entitled to a preferential income tax rate of 15% during the Track Record Period. Please see “Financial Information — Principal Components of Consolidated Statement of Profit or Loss — Income Tax Expenses” for details. To the extent there are any changes in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, regulations on income, withholding, value-added, and other taxes are subject to be amended or restated. Non-compliance with the tax laws and regulations in mainland China may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to tax laws and regulations in mainland China and tax penalties or fines could affect our businesses, financial condition and results of operations.

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Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares by them. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual or enterprise resides reduce or exempt the relevant tax obligations. Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書) issued by the State Taxation Administration of the PRC (the “SAT”) effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions. For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 10% rate. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (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) issued by the SAT, also stipulates that the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, subject to a further reduction under a special arrangement or an applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise. Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

Service of process upon us or our management that reside in China or to enforce a judgment against them or us in China of any judgment obtained from foreign courts shall be subject to PRC laws, regulations and international and regional treaties to which China has entered into.

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. Service of process upon us or our management that reside in China or to enforce a judgment against them or us in China of any judgment obtained from foreign courts by investors shall be subject to PRC laws, regulations and international and regional treaties to which China has entered into.

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RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of mainland China and Hong Kong.

As we are listed on the Shanghai Stock Exchange and will be listed on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

The characteristics of the A share and H share markets may differ.

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

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

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

The liquidity, trading volume and market price of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows and investments, changes in our pricing policies and expenditures, regulatory developments, demand for our services, unexpected business interruptions resulting from natural disasters or power shortages, our ability to obtain or maintain regulatory approval for our operations, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility and fluctuations in trading volume in the past, and it is possible that our H Shares may be subject to fluctuations in price and volume not directly related to our performance but related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.

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Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

Our historical dividends may not be indicative of our future dividend policy. We cannot guarantee when and in what form dividends will be paid on our H Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. See “Financial Information — Dividend Policy” for more details.

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

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

Our Controlling Shareholders have significant influence in determining the outcome of major corporate transactions that require shareholders’ approval and may take actions that conflict with the interest of the other shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters related to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised, our Controlling Shareholders will hold approximately [REDACTED] of our Shares in issue. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us, our Shares and the [REDACTED]. Prior to the publication of this document, there may be press and media coverage regarding the [REDACTED] and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain

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operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

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

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse impact on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in the dilution of your shareholding.

The market price of our H Shares could 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. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. A certain amount of the Shares controlled by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our H Shares commences on the Hong Kong Stock Exchange. While we are not currently aware of any intention of our Controlling Shareholders to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by the Controlling Shareholders and the availability of these Shares for future sale may have a negative impact on the market price of our Shares.

In addition, while investors subscribing to shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares to which they subscribed, they may have existing arrangements or agreements to dispose of part or all of the H Shares they hold immediately or within a certain period upon completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the Listing Date. Any sale of the H Shares subscribed by such investors pursuant to such arrangement or agreement could adversely affect the market price of our H Shares and any sizeable sale could have a material and adverse effect on the market price of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

WAIVERS AND EXEMPTIONS

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

Given that (i) our Group’s headquarters, senior management, business operations and assets are primarily based outside of Hong Kong; (ii) our executive Directors and members of the senior management team principally reside in China; and (iii) the management and operations of the Company have been mainly under the supervision and guidance of our executive Directors and senior management team, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group’s businesses and it is important for them to remain in close proximity to the Group’s operations located in China, the Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have, sufficient management presence in Hong Kong for the purpose of satisfying Rules 8.12 and 19A.15 of the Listing Rules.

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

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain, Mr. Liang, our executive Director and chairman of the Board, and Mr. Ng Tung Ching Raphael (“**Mr. Ng**”), our joint company secretary as our authorized representatives (together, the “**Authorized Representatives**”) who shall act at all times as the principal channel of communication with the Stock Exchange upon Listing. Each of our Authorized Representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail (where available) to deal promptly with enquiries from the Stock Exchange and will be able to meet with the Stock Exchange within a reasonable timeframe on request. Each of our Authorized Representatives is authorized to communicate on our behalf with the Stock Exchange. Our Company will also inform the Stock Exchange promptly in respect of any change in our authorized representatives;
- (b) each of our Authorized Representatives has means to contact all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Pursuant to Rule 3.20 of the Listing Rules, each Director will provide his/her contact information (including telephone number, mobile phone number and/or email address (where available)) to the Stock Exchange and to the Authorized Representatives. This will ensure that the Stock Exchange and the Authorized Representatives should have means for contacting all Directors promptly at all times as and when required;
- (c) we will endeavor to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;
- (d) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Changjiang Corporate Finance (HK) Limited as our Compliance Advisor from the Listing Date to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the Listing Date. The Compliance Advisor will maintain constant contact with the Authorized Representatives, Directors and senior management of our

WAIVERS AND EXEMPTIONS

Company through various means, including regular meetings and telephone discussions whenever necessary. Our Authorized Representatives, Directors and other members of the senior management of our Company will promptly provide such information and assistance as the Compliance Advisor may reasonably require in connection with the performance of the Compliance Advisor’s duties as set forth in Chapter 3A of the Listing Rules; and

- (e) meetings between the Stock Exchange and our Directors will be arranged through the Authorized Representatives, or directly with our Directors within a reasonable timeframe. We will inform the Stock Exchange promptly in respect of any change in our Authorized Representatives and/or our Compliance Advisor.

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 the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

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

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification nor Relevant Experience (both as defined under paragraph 11 of Chapter 3.10 under the Guide for New Listing Applicants) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer’s company secretary.

WAIVERS AND EXEMPTIONS

Further, pursuant to paragraph 13 of Chapter 3.10 under the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time and on the following conditions:

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

Our Company has appointed Mr. Zhang Xiaoquan (“**Mr. Zhang**”) as one of our joint company secretaries. Mr. Zhang has extensive experience in handling Board secretarial affairs and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfil the requirements of the Listing Rules. Therefore, we have appointed Mr. Ng, who is an fellow of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom and meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules, as a joint company secretary to provide assistance to Mr. Zhang for an initial period of three years from the Listing Date (the “**Waiver Period**”) to enable Mr. Zhang to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules. For details of their biographies, see “Directors and Senior Management — Joint Company Secretaries.”

Given Mr. Ng’s professional qualification and experience, he will be able to explain to both Mr. Zhang and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Mr. Ng will also assist Mr. Zhang in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Mr. Zhang is expected to work closely with Mr. Ng and will maintain regular contact with Mr. Ng. In addition, both Mr. Zhang and Mr. Ng will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Mr. Zhang and Mr. Ng will also be assisted by the Compliance Advisor and our legal advisors as to the Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Mr. Zhang 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. Zhang may be appointed as a joint company secretary of our Company. The waiver is valid for the Waiver Period on the conditions that (a) Mr. Zhang must be assisted by Mr. Ng who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules throughout the Waiver Period; and (b) the waiver will be revoked immediately if and when Mr. Ng ceases to provide assistance to Mr. Zhang as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

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

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WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transaction(s) that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to these continuing connected transactions. For further details in this respect, see “Connected Transactions” in this document.

WAIVER IN RELATION TO POST-TRACK RECORD PERIOD ACQUISITION

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the Accountants’ Report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to Rule 4.02A of the Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Listing Rules, the Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) on a case-by-case basis and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

Proposed Acquisition after the Track Record Period

Since December 31, 2025 and up to the Latest Practicable Date, the Group has proposed to conduct the following acquisition (the completion of which had not occurred as of December 31, 2025, the “**Proposed Acquisition**”), the details of which are set out below.

No.	Name of the target company ⁽¹⁾	Consideration ⁽²⁾	Percentage of shareholding/equity interest ⁽²⁾⁽³⁾	Principal business activities of the target company
1.	Target Company X	RMB80.0 million	5.0%	New energy technology R&D and promotion services

Notes:

1. It is expected that our Company will subscribe to the newly increase registered capital of the Target Company X. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, the Target Company X is an Independent Third Party, and none of its current shareholders hold 20% or more of the registered capital therein.
2. This refers to the estimated consideration for the Proposed Acquisition, having considered various factors including the business operations and financial conditions of the Target Company X. As of the Latest Practicable Date, the terms and conditions of the Proposed Acquisition remain subject to arm’s length negotiation among the relevant parties and may be subject to change.
3. The percentage of shareholding/equity interest represents the total shareholding currently expected to be held by the Company or a member of the Group in the relevant target company after the completion of the Proposed Acquisition.

As of the Latest Practicable Date, no memorandum of understanding or definitive agreement has been entered into by the Group in connection with the Proposed Acquisition. The Proposed Acquisition may or may not proceed.

WAIVERS AND EXEMPTIONS

We believe that the Proposed Acquisition will allow our Company to leverage the position of the Target Company X as a builder of downstream energy storage ecosystem, enabling closer collaboration with downstream customers and energy storage applications, which will further promote the synergies across our Company's materials, equipment and electrode processing businesses. Accordingly, our Directors believe that the Proposed Acquisition, if consummated, will be fair and reasonable and in the interests of the Shareholders as a whole.

Conditions for granting the waiver and its scope in respect of the Proposed Acquisition

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the Proposed Acquisition on the following grounds:

The percentage ratios of the Proposed Acquisition are less than 5% by reference to the most recent audited financial year of our Company's Track Record Period

The relevant percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for the Proposed Acquisition are all less than 5% by reference to the most recent audited financial year of the Track Record Period.

Accordingly, we do not expect the Proposed Acquisition to result in any significant changes to our financial position since December 31, 2025, and all information that is reasonably necessary for potential investors to make an informed assessment of our activities or financial position has been included in this document. As such, we consider that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investors.

It would be unduly burdensome to obtain or prepare the historical financial information of the target company for inclusion in this document

Our Company only proposes to acquire minority interest in the target company. In addition, it would be unduly burdensome and impracticable and would require considerable time and resources for our Company and its Reporting Accountants to fully familiarize ourselves with the management accounting policies of the target companies and compile the necessary financial information in accordance with the Company's accounting policies for disclosure in this document. As such, our Company believes that it would be impractical and unduly burdensome for our Company to disclose the audited financial information of the target company as required under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules within the tight timeframe.

In addition, having considered the Proposed Acquisition to be immaterial and that our Company does not expect the Proposed Acquisition to have any material impact on its business, financial condition or operations, our Company believes that (i) it would not be meaningful and would be unduly burdensome for our Company to prepare and include the financial information of the target company during the Track Record Period in this document, and (ii) the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the Shareholders or prospective investors.

Alternative disclosure of the Proposed Acquisition in this document

We have disclosed alternative information about the Proposed Acquisition in this document. Such information includes those which would be required for a discloseable transaction under Chapter 14 of the Listing Rules that our Directors consider to be material, including, for example, descriptions of the target company's principal business activities, the consideration, the amount of equity interest to be acquired by our Company and the relationship with the counterparties and their ultimate beneficial owners (if any). The Company has, however, excluded disclosure of the name of the Target Company X and the sellers in connection with the Proposed Acquisition as we do not have consent from the other parties to the agreement for such disclosure.

WAIVERS AND EXEMPTIONS

Since the relevant percentage ratios of the Proposed Acquisition are less than 5% by reference to the most recent fiscal year of the Company's Track Record Period, we believe the current disclosure is adequate for potential investors to form an informed assessment of our Company.

We have applied to the Stock Exchange for[, and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules.

WAIVER IN RELATION TO THE SHARE INCENTIVE SCHEME

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

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this document. Our Company is also required to disclose in this document full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options;
- (b) Paragraph 27 of Appendix D1A to the Listing Rules requires our Company to set out in this document particulars of any capital of any member of our Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees. It is noted that that under paragraph 27 of Appendix 1A to the Listing Rules, where options have been granted to employees under a share scheme, it is not necessary to disclose the names and addresses of the grantees of the options; and
- (c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to disclose, amongst others, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in this document.

As of the Latest Practicable Date, our Company had granted outstanding options under the 2025 Share Option Incentive Scheme to [262] grantees (including Directors and senior management of our Company as well as other eligible participants under the 2025 Share Option Incentive Scheme) to subscribe for an aggregate of [28,480,900] A Shares. As of the Latest Practicable Date, among the outstanding options, [5,200,000] A Shares were held by [one] Director and [five] members of senior management of our Company and [23,280,900] A Shares were held by [256] other eligible participants (who are not Directors, senior management of the Company or connected persons of the Company). The Shares underlying the granted options represent approximately [REDACTED]% of the total number of issued Shares immediately after completion of the [REDACTED] assuming no such option is exercised before Listing and that the [REDACTED] is not exercised at all. For further details of our Share incentive scheme, see the section headed "Statutory and General Information — (D) Share Incentive Scheme" in Appendix VI to this document.

WAIVERS AND EXEMPTIONS

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, respectively, in relation to the options granted under the 2025 Share Option Incentive Scheme. Strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons, among others:

- (a) given that a total of [262] grantees are involved, strict compliance with the Share Option Disclosure Requirements in setting out full details of all the grantees who held options under the 2025 Share Option Incentive Scheme in this document would be costly and unduly burdensome for the Company in light of a significant increase in cost and timing for information compilation, document preparation and printing;
- (b) the disclosure of the personal details of each grantee, including the number of options granted and addresses, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for the Company to obtain such consents given the number of grantees;
- (c) the grant and exercise in full of the options under the 2025 Share Option Incentive Scheme will not cause any material adverse impact to the financial position of the Group;
- (d) material information relating to the options under the 2025 Share Option Incentive Scheme will be disclosed in this document, including (i) a summary of the latest terms of the 2025 Share Option Incentive Scheme; (ii) the aggregate number of Shares subject to the options and the percentage of the Shares of which such number represents; (iii) the dilutive effect upon full exercise of the options immediately following completion of the Listing; (iv) full details of the options granted to Directors and members of the senior management and other connected persons (if any) of the Company, on an individual basis, are disclosed in this document and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and Paragraph 10 of Part I of the Third Schedule to the C(WUMP)O; and (v) the particulars of the waiver granted by the Stock Exchange and the exemption granted by the SFC. The Directors consider that the information that is reasonably necessary for potential investors to make an informed assessment of the Company in their investment decision making process has been included in this document; and
- (e) the lack of full compliance with such disclosure requirements will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the investing public.

In light of the above, our Directors are of the view that the grant of the waiver sought and the non-disclosure of the required information will not prejudice the interests of the investing public.

The Stock Exchange [has granted] to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules with respect to the options granted under the 2025 Share Option Incentive Scheme on the condition that the following information will be clearly disclosed in this document:

- (a) on individual basis, full details of all the outstanding options granted by the Company under the 2025 Share Option Incentive Scheme to each of the Directors and members of senior management of the Company, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules;

WAIVERS AND EXEMPTIONS

- (b) in respect of the outstanding options granted by the Company under the 2025 Share Option Incentive Scheme to the grantees other than those referred to above, disclosure is made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being (1) 1 to 5,000 Shares; (2) 5,001 to 50,000 Shares; and (3) 50,001 to 5,000,000 Shares, of (1) the aggregate number of grantees and number of Shares underlying the options under the 2025 Share Option Incentive Scheme; (2) the consideration paid for the grant of the options under the 2025 Share Option Incentive Scheme; and (3) the exercise period and the exercise price of the options granted under the 2025 Share Option Incentive Scheme;
- (c) the dilution effect upon full exercise of the outstanding options granted under the 2025 Share Option Incentive Scheme;
- (d) the aggregate number of Shares subject to the options granted by the Company under the 2025 Share Option Incentive Scheme, and the percentage of the Company’s issued share capital of which such number represents;
- (e) the respective summary of the major terms of 2025 Share Option Incentive Scheme;
- (f) the grant of a certificate of exemption under the C(WUMP)O from the SFC exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the C(WUMP)O; and
- (g) a full list of all the grantees (including those persons whose details have already been disclosed in this document) containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix D1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the C(WUMP)O will be made available for inspection in the section headed in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix VII to this document.

The SFC [has granted] a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that the following information will be clearly disclosed in this document:

- (a) on individual basis, full details of all the outstanding options granted by the Company under the 2025 Share Option Incentive Scheme to each of the Directors, members of senior management and other connected person, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules;
- (b) in respect of the outstanding options granted by the Company under the 2025 Share Option Incentive Scheme to the grantees other than those referred to above, disclosure is made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being (1) 1 to 5,000 Shares; (2) 5,001 to 50,000 Shares; and (3) 50,001 to 5,000,000 Shares, of (1) the aggregate number of grantees and number of Shares underlying the options under the 2025 Share Option Incentive Scheme; (2) the consideration paid for the grant of the options under the 2025 Share Option Incentive Scheme; and (3) the exercise period and the exercise price of the options granted under the 2025 Share Option Incentive Scheme;
- (c) a full list of all the grantees (including those persons whose details have already been disclosed in this document) containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix D1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the C(WUMP)O will be made available for inspection in the section headed in accordance with “Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection” in Appendix VII to this document.

WAIVERS AND EXEMPTIONS

WAIVER IN RESPECT OF STRICT COMPLIANCE WITH PRACTICE NOTE 15 AND THE THREE-YEAR RESTRICTION ON SPIN-OFFS

Paragraph 3(b) of Practice Note 15 of the Hong Kong Listing Rules (the “**PN15**”) provides that the Listing Committee would not normally consider a spin-off application within three years of the date of listing of the issuer with regard to proposals submitted by issuers to effect the separate listing on the Hong Kong Stock Exchange or elsewhere of assets or business wholly or partly within their existing groups, given the original listing of the issuer will have been approved on the basis of the issuer’s portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the issuer would continue to develop those businesses (the “**Three-year Spin-off Restriction**”).

Katop Automation was established by the Company in July 2017 and was held as to 71.54% by the Company as of the Latest Practicable Date. Katop Automation and its subsidiaries (collectively, the “**Spin-off Group**”) primarily acted as the business platform for the automation equipment business of our Group as of the Latest Practicable Date. Considering that the requirements for production and operation of the automation equipment business are different from the new energy battery materials business of the Company, Katop Automation has been operated as an independent business unit within the Group as of the Latest Practicable Date.

As of December 31, 2025, according to the audit report prepared under the PRC GAAP, the total assets of Katop Automation was approximately RMB10,039.97 million, representing approximately 21.70% of the total assets of the Group as of December 31, 2025 prepared under the PRC GAAP. For the year ended December 31, 2025, according to the audit report prepared under the PRC GAAP, the revenue and net profits of Katop Automation prepared under the PRC GAAP reached approximately RMB4,515.29 million and RMB191.82 million, respectively. If Katop Automation were to become an independent listed company, it will enable Katop Automation to enhance its corporate profile, thereby increasing its ability to attract strategic investors.

On June 30, 2023, Katop Automation signed a written tutoring agreement with CSC Financial Co., Ltd. (中信建投證券股份有限公司) regarding its [REDACTED] and listing. On the same day, it submitted its tutoring filing application materials to the Jiangsu Regulatory Bureau of the CSRC. Katop Automation was listed on the National Equities Exchange and Quotations (NEEQ) in December 2025. Subsequently, and on March 5, 2026, its board of directors approved a proposal to change its [REDACTED] and listing on the main board of the Shanghai Stock Exchange to a [REDACTED] of shares to unspecified qualified investors and listing on the Beijing Stock Exchange (“**BSE**”). The proposed [REDACTED] and listing on the BSE is subject to approval by the respective shareholders’ meetings of Katop Automation and the Company. As of the Latest Practicable Date, Katop Automation had not yet submitted a listing application to the BSE.

Having considered, among others, the size of Katop Automation as illustrated above, its clear delineation with the Company’s other businesses in terms of primary business, production and operation and management, and that it has resolved and announced the proposed listing on the BSE, the Company wishes to retain the possibility to spin off Katop Automation within three years after the Listing (the “**Proposed Spin-off**”). Following the Proposed Spin-off, the remaining members of the Group excluding Katop Automation and its subsidiaries (collectively, the “**Retained Group**”) will continue to operate the Group’s other businesses, and Katop Automation is expected to continue to be a subsidiary of the Company.

The Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the Three-year Spin-off Restriction under paragraph 3(b) of PN15 on the following grounds:

- (a) **Full compliance with PN15:** except for the Three-year Spin-off Restriction, the Proposed Spin-off will be in full compliance with all other applicable requirements under the Listing Rules, including but not limited to (i) the requirement for the retained group to retain a sufficient level of operations and sufficient assets to support our Company’s separate listing status, (ii) a clear delineation between the businesses of the Retained Group and the spun-off

WAIVERS AND EXEMPTIONS

group, (iii) independence of the spun-off group in terms of directorship and management, administration, business operation, financing and treasury function, and (iv) announcement or shareholders’ approval procedures, as applicable, at the time of spin-off. The Company will demonstrate such compliance if the Proposed Spin-off materializes.

- (b) **No material impact on the Group’s overall performance:** as disclosed above, total assets of Katop Automation as of December 31, 2025 according to the audit report prepared under the PRC GAAP were RMB10,039.97 million, accounting for approximately 21.70% of total assets of the Group as of December 31, 2025, and revenue and net profits of Katop Automation for the year ended December 31, 2025 were approximately RMB4,515.29 million and RMB191.82 million, respectively, accounting for approximately 28.74% and 8.13% of those of the Group for the year ended December 31, 2025. Given the size of operation of the Group, the Group will still retain a substantial proportion of business operation upon completion of the Proposed Spin-off and the Retained Group is still expected to satisfy the profits test under Rule 8.05(1) of the Hong Kong Listing Rules. In addition, the business of Katop Automation will be clearly delineated with the other businesses in terms of primary business, production and operation and management. As such, the Proposed Spin-off will not have any material adverse impact to operations of remaining businesses of the Group.
- (c) **In line with Shareholders’ interests:** the Company believes that the Proposed Spin-off could better reflect the value of Katop Automation on its own merits and increase its operational and financial transparency, through which investors would be able to appraise and assess the performance and potential of Katop Automation separately and distinctly from those of the remaining businesses of the Group. The value of Katop Automation is expected to be enhanced through the Proposed Spin-off given that a listing will enhance its profile and enable it to directly and independently access both equity and debt capital markets. In addition, the Proposed Spin-off will facilitate the Company to structure dedicated equity incentive schemes for the management of Katop Automation, particularly those were retained by the Group upon completion of the acquisition. As such, it is in the interest of the Shareholders and the Company as a whole to conduct the Proposed Spin-off.
- (d) **No material adverse effect on the expectation of the investors at the time of Listing:** upon the Proposed Spin-off, the investors can expect to continue to benefit from the growth of Katop Automation and Katop Automation is expected to continue to be a subsidiary of our Company. Also, as elaborated above, the impact for the Proposed Spin-off on the overall business performance and financial positions is expected to be insignificant to the Group as a whole. At the time of Listing, considering that Katop Automation is already listed on the NEEQ and it will continue to release information regarding its proposed listing on the BSE, there should be minimal impact on the [REDACTED] resulting from the expectation of investors on the Proposed Spin-off.
- (e) **Safeguards in place to protect Shareholders’ interests:** The following safeguards will be in place to protect the Shareholders’ interest:
 - (1) the Directors owe fiduciary duties to the Company, including the duty to act in good faith and in the best interest of the Shareholders. As such, the Directors will only pursue the Proposed Spin-off if there are clear commercial benefits for both the Company and Katop Automation. The Directors will not direct the Company to conduct the Proposed Spin-off if they believe that it will have an adverse impact on the interests of the Company and the Shareholders as a whole;
 - (2) in the event that the waiver from strict compliance with Three-year Spin-off Restriction is granted, it will not dispense with the requirement to obtain the approval from the Stock Exchange for the Proposed Spin-off, which will be evaluated with reference to the facts prevailing at the time of submission of the spin-off application. The Proposed Spin-off will remain subject to the other requirements of PN15, including that the Company will satisfy applicable listing eligibility requirements on a standalone basis;

WAIVERS AND EXEMPTIONS

- (3) sufficient information will be provided to the Shareholders to assess the impact of the Proposed Spin-off. In particular, details of this waiver will be disclosed in the document, and the Company will also announce in accordance with the Listing Rules the details of the Proposed Spin-off when it materializes. In addition, the Company will update its plan and status of the Proposed Spin-off in its annual and interim reports after the Listing, so that the Shareholders will obtain periodic updates on the progress of the Proposed Spin-off;
- (4) after the Listing, the Company will follow the relevant disclosure requirement and approval procedures pursuant to the applicable requirements under the Listing Rules and applicable PRC laws and regulations, including the Shareholders’ approval pursuant to Rules for the Spin-off of Listed Companies (For Trial Implementation) (《上市公司分拆規則(試行)》); and
- (f) **Robust disclosures of Katop Automation and the Proposed Spin-off:** details of Katop Automation, including its financial information relating to the total assets, revenue and net profits for the year ended December 31, 2025, and the Proposed Spin-off will be disclosed in the document in addition to those information which has already been disclosed in the document.

The Stock Exchange [has granted] the Company a waiver from strict compliance with the Three-year Spin-off Restriction under paragraph 3(b) of PN15, subject to the following conditions:

- (i) disclosures of this waiver will be made in the document;
- (ii) details of Katop Automation, including its principal scope of businesses and its total assets, revenue and net profits for the year ended December 31, 2025, will be disclosed in the document;
- (iii) the Company will announce the details of the Proposed Spin-off in accordance with the Listing Rules when it materializes;
- (iv) the Company will update the plan and status of the Proposed Spin-off in its annual and interim reports after the Listing; and
- (v) the Company will comply with the applicable requirements under the Listing Rules, including but not limited to requirements under Chapters 14 and 14A of the Listing Rules (if applicable) and PN15 (other than paragraph 3(b) thereof) with respect to the Proposed Spin-off.

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality

Executive Directors

Mr. Liang Feng (梁豐)	No. 139, Lane 1739, Luoshan Road Pudong New Area Shanghai PRC	Chinese
Mr. Chen Wei (陳衛)	Room 1101, Building 8 Haiyiwan, No. 18 Gedi Road Nancheng Street, Dongguan City Guangdong Province PRC	Chinese
Mr. Han Zhongwei (韓鐘偉)	No. 225, Lane 4288 Longdong Avenue Pudong New Area Shanghai PRC	Chinese

Independent non-executive Directors

Mr. Pang Jinwei (龐金偉)	Room 1612, Building 1, Lane 177 Guangxin Road, Putuo District Shanghai PRC	Chinese
Mr. Huang Yong (黃勇)	Room 203, No. 3, Lane 185 Ruijin South Road, Huangpu District Shanghai PRC	Chinese
Ms. Han Yingjiao (韓穎姣)	Unit 3401, Block C, 62G Conduit Road Mid-levels Hong Kong	Chinese

For further details with respect to our Directors, see “Directors and Senior Management.”

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor

China International Capital Corporation
Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisors to our Company

As to Hong Kong law

Linklaters

11/F, Alexandra House
Chater Road
Central
Hong Kong

As to PRC law

King & Wood

17th Floor, One ICC, Shanghai ICC
999 Middle Huai Hai Road, Xuhui District
Shanghai
PRC

Legal Advisors to the Sole Sponsor and the [REDACTED]

As to Hong Kong law

Jingtian & Gongcheng LLP

Suites 3203-3209, 32/F
Edinburgh Tower
The Landmark
15 Queen’s Road Central
Hong Kong

As to PRC law

Beijing DeHeng Law Offices

12/F, Tower B, Focus Place
19 Finance Street
Beijing
PRC

Auditor and Reporting Accountant

Ernst & Young

*Certified Public Accountants and Registered
Public Interest Entity Auditor*
27/F, One Taikoo Place
979 King’s Road
Quarry Bay, Hong Kong

Industry Consultant

China Insights Industry Consultancy Limited

10/F, Block B, Jing’an International Center
88 Puji Road
Jing’an District, Shanghai
PRC

Compliance Advisor

Changjiang Corporate Finance (HK) Limited

Unit 3605-3611, 36/F Cosco Tower
183 Queen’s Road C.
Central
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered office	Room 301-96 Building 1 No. 400 Fangchun Road China (Shanghai) Pilot Free Trade Zone PRC
Headquarters and principal place of business in China	No. 116, Lane 456, Dieqiao Road Pudong New District Shanghai PRC
Principal place of business in Hong Kong	46/F, Hopewell Center 183 Queen’s Road East Wanchai Hong Kong
Company’s Website	<u>https://www.putailai.com</u> <i>(The information contained in this website does not form part of this document)</i>
Joint company secretaries	Mr. Zhang Xiaoquan No. 116, Lane 456, Dieqiao Road Pudong New District Shanghai PRC Mr. Ng Tung Ching Raphael <i>(Fellow of the Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)</i> 46F, Hopewell Centre 183 Queen’s Road East Wan Chai Hong Kong
Authorized representatives	Mr. Liang Feng Mr. Ng Tung Ching Raphael
Audit Committee	Mr. Pang Jinwei (<i>Chairperson</i>) Mr. Huang Yong Ms. Han Yingjiao
Remuneration and Appraisal Committee	Mr. Pang Jinwei (<i>Chairperson</i>) Mr. Huang Yong Ms. Han Yingjiao Mr. Han Zhongwei
Nomination Committee	Mr. Huang Yong (<i>Chairperson</i>) Mr. Chen Wei Mr. Pang Jinwei Ms. Han Yingjiao

CORPORATE INFORMATION

Strategy and Sustainable Development Committee

Mr. Liang Feng (*Chairperson*)
Mr. Chen Wei
Mr. Han Zhongwei
Mr. Pang Jinwei
Mr. Huang Yong
Ms. Han Yingjiao

[REDACTED]

Principal Banks

Wenzhou Bank Co., Ltd. Shanghai Branch
1st Floor, Longtou Building
No. 736 Zhaojiabang Road
Xuhui District, Shanghai
PRC

**China Merchants Bank Co., Ltd.,
Chengdu Branch**
16th Floor, Building F
No. 488 Tianfu Fourth Street
High-tech Zone, Chengdu
Sichuan Province
PRC

**China Construction Bank Corporation,
Qionglai Branch**
No. 1 Jianshe Road, Wenjun Street
Qionglai City Chengdu
Sichuan Province
PRC

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by CIC, which was commissioned by us, and from various official governmental publications and other publicly available publications. The information from official government sources has not been independently verified by us, the Sole Sponsor, or any of our or their respective directors, senior management, representatives, advisers or any other persons involved in this document and no representation is given as to its accuracy.

OVERVIEW OF THE GLOBAL NEW ENERGY BATTERY INDUSTRY

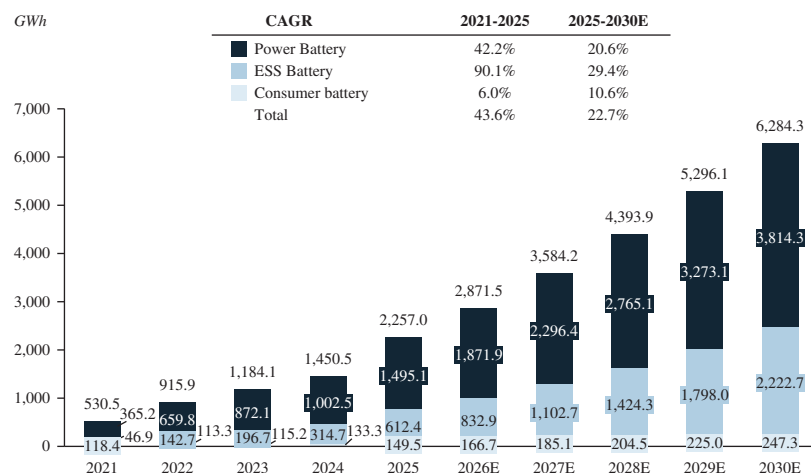
Overview of new energy battery

New energy battery technologies are centered on lithium-ion battery technology, while new technologies such as sodium-ion batteries and solid-state batteries are accelerating R&D and industrialization. The performance of new energy battery product is continuously optimized toward higher energy density, enhanced safety, longer cycle life, faster charging capability, and lower costs. Classified by downstream applications, new energy batteries can be divided into energy storage batteries, power batteries, and consumer batteries. Power batteries are primarily used in new energy vehicles; energy storage batteries are mainly used in energy storage system, power transmission and distribution, power consumption, data center and other sub-sectors; consumer batteries are used in mobile phones, laptops, drones, small robots, wearable devices, and other emerging consumer electronic devices.

Market size of new energy battery

From 2021 to 2025, the global new energy battery market maintained a rapid growth trend, with the market size increasing from approximately 530.5 GWh in 2021 to about 2,257.0 GWh in 2025, representing a CAGR of 43.6% during the period. The rapid growth of the market size at this stage was mainly driven by the rising penetration rate of new energy vehicles, increasing demand in the energy storage sector, as well as technological progress and cost reduction of batteries. In the future, with the advancement of the global energy structure transformation and the implementation of carbon neutrality targets, the global new energy battery market size is expected to continue expanding, reaching around 6,284.3 GWh by 2030, with a CAGR of 22.7% from 2025 to 2030.

Market size of new energy battery by downstream application, Global, 2021-2030E



Source: CIC

INDUSTRY OVERVIEW

Market Drivers

- **Growth of the power battery industry:** In the power battery sector, sustained growth in global demand for new energy vehicles has driven the rapid expansion of the power battery market. According to CIC, global sales of new energy vehicles reached 23.5 million units in 2025, representing a year-on-year increase of 29.1%, and is expected to reach more than 50 million unit in 2030. Meanwhile, the continuous improvement of charging and swapping infrastructure has further promoted the growth of new energy vehicles. The number of public charging stations worldwide exceeded 7 million in 2025, representing a more than threefold increase compared with 2021. The number of new energy vehicle battery swapping stations globally surpassed 6,000 in 2025, representing a more than sixfold increase compared with 2021. Furthermore, with technological progress and innovation, the application scope of power batteries has gradually expanded to emerging fields such as construction machinery, ships, eVTOL, and intelligent applications, further driving the growth in demand for power batteries. Global power battery shipments are expected to reach approximately 3.8 TWh by 2030.
- **Development of the energy storage industry:** In the energy storage battery sector, according to CIC, global electricity demand continues to grow driven by global economic development, population growth, and accelerating electrification. Global electricity demand reached approximately 27,000 TWh in 2025 and is projected to reach 31,000 TWh in 2030. The share of renewable energy in the global power mix has been rising continuously, from approximately 10% in 2021 to 18% in 2025, and is expected to reach around 31% in 2030. With the wide adoption of renewable energy, energy storage systems have become a key technology to balance the mismatch between intermittent power generation and consumption, driving demand for high-efficiency, high-energy-density and long-cycle-life new energy batteries. Global energy storage battery shipments are expected to reach approximately 2.2 TWh by 2030. In addition, advances in artificial intelligence have fueled a surge in data centers’ demand for computing power and electricity consumption. By 2030, global data center electricity consumption is forecast to reach about 2,600 TWh, with corresponding energy storage battery shipments for data centers reaching approximately 0.4 TWh.
- **Rising demand for consumer electronic products:** In the consumer battery sector, traditional consumer electronic products such as smartphones, tablets, and laptops continue to be upgraded, and end-users’ requirements for core battery performance including energy density, cycle life, and fast-charging capability keep rising, which continuously drives the iterative innovation of consumer battery technologies. At the same time, the rapid popularization and steady increase of emerging intelligent terminals such as wearable devices, drones, small robots and AR/VR devices have further expanded the scale of the consumer electronics terminal market. Global consumer battery shipments will reach approximately 0.2 TWh by 2030.

Market Trends

- **Higher requirements for new energy battery materials:** Continuous improvement in the performance of new energy batteries represents a core development trend of the industry. Driven by upgrading demands for battery performance from downstream sectors including new energy vehicles, consumer electronics and energy storage, higher requirements are imposed on the performance, quality and production processes of new energy battery materials. Such end-use performance demands are transmitted upstream to the material segment through the industrial chain, promoting the upgrading of core materials such as separators, anodes, functional materials, cathodes and electrolytes toward high-end, refined and high-performance applications. The new energy battery materials industry focuses on R&D of advanced materials, and the research and application of new materials including silicon-based anodes, solid-state electrolytes and composite current collectors are progressing steadily. In the future, the industry will continue to increase investment in R&D of new energy battery materials and accelerate the industrialization of research achievements.
- **Further development of new energy battery equipment:** Amid the continuous expansion of global new energy battery production capacity and rising market demand for higher consistency, safety and stability of battery products, the intelligence and automation level of new energy battery

INDUSTRY OVERVIEW

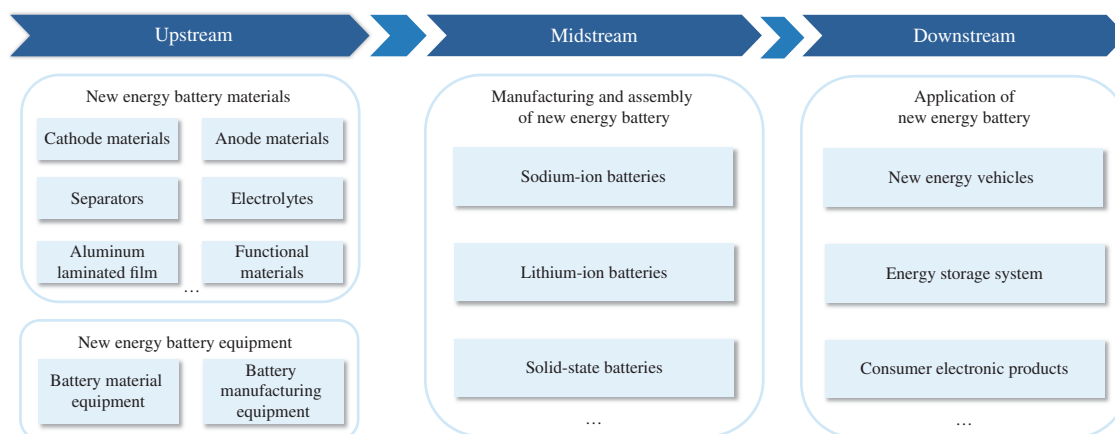
manufacturing is being steadily enhanced, becoming one of the core trends of industry development. Enterprises are promoting the intelligent upgrading of production lines by introducing technologies such as industrial robots, visual inspection and digital twins to realize full-process automated operation. This trend directly drives the upgrading of the new energy battery equipment industry and raises higher requirements for equipment precision, efficiency, stability and compatibility.

THE GLOBAL AND CHINA’S NEW ENERGY BATTERY INDUSTRY CHAIN

Overview of new energy battery industry chain

The new energy battery industry chain covers the supply of core materials and equipment, battery manufacturing and assembly, as well as multi-scenario end applications. As the core foundation of the entire industry chain, the upstream segment provides critical support for the whole industry, mainly including core battery materials such as cathode materials, anode materials, separators, electrolytes, aluminum laminated film and functional materials, as well as battery material equipment and battery manufacturing equipment. Their technological maturity and capacity supply directly determine the production efficiency and product quality of the midstream segment. The midstream segment focuses on the manufacturing and assembly of various new energy batteries including lithium-ion batteries, sodium-ion batteries and solid-state batteries. The downstream segment widely applies the battery products produced in the midstream to diverse scenarios such as new energy vehicles, energy storage system and consumer electronic products.

New energy battery industry chain



Source: CIC

OVERVIEW OF GLOBAL NEW ENERGY BATTERY SEPARATOR INDUSTRY

Overview of new energy battery separators

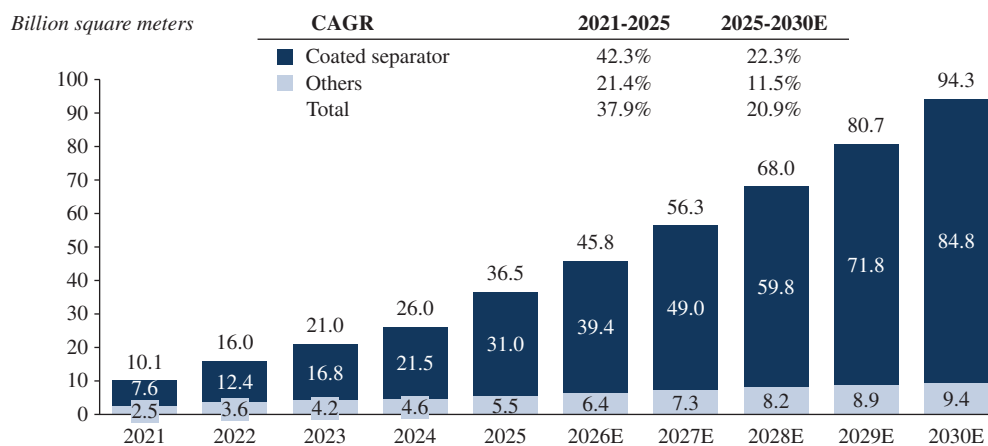
New energy battery separators are one of the key materials in new energy batteries. Featuring a large number of tortuous and interconnected micropores, they allow the free passage of ions to form charge-discharge circuits. Their primary function is to prevent short circuits caused by contact between cathode and anode materials while enabling the free migration of ions to ensure normal battery operation. The performance of separators directly affects key battery characteristics such as safety, cycle life, energy density, and rate performance. Separators can be classified into dry-process separators and wet-process separators by production technology, among which wet-process separators usually require coating. Coated separators are manufactured by applying functional materials on one or both sides of the base separator film for new energy batteries. With superior thermal resistance and safety, coated separators have become the mainstream choice for new energy batteries.

INDUSTRY OVERVIEW

Market size of new energy battery separators

The global new energy battery separator market experienced rapid growth from 2021 to 2025. The overall market size surged from approximately 10.1 billion square meters to 36.5 billion square meters, representing a CAGR of 37.9% over the period, showing explosive expansion. The market size of new energy battery separators is expected to continue expanding and reach 94.3 billion square meters by 2030. As an effective approach to improve the cycle performance and thermal stability of separators in new energy batteries, the coating technology has driven a continuous rise in market demand for coated separators. From 2021 to 2025, the global market size of new energy battery coated separators grew rapidly from approximately 7.6 billion square meters to 31.0 billion square meters, representing a CAGR of 42.3% over the period. With the increasing importance of battery safety performance, coated separators are expected to serve as the mainstream type of new energy battery separators in the future, reaching a market size of 84.8 billion square meters by 2030.

Market size of new energy battery separators, Global, 2021-2030E



Notes: Others are primarily uncoated separators.

Source: CIC

Market size of new energy battery wet-process coated separators

The market size of wet-process coated separators grew from 6.4 billion square meters in 2021 to 28.5 billion square meters in 2025, with a CAGR of 45.5% during 2021–2025; it is projected to reach 79.7 billion square meters by 2030, representing a CAGR of 22.9% from 2025 to 2030. This robust growth is mainly driven by the rapid expansion of demand for power batteries in new energy vehicles and energy storage systems, as well as the advantages of wet-process coated separators in safety and thermal stability, which have boosted their penetration rate.

INDUSTRY OVERVIEW

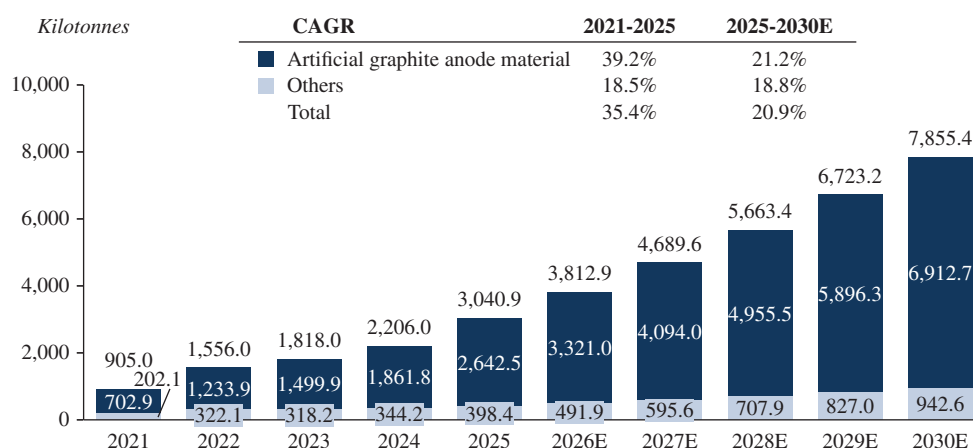
OVERVIEW OF NEW ENERGY BATTERY ANODE MATERIAL INDUSTRY

Anode materials in new energy batteries are responsible for the intercalation and deintercalation of ions during battery charge and discharge processes. The performance of anode materials has a direct impact on the energy density, fast-charging performance, cycle life, safety performance and cost of new energy batteries. Anode materials are generally categorized into artificial graphite anode materials, natural graphite anode materials and silicon-based anode materials. Silicon-based anode materials offer a higher designed specific capacity than conventional carbon-based materials and represent one of pathway toward achieving a higher energy density in new energy batteries.

Shipment volume of the new energy battery anode material industry

The global new energy battery anode materials market is undergoing a phase of rapid capacity expansion. The shipment volume reached 905.0 kilotonnes in 2021 and reached 3,040.9 kilotonnes in 2025, representing a CAGR of 35.4% during the period from 2021 to 2025. Such accelerated growth is primarily driven by the rapid penetration of new energy vehicles and energy storage applications, as well as the continued adoption of artificial graphite anode material and continuous breakthroughs in new energy battery anode technology. By 2030, the shipment volume of the new energy battery anode materials is expected to exceed 7,855.4 kilotonnes, maintaining a CAGR of 20.9%. Artificial graphite anode material is the anode material with the largest shipment share. Its market size increased from 702.9 kilotonnes in 2021 to 2,642.5 kilotonnes in 2025, and is expected to reach 6,912.7 kilotonnes by 2030.

Shipment volume of the new energy battery anode materials, Global, 2021-2030E



Notes: Others include natural graphite and silicon-based anode materials.

Source: CIC

Overview of new energy battery functional materials

New energy battery functional materials are key supporting materials that ensure the structural stability, performance optimization and safety enhancement of new energy battery cells, including cathode and anode binders such as PVDF and PAA, as well as ceramic coating materials such as boehmite and alumina.

Overview of PVDF for new energy battery

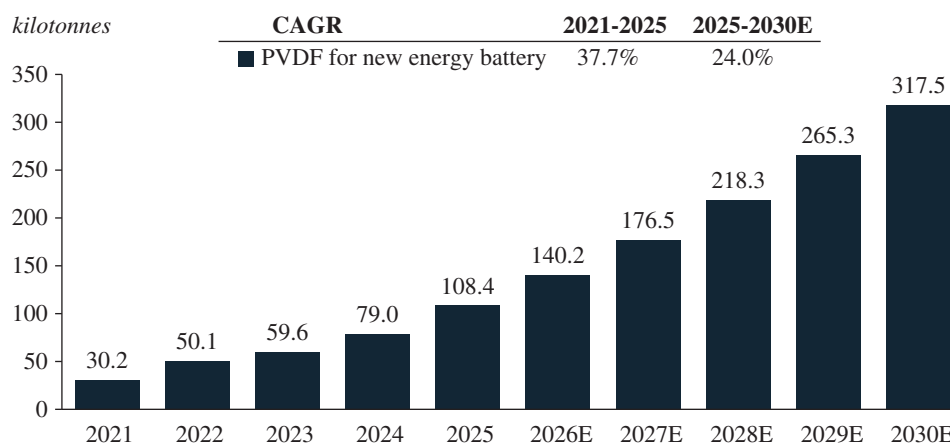
PVDF for new energy batteries is a key functional material mainly used as cathode binders and separator coating materials in the production of new energy batteries. With outstanding chemical stability, electrochemical compatibility and mechanical strength, PVDF can firmly bond cathode active materials, conductive agents and current collectors during charge-discharge cycles, effectively maintaining the structural integrity of electrodes, thereby improving the cycle life and rate performance of batteries. Meanwhile, as a separator coating material, PVDF can enhance the thermal resistance and electrolyte wettability of separators, further improving the safety and ion conduction efficiency of battery cells. PVDF, which features both bonding and coating functions, has become one of the core supporting materials for the performance upgrading of new energy batteries. Its market demand continues to rise along with the rapid development of the new energy industry.

INDUSTRY OVERVIEW

Market size of PVDF for new energy battery

The global market of PVDF for new energy batteries is in a phase of continuous expansion. The market size was 30.2 kilotonnes in 2021 and increased to 108.4 kilotonnes in 2025, representing a CAGR of 37.7% from 2021 to 2025. This growth was mainly driven by the rapid development of the downstream new energy vehicle and energy storage industries, as well as the rigid demand for PVDF in bonding and coating applications in high-energy-density batteries. The market is expected to maintain a CAGR of 24.0% in the future, reaching 317.5 kilotonnes by 2030. Overall, with the iteration of new energy battery technologies and the continuous expansion of application scenarios, the market demand for PVDF as a core functional material will maintain long-term growth.

Market size of PVDF for new energy battery, Global, 2021-2030E



Source: CIC

Overview of PAA for new energy battery

PAA for new energy batteries is a new type of functional binder material, mainly used in the anode formulation and separator of new energy batteries. It features excellent hydrophilicity and bonding strength, and can form an elastic bonding layer on the surface of high-expansion active materials such as silicon-based materials and significantly improving the cycle life and structural stability of silicon-based batteries. Meanwhile, the molecular structure of PAA can enhance the wettability between the electrode and the electrolyte, reduce interface impedance, and help improve the rate performance of batteries.

Market size of PAA (solid content) for new energy battery

The market size of PAA (solid content) for the new energy battery was 1.6 kilotonnes in 2021 and rapidly rose to 15.0 kilotonnes in 2025, representing a CAGR of 74.2% from 2021 to 2025. The rapid growth during this period was mainly driven by PAA's water-based and environmentally friendly material properties, which can effectively reduce environmental pollution and safety risks in the production process, as well as its core role in buffering the volume expansion of anode materials and maintaining the structural stability of electrodes. The market is expected to maintain a CAGR of 25.0% in the future, with the market size projected to exceed 45.9 kilotonnes by 2030.

OVERVIEW OF NEW ENERGY BATTERY EQUIPMENT INDUSTRY

New energy battery equipment covers the entire industrial chain, including the preparation of core battery materials, battery manufacturing, as well as module and pack assembly. The process precision and level of automation of such equipment have a direct impact on the performance, quality and production efficiency of battery products. New energy battery equipment is generally categorized into battery manufacturing equipment and battery material equipment.

INDUSTRY OVERVIEW

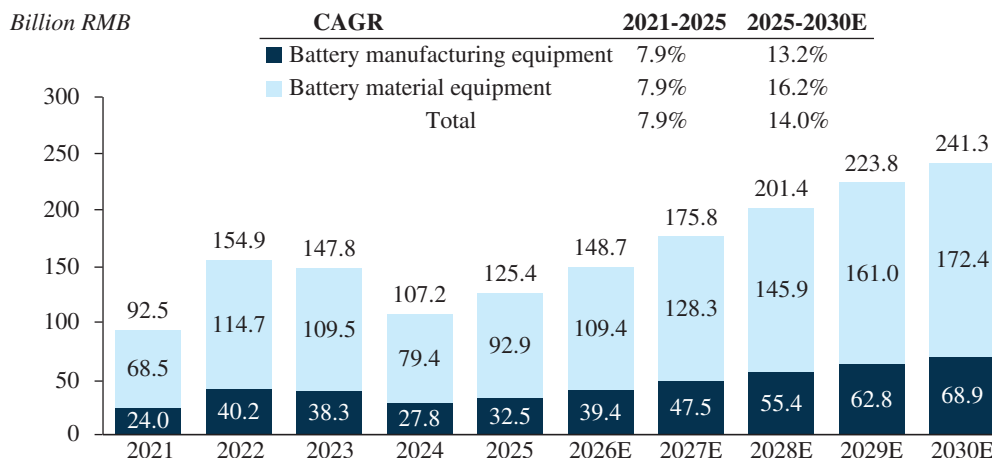
Battery manufacturing equipment is applied in the front-end, mid-end and back-end production processes of battery manufacturing as well as module assembly. It includes core equipment such as electrode coating machine, winding machines, stacking machine, and formation and capacity grading equipment, and represents a key enabler for the large-scale and standardized production of battery cells. Battery material equipment focuses on the processing and preparation of core battery materials, including separators, cathode and anode materials and other materials. Such equipment is designed to accommodate different material production processes and provides battery manufacturing with fundamental materials that meet required performance specifications.

Market size of new energy battery equipment industry

From 2021 to 2022, the global new energy battery equipment market experienced rapid growth, with market size increasing from RMB92.5 billion in 2021 to RMB154.9 billion in 2022. As the new energy industry has gradually matured, growth in downstream demand for new energy batteries has moderated since 2023, leading to a deceleration in capacity expansion by battery manufacturers. The moderation in investment activity in the downstream new energy battery sector has had a certain impact on upstream new energy battery equipment suppliers.

In 2025, the global new energy battery equipment market reached RMB125.4 billion, representing a CAGR of 7.9% during the period from 2021 to 2025. Beyond 2025, the global new energy battery equipment market is projected to resume its growth trajectory, with total market size expected to reach RMB241.3 billion by 2030.

Market size of new energy battery equipment industry, Global, 2021-2030E



Source: CIC

OVERVIEW OF NEW ENERGY BATTERY INDUSTRY

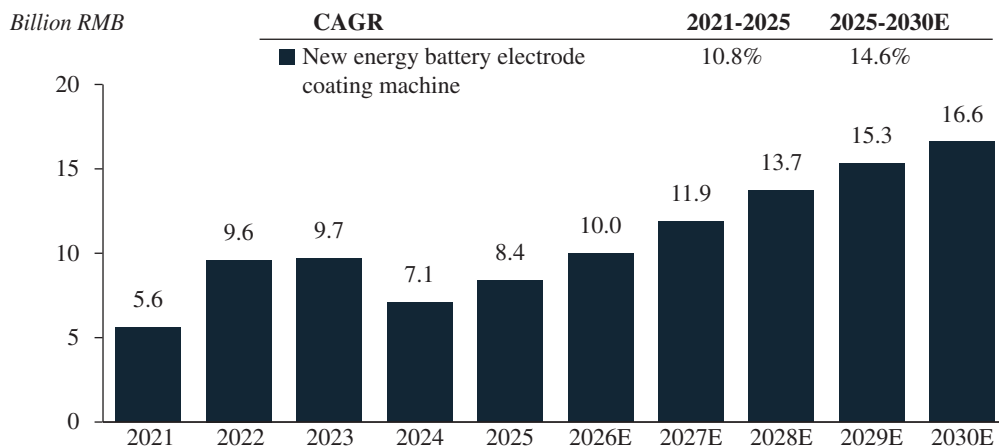
New energy battery electrode coating machines, as core equipment in the front-end production process of new energy battery manufacturing, are primarily used to uniformly coat cathode and anode slurries onto aluminum foil and copper foil current collectors, thereby forming electrodes with precisely controlled thickness and areal density. The coating precision, processing speed and operational stability of electrode coating machines have a direct impact on electrode consistency, which in turn affects the energy density, cycle life and safety performance of new energy batteries.

INDUSTRY OVERVIEW

Market size of new energy battery electrode coating machine industry

Global new energy battery electrode coating machine market has exhibited steady growth momentum in recent years. The market size of global new energy battery electrode coating machine reached RMB5.6 billion in 2021 and expanded at a CAGR of 10.8% during the period from 2021 to 2025, primarily driven by the rigid demand for high-precision electrode coating machines arising from the increasing penetration of high energy-density power batteries. By 2025, the market reached RMB8.4 billion. Beyond 2025, supported by next-generation battery technology iterations, continuous process optimization and ongoing equipment upgrade requirements, the electrode coating machine market is projected to maintain growth at a CAGR of 14.6%, with the total market size expected to exceed RMB16.6 billion by 2030.

Market size of new energy battery electrode coating machine industry, Global, 2021-2030E



Source: CIC

Competitive landscape of the new energy battery coated separator industry

In 2025, the Company ranked as the world’s largest supplier of coated separators for new energy batteries by shipment volume, with total shipments reaching 10.9 billion square meters, accounting for 35.3% of the global market and have ranked first in the industry for seven consecutive years. In 2025, the global shipment volume of wet process coated separators for new energy batteries reached 28.5 billion square meters. The Company is the world’s largest supplier of wet process coated separators for new energy batteries, with a market share of 38.4%.

The top five new energy battery coated separator companies in terms of shipment volume¹, Global, 2025

Ranking	Company	Shipment volume, 2025, Billion square meters	Global market share, 2025
1	The Company	10.9	35.3%
2	Company A ²	5.5	17.7%
3	Company B ³	2.7	8.6%
4	Company C ⁴	1.9	6.1%
5	Company D ⁵	1.0	3.2%
	CR5	22.0	70.9%
	Global Total	31.0	100.0%

INDUSTRY OVERVIEW

Notes:

1. The shipment volume only covers coated separator shipments and excludes base separator film shipments.
2. Established in 1996, Company A is a listed company headquartered in Yuxi, Yunnan Province, China, specializing in the R&D and manufacturing of new energy battery separators, aluminum plastic films and sulfide electrolyte materials, serving as a core supplier for leading global enterprises across the new energy battery, cigarette, food and beverage industries.
3. Established in 2003, Company B is a listed company headquartered in Shenzhen, Guangdong Province, China, specializing in the R&D, manufacturing and sale of new energy battery separators, serving a wide range of applications, including new energy vehicles, energy storage power stations and consumer electronics.
4. Established in 2010, Company C is a non-listed company headquartered in Handan, Hebei Province, China, specializing in the R&D, manufacturing and sale of wet-process new energy battery separators and coated separators.
5. Established in 2019, Company D is a listed company headquartered in Seoul, South Korea, and a subsidiary of a leading South Korean energy and petrochemical group, specializing in the R&D, manufacturing and sale of new energy battery separators for applications including new energy vehicles, energy storage systems and consumer electronics.

Source: CIC

Competitive landscape of the new energy battery anode material industry

In 2025, the Company ranked sixth globally of new energy battery anode materials in terms of shipment volume, with total shipments of 143.0 kilotonnes, accounting for 4.7% of the global new energy battery anode material industry and 5.4% of the global new energy battery artificial graphite anode material industry.

The top ten new energy battery anode materials companies in terms of shipment volume, Global, 2025

Ranking	Company	Shipment volume, 2025, kilotonnes	Global market share, 2025
1	Company E ¹	595.0	19.6%
2	Company F ²	518.0	17.0%
3	Company G ³	373.0	12.3%
4	Company H ⁴	285.0	9.4%
5	Company I ⁵	252.0	8.3%
6	The Company	143.0	4.7%
7	Company J ⁶	140.0	4.6%
8	Company K ⁷	125.0	4.1%
9	Company L ⁸	100.0	3.3%
10	Company M ⁹	95.0	3.1%
	CR10	2,626.0	86.4%
	Global Total	3,040.9	100.0%

Notes:

1. Established in 2000, Company E is a listed company headquartered in Shenzhen, Guangdong Province, China, specializing in the manufacturing of new energy battery anode materials applied in multiple fields such as power, energy storage and consumer batteries.
2. Established in 1992, Company F is a listed company headquartered in Ningbo, Zhejiang Province, China, specializing in the manufacturing of products applied in multiple fields such as power, energy storage and consumer batteries, and providing comprehensive solutions for new energy battery materials and polarizers.
3. Established in 2001, Company G is a non-listed company headquartered in Changsha, Hunan Province, China, specializing in the providing high-performance anode material solutions.
4. Established in 2008, Company H is a listed company headquartered in Shijiazhuang, Hebei Province, China, dedicated to the production of artificial graphite anode materials, supplying high-quality anode materials for power, energy storage and consumer battery fields, and offering tailored integrated production solutions.

INDUSTRY OVERVIEW

5. Established in 2012, Company I is a non-listed enterprise headquartered in Dongguan, Guangdong Province, China, focusing on the manufacturing of new energy battery anode materials. Its products are widely used in new energy vehicles, digital products and emergency power supplies, and it provides personalized customization services for new energy battery manufacturers based on their specific needs.
6. Established in 2018, Company J is a non-listed company headquartered in Shijiazhuang, Hebei Province, China, engaged in the R&D and production of artificial graphite anode materials. The company provides high-quality anode products for energy storage, power and consumer battery industries.
7. Established in 2022, Company K is a non-listed enterprise headquartered in Quzhou, Zhejiang Province, China, focusing on new energy battery anode materials. While manufacturing anode materials for power, energy storage and consumer battery fields, it actively promotes the layout and integration of the entire anode material industrial chain.
8. Established in 2011, Company L is a NEEQ-listed company, headquartered in Zhanjiang, Guangdong Province, China, specializing in the production of anode materials, including artificial graphite and natural graphite, which are widely used in power, energy storage and consumer batteries, and is committed to providing high-standard carbon material products.
9. Established in 2009, Company M is a listed company headquartered in Shanghai, China, focusing on high-end graphite and silicon-carbon anode materials. Its products are applied in new energy vehicles, energy storage and consumer electronics.

Source: CIC

Competitive landscape of the new energy battery PVDF industry

In 2025, the Company ranked as the world’s largest supplier of new energy battery PVDF by shipment volume, with total shipments of 29.9 kilotonnes, accounting for 27.6% of the global market and 34.0% of the China’s market.

The top five new energy battery PVDF companies in terms of shipment volume¹, Global, 2025

Ranking	Company	Shipment volume, 2025, kilotonnes	Global market share, 2025
1	The Company	29.9	27.6%
2	Company N ²	20.0	18.5%
3	Company O ³	14.0	12.9%
4	Company P ⁴	11.0	10.1%
5	Company Q ⁵	10.0	9.2%
	CR5	84.9	78.3%
	Global Total	108.4	100.0%

Notes:

1. The shipment volume only includes PVDF for new energy batteries and excludes other fluorochemicals.
2. Established in 2006, Company N is a non-listed high-tech enterprise headquartered in Shaoxing, Zhejiang Province, China, focusing on the R&D and manufacturing of fluorine-containing new materials, including PVDF for new energy batteries. Its products are widely used in new energy battery, fluorine film and cable fields.
3. Established in 2004, Company O is a listed global leading special chemical enterprise headquartered in La Défense, France. It specializes in the R&D and supply of new energy battery materials such as PVDF binders, carbon nanotubes and PA materials, and provides one-stop special material solutions for the battery industry.
4. Established in 1863, Company P is a listed global chemical group headquartered in Brussels, Belgium. It is engaged in the manufacturing of high-purity new energy battery materials such as PVDF, and continuously accelerates its layout in the new energy battery material field.
5. Established in 2000, Company Q is a non-listed company headquartered in Hangzhou, Zhejiang Province, China, engaged in fluorocarbons, fluorine-containing fine chemicals, fluoropolymers, new energy battery chemicals, inorganic fluorides and other businesses.

INDUSTRY OVERVIEW

Competitive landscape of the new energy battery electrode coating machine industry

In 2025, the Company ranked as the world’s largest supplier of new energy battery electrode coating machine by revenue, with total revenue reaching 2.9 billion RMB, accounting for 35.2% of the global market.

The top five new energy battery electrode coating machine companies in terms of revenue, Global, 2025

Ranking	Company	Revenue, 2025, Billion RMB	Global market share, 2025
1	The Company	2.9	35.2%
2	Company R ¹	1.9	22.7%
3	Company S ²	0.7	8.0%
4	Company T ³	0.4	4.8%
5	Company U ⁴	0.3	3.0%
	CR5	6.2	73.7%
	Global Total	8.4	100.0%

Notes:

1. Established in 2006, Company R is a listed company headquartered in Shenzhen, Guangdong Province, China, specializing in the manufacturing of products applied in multiple fields such as power, energy storage and consumer batteries, and providing intelligent digital factory solutions for new energy battery industry.
2. Established in 2002, Company S is a listed company headquartered in Wuxi, Jiangsu Province, China, specializing in the manufacturing of products in fields including new energy battery intelligent equipment, photovoltaic intelligent equipment, intelligent logistics, automobile production lines and hydrogen energy intelligent equipment.
3. Established in 2014, Company T is a listed company headquartered in Huizhou City, Guangdong Province, China, providing digital and intelligent plant solutions for enterprises in industries such as new energy, smart logistics, AI computing power and auto parts.
4. Established in 2019, Company U is a non-listed company headquartered in Guangzhou, Guangdong Province, China, specializing in the R&D, design, manufacturing, and technical services of battery cell processing equipment and coating technology.

Source: CIC

Key success factors and entry barriers

- **Technical barriers:** The new energy battery materials and equipment industry is technology intensive with prominent technical barriers. Material manufacturers face stringent requirements for purity, performance, stability, and safety. Core formulations and processes require long-term accumulation and iteration, and must pass strict downstream certification. New entrants struggle to quickly achieve stable mass production and cost control. Equipment manufacturing relies on precision manufacturing, automatic control, and process adaptation, featuring high customization and long validation cycles. Coupled with rapid technological iteration in the industry, the overall technical threshold is further elevated.
- **Scale Barriers:** With continuous improvements in production processes and technologies, leading enterprises in the industry have gradually established scale advantages by upgrading technologies, introducing advanced production processes and equipment, enhancing product quality, reducing raw material and labor consumption, and improving production efficiency. Enterprises with scale advantages possess stronger cost control capabilities, moderate market pricing power, and relatively stable profitability. By contrast, new entrants are constrained by factors such as technical level, process accumulation, talent pool, capital strength, and customer resources, making it difficult to form scale effects and competitive advantages in the short term.

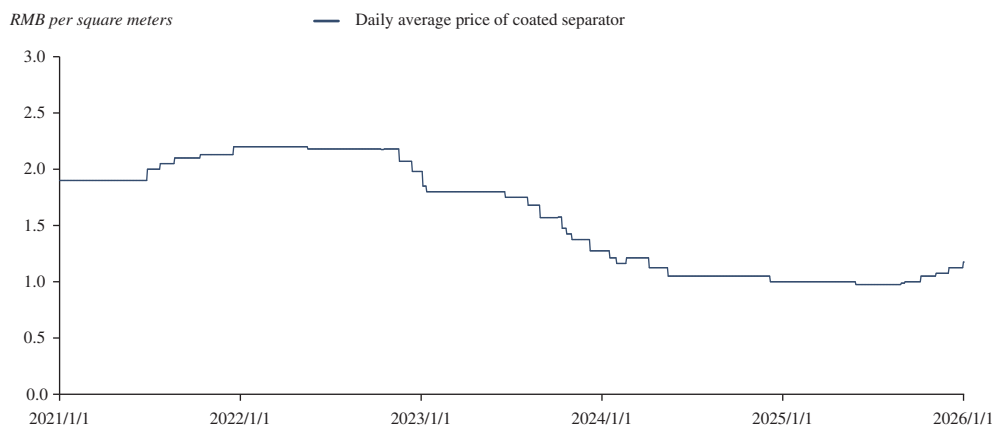
INDUSTRY OVERVIEW

- Customer Entry Barriers:** New energy battery manufacturers impose extremely high requirements on product safety and consistency, resulting in very strict supplier selection procedures. Suppliers are comprehensively evaluated and certified for R&D and design capabilities, production equipment, process flow, management level, product performance parameters, and quality control systems, followed by multiple phases including sample testing, on-site audits, small-scale trial orders, and finally mass supply. Therefore, new energy battery manufacturers rarely switch suppliers. Enterprises that have entered the mainstream supply chain enjoy stable market channels, and new entrants can hardly gain recognition from key customers in the short run.

Price analysis

From 2021 to 2025, the price of new energy battery separators in China exhibited a fluctuating trend. From 2021 to 2022, rapid growth in downstream demand from the new energy vehicle and energy storage markets led to tight industry supply and demand, pushing separator prices to a high level. Starting from the second half of 2022, large-scale domestic capacity expansion, coupled with cost optimization driven by technological progress and intensified industry competition, resulted in a continuous decline in prices, which remained at a low level from 2024 to the first half of 2025. In the second half of 2025, as downstream demand recovered and inefficient capacity was gradually phased out, the industry’s supply-demand situation improved, and separator prices saw a slight rebound.

Daily Average Price of New Energy Battery Coated Separators, China, 2021-2025



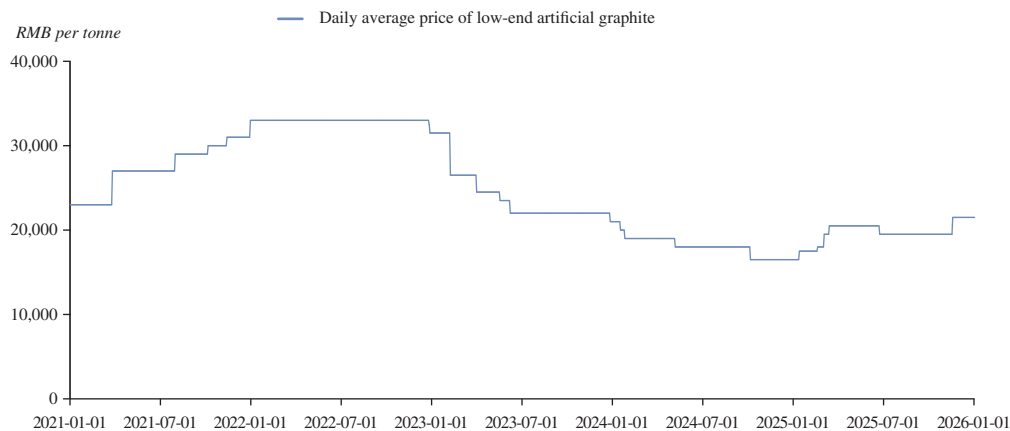
Source: CIC

Note: Price includes both base separator film and coating.

The price of artificial graphite anode material remained high until early 2023, supported by robust demand from downstream new energy batteries and tight supply. Subsequently, as industry production capacity continued to expand and the supply-demand balance loosened, prices embarked on a sustained decline, hitting a low in the second half of 2024. Since 2025, with the clearance of outdated capacity and a gradual recovery in demand, the downward trend was halted, and prices began to rebound from the bottom and gradually stabilize.

INDUSTRY OVERVIEW

Daily Average Price of artificial graphite anode material, China, 2021-2025



Source: CIC

DATA SOURCES AND RESEARCH METHODOLOGY

We have commissioned CIC to conduct an analysis and report on the global new energy battery materials and equipment market. CIC is a market research and consulting firm established in Hong Kong, engaged in providing professional consulting services across various industries. We have agreed to pay CIC a fee of RMB400,000 for the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as from the sections of “Summary,” “Risk Factors,” “Business,” “Financial Information” and elsewhere in this Document. The data and information collected by CIC is independently prepared by CIC and is not subject to any influence from us or other interested parties. Unless otherwise specified, all data and forecasts contained in this section are sourced from the CIC Report. Our Directors confirm, to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the CIC Report which may qualify, contradict or have an impact on the information set out in this section.

The information and data collected by CIC have been analyzed, evaluated and verified using CIC’s internal analysis models and techniques. Primary research is conducted through interviews with key industry experts and leading industry participants. Secondary research involves analyzing data from various public data sources such as the National Bureau of Statistics of China and various industry associations. The market forecasts in the CIC Report are made based on the following key assumptions: (1) in the forecast period, the overall social, economic and political environment globally and in China is expected to remain stable; (2) in the forecast period, relevant key industry drivers are likely to continue to drive the growth of the energy storage market, such as technological advancements, supportive policies, and the increasing downstream demand; and (3) in the forecast period, there will be no extreme force majeure events or unforeseeable industry regulations that could have a drastic or fundamental impact on the market.

REGULATORY OVERVIEW

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our business operations.

REGULATIONS ON COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

Pursuant to the PRC Company Law (中華人民共和國公司法) promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) on December 29, 1993, which was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, respectively, and has come into force on July 1, 2024, the Company Law shall apply to all companies established in the PRC. The Company Law, which regulates the establishment, corporate structure and management of companies, also applies to foreign-invested companies. Where laws on foreign investment provide otherwise, such provisions shall prevail.

The Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the “FIL”), which was promulgated by the National People’s Congress (the “NPC”) on March 15, 2019, and came into effect on January 1, 2020, provides that the “foreign investment” refers to the investment activities in China carried out directly or indirectly by foreign individuals, enterprises or other organizations (the “Foreign Investors”), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The FIL further adopts the management system of pre-establishment national treatment and negative list for foreign investment. The “pre-establishment national treatment” refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; and the “negative list” refers to special administrative measures for access of foreign investment in specific fields as stipulated by the state. The FIL granted national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council.

In December 26, 2019, the State Council promulgated 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) (the “Implementation Rules”) which came into effect in January 1, 2020. The Implementation Rules further clarified that the state shall encourage and promote foreign investment, protect the lawful rights and interests in foreign investments, regulate foreign investment administration, continue to optimize foreign investment environment and advance a higher-level opening.

Investment activities in the PRC by foreign investors were principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2024 version) (外商投資准入特別管理措施(負面清單)(2024年版)) which is amended and promulgated by Ministry of Commerce (“MOFCOM”) and the National Development and Reform Commission (the “NDRC”) on September 9, 2024 and became effective on November 1, 2024, and the Catalogue of Industries for Encouraging Foreign Investment (2025 version) (鼓勵外商投資產業目錄(2025年版)) (the “Encouraging List”) which is amended and promulgated by MOFCOM and the NDRC in December 15, 2025 and became effective on February 1, 2026. The Negative List sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List sets out the encouraged industries for foreign investment. The Negative List cover 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment for domestic and foreign investment. Our business as currently conducted does not fall within the confines of the Negative List and is not subject to special administrative measures.

The Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法) was released by MOFCOM and the State Administration for Market Regulation of the PRC (the “SAMR”) on December 30, 2019, and became effective on January 1, 2020. Foreign investors directly or indirectly conducting investment activities within the territory of China shall submit the investment information through submission of initial reports, change reports, deregistration reports, annual reports, etc. to the competent commerce authorities in accordance with the Measures on Reporting of Foreign Investment Information. When submitting an annual report, a foreign-invested enterprise shall submit the basic information on the enterprise, the information on the investors and their actual controlling party, the enterprise’s operation and asset and liabilities information, etc., and where the foreign investment admission special administrative measures are involved, the foreign investment enterprise shall also submit the relevant industry licensing information.

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INDUSTRIAL POLICIES AND REGULATORY PROVISIONS

From 2010 to 2021, the State Council had issued a series of regulations aimed at promoting the development of the lithium battery industry, which include the Decision of the State Council on Accelerating the Fostering and Development of Strategic Emerging Industries (國務院關於加快培育和發展戰略性新興產業的決定). Pursuant to the Opinions on Fully, Accurately, and Comprehensively Implementing the New Development Philosophy to Achieve Carbon Peaking and Carbon Neutrality (關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見), issued and effective as of September 22, 2021 by the Central Committee of the Communist Party of China and the State Council, China will accelerate the development of strategic emerging industries, including new energy, advanced materials, new-energy vehicles, and green environmental protection. It will implement renewable energy substitution initiatives, vigorously develop wind, solar, biomass, ocean, and geothermal energy, and continuously increase the share of non-fossil energy in total energy consumption. The country will expedite the large-scale deployment of pumped hydro storage and new-type energy storage. It will accelerate the development of new-energy and clean-energy vehicles and vessels and promote intelligent transportation systems. Furthermore, it will speed up the construction of a convenient, efficient, and moderately forward-looking charging and battery-swapping infrastructure network.

The Energy Law of the PRC, enacted by the SCNPC (中華人民共和國能源法), promulgated on November 8, 2024 and became effective on January 1, 2025, aims to promote high-quality development of the energy sector, safeguard national energy security, facilitate green, low-carbon transformation and sustainable socio-economic development, and advance carbon peaking and carbon neutrality in a proactive yet prudent manner. The Law provides comprehensive provisions on energy planning, energy development and utilization, the energy market system, energy reserves and emergency response, energy-related scientific and technological innovation, supervision and administration, and legal liabilities.

Pursuant to the Guiding Opinions on Promoting the Development of the Energy Electronics Industry (關於推動能源電子產業發展的指導意見), issued and effective as of January 3, 2023 by six departments including the MIIT and the National Energy Administration, China will intensify technological breakthroughs in the industrialization of new-type energy storage batteries and advance the large-scale application of advanced energy storage technologies and products. Key technological challenges will be addressed, including ultra-long-life and high-safety battery systems, large-scale and high-capacity efficient energy storage, and mobile energy storage for transportation. Accelerated R&D efforts will focus on solid-state batteries, sodium-ion batteries, and hydrogen-based energy storage/fuel cells. The country will enhance the supply security of critical resources such as lithium, nickel, cobalt, and platinum, and promote the development and application of substitute materials. Hybrid energy storage systems integrating complementary power-oriented and energy-oriented electrochemical storage technologies will be widely deployed. Support will be provided for establishing full-lifecycle traceability management platforms for lithium batteries and other products, conducting research on standards and methodologies for calculating battery carbon footprints, and exploring the establishment of a carbon emissions management system for battery products.

On March 11, 2021, the NPC approved the Outline of the 14th Five-year Plan (2021-2025) for National Economic and Social Development and Long-range Objectives for 2035 (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要), which clarifies that the PRC should foster advanced manufacturing clusters and promote the innovation and development of industries such as lithium battery industry, aerospace equipment, high-tech ships and ocean engineering equipment, robots, advanced power equipment, engineering machinery, high-end CNC machine tools, medicine and medical equipment. As for lithium battery industry, the focus will be placed on strategic emerging industries such as new energy, new-energy vehicles, and green environmental protection, accelerating the innovation and application of key core technologies, enhancing factor-support capabilities, and fostering and expanding new drivers for industrial development.

From 2006 to December 2023, the export of artificial graphite was subject to dual-use item export control requirements pursuant to Announcement No. 50 of 2006 jointly issued by the Ministry of Commerce, the Commission of Science, Technology and Industry for National Defence and the General

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Administration of Customs (商務部、國防科工委、海關總署2006年第50號公告). In December 2023, the Ministry of Commerce and the General Administration of Customs issued Announcement No. 39 of 2023 (2023年第39號公告), which optimized the temporary controls on graphite dual-use items and repealed Announcement No. 50 of 2006. Under the revised framework, artificial graphite anode materials were not separately listed as controlled items, and only artificial graphite meeting specific thresholds of high purity, high strength and high density remained subject to export controls. As a result, the majority of artificial graphite exports were no longer required to undergo dual-use item licensing applications during this period.

On October 9, 2025, MOFCOM and the General Administration of Customs jointly promulgated the Announcement No. 58 of 2025, the Decision on Promulgating the Implementation of Export Controls on Certain Items Related to Lithium Batteries and Artificial Graphite Anode Materials (商務部、海關總署公告2025年第58號—關於公佈對鋰電池和人造石墨負極材料相關物項實施出口管制的決定), which took effect on November 8, 2025, implementing export controls on lithium-ion batteries with an energy density $\geq 300\text{Wh/kg}$ and artificial graphite anode materials. However, according to the Decision on Promulgating the Suspension of Implementation of Announcements No. 55, 56, 57, and 58 of 2025 Issued jointly by the Ministry of Commerce and the General Administration of Customs, and Announcements No. 61 and 62 of 2025 Issued by the Ministry of Commerce (the Announcement No. 70 of 2025 Issued jointly by the MOFCOM and the General Administration of Customs) (商務部、海關總署公告2025年第70號—關於公佈暫停實施商務部、海關總署公告2025年第55號、56號、57號、58號及商務部公告2025年第61號、62號的決定), the restriction has been suspended from November 7, 2025 to November 10, 2026.

LAWS AND REGULATIONS ON PRODUCTION SAFETY, ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATION REVIEW

According to the Production Safety Law of the PRC (中華人民共和國安全生產法) or the Production Safety Law, which was last amended by the SCNPC on June 10, 2021 and came into effect on September 1, 2021, entities engaged in production and business activities within the PRC shall comply with the Production Safety Law and other laws and regulations related to production safety, strengthen production safety management. Entities shall establish and improve a production safety responsibility system and production safety rules, improve production safety conditions, and strengthen the standardization of production safety, raise production safety levels, and ensure production safety.

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) or the Environmental Protection Law, which was last amended by the SCNPC on April 24, 2014 and came into effect on January 1, 2015, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection measures to control and properly handle hazardous substances such as waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of such activities. The State implements a pollutant discharge permit management system in accordance with the law.

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

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

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standards, the agency in charge of examination and approval pursuant to the law shall not grant approval for construction. Detailed measures shall be formulated by the department regulating energy conservation under the State Council jointly with other relevant State Council departments.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

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 most recently amended on October 17, 2020, the Implementation Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則) (the “Implementation Rules of the Patent Law”), promulgated by the State Council on June 15, 2001, and revised on December 28, 2002, January 9, 2010 and December 11, 2023, respectively, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within the respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide three types of patents, namely “inventions,” “utility models” and “designs.” Invention patents are valid for twenty years, utility model patents are valid for ten years, and since June 1, 2021, the validation period for design patents whose application date is after June 1, 2021 has been extended to fifteen years in each case from the date of application. The Chinese patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, utility model or design, a patent will be granted to the person who files the application first. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third parties must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the unauthorized use constitutes an infringement on the patent rights.

Trademarks

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of the PRC (中華人民共和國商標法實施條例) which were issued on August 3, 2002 and last amended on April 29, 2014, the Trademark Office under the China National Intellectual Property Administration of the PRC (the “Trademark Office”), shall handle trademark registrations and grant a term of 10 years to registered trademarks, which may be renewed for an additional ten year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a “first-to-file” principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licensor shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (互聯網域名管理辦法) promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017. The MIIT is the major regulatory authority of domain names. The registration of domain names in China is on a “first-apply-first-registration” basis. A domain name applicant will become the domain name holder upon completion of the application procedure.

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Copyright and Software Registration

According to the Copyright Law of the PRC (中華人民共和國著作權法) which was promulgated by the SCNPC on September 7, 1990 and implemented on June 1, 1991, and finally revised on November 11, 2020 and came into effect on June 1, 2021, and the Implementation Regulations of the Copyright Law of the PRC (中華人民共和國著作權法實施條例) promulgated by the State Council on August 2, 2002 and implemented on September 15, 2002, and finally revised on January 30, 2013, copyright holders enjoy a variety of personal and property rights, including the right of publication, the right of authorship, the right of reproduction, and the right of communication of information on networks.

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 February 20, 2002, the National Copyright Administration is mainly responsible for the registration and management of software copyright in the PRC 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.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法), promulgated by the SCNPC in September 1993, as amended on November 4, 2017, April 23, 2019 and June 27, 2025, which came into effect as of October 15, 2025, respectively, the term “trade secrets” refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-unfair Competition Law, business persons are prohibited from infringing others’ trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item above; (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; or (4) instigate, induce or assist others to violate confidentiality obligation or to violate a rights holder’s requirements on keeping confidentiality of commercial secrets, so as to disclose, use or allow others to use the commercial secrets of the rights holder. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others’ trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

REGULATIONS ON REAL ESTATES

According to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, the parties to a commodity house lease shall complete the lease registration with the competent construction (real-estate) departments of the municipalities directly under the Central Government, cities and counties where the leased property is located within 30 days after the lease is executed. The competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties shall order the parties to make corrections within a prescribed time limit, and shall impose a fine below RMB1,000 on individuals who fail to rectify within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to rectify within the specified time limit.

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REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (中華人民共和國勞動法), the Labor Contract Law of the PRC (中華人民共和國勞動合同法) (the “Labor Contract Law”), or the Labor Contract Law and its implementation, which impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

The Labor Contract Law, which became effective on January 1, 2008 and amended on December 28, 2012, primarily aims at regulating rights and obligations of employment relationships, including the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be executed in writing if labor relationships are to be or have been established between employers and employees. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

In December 2012, the Labor Contract Law was amended to impose more stringent requirements on the use of employees of temp agencies, who are known in China as “dispatched workers.” Dispatched workers are entitled to equal pay with full-time employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. According to the Interim Provisions on Labor Dispatch (勞務派遣暫行規定) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014 and came into effect on March 1, 2014, the number of dispatched workers hired by an employer may not exceed 10% of the total number of its employees. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Social Insurance

According to the Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees (國務院關於建立城鎮職工基本醫療保險制度的決定), which was issued on December 14, 1998 and the Decision of the State Council on Improving the Basic Endowment Insurance System for Enterprise Employees (國務院關於完善企業職工基本養老保險制度的決定), which was issued on December 3, 2005, all urban employers, including enterprises (including but not limited to state-owned enterprises, collective enterprises, foreign-invested enterprises, private enterprises), government agencies, public institutions, social organizations, private non-enterprise units and their employees, must participate in basic medical insurance, and all urban enterprise employees, individual industrial and commercial households and flexible employment personnel must participate in the basic pension insurance for enterprise employees.

The Social Insurance Law of the PRC (中華人民共和國社會保險法) (the “Social Insurance Law”), issued by the SCNPC on October 28, 2010 and last amended on December 29, 2018, the Regulations on Occupational Injury Insurance (工傷保險條例) effective as of January 1, 2004 and as amended on December 20, 2010, the Interim Measures concerning the Maternity Insurance for Enterprise Employees (企業職工生育保險試行辦法) effective as of January 1, 1995, Unemployment Insurance Regulations (失業保險條例) effective as of January 22, 1999, have established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the

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required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) promulgated by the State Council on April 3, 1999, and amended on March 24, 2002 and March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident funds. Employers and employees are also required to pay and deposit housing provident funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time.

In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied. In case of failure to register and open accounts for depositing employees' housing provident funds, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

REGULATIONS ON OVERSEAS INVESTMENT AND FOREIGN EXCHANGE

Overseas Investment

Pursuant to the Administrative Measures for Outbound Investment (境外投資管理辦法) promulgated by MOFCOM on September 6, 2014 and implemented on October 6, 2014, MOFCOM and provincial competent commerce authorities shall carry out administration either by record-filing or approval, depending on different circumstances of outbound investment by enterprises. Outbound investment by enterprises that involves sensitive countries and regions or sensitive industries shall be subject to administration by approval. Outbound investment by enterprises that falls in any other circumstances shall be subject to administration by record-filing.

Pursuant to the Administrative Measures for Outbound Investment of Enterprises (企業境外投資管理辦法) promulgated by NDRC on December 26, 2017 and implemented on March 1, 2018, a domestic enterprise, or the investor, making an outbound investment shall obtain approval or conduct record-filing for outbound investment projects, report relevant information, and cooperate with the supervision and inspection. Sensitive projects carried out by investors directly or through overseas enterprises controlled by them shall be subject to approval, specifically, including projects involving sensitive countries and regions and sensitive industries. Non-sensitive projects directly carried out by investors, namely, non-sensitive projects involving investors' direct contribution of assets or rights and interests or provision of financing or guarantee shall be subject to record-filing.

Foreign Exchange Regulation

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (中華人民共和國外匯管理條例) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

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On November 19, 2012, the State Administration of Foreign Exchange (“SAFE”) issued the Circular on Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (the “SAFE Circular 59”), which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces. Later, SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) in February 13, 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 11, 2013, SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (外國投資者境內直接投資外匯管理規定) (the “SAFE Circular 21”), which became effective on May 13, 2013, was amended on October 10, 2018 and was partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (關於境外上市外匯管理有關問題的通知) issued by SAFE on December 26, 2014 and became effective on the same day, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at their 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.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “SAFE Circular 19”) promulgated on March 30, 2015, coming effective on June 1, 2015, partially abolished on December 30, 2019, and revised on March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited from using the foreign exchange capital settled in Renminbi (1) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (2) for direct or indirect securities investment; (3) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (4) to purchase real estates not for self-use purposes (save for real estate enterprises).

On December 4, 2023, SAFE promulgated the Notice on Further comprehensively deepening reforms to facilitate Cross-border Trade and Investment (國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知), which became effective on the same date. The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

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REGULATIONS ON TAXATION

Enterprise Income Tax (“EIT”)

According to the EIT Law, promulgated by the SCNPC on March 16, 2007, which became effective on January 1, 2008 and was amended on February 24, 2017, December 29, 2018, and the Implementation Rules of the EIT Law (中華人民共和國企業所得稅法實施條例), promulgated by the State Council on December 6, 2007, which became effective on January 1, 2008, and amended on December 6, 2024, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign country (region) 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 (“HNTes”) which are supported by the state may enjoy a reduced EIT rate of 15%.

Value-Added Tax (“VAT”)

Pursuant to the Value-added Tax Law of the PRC (中華人民共和國增值稅法) promulgated by the SCNPC on December 25, 2024 and became effective on January 1, 2026, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則), promulgated by the MOF and the SAT on December 25, 1993 and latest amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the “VAT Law”), all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, and the importation of goods within the territory of the PRC must pay value-added tax. On November 19, 2017, the State Council promulgated the Decisions on Abolition of the Provisional Regulations of the PRC on Business Tax and Revision of the Provisional Regulations of the PRC on Value-added Tax (關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定) (the “Order 691”). According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the MOF and the SAT on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知), was promulgated on April 4, 2018 and came into effect on May 1, 2018. The VAT tax rates of 17% and 11% are changed to 16% and 10%, respectively. On March 20, 2019, the MOF, the SAT and the General Administration of Customs jointly promulgated the Announcement on Policies for Deepening the VAT Reform (關於深化增值稅改革有關政策的公告) (the “Notice 39”), which came into effect on April 1, 2019. Pursuant to Notice 39, the tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

SECURITIES LAW AND REGULATIONS

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

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Administrative Measures on Acquisition of Listed Companies (上市公司收購管理辦法), where the shares held by an investor (including an overseas investor) through securities transactions on a stock exchange or jointly with others through an agreement or other arrangements attain 5% of the issued voting rights shares (including A-shares and H-shares) of a listed company, the investor shall submit a written report to the CSRC and Shanghai Stock Exchange (“SSE”) within three days, notify the listed company and make an announcement. Whenever the investor’s shares with voting rights in the said listed company are increased or reduced by 1%, the investor shall notify the listed company on the day following such occurrence, and make an announcement.

The CSRC promulgated the Overseas Listing Trial Measures on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies’ securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. Subsequent securities offering of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Subsequent securities offering and listing of an issuer in other overseas markets shall be filed as initial public offering.

Moreover, upon the occurrence of any of the material events specified below after an issuer has offered and listed securities in an overseas market, the issuer shall submit a report thereof to CSRC within three working days after the occurrence and public disclosure of the event: (1) change of control; (2) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (3) change of listing status or transfer of listing segment; and (4) voluntary or mandatory delisting. Where an issuer’s main business undergoes material changes after overseas offering and listing, and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within three working days after occurrence of the changes.

Archives Rules, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the state.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

Our Company was founded by Mr. Liang and Mr. Chen Wei under the laws of the PRC on November 6, 2012. We are a leading comprehensive solutions provider in the upstream of the new energy battery value chain. In the new energy era, we redefine the boundaries through materials innovation and lead the future through intelligent manufacturing. We empower the world’s top new energy battery enterprises and committed to becoming an architect and leader in the sector. We have established a vertically integrated presence across the upstream of the new energy battery value chain, delivering platform-based industry solutions. Driven by technological innovation, we lead technology upgrades, promote cost reduction and efficiency improvement across the industry, and create value for energy conservation and environmental protection and sustainable global energy development.

In December 2015, our Company was converted into a joint stock limited company from a limited liability company. In November 2017, our Company’s A Shares became listed on the main board of Shanghai Stock Exchange (stock code: 603659). See “— Major Shareholding Changes in Our Company — Conversion into Joint Stock Limited Company and Listing on the Main Board of Shanghai Stock Exchange” for further details.

As of the Latest Practicable Date, our total issued share capital was held as to approximately 45.01% by our Controlling Shareholder Group, including Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng. See “Relationship with our Controlling Shareholders Group” for the background of our Controlling Shareholder Group.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

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

Year	Milestone
2012	Our Company was established in November 2012.
	We established Jiangxi Zichen, our wholly-owned subsidiary, to develop our anode material business.
2013	We established Shenzhen Katop and expanded our footprint in the lithium battery front-stage business.
2014	We expanded our footprint in coated separator business.
2015	We were converted into a joint stock limited company from a limited liability company.
2017	We established Katop Automation and consolidated the industrial platform of core lithium battery equipment.
	Our Company’s A Shares were listed on the main board of Shanghai Stock Exchange in November 2017.
2018	We established our anode material business in Inner Mongolia, initially realizing the industrial layout of the entire anode material process.

HISTORY AND CORPORATE STRUCTURE

Year	Milestone
2020	We invested and constructed a production base in Sichuan Province, leveraging local hydropower resources and industrial policy advantages to serve the markets in Southwest China and utilizing the China-Europe Railway Express to reach overseas markets. We completed our non-public offering of A Shares raising approximately RMB4.59 billion.
2021	We obtained controlling stake in Ruyuan Fluorine Resin and invested in Sichuan Indigo Material Technology Group Co., Ltd. (四川茵地樂材料科技集團有限公司), expanding into the PVDF and adhesives business. The coated separator production and lithium battery equipment manufacturing project for our base in South China was launched in Zhaoqing, Guangdong Province, further supporting the market in South China.
2022	We completed our non-public offering of A Shares raising approximately RMB2.8 billion. The installation and commissioning of new-generation base separator film production line was completed and trial production was successfully commenced.
2023	We established Jiangsu Zhuoli and planned to invest in a R&D project to build composite current collectors with an annual output of 16,000 tons.
2024	The diaphragm coating dark factory was successfully put into operation, significantly improving the level of production automation. We progressed a 12,000-ton silicon-based anode project, improving our anode material product portfolio and providing capacity assurance for the high-end market.
2025	Our AET diaphragm coating processing business achieved rapid growth, with annual shipments exceeding 10 billion square meters, maintaining leading position in the industry. Our base separator film production line with a single-line capacity of 200 million square meters commenced stable operation.
2026	We planned to expand our overseas production base for anode materials.

OUR MAJOR SUBSIDIARIES

The following entities were our major subsidiaries which had made a material contribution to our results of operation during the Track Record Period:

Name of subsidiary	Place of incorporation	Date of incorporation	Principal business activities	Equity interest attributable to our Group
Jiangxi Zichen	PRC	December 21, 2012	Manufacturing of battery materials	100.00%
Shenzhen Katop	PRC	March 22, 2013	Manufacturing of automation equipment	71.54%

HISTORY AND CORPORATE STRUCTURE

Name of subsidiary	Place of incorporation	Date of incorporation	Principal business activities	Equity interest attributable to our Group
Ruyuan Fluorine Resin . . .	PRC	November 21, 2013	Manufacturing of battery materials	60.00%
Ningde Zhuogao	PRC	November 18, 2015	Manufacturing of battery materials	100.00%
Jiangsu Zhuogao	PRC	April 17, 2017	Manufacturing of battery materials	100.00%
Katop Automation	PRC	July 17, 2017	Manufacturing of automation equipment	71.54%
Sichuan Zhuoqing	PRC	November 26, 2020	Manufacturing of battery materials	100.00%
Sichuan Zichen	PRC	January 15, 2021	Manufacturing of battery materials	100.00%

As of the Latest Practicable Date, our other subsidiaries were principally engaged in, among others, research and development, manufacturing and sale of new energy battery materials and equipment.

MAJOR SHAREHOLDING CHANGES IN OUR COMPANY

Establishment of our Company

On November 6, 2012, our Company was established in the PRC as a limited liability company with an initial registered capital of RMB100 million.

Conversion into Joint Stock Limited Company and Listing on the Main Board of Shanghai Stock Exchange

In December 2015, our Company was converted into a joint stock limited company from a limited liability company. In November 2017, our Company’s A Shares were listed on the main board of Shanghai Stock Exchange (stock code: 603659) (the “**A-Share Listing**”). Pursuant to the A-Share Listing, our Company issued an aggregate of 63,702,900 A Shares, accounting for 14.7% of our Company’s total share capital immediately following the completion of the A-Share Listing.

Subsequent Shareholding Changes

Since our A-Share Listing in November 2017, the share capital of our Company changed from time to time, including as a result of additional A Shares issued by us under our share incentive schemes and non-public offering of A Shares. For details of changes in share capital of our Company within the two years immediately preceding the date of this document, see “Statutory and General Information — (A) Further Information about our Group — 2. Changes in Share Capital of Our Company” in Appendix VI to this document. As of the Latest Practicable Date, the total issued share capital of our Company was 2,136,399,076 A Shares, including 32,632,415 A Shares repurchased by our Company pursuant to the repurchase mandate approved by our Board and held in our Company’s stock repurchase account as treasury shares.

HISTORY AND CORPORATE STRUCTURE

OUR LISTING ON THE MAIN BOARD OF SHANGHAI STOCK EXCHANGE AND REASONS FOR THE LISTING ON THE HONG KONG STOCK EXCHANGE

Since November 2017, our Company’s A Shares have been listed on the main board of Shanghai Stock Exchange. Our Directors confirmed that, as of the Latest Practicable Date, we had no instance of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the investors’ attention in relation to our compliance record on the Shanghai Stock Exchange. Our PRC Legal Advisor advised us that during the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material administrative penalties or regulatory measures imposed by PRC securities regulatory authorities and we had complied with the relevant laws and regulations on A share listings applicable to us in all material respects. Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Advisor’s view, nothing has come to the Sole Sponsor’s attention that would reasonably cause them to disagree with the Directors’ confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange in any material respect.

Our Company seeks to be listed on the Hong Kong Stock Exchange in order to promote our overseas business and enhance our overseas footprint, facilitate access to global capital markets, strengthen our global profile and enhance our competitiveness. See “Business — Our Strategies” and “Future Plans and Use of Proceeds” for more details.

SHARE INCENTIVE SCHEME

In order to incentivize our employees, we adopted a Share incentive scheme. See “Statutory and General Information — (D) Share Incentive Scheme” in Appendix VI to this document for details.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We did not carry out any major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

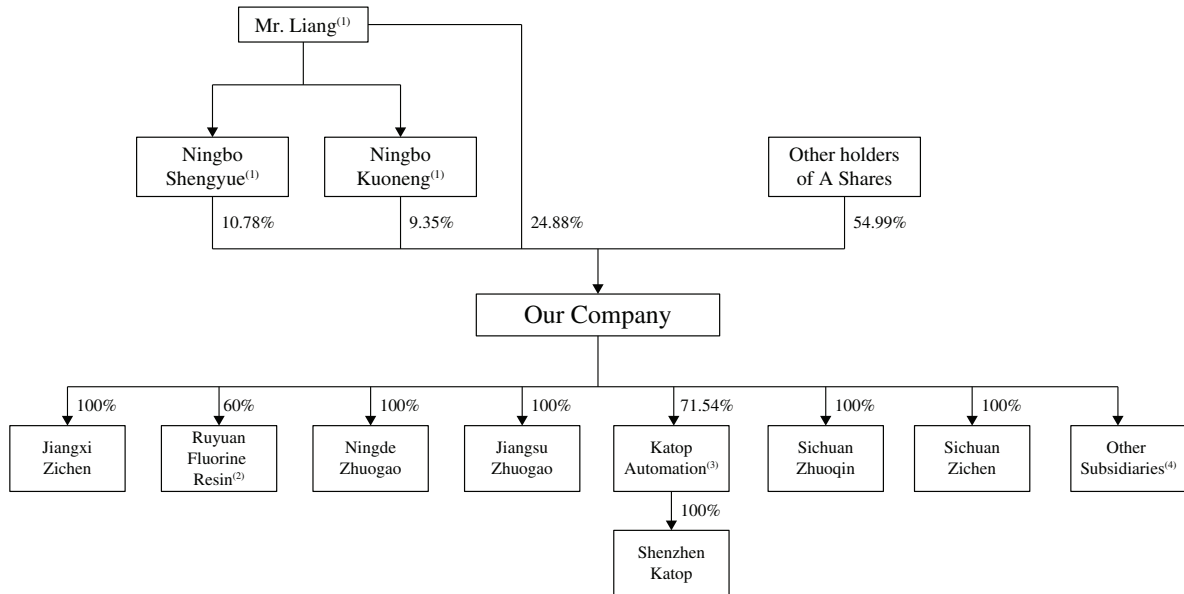
[REDACTED]

HISTORY AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and corporate structure immediately before the [REDACTED]

The following chart sets forth a simplified shareholding structure of our Group immediately prior to the completion of the [REDACTED], assuming that no changes are made to the issued share capital of our Company between the Latest Practicable Date and Listing:



Notes:

- (1) Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng constitute our Controlling Shareholders Group. See “Relationship with our Controlling Shareholders Group” for further details.

As of the Latest Practicable Date, a total of 239,010,000 A Shares held by Mr. Liang, representing approximately 11.19% of the total issued Shares, had been pledged. Details are as below:

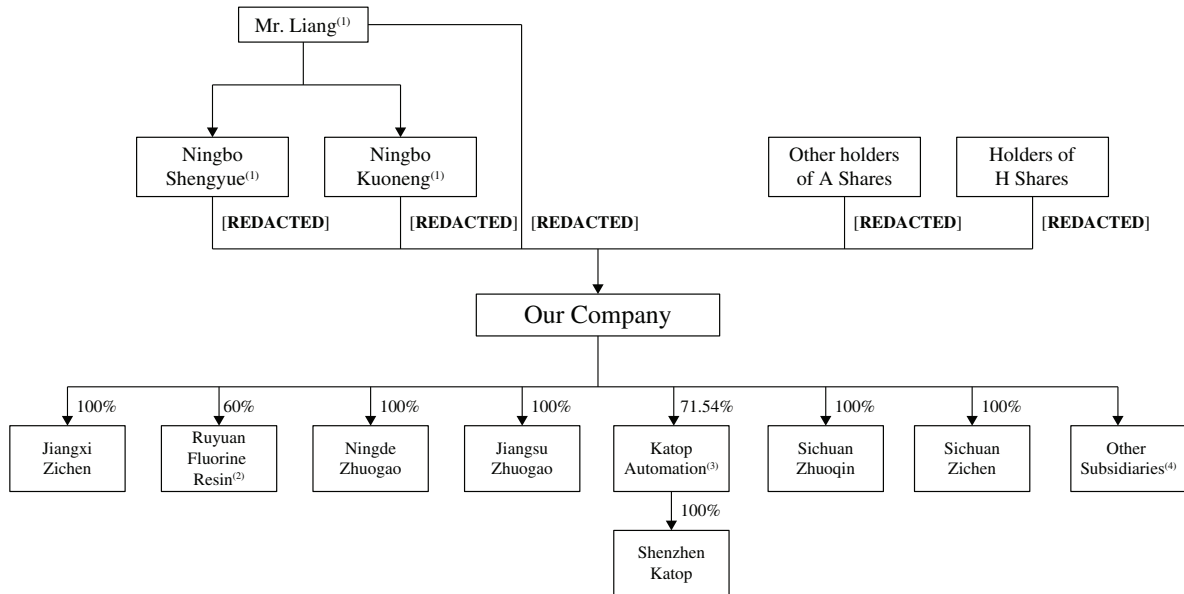
(i) 50,400,000 A Shares and 70,000,000 A Shares, representing approximately 2.36% and 3.28% of the total issued Shares, respectively, had been pledged in favor of Guotong Trust Co., Ltd. (國通信託有限責任公司), an Independent Third Party in connection with stock pledge financing replacement. The pledges will expire on June 6, 2026 and July 2, 2026, respectively; (ii) 31,250,000 A Shares, representing approximately 1.46% of the total issued Shares, had been pledged in favor of Huaneng Guicheng Trust Co., Ltd. (華能貴誠信託有限公司), an Independent Third Party in connection with stock pledge financing replacement. The pledge will expire on July 8, 2026; (iii) 45,680,000 A Shares, representing approximately 2.14% of the total issued Shares, had been pledged in favor of CITIC Securities Co., Ltd. (中信證券股份有限公司), an Independent Third Party in connection with stock pledge financing replacement. The pledge will expire on July 7, 2026; and (iv) 20,730,000 A Shares and 20,950,000 A Shares, representing approximately 0.97% and 0.98% of the total issued Shares, respectively, had been pledged in favor of Guotai Haitong Securities Co., Ltd. (國泰海通證券股份有限公司), an Independent Third Party in connection with Mr. Liang’s own financing needs. The pledges will expire on December 10, 2026 and December 11, 2026, respectively. It is expected that all the above-mentioned pledges will be renewed upon expiry.

- (2) As of the Latest Practicable Date, Ruyuan Fluorine Resin was held as to 60% by our Company and 40% by Ruyuan Dongyangguang Fluorine Co., Ltd. (乳源東陽光氟有限公司) (“**Ruyuan Fluorine**”), which in turn was held as to 82.4353% by Guangdong HEC Technology Holding Co., Ltd. (廣東東陽光科技控股股份有限公司) (“**GD HEC**”), a company listed on the Shanghai Stock Exchange (stock code: 600673). Since Ruyuan Fluorine is a substantial shareholder of Ruyuan Fluorine Resin, both Ruyuan Fluorine and GD HEC are connected persons of our Company.
- (3) Apart from our Company, none of the other shareholders of Katop Automation held 10% or more of the issued share capital therein as of the Latest Practicable Date.
- (4) As of the Latest Practicable Date, our Company had more than 40 subsidiaries, including our Major Subsidiaries.

HISTORY AND CORPORATE STRUCTURE

Shareholding and corporate structure upon completion of the [REDACTED]

The following chart sets forth the shareholding and beneficial ownership structure of our Group immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised and that no changes are made to the issued share capital of the Company between the Latest Practicable Date and Listing:



Notes:

- (1)-(4) See the respective notes to the corporate structure chart immediately prior to the completion of the [REDACTED] as set out above.

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Who We Are

We are a leading comprehensive solutions provider in the upstream of the new energy battery value chain. In the new energy era, we push the boundaries of battery materials innovation and intelligent manufacturing. We empower the world’s top new energy battery enterprises. We have established a vertically integrated presence across the upstream of the new energy battery value chain, delivering platform-based industry solutions. Driven by technological innovation, we lead technology upgrades, promote cost reduction and efficiency improvement across the industry, create value for energy conservation, environmental protection and sustainable global energy development.

With deep expertise in new energy battery materials and processing technologies, we have accumulated extensive technological know-how and industry experience in battery materials and automation equipment. Building on this foundation, we have progressively expanded into CAAS electrode processing services, making us the only new energy battery materials and automation equipment enterprise with electrode processing service capabilities, according to CIC. We provide domestic and international battery manufacturers, automakers and energy storage customers with comprehensive upstream solutions for new energy batteries.

Our processing technologies, high-quality products and services have been widely recognized by globally leading customers. We have covered nine out of the top ten global new energy battery enterprises by new energy battery shipment volume in 2025, according to CIC. The customer ecosystem we have established has become a key driver of our continued expansion along the value chain.

The following chart sets out a summary of our key achievements.

Key Materials

No. 1 Globally

Shipment volume and market share of **coated separator** for seven consecutive years⁽¹⁾

Shipment volume and market share of **PVDF** for three consecutive years⁽²⁾

No. 6 Globally

Shipment volume and market share of **artificial graphite anode material**⁽³⁾

Automation Equipment

Globally Leading

New energy battery automation equipment manufacturer

No. 1 Globally

Market share of **electrode coating machine**⁽³⁾

Markets and Customers

High Profile Clients⁽⁴⁾

Serve **nine out of the top ten** global new energy battery manufacturers

Production

Competitive Production Capacity⁽⁵⁾

Coated separator: 14 billion m²

Base separator film: 2.1 billion m²

Anode materials: 250,000 tonnes

PVDF: 30,000 tonnes

Boehmite and alumina: 30,000 tonnes

CAAS electrode processing: 62 million m²

R&D⁽⁶⁾

R&D Centers: **10**

R&D Personnel: **1,700+**

Doctor’s & Master’s Team: **nearly 300**

Patents: **around 1,800**

Invention Patents: **340**

ESG

MSCI ESG Rating of **AA**

Eight “Green Factory” certification & **Five** “Carbon Neutral Factory” certification⁽⁷⁾

CDP Water Security and Climate Change **dual B rating**

Notes:

(1) From 2019 to 2025, according to CIC.

(2) From 2023 to 2025, according to CIC.

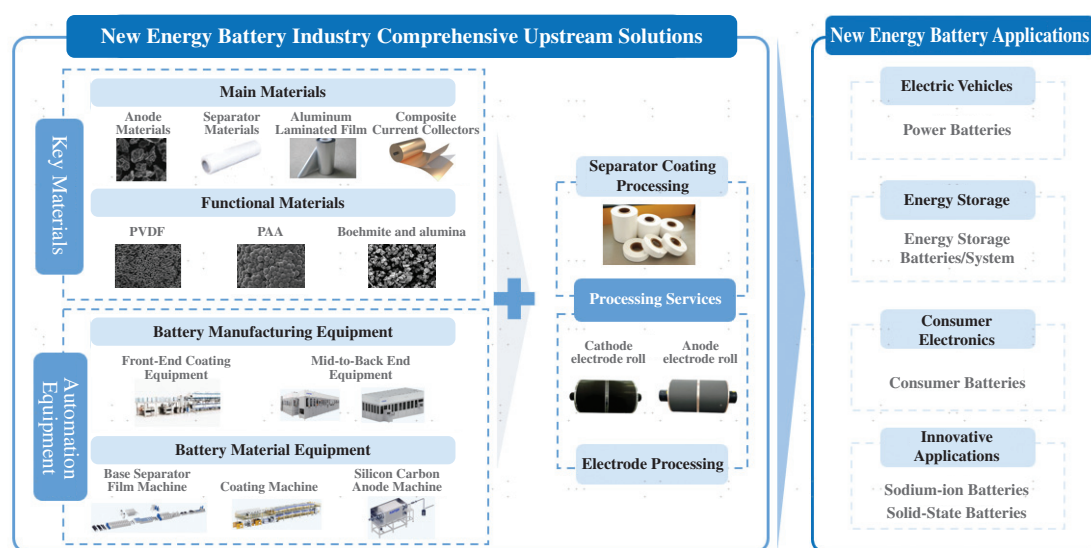
(3) In 2025, according to CIC.

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- (4) By shipment volume in 2025, according to CIC.
- (5) Annual designed production capacity as of December 31, 2025.
- (6) As of December 31, 2025.
- (7) Accredited by provincial Department of Industry and Information Technology and qualified third-party institutions.

Our Products, Services and Solutions

Leveraging our industry-leading battery materials, automation equipment and electrode processing services, we are committed to delivering comprehensive upstream solutions for the new energy battery value chain and empowering globally leading new energy battery enterprises. The chart below sets forth our products and service offerings.



Our products, services and solutions are widely applied across a broad range of downstream scenarios, including electric vehicles, energy storage systems and consumer electronics. In addition, we are actively advancing the R&D of next-generation battery materials for emerging technologies, including sodium-ion batteries, semi-solid-state batteries and solid-state batteries.

Our Technological Innovation

We are a technology leader in the upstream of the new energy battery value chain. The synergistic development and joint R&D efforts across our business segments continuously strengthen our innovative product portfolio and generate new business opportunities. A selection of our innovative product and service offerings is set out below.

New Energy Battery Key Materials

- We provide a full spectrum of separator coating solutions. According to CIC, we are the only company in the upstream of the new energy battery value chain to have achieved a high degree of integration of materials and equipment underpinned by our self-developed manufacturing capabilities, enabling us to meet our customers’ comprehensive requirements for coating performance and cost. According to CIC, our new energy battery coated separator shipment volume ranked first globally in 2025.
- We have successfully developed our second-generation ultra-thin 5-micrometer high-strength base separator film. In conjunction with our new separator coating processing technology, we believe these advancements will drive and define the future development of new energy battery separator technology, while further enhancing the safety performance of new energy batteries.

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- We maintain a deep commitment to the R&D of separator coating technology, and hold industry-leading positions in both technical capabilities and product performance. Our core products have been adopted by globally leading battery manufacturers. Our second-generation ultra-thin products and advanced coating processes form a distinctive technological barrier. We have achieved mass production of coated separators with fire-resistant properties that are compatible with next-generation batteries, underpinning our long-term competitiveness in innovative new energy applications.
- According to CIC, one of our core technical personnel pioneered the use of needle coke as a raw material for anode materials globally. We were among the first enterprises to achieve large-scale deployment of carbonization coating after graphitization. We have further pioneered graphite expansion mitigation technology, maximizing the cycling stability and processability of our products. In addition, our self-developed ultimate lithium storage performance regulation technology enables product capacity to approach the designed maximum capacity of graphite.
- We have independently developed the production process and manufacturing equipment for CVD silicon-carbon anode materials, achieving a product capacity exceeding 2,300mAh/g. Our products demonstrate high consistency and have been successfully commercialized.
- We have completed pilot trials of new materials including biomass-based graphite, hard carbon anode materials and single-wall carbon nanotubes, achieving industry-leading performance results. Our independently developed biomass-based graphite products demonstrate cycling performance superior to natural graphite and similar expansion as natural graphite under 45°C conditions. These products are expected to offer a “negative carbon footprint” solution for the graphite anode industry, reflecting our sustained commitment to technological innovation and sustainable development.
- We have completed the development of composite copper foil products that, while satisfying the mechanical and electrochemical performance requirements of conventional batteries, have achieved a breakthrough for 4C fast-charging applications, with costs reduced by 20% and weight reduced by over 50% compared to traditional copper foil. We have also completed the development of composite aluminum foil products. As of December 31, 2025, our composite aluminum foil products were among the few such products that simultaneously meet both the 3C fast-charging and nail penetration safety requirements in the consumer electronics sector. According to CIC, these products are also among the few solutions capable of fully replacing traditional aluminum foil to address the cathode breakage issue in high-silicon wound batteries.
- In the field of functional materials, through independent R&D and industrialization, we have achieved commercial-scale production of battery cathode binder PVDF and separator coating PVDF materials. Through the development of high-performance, low-cost ceramic materials for separator coating and electrode manufacturing, together with the joint development of separator binder PAA, we ensure a stable supply for separator coating processing and continue to develop new functional material products. We have further optimized polymer functional groups and agglomeration structures to facilitate the production of large-format and capacity lithium-ion batteries, enhancing and stabilizing their electrochemical pathways and consistency to achieve longer calendar life and cycle life.
- We pioneered the innovative CAAS electrode processing service mode in the industry. This service enables us, to deliver complete cathode and anode electrode rolls, or to supply raw materials, production equipment, process and solutions on a standalone basis, tailored to the specific requirements of each customer.

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New Energy Battery Automation Equipment

- Our independently developed high-speed double-sided coating machine, compatible with 4.5-micrometer copper foil, achieves coating production speeds exceeding 100 meters per minute at a width of 1,600 mm. Through precise tension control, we have resolved the longstanding industry challenge of coating ultra-thin 4.5-micrometer copper foil, making us the first domestic enterprise to achieve volume delivery of high-speed double-sided coating machines for 4.5-micrometer copper foil, according to CIC.
- Energy consumption reduction is a core R&D direction for our coating machine. Our independently developed full-infrared drying technology has achieved volume application and, according to CIC, is the first in the industry to achieve a 27% reduction in oven length and a 37.5% increase in drying speed. This technology significantly reduces energy consumption, plant construction costs and construction cycles, while improving electrode roll performance and quality and delivering comprehensive technological and cost advantages.
- Our self-developed separator coating machine achieves the highest production efficiency globally, with a maximum operating speed exceeding 300 m/min and globally leading automation levels, establishing a strong equipment foundation for our coating processing business, according to CIC.
- Our mass-produced base separator film production machine achieves a single-line capacity exceeding 200 million sq.m. per year. Our next-generation base separator film production machine has further achieved a single-line capacity exceeding 300 million sq.m. per year, attaining internationally leading performance levels and reshaping the competitive landscape of the global base separator film industry.

Our Business Opportunities

Governments worldwide have introduced extensive supportive policies for the new energy industry, with over 200 countries and regions having formulated and published carbon emission reduction targets. The new energy industry has emerged as a core pillar of the global energy transition and green and low-carbon development. In China, a comprehensive policy framework for new energy industry development has been established, centered on the dual drivers of societal electrification and industrial new energy transformation. Underpinned by both global policy support and China’s domestic dual-core development framework, the new energy industry presents significant growth opportunities. The new energy battery industry, as a key constituent of the broader new energy sector, is experiencing a surge in demand and rapid scale expansion across multiple application scenarios. According to CIC, global new energy battery shipment volume is expected to increase from 2,257.0 GWh in 2025 to 6,284.3 GWh in 2030, representing a CAGR of 22.7%.

In the power battery sector, sustained growth in global demand for new energy vehicles has driven the rapid expansion of the power battery market. According to CIC, global new energy passenger vehicle sales reached 23.5 million units in 2025, representing a year-on-year increase of 29.1%. The continued improvement of charging and battery-swapping infrastructure has further supported the adoption of new energy vehicles: in 2025, the number of global public charging stations exceeded 7.0 million, representing an increase of more than three times compared to 2021, while the number of global new energy passenger vehicle battery-swapping stations exceeded 6,000, an increase of more than six times over the same period. Furthermore, ongoing technological progress is broadening, the application of power batteries into emerging areas such as machinery, marine vessels, eVTOL and intelligent applications, further driving demand growth. By 2030, global power battery shipment volume is expected to reach approximately 3.8 TWh.

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In the energy storage battery sector, according to CIC, global electricity demand is expected to continue to grow, driven by global economic development, population growth and accelerating electrification. In 2025, global electricity demand reached approximately 27,000 TWh and is expected to reach 31,000 TWh by 2030. The share of renewable energy in the global power mix has risen from approximately 10% in 2021 to 18% in 2025, and is expected to reach approximately 31% by 2030. As renewable energy adoption accelerates, energy storage systems have emerged as a critical technology for balancing the intermittency of energy generation and consumption, driving demand for high-efficiency, high-energy-density new energy batteries. Supported by favorable policy frameworks and the promotion of grid demand-side management, large-scale energy storage projects are gradually coming to the fore, further stimulating the production and application of new energy batteries. By 2030, global energy storage battery shipment volume is expected to reach approximately 2.2 TWh.

The rapid development of artificial intelligence has further driven a surge in demand for computing power and electricity consumption at data centers. By 2030, global data center electricity consumption is expected to reach approximately 2,600 TWh, with the corresponding shipment volume of energy storage batteries for data center applications expected to reach approximately 0.4 TWh.

In the consumer battery sector, the continued enhancement of consumer electronics products — including smartphones, tablets and laptops — is raising users’ requirements for battery performance and driving continuous innovation in battery technology. At the same time, the rapid proliferation of emerging smart devices such as wireless earbuds, smartwatches, wearable devices and AR/VR devices has further stimulated growth in the consumer electronics industry, underpinning sustained demand for new energy batteries. By 2030, global consumer battery shipment volume is expected to reach approximately 0.2 TWh.

Against the backdrop of increasing demand for higher energy density, longer range and faster charging performance, new energy battery technology is expected to continue to achieve breakthroughs across multiple areas. The adoption of new materials — including silicon-carbon composite anodes, semi-solid-state composite membranes and solid-state electrolyte technologies — has significantly improved battery performance and safety. Meanwhile, ongoing improvements in production processes and rising automation levels have progressively reduced the cost of new energy batteries, broadening their application across energy storage, electric vehicles and consumer electronics. The continued advancement of new energy battery technology has not only enhanced product competitiveness but also provided the technological foundation for broader market demand, making it a key driver of the rapid development of the global new energy battery market.

The surge in downstream applications for new energy batteries has simultaneously driven rapid demand growth for related materials and equipment. In the global key new energy battery materials market, global new energy battery coated separator shipment volume is expected to increase from 31.0 billion sq.m. in 2025 to 84.8 billion sq.m. in 2030, representing a CAGR of 22.3%; global new energy battery anode material shipment volume is expected to increase from 3,040.9 kilotonnes in 2025 to 7,855.4 kilotonnes in 2030, representing a CAGR of 20.9%; and global new energy battery PVDF shipment volume is expected to increase from 108.4 kilotonnes in 2025 to 317.5 kilotonnes in 2030, representing a CAGR of 24.0%. The global new energy battery equipment market is expected to expand from RMB125.4 billion in 2025 to RMB241.3 billion in 2030, representing a CAGR of 14.0%, comprising the global new energy battery manufacturing equipment market, which is expected to grow from RMB92.9 billion in 2025 to RMB172.4 billion in 2030 at a CAGR of 13.2%, and the new energy battery material equipment market, which is expected to grow from RMB32.5 billion in 2025 to RMB68.9 billion in 2030 at a CAGR of 16.2%.

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Our Industry Position

We hold industry-leading positions across multiple product segments in the field of new energy battery key materials.

- Our separator materials and coating processing business maintains an industry-leading position across coating technology, production efficiency, product performance, quality control and cost management. Our coating materials command an industry-leading market scale and self-supply rate, while our base separator film business is rapidly expanding its market share. According to CIC, measured by new energy battery coated separator shipment volume, we were the world’s largest new energy battery coated separator company in 2025, with a market share of approximately 35.3% in the global new energy battery coated separator market, and have ranked first in the industry for seven consecutive years. Measured by installed production capacity, we possess the world’s largest separator coating capacity, which reached 14.0 billion sq.m. per year in 2025.
- In the anode materials value chain, we have long maintained a leading position in the new energy battery artificial graphite anode materials field, underpinned by our high-capacity, long-range and high-tap-density products. We are actively developing next-generation artificial graphite anode material products featuring ultra-fast charging, ultra-high capacity, ultra-long cycle life and ultra-low expansion, anchoring ourselves in differentiated market segments and establishing a benchmark position that is difficult to replicate. According to CIC, measured by artificial graphite anode material shipment volume, our market share in the global artificial graphite anode material field was 5.4% in 2025.
- We hold industry-leading positions across multiple product segments including functional materials. We were the first enterprise in China to achieve domestic production of lithium-ion battery-grade PVDF. According to CIC, measured by new energy battery PVDF shipment volume, we were the world’s largest new energy battery PVDF supplier in 2025, with a market share of 27.6%, and have ranked as the top supplier in the industry for three consecutive years.

In the field of new energy battery automation equipment and services, we have accumulated extensive mature and advanced production experience and process know-how. Our product lines cover the key processes across the front, middle and back end of lithium-ion battery production, and we possess comprehensive product and service capabilities.

- Our front-end equipment, the electrode coating machine, maintains an industry-leading market share in the global market. According to CIC, measured by revenue, our market share in the global electrode coating machine market was approximately 35.2% in 2025, making us the world’s largest new energy battery electrode coating machine supplier.
- Our middle- and back-end equipment — including stacking machines, electrolyte filling machines, Helium leak detectors, formation and capacity grading equipment and film wrapping machines — have achieved volume shipments and been successfully introduced to the market.
- Our separator coating machine achieves the highest production efficiency globally, according to CIC. Our self-developed high-strength base separator film production equipment has entered mass production and is deployed on our own production lines, achieving self-sufficiency and independent control over core base separator film production equipment. According to CIC, we are the only company in the world capable of mass-producing base separator film equipment with a production line capacity exceeding 300 million sq.m. per year.

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OUR STRENGTHS

Comprehensive upstream coverage across the new energy battery value chain, underpinned by high-performance products that empower the entire value chain

We have established a “materials + equipment + services” integrated product matrix. Leveraging continuous technology development, substantial capital investment and rigorous customer validation, we have established deep and durable competitive barriers across the industry, with leading advantages in core products and technologies.

In our coated separator and film materials business, we have established core competitive advantages through an integrated model combining proprietary base separator film R&D with customized coating solutions. Our coating processing services are distinguished across four dimensions: first, we operate at the largest processing scale in the industry, having established an industry-leading high-precision coating capacity matrix with the capability to fulfil large-volume orders; second, we achieve the highest production efficiency in the industry, leveraging our proprietary high-speed coating equipment to deliver processing efficiency significantly ahead of industry peers, with lead times notably shorter than the industry average; third, we offer broad product technology coverage, with the capability to accommodate multiple coating material systems — including alumina, boehmite and polymer — as well as multi-layer composite coating solutions, addressing diverse downstream application scenarios; and fourth, we maintain outstanding quality reliability, with coating uniformity, consistency and stability achieving the highest levels in the industry under our full-process precision quality control system, according to CIC. Underpinned by these advantages, our separator materials products have consistently maintained a leading market share. In addition, we are proactively conducting R&D on semi-solid-state battery composite membranes, solid-state electrolytes and solid-state battery film-forming technologies, with our product and process reserves fully aligned with the future development requirements of the solid-state battery industry.

Our graphite anode materials are characterized by three core attributes: high rate capability, high energy density and long cycle life. We have established long-term cooperative relationships with leading customers, with our diverse product portfolio fully meeting the stringent requirements of consumer batteries, power batteries and energy storage batteries in respect of fast charging, energy density and service life. We have independently developed CVD processes and related mass-production equipment for the production of silicon-carbon composite anode, achieving strong product consistency and the capability for customized development of silicon-carbon composite anodes with irregular, quasi-spherical and spherical morphologies, and have successfully achieved mass production and commercial shipment. We have proactively pursued opportunities in the sector of hard carbon anode for sodium-ion batteries, having developed capacity-type and power-type hard carbon materials, both of which are ready for mass production.

As one of the first domestic enterprises to achieve production of lithium-ion battery-grade PVDF, according to CIC, we have achieved self-sufficiency and import substitution for PVDF and key raw materials such as R142b, thereby resolving critical supply bottlenecks. We have further strategically expanded into the PAA business through collaborative development and pioneered an aqueous emulsion-solution composite system that significantly enhances ionic pathways. This system is widely adopted in lithium-ion batteries with 5C and above fast-charging capabilities, providing robust support for the security and stability of the value chain.

We have established an industry-leading product portfolio and ecosystem across the upstream of the new energy battery value chain, further reinforcing our core technology barriers.

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Integrated strategic layout delivering strong product and service competitiveness

According to CIC, we are the only enterprise globally to have achieved a fully integrated industrial closed loop of “process, equipment and materials” for coated separators, and we possess significant comprehensive competitive advantages in coating innovation technology, production efficiency, cost management and quality stability. We hold industry-leading positions in coated separator production scale, self-supply rate of key coating materials, and self-supply rate and technological improvement capabilities of core automation equipment. In the field of new energy battery functional materials, we have achieved global leadership in both technology and scale across PVDF, PAA, alumina and boehmite. In the base separator film segment, we have achieved self-sufficiency and independent control of base separator film equipment through our proprietary and integrated design approach. Through our integrated layout of “base separator film + coating materials + base separator film equipment,” we are able to provide downstream customers with long-term cost control solutions, drive cost reduction and efficiency improvement across the industry, and sustain long-term comprehensive competitiveness.

Our Sichuan anode materials production base has, for the first time in the industry, applied multiple continuous production and automated powder conveying processes, embodying the philosophy of integration and delivering innovative upgrades to anode material production in terms of environmental performance, safety, energy conservation, emission reduction, intelligence and digitalization, which we believe will serve as a benchmark for the production of next-generation anode materials. In the crushing and granulation stages, we have implemented and upgraded raw material pre-treatment processes, advanced continuous granulation processes and fully enclosed pipeline conveying throughout the entire production process. In the graphitization stage, we have pioneered rail-mounted mobile graphitization equipment to ensure safe production, prevent cross-contamination of materials, improve quality control and maintain a safe working environment. In the carbonization stage, we have effectively improved material utilization rates and automated production levels through centralized processes and new integrated equipment.

Platform-based layout delivering deep synergies and building the upstream ecosystem of the value chain

Leveraging our “materials + equipment” platform to deliver a synergy-driven service system for customers

Leveraging our platform-based “materials + equipment” layout, we have established a differentiated, synergy-driven service system, creating a closed-loop service advantage across the fields of key new energy battery materials and automation equipment.

We not only supply core products such as anode materials and intelligent coating machines, but also leverage our full value chain technological expertise to deliver customized process solutions to customers. Anode materials, when paired with supporting processes and equipment, can improve coating stability and yield; the PAA for coated separators jointly developed with our associate company Sichuan Indigo can significantly improve product chemical resistance and electrolyte wettability; and our self-developed PVDF binders can optimize the adhesion between electrodes and active materials, significantly enhancing product performance. PAA binders address the expansion issue of silicon-carbon anodes, extending cycle life, while PVDF formulation optimization further unlocks the energy density potential of battery materials.

Our synergy-driven services span the entire customer lifecycle: at the pre-sales stage, through joint R&D and solution customization; during the sales process, through one-stop services encompassing installation, commissioning and training; and at the post-sales stage, through ongoing tracking and optimization through digital platforms — forming a dynamic closed loop of “materials — equipment — quality.” This model significantly reduces customers’ adaptation costs and implementation risks, shortens time to mass production, and enables battery core performance to reach industry-leading levels.

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Mutual empowerment between new energy battery materials and automation equipment reinforces our innovation capabilities and long-term cost competitiveness

With key materials such as coated separators, anode materials and PVDF binders as the foundation, and in coordination with key automation equipment — including automated coating machines produced by our automation equipment business — we achieve deep synergies in technology R&D and production application between our new energy battery materials and automation equipment businesses.

Advances in new energy battery materials feed directly into equipment R&D. For example, we optimize the coating thickness control and drying processes of coating machines based on the characteristics of our self-produced silicon-carbon anodes, ensuring that equipment can precisely match material process requirements. Conversely, technological breakthroughs on the equipment side expand material application scenarios, and our sustained equipment improvement capabilities underpin maintain our globally leading position in separator coating processing production efficiency. The deployment of silicon-carbon anode CVD fluidized bed equipment into mass production lays the foundation for the application of new silicon-carbon anode processes and long-term cost reduction. Core process equipment for composite current collectors is entirely self-developed and self-supplied, ensuring the confidentiality of process technology and the originality of our product development. The mutual empowerment between our new energy battery materials and automation equipment businesses not only improves product compatibility and production efficiency, but also accelerates the commercialization of next-generation technologies through joint R&D, generating new business opportunities and cultivating new sources of revenue and profit growth. Our collaboration with an overseas customer to develop solid-state battery materials and supporting equipment exemplifies our ability to integrate technologies and expand into new business areas.

Our strong equipment research, development and improvement capabilities have established robust core technology barriers and sustained market competitiveness in support of the long-term development of our materials business.

Electrode processing business cultivating a new upstream ecosystem in the value chain

Leveraging our industrial layout in main materials and functional materials, combined with our core advantages in the field of new energy battery manufacturing equipment, we have established a “materials + equipment” platform with strong synergistic capabilities and have progressively expanded into the battery electrode processing business. We are the only upstream materials and equipment enterprise in the industry with electrode processing service capabilities, providing domestic and international battery manufacturers, automotive manufacturers and energy storage customers with comprehensive upstream solutions spanning binder selection, slurry preparation and electrode coating through to mass production ramp-up. This enables new energy battery manufacturers to resolve capacity bottlenecks, reduce capital expenditure, and achieve rapid product delivery and performance optimization.

Leveraging our synergy-driven service model, we are able not only to strengthen our partnerships with leading new energy battery customers, but also to expand into overseas markets with differentiated, comprehensive industry solutions, building a platform-based competitive advantage that is difficult to replicate.

Cross-business platform-based R&D system driving industry technology evolution

As a leading comprehensive solutions provider in the upstream of the new energy battery value chain, we have established a platform-based R&D system coordinated at the Group level, encompassing joint R&D across business divisions and collaborative R&D with customers. Driven by the twin engines of new energy battery materials and automation equipment, and supported by a well-established incentive system and industry-academia-research collaboration mechanisms, we have established a leading position in cutting-edge R&D.

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Our R&D team is led by seasoned industry experts in the fields of materials, equipment and battery R&D and manufacturing, covering multiple technology domains sufficient to support technology evolution across the upstream of the new energy battery value chain. As of December 31, 2025, we had over 1,700 R&D personnel and had cumulatively obtained approximately 1,800 patents, including 340 invention patents, covering all key aspects of our principal businesses including separator coating, anode materials and automation equipment. This comprehensive capability enables us to provide customers with fully integrated solutions.

Leveraging our group-wide platform-based R&D system, we have proactively positioned ourselves in next-generation new energy battery materials, solid-state battery material equipment and other frontier innovation fields, introducing launching new technologies, new products and new business models to lead industry development, with the potential to reshape the competitive landscape of the upstream of the new energy battery value chain.

We continue to accumulate technological reserves and process expertise in frontier fields across the upstream of the new energy battery value chain, laying a solid foundation for our long-term development.

In-depth value chain positioning and a premium customer ecosystem creating mutual empowerment, building brand strength and scale advantages

We are committed to an in-depth value chain positioning, building a premium new energy battery customer ecosystem and establishing a virtuous cycle of “value chain layout — customer ecosystem — technology evolution.” With “key materials + automation equipment” as our dual strategic pillars, we have built a full-chain business system encompassing main materials, functional materials, electrode processing and automation equipment. By expanding our production capabilities and horizontally integrating supporting materials and the relevant supply chains, we provide customers with stable and efficient comprehensive solutions that precisely address their requirements from R&D through to mass production.

We are deeply aligned with globally leading battery manufacturers and automotive manufacturers, deepening cooperation through long-term supply agreements and joint R&D, and customizing materials, equipment and process solutions to customers’ specific requirements in order to reduce their costs and facilitate adoption. Our 62 million sq.m. CAAS electrode processing lines are currently operational and have received recognition from both domestic and international customers. Service models such as electrode processing, “complete roll delivery” and sodium-ion battery full-lifecycle services effectively reduce customers’ capital expenditure and promote industry-wide upgrades.

Leveraging our full-chain technological expertise and in-depth customer relationships, we continue to advance technology evolution, capacity expansion and globalized service delivery. Our brand influence spans power, energy storage and consumer electronics applications, establishing us as a benchmark enterprise in the global new energy battery field with both technological and scale advantages.

Commitment to ESG development, creating value for global energy sustainability

We have deeply integrated ESG principles into our strategy and full value chain operations, establishing a three-tier governance structure with the Board of Directors at the core, the ESG Management Committee coordinating overall efforts, and each business division responsible for execution. Through a dedicated digital platform, we achieve full-process management and oversight of over 700 key ESG indicators.

We have embedded the ESG philosophy of “win-win cooperation, sound governance, giving back to society and low-carbon emission reduction” into our strategy and operations, establishing a four-tier management matrix comprising the Board, the Strategy and Sustainability Committee, the ESG Management Committee and dedicated special task forces and sub-committees. Since 2024, we have built an ESG database covering our headquarters, business divisions and over 40 subsidiaries, advancing sustainable management across areas including public welfare, corporate culture, business ethics, supply chain management and employee development. In our new energy battery materials and services business,

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we have strengthened chemical lifecycle management, updating a list of over 200 controlled chemicals in accordance with domestic and international regulations, and have promoted safety management and the development of substitute materials. On the production side, we continue to improve energy efficiency, having independently developed energy and carbon emission management systems to achieve quantifiable and traceable carbon footprint management. All of our production bases have achieved 100% certification under ISO 50001 and ISO 14001. As of December 31, 2025, we have been recognized with eight green factory designations and five PAS 2060 carbon-neutral factory certifications. Our ESG performance continues to improve: in 2025, our MSCI rating was upgraded from A to AA, and our CDP Climate and Water Security ratings each received a B rating, with multiple ESG ratings ranking among the highest in the industry.

As a globally leading enterprise in the new energy battery materials and equipment industry, we provide customers with sustainable technology solutions, drive ESG upgrades across the value chain and contributing to the global energy transition and sustainable development.

Experienced and visionary management team

Our core management team comprises industry leaders with rich experience across the entire lithium-ion battery value chain, possessing comprehensive capabilities spanning technology R&D, production and manufacturing through to globalized operations, thereby laying a solid foundation for the implementation of our strategy and our sustained long-term growth. The core team members possess a deep understanding of lithium-ion battery technology evolution, market trends and policy directions, and have established an efficient synergy mechanism between technological innovation and commercialization, providing the core driving force for the execution of our sustainable development strategy.

OUR STRATEGIES

Continue to invest in R&D and cross-business R&D platforms to sustain our industry-leading position

Since our inception, we have consistently regarded R&D investment as a cornerstone of our core competitiveness, committing substantial resources through industry-academia-research collaboration, joint R&D with customers and the recruitment of senior R&D talent. During the Track Record Period, our R&D expenses amounted to RMB960.7 million, RMB743.4 million and RMB888.2 million, respectively, representing 6.3%, 5.5% and 5.7% of our total revenue for the respective periods, maintaining an industry-leading level according to CIC.

We continue to proactively position ourselves in emerging business areas, enriching our product matrix and broadening our business boundaries to sustain long-term growth momentum. Going forward, we will continue to deploy R&D innovation as our core driving force, invest in cross-divisional R&D platforms, maintain our technology leadership in the upstream of the new energy battery value chain, actively develop new businesses and products, and advance our goal of becoming a world-class comprehensive solutions provider and platform-based enterprise in the field of key new energy battery materials and equipment.

Deepen integrated value chain synergies to achieve mutual enhancement of technology and products

We regard the deepening integrated of value chain synergies as a core strategic pillar. Our focus is on the industrialization of key new energy battery materials and the continued advancement of integrated production bases for base separator film and coating processing, anode materials and graphitization processing, among others.

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We will continue to improve the self-sufficiency of key coating materials and further strengthen our strategic presence in the functional materials field, deepening the industrial closed loop in the separator coating processing sector. Through our controlling stake in Ruyuan Fluorine Resin and our equity stakes in Sichuan Indigo, we combine our technological advantages and application experience with our partners’ industrialization capabilities. In addition to meeting our own separator PVDF and water based binder requirements and strategic R&D needs, we are expanding the supply capacity of existing binder products and broadening the application of new products, promoting the interconnection of coating materials, processes, equipment and other modules to achieve bidirectional upgrades and mutual enhancement of technology and products, thereby continuously consolidating our comprehensive competitive barriers and laying a solid foundation for our long-term sustainable development.

Actively expand into overseas markets and advance an integrated global business layout

The overseas expansion of China’s new energy industry represents a strategic imperative in response to international competition and the evolving policy environment. The industry is transitioning from product exports to localized production, driving the coordinated international expansion of materials and equipment businesses. We are committed to capturing global new energy opportunities, and overseas market expansion constitutes a key pillar of our strategy.

Our separator materials and coating products have achieved successive breakthroughs in overseas customer certification and patent collaboration, and our automation equipment has successfully entered overseas markets with an established track record of delivery. Leveraging our “materials + equipment” synergy advantage, we have entered overseas markets with comprehensive integrated solutions. Our European subsidiary has signed a full-lifecycle cooperation agreement with a customer for a sodium-ion battery factory, with our integrated services receiving wide recognition. We have established subsidiaries in Germany, the United States, Singapore and Malaysia, and have assembled localized teams to respond rapidly to market opportunities in Europe, North America, Southeast Asia and other regions.

Our customers currently span multiple countries and regions worldwide. Going forward, we plan to prioritize the deployment of anode materials production capacity in Southeast Asia, deepen our overseas operations and enhance overall global operational efficiency.

Further attract and develop outstanding talent

We have consistently placed talent development at the core of our strategy, dedicating ourselves to building a strong and experienced professional talent pipeline and expert team through multi-dimensional initiatives. We have established a market-oriented, multi-tiered and long-term talent management system. Through the combination of short-term compensation incentives and long-term equity incentives, we have implemented an R&D contribution incentive scheme to encourage and drive the development of key technologies and process innovation. These measures enable us to continuously attract and develop high-calibre R&D and technical talent in frontier fields such as materials science and chemical engineering, thereby effectively retaining core R&D personnel. This provides stable, high-quality talent support for our ongoing technological innovation and capacity expansion. In parallel, we will steadily expand our production, sales and management teams to provide robust human resources support for capacity expansion and scaled development.

We are committed to building a broad career development platform for all employees and establishing a systematic internal training system. Through specialized training modules covering technology R&D, industrial practice, market insights and management operations, we seek to comprehensively enhance employees’ professional skills and knowledge, fostering a culture of independent innovation and a strong sense of ownership.

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Our long-term sustainable development strategy

We have embedded sustainable development into the strategic core of our corporate strategy, advancing the global transition towards energy conservation and environmental protection, establishing a clean and low-carbon energy system, and strengthening ESG value creation across our operations.

We are implementing a systematic sustainable development strategy built around the following pillars:

- Low-carbon and clean energy: advancing clean production and renewable energy utilization, increasing investment in energy conservation, emission reduction and low-carbon technologies, deploying green initiatives such as zero-carbon factories, and pursuing international green certifications;
- Social responsibility and employee welfare: enhancing the employee development system, safeguarding employees’ labor rights and interests, and promoting green supply chain development;
- Risk management and corporate governance: continuously strengthening our risk management and internal control systems to achieve full-chain management of risk prevention, response and oversight.

OUR ROLE IN THE NEW ENERGY BATTERY VALUE CHAIN

We are a leading comprehensive solutions provider in the upstream of the new energy battery value chain, offering domestic and international customers integrated solutions for key new energy battery materials and automation equipment. Our products are primarily used in three types of batteries: power batteries, consumer batteries and energy storage batteries. In addition to lithium-ion batteries, our products are also applied in three types of new energy batteries, including sodium-ion batteries, solid-state batteries and semi-solid-state batteries.

OUR PRODUCT AND SERVICE OFFERINGS

We are primarily engaged in the R&D, manufacturing and sales of new energy battery key materials and new energy battery automation equipment.

The table below sets forth a breakdown of our total revenue by product type, each expressed as a percentage of our total revenue, for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentage)						
New energy battery key materials	11,729,430	76.7	9,633,424	71.9	11,325,315	72.3
New energy battery automation equipment	3,421,882	22.4	3,672,486	27.4	4,148,247	26.5
Others ⁽¹⁾	141,540	0.9	92,902	0.7	182,195	1.2
Total	15,292,852	100.0	13,398,812	100.0	15,655,757	100.0

Note:

(1) Others primarily included revenue derived from the sale of scrap materials.

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Leveraging our robust R&D capabilities in battery materials and production processes, together with our deep understanding of the electrochemical systems and process routes underpinning new energy batteries, we have evolved into a platform-based enterprise centered on “materials + equipment,” establishing a highly differentiated, synergy-driven capabilities platform within the industry. In the area of new energy battery materials and services, we are able to supply coated separators and film materials, anode materials and functional materials on a stand-alone basis, or deliver integrated material solutions tailored to customers’ specific process requirements, including CAAS electrode processing services. In the area of automation equipment and services, we are able to supply automation equipment and related technical services for use in new energy battery and new energy material production, either on a stand-alone or integrated basis, thereby addressing customers’ needs for individual product procurement as well as integrated, customized solutions spanning key materials and core equipment, and ultimately helping customers achieve cost reduction, efficiency improvement and product performance optimization.

New Energy Battery Key Materials

Coated Separators and Film Materials

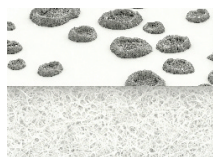
Coated Separators

Separators are one of the core components of lithium-ion batteries, functioning to prevent physical contact between the positive and negative electrodes to avoid short circuits and to retain the electrolyte so that lithium ions can move freely between the electrodes. When the battery temperature rises abnormally, the separator automatically shuts down ion transmission to prevent overheating or explosion, thereby directly affecting the quality, safety and production cost of lithium-ion batteries. Applying a uniform functional coating layer onto separator surfaces — such as ceramic or polymer coatings — improves adhesion, stabilizes the surface properties of the separator and enhances electrolyte absorption and retention. It also increases heat resistance and mechanical durability, supports faster charging, and reduces the risk of fire or short circuits. Accordingly, the coating process is an essential step in the production of high-end lithium-ion batteries.

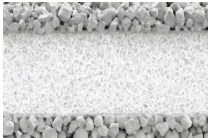
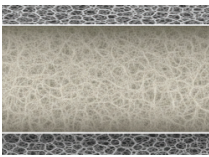
According to CIC, we are the world’s largest new energy battery coated separator provider in 2025 in terms of shipment volume. We process coatings using either customer-supplied or self-produced base separator films. This flexible approach enables us to enhance overall capacity utilization and strengthen customer stickiness.

Driven by the increasingly stringent requirements for safety, energy density and fast-charging performance in power battery and energy storage applications, we have launched a series of next-generation separator products featuring high-temperature resistance, puncture resistance, ultra-thin specifications, and high-porosity, high-strength characteristics. Our flame-retardant separators, coated separators for digital batteries with silicon-based anodes, and fluorine-free, water-based and environmentally friendly coating processes have achieved large-scale commercial application, further reinforcing our competitive advantages in the industry.

The table below sets forth certain details of our coated separator products.

Products	Main Specifications	Characteristics	Applications	Product Image
PVDF spray-coated separator (PCS)	1.5μm+7μm+1.5μm	PVDF is spray-coated onto the polyolefin separator surface, enabling strong adhesion to positive and negative electrodes, reducing cell deformation and optimizing the separator-electrode interface.	• Consumer electronics batteries • Power batteries • Energy storage batteries	

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Products	Main Specifications	Characteristics	Applications	Product Image
Ceramic coated separator (CCS). . . .	0.5μm+5μm+0.5μm	A ceramic layer is coated on the separator to form an ultra-thin coating, significantly reducing coating thickness while maintaining high heat resistance, improving both battery safety and energy density.	• Consumer electronics batteries • Power batteries • Energy storage batteries	
Organic solvent based separator (OBS) . . .	1.5μm+5μm+1.5μm	An organic solvent-based PVDF coat is used to provide strong adhesion to the electrodes and fasten lithium-ion transport, helping lithium-ion batteries achieve fast-charging performance.	• Consumer electronics batteries • Power batteries • Energy storage batteries	

Our 5μm, 7μm and 9μm base separator film products have been supplied in volume and offer a compelling cost advantage. In 2025, we accelerated the R&D of second-generation ultra-thin, high-strength base separator films in the 3.5μm to 5μm range, and developed a series of products with high porosity and high mechanical strength. In addition, we remain committed to delivering forward-looking coated separator products to our customers. To this end, we have developed the following products:

Products	Main Specifications and Characteristics	Applications	Development Stage	Product Image
High-wettability water-based bio-aramid coated separator (BACCS)	Ultra-high electrolyte wettability and impregnation rate, which shortens cell manufacturing time	• Semi-solid-state batteries	• Pilot-scale trials completed	
Organic solvent based PVDF & PMMA coated separator (OPMCS)	Enhances separator adhesion and electrolyte storage space, reduces coating rebound, and improves cycling performance	• High-silicon system batteries for robotics	• Pilot-scale trials completed	

As of December 31, 2025, our coated separator products had been successfully qualified by, and were being supplied on a mass production basis to, major downstream new energy battery manufacturers.

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Film Materials

Current collectors and composite current collectors

Current collectors are key components of lithium-ion batteries responsible for conducting and transmitting electrical current. Leveraging our R&D capabilities, we have developed composite current collectors and a range of new current collector products to meet the increasingly stringent industrial requirements for batteries with higher capacity, enhanced safety and reduced weight. Our product offerings include composite copper foil and composite aluminum foil.

Aluminum laminated film

Aluminum laminated film is the key encapsulation material for pouch cells. It is primarily used in batteries to seal and encapsulate the cell and electrolyte, providing waterproofing and moisture resistance, isolating the cell from air, and mechanically protecting and securing the internal components. The performance of the aluminum laminated film directly determines the sealing safety and service life of the battery.

We have developed aluminum laminated film products with high sealing performance, high corrosion resistance and high reliability for lithium-ion battery applications, suitable for use in pouch cell batteries, consumer batteries and energy storage batteries.

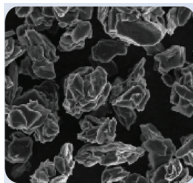
Our aluminum laminated film products have passed mass-production certification by major downstream battery manufacturers and have been adopted at scale across multiple application scenarios, including pouch cells for consumer electronics and energy storage batteries.

Anode Materials

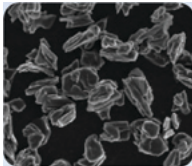
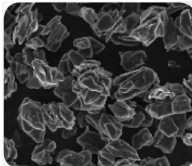
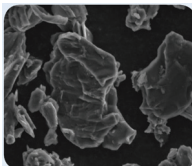
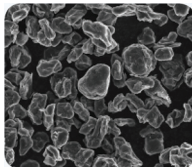
Anode materials serve as the primary storage medium for lithium-ions during battery charging and discharging, directly affecting key performance indicators such as energy density, cycle life, safety and charging capability.

We focus on the research, development and production of artificial graphite anode materials, and have established ourselves as a leading enterprise in the artificial graphite anode materials industry. Our artificial graphite products are applicable to consumer electronics, power and energy storage batteries, and feature high capacity, high compaction density, low expansion, long cycle life and fast-charging capability.

The table below sets forth certain details of our main anode material products.

Products	Main Specifications	Characteristics	Applications	Product Image
High energy density anode material	- Capacity: 358.0±3.0mAh/g - First cycle efficiency: ≥92.0% - Compaction density: ≤1.83g/cc - Fast charging capability: 1.0-1.5C	- High-capacity artificial graphite anode material with secondary particle structure design - Low expansion and long cycle life	Consumer electronics batteries	

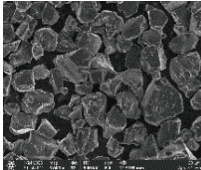
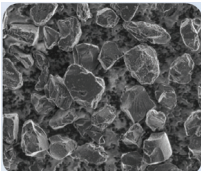
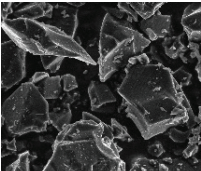
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Products	Main Specifications	Characteristics	Applications	Product Image
Fast-charging anode material	- Capacity: 357.0±3.0mAh/g - First cycle efficiency: ≥92.0% - Compaction density: ≤1.70g/cc - Fast charging capability: 4.0-6.0C	- Fast-charging artificial graphite anode material - Achieves high capacity, high rate performance and enhanced high and low temperature performance through optimized raw materials and particle structure	Consumer electronics batteries	
Low-expansion anode material	- Capacity: 348.0 ± 4.0 mAh/g - First cycle efficiency: ≥ 92.0% - Compaction density: ≤ 1.60 g/cc - Fast charging capability: 1.0 C	- Long-cycle artificial graphite anode material - Features ultra-low expansion, ultra-long cycle life and enhanced processability	- Power batteries - Energy storage batteries	
Low-expansion fast-charging anode material	- Capacity: 355.0 ± 3.0 mAh/g - First cycle efficiency: ≥ 92.0% - Compaction density: ≤ 1.70 g/cc - Fast charging capability: 6.0 C	- Fast-charging artificial graphite anode material - Features high capacity, high compaction density, enhanced kinetics and processing performance	Power batteries	
High-power anode material	- Capacity: 345.0 ± 4.0 mAh/g - First cycle efficiency: ≥ 93.0% - Compaction density: ≤ 1.45 g/cc - Fast charging capability: ≥ 10.0 C	- High-power artificial graphite anode material - Features enhanced high-temperature performance, enhanced kinetics, low expansion and enhanced cycling performance	Power batteries	

Building on artificial graphite as our core, we have established a comprehensive and diversified anode material system. In the silicon-carbon domain, we have developed biomass-based and resin-based porous carbon as the substrates, alongside silicon-matched graphite tailor-made for silicon-carbon composite anode and single-wall carbon nanotube conductive agents, all of which have achieved mass production. In the hard carbon and new carbon materials domain, we are advancing biomass-based and resin-based hard carbon and biomass-based graphite, targeting sodium-ion batteries and next-generation

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battery systems. We are accelerating the development of ultra-fast-charging and ultra-high cost-performance anode materials. We are actively advancing pilot-scale work for porous carbon materials, sodium-ion battery hard carbon and single-wall carbon nanotubes, while continuously enhancing the electrochemical structure and kinetic performance of biomass graphite, high-rate graphite and 3D lithium metal anodes. We are also and developing and deploying new graphite and conductive nanotube materials for dry-process electrode preparation. In furtherance of these objectives, we have identified the following key products.

Products	Main Specifications and Characteristics	Characteristics	Development Stage	Product Image
Resin-based silicon-carbon anode	- Capacity: $\geq 2300 \pm 50$ mAh/g - First cycle efficiency: $93.5 \pm 1.0\%$ - Compaction density: ≤ 1.1 g/cc - Fast charging capability: 2.0—2.5 C	- Features high energy, long cycle life and low expansion - Suitable for consumer electronics and power batteries	- Product development completed - Small-batch shipments commenced	
Biomass-based silicon-carbon anode	- Capacity: $\geq 1950 \pm 50$ mAh/g - First cycle efficiency: $93.0 \pm 1.0\%$ - Compaction density: ≤ 1.1 g/cc - Fast charging capability: 2.0—2.5 C	- Features high energy, long cycle life and low expansion - Suitable for consumer electronics and power batteries	- Product development completed - Small-batch shipments commenced	
Hard carbon for sodium-ion batteries	- Capacity: 320.0 ± 5.0 mAh/g - First cycle efficiency: $88.0 \pm 0.5\%$	- Renewable biomass-based hard carbon for sodium-ion batteries - Features low ash content, high first cycle efficiency and enhanced cycling performance	- Product development completed - Small-batch shipments commenced	

Functional Materials

Drawing on our integrated capabilities in film materials and coating technologies, we have built a comprehensive functional materials product portfolio encompassing PVDF and binders, boehmite and alumina. These functional materials enhance the surface properties, electrolyte wettability and chemical resistance of separators and electrodes, thereby improving the safety, electrochemical performance and service life of lithium-ion batteries, and generating meaningful synergies with our coated separator and electrode processing businesses.

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PVDF and Binders

We produce industry-leading PVDF products with comprehensive coverage across multiple application scenarios, including power batteries, energy storage batteries and consumer electronics batteries. In the area of cathode electrode binders, we exercise precise control over the molecular weight distribution and microstructure of PVDF to deliver multiple series of PVDF products that significantly improve the storage stability of cathode slurry — a performance level that leads the industry — while endowing the electrode with enhanced bonding properties and flexibility, thereby ensuring the structural integrity and long-term reliability of the electrode. In the area of separator coating, we have developed high-performance PVDF coating materials that effectively inhibit excessive swelling in the electrolyte through targeted molecular structure design, maintaining a stable coating structure throughout the battery’s service life. These materials also significantly enhance adhesion between the separator and electrode, addressing the limitations of conventional high-temperature hot-pressing processes — including base separator film shrinkage and pore closure in the coated layer — while reducing overall process energy consumption.

We have further established a presence in water-based binders, including PAA, which are primarily applied in separator coating and lithium-ion battery anode binding. By using water as the dispersion medium, PAA binders substantially reduce reliance on organic solvents, thereby mitigating associated environmental and safety risks. Their strong compatibility with next-generation systems, particularly high-silicon-content anodes, positions PAA binders for broader adoption in high-energy-density battery applications.

Boehmite and Alumina

Boehmite and alumina are key functional materials employed in coated separators and electrode sheets, with principal applications in separator surface coatings, electrode edge coatings and foil coatings. When applied to separator surfaces, these materials form a dense, uniform ceramic layer that substantially enhances heat resistance and accelerates electrolyte wetting, thereby improving energy density, fast-charging performance, safety and cycle life. Boehmite edge coatings effectively reduce cutting burrs, improving both manufacturing yield and battery safety, while base coatings deliver an additional protective barrier against mechanical and thermal stress.

Through systematic optimization of ceramic particle size distribution, surface modification and morphology compatibility, our products enable the production of high-performance ceramic-coated separators with enhanced dimensional stability at elevated temperatures, significantly reducing the risk of internal short circuits. These properties render our products particularly well-suited for high-energy-density power battery applications with stringent safety requirements. Our porous alumina and proprietary structured boehmite products further enhance electrolyte wettability and uptake — both critical factors in extending cycle life and improving low-temperature performance. Our boehmite and alumina product portfolio encompasses custom-developed formulations tailored to specific customer requirements as well as ready-to-use slurries for direct application, providing comprehensive coverage across diverse downstream needs.

CAAS Electrode Processing Services

Drawing on deep synergies across our main materials, functional materials and automation equipment capabilities, we commenced offering CAAS electrode processing services to downstream customers in 2025. According to CIC, we are among the few full-industry-chain enterprises in the electrode processing sector that cover all of these segments and are capable of delivering comprehensive, integrated solutions to battery manufacturers — a distinction that underscores our unique positioning in the industry.

Our dedicated technical team commands expertise spanning anode materials, anode foil materials, coating equipment and battery processes, enabling us to collaboratively optimize formulations, equipment parameters and process routes in accordance with our customers’ cell design targets. By leveraging our proprietary coating equipment and process platforms within an integrated production and validation system, we conduct rigorous process development and refinement that accelerates the progression from samples and pilot-scale trials to large-scale manufacturing. This approach materially reduces trial-and-error efforts, lowers overall production costs and enhances production efficiency, while ensuring consistent and reliable electrode quality throughout.

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Our principal business model is centred on the processing of materials supplied by customers. Customers provide the primary materials, to which we contribute our specialized auxiliary materials, and we complete electrode manufacturing using our proprietary coating equipment based on either the customer’s established process or a jointly developed solution. This service model enables downstream battery customers to reduce capital expenditure, accelerate product delivery timelines and enhance overall battery performance — delivering tangible commercial value across the battery manufacturing value chain.

New Energy Battery Automation Equipment

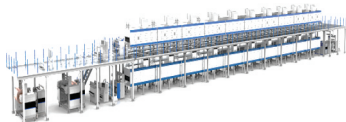
Our new energy battery automation equipment business is operated through our subsidiary, Katop Automation, and encompasses two principal product lines: new energy battery manufacturing equipment and new energy battery material equipment.

In the field of new energy battery manufacturing equipment, we have established comprehensive product and service capabilities spanning the front, middle and back end of lithium-ion battery production. Our offerings cover key cell processes including slurry mixing, coating, slitting, winding, stacking, electrolyte injection, formation and capacity grading, and helium detection, and we are progressively advancing towards the provision of whole-line production solutions for new energy battery manufacturing.

In the front end of new energy battery manufacturing, our high-speed wide-width double-sided coating machines are highly competitive, capable of stable production and batch delivery of equipment with a width of 1,600 mm. According to CIC, our new energy battery electrode coating machine ranked first globally by market share in 2025. In the middle end, our electrolyte injection machines cover both prismatic aluminium-shell and cylindrical batteries and have been adopted by key battery manufacturers. In the back end, our medium-voltage DC formation and capacity grading equipment can be integrated with customers’ energy storage systems to form a closed electrical energy cycle, thereby reducing energy consumption during the formation and capacity grading process.

In response to the evolving demands of next-generation key materials technologies, we are actively advancing our new energy battery material equipment business to capture new opportunities arising from ongoing technology iteration. Our principal products in this segment include separator coating machine, base separator film machine, silicon-carbon anode fluidized bed machine, granulation reactors carbonization furnaces, and other powder processing machine for anode materials.

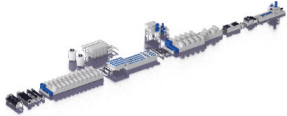
The table below sets forth certain details of our principal automation equipment.

Equipment	Function	Product Image
High-speed coating machine	Uses single-layer or dual-layer dies for precision coating and supports multiple independent or combined heating and drying methods such as hot air, steam, heat-transfer oil, infrared, laser and gas to meet different material and process requirements. Equipped with a high-precision closed-loop thickness control system that monitors and automatically adjusts coating parameters in real time to ensure uniform coating thickness. The machine offers high accuracy, high production efficiency and low energy consumption.	

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Equipment	Function	Product Image
Roll-press and slitting integrated machine	Integrates unwinding, rolling, thickness measurement, slitting and rewinding units to achieve continuous precision rolling and slitting of lithium-ion electrode sheets. The integrated design, with closed-loop thickness control and coordinated tension management, ensures high density, thickness uniformity and clean slitting quality, while significantly reducing process changeover time, lowering material loss and improving production efficiency and yield. It is a key piece of equipment for efficient, high-quality mass production of electrode sheets.	
Electrode slitting machine	Cuts electrode sheets to the required width for individual cells. The equipment can be fitted with traditional circular knives and an automatic knife-arrangement system and is characterized by high slitting speed and easy operation.	
Electrolyte injection machine	Mainly used for electrolyte injection of prismatic aluminum-case cells. It can perform automatic code scanning, weighing before and after filling, hi-pot testing, vacuum filling (fixed or variable volume), wiping and tab-pin insertion.	
Formation and capacity grading machine	Pre-charges lithium-ion batteries so that a solid electrolyte interphase (SEI) film is formed on the active material surface, creating a stable electrochemical system. The equipment is compatible with multiple battery formats and adopts a modular design that facilitates maintenance.	

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Equipment	Function	Product Image
Helium leak detector	Used to test the sealing performance of the cell casing after electrolyte filling and sealing. The system includes data acquisition functions that capture and store traceability records for each product in real time, link them to the cell barcode and generate relevant files for reading by the customer’s information system.	
Separator coating machine	Used to coat functional or modified materials onto the surface of base separator film. Through precision coating and stable drying processes, it enables the separator to achieve heat resistance, safety, wettability and electrochemical performance. The equipment offers high accuracy, strong adaptability and reliable stability, and is widely used in separator production for power, energy storage and consumer electronics batteries.	
Base separator film production machine . . .	Used for producing wet-process lithium-ion battery separators. It realizes full-process precision control of “precision extrusion — biaxial stretching — efficient extraction — intelligent slitting”, ensuring the microporous structure, mechanical properties and consistency of the separator.	

We remain committed to advancing our research and development across a broad range of products, including electrode coating equipment, mid- and back-end battery manufacturing equipment, solid-state battery process equipment, separator and composite current collector equipment, and equipment for key battery materials such as silicon-carbon anodes. As of December 31, 2025, we held approximately 1,800 authorized patents in fields relating to new energy battery production equipment and battery material equipment.

For the sales volume and average selling price by business segment, please see “Financial Information — Principal Components of Consolidated Statement of Profit or Loss — Revenue — Sales Volume and Average Selling Price.”

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OUR CORE TECHNOLOGIES

Separator Coating Technologies

The table below sets forth certain details of our self-developed separator coating technologies as of the Latest Practicable Date.

Technology	Key features
Non-fluorinated polymer-coated separator technology	This technology utilizes 5–10 μm PMMA microspheres to prepare a water-based slurry and applies high-precision coating processes to achieve a uniform PMMA coating with stable and controlled areal density. This technology delivers PFAS-free performance, thereby enhancing safety and environmental compliance, while achieving and surpassing the performance and safety levels of conventional PVDF-coated separators in cells and effectively suppressing cell swelling during cycling without compromising high-rate performance.
Ultra-thin high-strength wet-process separator . .	This technology features biaxial tensile strength in excess of 4,500 kgf/cm^2 , which, as compared with conventional base separator films, deliver an increase in puncture strength of more than 50% (for example, a 5 μm base separator film achieves a puncture strength of 550 gf), leveraging, among others, (i) stable processing of ultra-high-molecular-weight polyethylene and (ii) stable control of ultra-high-ratio stretching processes, thereby resolving the trade-off between cell-specific energy density and separator strength and safety.
Ultra-thin inorganic-coated separator technology . . .	This technology utilizes ultra-fine sub-micron inorganic powders with controllable and uniform particle size, combined with composite dispersants, to form a highly dispersible water-based slurry system and, through high-precision coating processes, creates a 0.5–1 μm highly uniform heat-resistant coating capable of withstanding temperatures in excess of 180°C. As compared with conventional inorganic coatings, this technology reduces coating thickness by 1–2 μm and contributes an additional 1–2% to lithium-ion battery energy density.

Anode Material Technologies

The table below sets forth certain details of our self-developed anode material technologies as of the Latest Practicable Date:

Technology	Key features
Surface microencapsulation modification technique for ultrafine powder . . .	This technology (i) prevents direct contact between graphite and electrolyte, thereby mitigating solvent co-intercalation and enhancing battery capacity and lifespan; (ii) effectively reduces the specific surface area of the powder, facilitating the formation of a more stable solid electrolyte interphase film and improving the kinetic performance of the product; (iii) improves the processing performance of the product, enabling more uniform dispersion of the powder during the slurry mixing process and the formation of a uniform slurry; and (iv) enhances the surface activity of secondary particles and primary fine powder, resulting in improved lithium-ion interfacial performance, increased activation levels and reduced internal impedance.

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Technology	Key features
Extreme lithium-ion storage performance regulation technology . .	This technology (i) improves the active sites and defect sites and increases lithium-ion storage space through product interface modification; (ii) overcomes the limitations of a single material and synergistically enhances the overall specific capacity of the product by adopting high-capacity lithium-ion storage materials to construct composite systems; and (iii) effectively expands the interlayer distance of the product, reduces the diffusion barrier of Li ⁺ insertion/deintercalation and enables additional Li ⁺ insertion layers to form high lithiation products such as LiC ₁₂ and LiC ₆ , thereby breaking through the capacity limitations of traditional LiC ₆ .
Graphite expansion mitigation technology . .	This technology features simplicity and stability with strong adaptability for particle design, enabling purposeful customization tailored to different raw materials. In particular, this technology (i) effectively improves the processing performance of the product, facilitating more uniform dispersion of the powder during the slurry mixing process and the formation of a uniform slurry; (ii) enhances electrode compaction and enables the achievement of low-stress electrodes, thereby improving electrode expansion; and (iii) produces composite secondary graphite particles which, when processed into negative electrodes, exhibit isotropic properties such that, upon lithium-ion insertion, they disperse and expand in all directions, thereby reducing electrode expansion and improving cycling performance.

Functional Materials Technologies

The table below sets forth certain details of our self-developed functional material technologies as of the Latest Practicable Date.

Technology	Key features
High-adhesion, highly dispersible PVDF binder technology for LFP cathode systems	This technology optimizes the molecular structure of PVDF to reduce interaction with active materials, thereby enhancing slurry stability during cathode slurry processing. Compared with industry peers, our PVDF demonstrates superior dispersion performance and higher compatibility with a wider range of active materials, which we believe has reached an industry-leading level.
Low-swelling, high-adhesion separator PVDF technology	Through molecular structure design, this technology resolves the long-standing industry challenge of balancing low swelling and high adhesion. In particular, this technology reduces the swelling ratio of copolymer PVDF in electrolyte by more than 50% as compared with industry peers while, in cell core cold-pressing processes, significantly improving adhesion between separator and electrode by more than 20% as compared with industry peers, thereby addressing issues associated with traditional high-temperature hot-pressing, such as base separator film shrinkage and pore closure in the coated layer, and reducing process energy consumption.

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Technology	Key features
Oxide solid-state electrolyte synthesis . . .	This technology employs a one-step solid-state sintering method to achieve full mass production of single-phase LATP and LLZO with ionic conductivity at a domestically leading level, and enables controllable particle-size preparation of LATP and LLZO powders and slurries. In particular, this technology (i) allows solid-state electrolyte powders to be surface-modified and grafted with specific functional groups to further enhance ionic conductivity and improve interfacial contact between solid electrolyte and electrodes; and (ii) incorporates a cold-sintering process for solid-state electrolytes, including low-temperature cold-sintering preparation of LATP, which is expected to significantly reduce the production cost of solid-state electrolytes. This technology provides high-performance material support for semi-solid-state batteries and lays the foundation for mass production of all-solid-state batteries.

Automation Equipment Technologies

The table below sets forth certain details of our self-developed automation equipment technologies as of the Latest Practicable Date.

Technology	Key features	Applications
High-adhesion, high-permeability separator preparation technology	This technology forms protrusions of 5–10 μm on the surface of the base separator film, with such protrusions enclosing a hollowed-out layer, and by controlling PVDF particle size, spray speed and flow, maintains gaps between particles, thereby enabling low binder content to provide sufficient adhesion strength between separator and electrode while preserving good air permeability and improving overall cell performance.	separator coating machine
Uniform electrode drying and crack-prevention technology	This technology utilizes specially designed air nozzles and ovens to guide and confine hot-air flow to regions outside the foil width, thereby effectively preventing coating cracks caused by in-plane temperature non-uniformity of the foil and improving overall cell quality.	electrode coating machine
Adaptive electrode sheet speed and tension control technology	This technology classifies the actions of the coating unit, take-up/splicing traction unit, tension adjustment unit, unwinding/rewinding unit, cutting unit and splicing unit into graded action levels based on coating quality requirements, and defines coating and non-coating working periods accordingly. During coating periods, the electrode sheet is maintained under constant tension, while during non-coating periods, the relevant units compensate for accumulated length errors of the foil, thereby effectively avoiding defects such as web breakage and non-uniform thickness.	electrode coating machine

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RESEARCH AND DEVELOPMENT

We are dedicated to the research and development of underlying technologies, product development and design of new energy battery key materials and automation equipment. We place high emphasis on the development of new composite graphite anodes, silicon-carbon anodes, ultra-thin high-strength separators, new coated separators, high-speed base separator film production lines and high-speed coating machines. We have made significant and ongoing investments in R&D to diversify our product portfolio, enhance the performance, efficiency and safety of our products, and to develop expertise in the production of key materials. For the years ended December 31, 2023, 2024 and 2025, our R&D expenses accounted for 6.3%, 5.5% and 5.7%, respectively, of our total revenue. See “Financial Information — Principal Components of Consolidated Statements of Profit or Loss — Research and Development Expenses” for details. With the anticipated growth of our business going forward, we expect our research and development expenses to continue to increase.

Our R&D Team

The technology for manufacturing new energy battery materials and automation equipment spans multiple disciplines, including carbon development and processing, polymer science, material processing, nanotechnology, electrochemistry, surface and interface science, mechanical engineering and automatic control technology. As of December 31, 2025, we had a dedicated R&D team of 1,709 members, accounting for over 12.4% of our total employees, of which nearly 300 held a master’s degree or above. To attract and retain high-caliber R&D talent, we have implemented a comprehensive incentive framework encompassing performance bonuses, year-end R&D project evaluations, accelerated career progression and equity incentive programmes, thereby aligning the short-term, medium-term and long-term interests of our R&D personnel with those of the Company. In addition, we have established internal policies to encourage inventions, ideas, discoveries, improvements and the development of copyrightable materials by our employees, and to fairly reward employees for R&D contributions made during the course of their employment with us.

Our R&D System

As of December 31, 2025, we have established 10 R&D centers to access frontier technologies and drive continuous innovation. We have developed a platform-based R&D system centered on the upstream of the new energy battery value chain. While the production processes of our various product lines operate independently, they collectively serve the upstream of new energy batteries and benefit from significant synergies in material systems, coating processes and equipment control. For instance, coated separators can be developed in close collaboration with coating machines, alumina and base separator films on a shared technology platform. This approach has given rise to an R&D model characterized by relatively independent product lines underpinned by a shared technology platform.

In terms of organizational structure, we have adopted a model of headquarters platform coordination supported by subsidiary-level specialist R&D. At the headquarters level, we have established a strategic product R&D department responsible for foundational and forward-looking technology research, achieving breakthroughs in key processes and materials, formulating the strategic product development roadmap and overseeing overall technology management. At the subsidiary level, each major subsidiary has established a dedicated R&D department focused on process optimization, equipment enhancement and new product development within its respective product line, while advancing technological innovation in a coordinated manner under unified R&D planning and standards.

We are committed to the continuous enhancement of our platform-based R&D capabilities. By integrating industry-leading frontier technologies with our own product characteristics, we continuously drive improvements in production processes and new product development. Through joint research with industry experts and core customers, we further strengthen the application of R&D outcomes across our unified technology platform, thereby establishing meaningful and sustainable competitive advantages in both technology and product development.

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Our R&D Projects

During the Track Record Period, in addition to the product innovations in battery materials and equipment mentioned above, we have established a comprehensive industry-academia-research R&D system through strategic collaborations with leading domestic universities and battery manufacturers with advanced R&D capabilities. Under this framework, our R&D efforts span a broad range of fields, including materials for lithium-ion metal anodes, nanofibre technologies and their preparation processes, and salt-lake lithium-ion extraction. In addition, we leverage big data analytics to enhance R&D efficiency, assess quality risks and build a robust, data-driven innovation system. We adopt a customer-centric, collaborative R&D model that enables us to deliver tailored solutions for specific application scenarios. By working closely with downstream customers throughout the product development process, we ensure that our products are aligned with customer requirements, thereby deepening long-term partnerships, improving customer retention and creating synergies between R&D activities and market demand.

The salient terms of our joint R&D agreement with universities and third party battery manufacturers typically include the following.

Salient Terms	Description
Roles and responsibilities . . .	In our collaboration with third party battery manufacturers, the collaboration partner provides the specific product requirements and technical specifications, and we are responsible for customized product design and production. Alternatively, in our collaboration with universities, we are responsible for providing the specific product requirements and technical specifications, with the collaboration partner responsible for customized product design and development.
Cost sharing arrangement . . .	We usually bear all the R&D expenses incurred.
Intellectual property	Intellectual property rights are typically either jointly owned by both parties or exclusively owned by us.

Our R&D Process

Our R&D management is fully aligned with automotive industry consumer electronics and energy storage standards and development requirements. We follow the industry-standard Advanced Product Quality Planning product development process, with rigorous project governance, prudent resource allocation and a high degree of alignment between our R&D priorities and the requirements of automobile manufacturers and the power battery industry value chain. Our R&D framework is structured into five principal automotive-grade phases as set out below.

- **Preliminary research and project planning:** We conduct comprehensive research on the automotive market and the requirements of automobile manufacturer customers, followed by rigorous feasibility, cost and compliance assessments.
- **Product design and validation:** We carry out product design in accordance with industry standards, develop prototypes and conduct comprehensive internal automotive-grade testing to validate performance and safety.
- **Process development and validation:** We design and validate production processes and production lines suitable for large-scale automotive manufacturing, with a particular focus on identifying, assessing and mitigating mass production risks.

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- **Mass production confirmation:** In accordance with automotive industry requirements, we conduct trial production runs and complete Production Part Approval Process procedures to secure customer approval of production parts, while validating the stability and consistency of mass production.
- **Continuous improvement:** By reference to the quality control standards of automobile manufacturers, we track the performance of our products in vehicle installation and related quality feedback, and establish a mechanism for continuous improvement, thereby continuously enhancing the quality of our products.

By employing this disciplined R&D framework, we ensure that only projects meeting clearly established technical, commercial and strategic thresholds progress, thereby facilitating effective resource utilization and robust risk management.

MANUFACTURING

Production Process

We adopt a make-to-order production model, scheduling manufacturing runs in response to customer orders so as to maintain optimal inventory levels. We are committed to advancing automation and digitalization across our operations to ensure the consistency and stability of product quality, deploying ERP and MES systems to maintain rigorous control over production costs and processes. Our coated separator and film materials business division has further implemented lights-out manufacturing to achieve the highest practicable level of automation. We have also established a comprehensive ISO/IATF production process management and control system to ensure effective oversight of all production operations.

In terms of production planning, we formulate annual production plans based on projected sales volumes and prevailing inventory levels, and make corresponding adjustments to monthly and weekly production schedules in response to evolving market demand.

We implement differentiated production management frameworks tailored to the specific requirements of each of our business lines:

- For our materials business, upon receipt of a customer order, we develop a production plan incorporating customized raw material formulations, arrange procurement of the requisite raw materials, organize production in accordance with established process flows, conduct comprehensive quality inspections throughout the production cycle and arrange delivery of finished products to customers.
- For our equipment business, following the completion of customer engagement and the execution of the relevant contracts, we undertake customized design and development. We subsequently procure materials in accordance with the production schedule and raw material inventory position, and carry out production assembly and system integration in accordance with the applicable process flow charts and work instructions. Each principal process step is subject to self-inspection, followed by IPQC re-inspection, finished product commissioning and inspection, OQC finished product inspection and factory acceptance testing, after which shipment is arranged.

This integrated approach enables us to effectively manage production costs and continuously improve operational efficiency.

Production Facilities

We have established a network of production facilities across various regions of China, enabling us to provide comprehensive services to our target customers. Our advanced production facilities, underpinned by continuous technological innovation and enhanced capacity scale, enable us to achieve economies of scale and effectively manage production costs. We manufacture all products at our own

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production facilities and, where market conditions permit, selectively outsource certain ancillary processes that do not affect the quality of our end products to qualified third-party service providers, subject to strict product quality control requirements.

As of December 31, 2025, we owned and operated 17 production bases, with a further eight production bases under construction. As of December 31, 2025, our designed annual production capacity comprised 14 billion m² for coated separators, 2.1 billion m² for base separator films, 250,000 tonnes for anode materials, 30,000 tonnes for PVDF, 30,000 tonnes for boehmite and alumina and 62 million m² for CAAS electrode processing. The following table sets forth details of our production bases as of December 31, 2025:

Location	Year of Commencement of Operations	Principal Products/Services	Production Capacity
Yichun, Jiangxi	2012	Anode materials	130,000 tonnes
Liyang, Jiangsu	2017	Anode material carbonization process	70,000 tonnes
Dezhou, Shandong	2017	Graphitization processing services	20,000 tonnes
Wulanchabu, Inner Mongolia	2017	Anode materials	20,000 tonnes
Chengdu, Sichuan	2021	Graphitization processing	105,000 tonnes
Wuhu, Anhui	2023	Anode materials	100,000 tonnes
		Silicon-carbon anode materials	400 tonnes
Ningde, Fujian	2015	Coating processing	5.0 billion sq.m.
		Boehmite and alumina	9,000 tonnes
Changzhou, Jiangsu	2017	Coating processing	5.3 billion sq.m.
Zhaoqing, Guangdong	2021	Coating processing	700 million sq.m.
		CAAS electrode processing	62 million sq.m.
Chengdu, Sichuan	2020	Base separator film	2.0 billion sq.m.
		Coating processing	3.0 billion sq.m.
Liyang, Jiangsu	2016	Base separator film	100 million sq.m.
Shaoguan, Guangdong	2013	PVDF	30,000 tonnes
Liyang, Jiangsu	2019	Boehmite and alumina	21,000 tonnes
Liyang, Jiangsu	2017	Aluminum laminated film	50 million sq.m.
Changzhou, Jiangsu	2023	Composite copper foil and composite aluminum foil	440 tonnes

We conduct careful and timely maintenance of our production facilities and equipment. Each piece of our major production equipment or machinery undergoes regular inspection and maintenance according to the relevant protocols. 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.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material workplace safety accidents and were not subject to any administrative penalties that would have a material adverse effect on our business operations or financial condition.

Production Facilities Under Construction

We plan to construct new production facilities to expand our production capacity and meet the growing demand from our customers, thereby providing capacity support for our continued business growth. In planning our overall capital expenditure and manufacturing resource allocation for production facilities, we take into account factors such as anticipated market demand, proximity to major customers, commodity prices and labor costs. We believe that our prudent expansion plan will benefit our business by addressing increased customer demand and expanding our market share. See “Future Plans and Use of Proceeds — Use of Proceeds” for details.

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The following table sets forth details of our production facilities under construction as of December 31, 2025.

Location	Status	Expected Completion Date	Planned Annual Capacity
Zhaoqing, Guangdong	Under construction	By end of 2026	Coating processing: 3.3 billion sq.m.
Ningde, Fujian	Under construction	By June 2026	Coating processing: 1.1 billion sq.m.
Chengdu, Sichuan	Under construction	By end of 2026	Base separator film: 2.0 billion sq.m.; Coating processing: 3.0 billion sq.m.
Shaoguan, Guangdong	Under construction	By end of 2026	PVDF: 10,000 tonnes
Shaoguan, Guangdong	Under construction	By end of 2026	PVDF: 15,000 tonnes
Chengdu, Sichuan	Under construction	By end of 2026	Integrated anode materials: 100,000 tonnes
Chengdu, Sichuan	Under construction	By end of 2026	Anode materials: 80,000 tonnes
Wuhu, Anhui	Under construction	By end of 2028	Silicon-based anode materials: 11,600 tonnes

Capacity and Capacity Utilization

During the Track Record Period, we continued to expand our production capacity in response to growing demand for our products, in line with our expansion strategy and international market demand forecasts. We determine our production capacity plans and identify capacity shortfalls based on rolling demand forecasts derived from long-term orders placed by our downstream customers, taking into account our expectations for continued growth in the industry.

The following table sets forth the production capacity, production volume and capacity utilization rate of our production lines for each year during the Track Record Period.

	For the Year Ended December 31,		
	2023	2024	2025
Production Capacity			
Coated Separator (million sq.m.)	6,000	8,000	12,000
Base Separator Film (million sq.m.)	300	700	1,500
Anode Materials (tonnes)	150,000	150,000	150,000
PVDF (tonnes)	15,000	25,000	30,000
Alumina and Boehmite (tonnes)	21,200	30,000	30,000
CAAS Electrode Processing (thousand sq.m.) .	17,000	22,000	62,000
Production Volume			
Coated Separator (million sq.m.)	5,470	7,409	11,590
Base Separator Film (million sq.m.)	142	656	1,552
Anode Materials (tonnes)	166,370	136,707	137,980
PVDF (tonnes)	11,042	21,843	30,984
Alumina and Boehmite (tonnes)	10,250	16,430	19,700
CAAS Electrode Processing (thousand sq.m.) .	7	848	6,005

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	For the Year Ended December 31,		
	2023	2024	2025
Capacity Utilization (%)⁽¹⁾			
Coated Separator	91.2	92.6	96.6
Base Separator Film	47.3	93.7	103.5
Anode Materials	110.9	91.1	92.0
PVDF	73.6	87.4	103.3
Alumina and Boehmite	48.3	54.8	65.7
CAAS Electrode Processing	0.0	3.9	9.7

Notes:

- (1) Capacity utilization is calculated by dividing the production volume for a given year by the production capacity for the same year.
- (2) For our automation equipment business, we primarily operate under a “made-to-order” model. Our automation equipment are highly customized and designed according to the customers’ technical requirements, specifications, standards and production processes. Consequently, the materials and labor invested by us differ substantially across different products, and the number of units is therefore not a meaningful or appropriate measure of our production capacity.

Equipment and Machinery

We make significant investments in production equipment and machinery, as we believe that the quality of our equipment and machinery is critical to enhancing automation levels, ensuring operational reliability and achieving cost-effectiveness. Key equipment and machinery used in our production processes include reactors, rotary kilns, tunnel kilns, overhead cranes, separator coating machines, base separator film production equipment, vessels and pumps. We have independently developed the majority of the key production equipment and machinery used in our production processes and have procured certain production equipment and machinery from domestic suppliers. We own all of our production equipment and machinery. The estimated useful life of our major production equipment ranges from 36 to 120 months, and the remaining useful life of our major production equipment ranges from 1 to 120 months.

We conduct regular inspections and maintenance of our production equipment and machinery and replace consumable parts and components in accordance with their wear and tear.

QUALITY CONTROL

We employ a rigorous production control system to maintain the effectiveness of our business operations and the quality of our products. We have implemented a comprehensive and stringent quality management system to ensure compliance with applicable industry and national standards and regulations. We have obtained various quality system certifications, including the ISO 9001 quality management system, the IATF 16949 automotive industry quality management system and the ISO 14001 environmental management system.

We have established a full-process, closed-loop quality control mechanism covering incoming materials, in-process manufacturing, finished products and after-sales services, supported by foundational systems, traceability management and continuous improvement. This mechanism comprises six standardized quality assurance modules: (i) incoming quality assurance, covering inspection of incoming raw and auxiliary materials and supplier quality verification; (ii) in-process quality assurance, encompassing process patrol inspection of key procedures, parameter monitoring and first and last piece confirmation; (iii) finished product quality assurance, providing comprehensive ex-factory inspection and release control; (iv) after-sales quality assurance, delivering customer-end quality response, issue handling and service support; (v) foundational assurance and continuous improvement, leveraging system documentation, personnel qualifications, equipment calibration and quality tools to consolidate the quality

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assurance foundation; and (vi) quality traceability and closed-loop management, comprising full-batch traceability management, root cause analysis of quality issues and implementation of corrective and preventive actions, thereby enabling quality risk prevention and control at every node.

PROCUREMENT AND SUPPLIERS

Our Suppliers

We procure raw materials and components directly from our suppliers. The primary raw materials used in the production of new energy battery key materials include petroleum coke, needle coke, primary graphite, graphite crucibles and box boards, base separator films, binders, ceramic materials and fluorine-containing organic compounds. The primary raw materials used in the production of new energy battery automation equipment include coating dies, various rollers, motors, controllers, ovens and other components.

In 2023, 2024 and 2025, our purchases from our five largest suppliers amounted to RMB1,081.7 million, RMB800.5 million and RMB1,149.9 million, respectively, representing 12.5%, 17.3% and 14.0% of our total purchases for the respective years. Our purchases from our largest supplier in each year accounted for 4.1%, 4.1% and 3.9% of our total purchases, respectively. During the Track Record Period, we maintained stable business relationships with our five largest suppliers.

The following table sets forth details of our five largest suppliers during each year of the Track Record Period.

Rank	Supplier	Products/Services Purchased	Transaction Amount (RMB in millions)	% of Total Purchases (%)	Business Relationship Since	Business Background	Credit Terms
For the year ended December 31, 2023							
1	Supplier A	Coke products, processing services	353.4	4.1	2014	Headquartered in Qingdao, China, a company specializing in the production of carbon products.	0-90 days
2	Supplier B	Coke products	304.6	3.5	2019	Headquartered in Qingdao, China, a company specializing in the sale of petroleum products.	90 days
3	Supplier C	Coke products, processing services	145.6	1.7	2015	Headquartered in Yichun, China, a company specializing in the development, production and sale of coke powder drying and granulation technologies.	0-30 days

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Rank	Supplier	Products/Services Purchased	Transaction Amount (RMB in millions)	% of Total Purchases (%)	Business Relationship Since	Business Background	Credit Terms
4	Supplier D	Coke products	143.9	1.7	2019	Headquartered in Dalian, China, a company specializing in the production of pitch and coating materials.	90 days
5	Supplier E	Processing services	134.2	1.5	2014	Headquartered in Jiaozuo, China, a company specializing in the production of lithium-ion battery materials.	60-90 days
For the year ended December 31, 2024							
1	Supplier F	Ceramic materials	188.2	4.1	2015	Headquartered in Dongying, China, a ChiNext-listed company specializing in the production of ceramic materials.	90 days
2	Supplier G	Fluorine-containing organic compounds	188.0	4.1	2023	Headquartered in Ningxia, China, a company specializing in the production of chemical products.	30-60 days
3	Supplier A	Coke products, processing services	163.0	3.5	2014	Headquartered in Qingdao, China, a company specializing in the production of carbon products.	30-90 days
4	Supplier H	Binders	135.7	2.9	2020	Headquartered in Shanghai, China, a company specializing in the production of chemical products.	30-90 days
5	Supplier I	Processing services	125.6	2.7	2023	Headquartered in Lanzhou, China, a company specializing in the production of carbon materials.	90-120 days

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Rank	Supplier	Products/Services Purchased	Transaction Amount <i>(RMB in millions)</i>	% of Total Purchases <i>(%)</i>	Business Relationship Since	Business Background	Credit Terms
For the year ended December 31, 2025							
1	Supplier J	Coke products	321.3	3.9	2018	Headquartered in Binzhou, China, a company specializing in the production of coke materials.	0-60 days
2	Supplier F	Ceramic materials	270.4	3.3	2015	Headquartered in Dongying, China, a ChiNext-listed company specializing in the production of ceramic materials.	90 days
3	Supplier A	Coke products, processing services	196.9	2.4	2014	Headquartered in Qingdao, China, a company specializing in the production of carbon products.	30-120 days
4	Supplier K	Fluorine-containing organic compounds	182.7	2.2	2023	Headquartered in Jian, China, a company specializing in the production of hazardous chemicals.	60 days
5	Supplier L	Binders	178.6	2.2	2022	Headquartered in Yingde, China, a company specializing in the production of chemical materials.	60-90 days

To the best knowledge of our Directors, none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest suppliers during the Track Record Period.

Procurement Agreements

We have established long-term, stable and mutually beneficial strategic partnerships with a broad base of qualified suppliers, ensuring the continuous and stable supply of raw and auxiliary materials and components necessary for our production and operations.

Our procurement agreements typically contain the following key terms:

Salient Terms	Description
Product Requirements	The supplier shall supply products that conform to our specified quality standards and technical requirements.

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Salient Terms	Description
Payment	The supplier shall provide us with the relevant value-added tax invoices prior to payment. Payment terms vary depending on the type of materials and/or components procured.
Delivery	The supplier shall, at its own cost, deliver the goods to the location designated by us. We reserve the right to reject any goods that fail to meet the standards specified in the agreement, and the supplier shall, at its own cost, collect any such rejected goods. We will inspect the quality of the goods within sixty (60) days of signing for receipt.
Warranty Period	During the agreed warranty period, the supplier shall be responsible for providing free repair and replacement services in respect of any defective products.
Returns and Exchanges	Where the products delivered by the supplier fail to meet the quality standards agreed in the agreement, the supplier shall, at our request, replace, repair or re-deliver all or part of the non-conforming products free of charge.
Termination	We shall be entitled, upon written notice to the supplier, to immediately terminate the agreement in the event that delivery is delayed by seven (7) or more days.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any breach of agreements by suppliers that resulted in any suspension or interruption that would have a material adverse effect on our production operations.

Our procurement prices and quantities may vary due to factors such as fluctuations in material prices, changes in market supply and demand dynamics and technological advancements. For details, see “Risk Factors — Risk Relating to Our Business and Industry — Changes in supply and costs of key raw materials, utilities, transportation, warehousing and other necessary supplies or services with respect to our business may impact our business, financial condition and results of operations”.

Supply Chain Management

Our procurement departments are primarily responsible for monitoring market prices of raw materials, identifying and developing qualified suppliers, conducting supplier evaluations and coordinating the implementation of procurement management across our Group.

To minimize any potential interruptions to our operations arising from the supply of key raw materials, we systematically analyse market supply and demand conditions based on orders on hand and historical transaction data, and maintain a reasonable level of safety stock for our raw and auxiliary materials. To mitigate raw material price fluctuation risk, we have established a dedicated market monitoring mechanism to track in real time the supply and demand structure and price trends of key raw materials, and conduct forward-looking planning prior to commercial negotiations with suppliers. Through strategies such as advance procurement and price-locking arrangements, we seek to ensure stable material supply while optimizing procurement costs.

We have established stable, long-term relationships with multiple qualified suppliers to ensure a reliable and continuous supply of raw materials and components. During the Track Record Period, we did not experience any significant shortage of raw material supply. See “— Seasonal Responsibility — Quality Management” for details.

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SALES AND MARKETING

We are principally engaged in direct sales to our customers. This approach minimizes intermediary costs and facilitates clear, direct communication with our customers. Given that our customers typically demand high product quality and may require customized solutions, maintaining open channels of communication is critical for ensuring product standards and reducing the likelihood of returns or the need for additional after-sales services.

With nearly thirty years of industry experience, our sales and marketing team formulates annual sales and marketing strategies with reference to rolling forecasts of future orders provided by downstream customers and our assessment of prevailing industry development trends. As of December 31, 2025, we had a sales and marketing team comprising 212 members.

For the years ended December 31, 2023, 2024 and 2025, our selling and distribution expenses amounted to RMB196.5 million, RMB161.7 million and RMB155.4 million, respectively, representing 1.3%, 1.2% and 1.0% of our total revenue during the same periods, respectively.

The salient terms of our sales agreements for new energy battery key materials with our customers are set out below:

Salient Terms	Description
Product Specifications	The agreement sets out the product name, specifications, model, unit price, quantity, amount, total price and applicable quality standards.
Payment	Payment shall be made in accordance with the agreed terms upon inspection and acceptance of the goods.
Warranty Period	A warranty period is agreed, calculated from the date of final acceptance. During the warranty period, any quality issues shall be remedied by way of free replacement.
Returns and Exchanges	We do not, as a general principle, accept product returns or exchanges. Returns or exchanges are handled only in special circumstances, such as where quality defects are identified, and in accordance with the terms of the relevant agreement.
Termination	In the event of a breach of contract, either party shall be entitled to terminate the agreement and/or claim liquidated damages from the breaching party at a specified percentage of the contract value.

The salient terms of our sales agreements for automation equipment with our customers are set out below:

Salient Terms	Description
Product Specifications	The agreement sets out the product name, specifications, model, unit price, quantity, amount, total price and applicable quality standards.
Payment	Payment is generally settled by instalments upon the achievement of agreed milestones. Customers may effect payment by telegraphic transfer or by bank acceptance bill with a maturity of up to six (6) months.

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Salient Terms	Description
Delivery	We deliver the products (i) within a specified period following receipt of the advance payment and receipt of the full purchase price; or (ii) by a specific date as agreed between the parties.
Warranty Period	A warranty period is agreed, calculated from the date of final acceptance. During the warranty period, any quality issues shall be remedied by way of free repair or replacement.
Termination	In the event of a breach of contract, either party shall be entitled to terminate the agreement and/or claim liquidated damages from the breaching party at a specified percentage of the contract value.

Global Sales Network

We initially targeted customers in the PRC and commenced our expansion into overseas markets in 2014. Leveraging our leading position in the domestic market, we have since been actively expanding our international presence. As at the Latest Practicable Date, we have established market presence across a number of countries and regions, including key global markets such as China, South Korea, Europe and the United States, and are actively exploring emerging markets in Southeast Asia.

The following table sets forth a breakdown of our revenue by geographical location for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>						
Chinese Mainland	13,010,804	85.1	11,982,478	89.4	14,719,306	94.0
Overseas ⁽¹⁾	2,282,048	14.9	1,416,334	10.6	936,451	6.0
Total	15,292,852	100.0	13,398,812	100.0	15,655,757	100.0

Note:

- (1) Overseas primarily included Europe and Asia (except China). Our revenue from overseas decreased from 2023 to 2025, primarily due to a decrease in selling prices of our anode materials.

Pricing

We determine the selling prices of our products by balancing customer acceptability with our profitability requirements, taking into account a number of factors including, among others, raw material costs, customer purchase volumes, customer relationships, prevailing market competition conditions and the prevailing market prices for comparable products in the target sales regions. We reserve the right to further adjust the prices of our products in response to significant fluctuations in the market prices of key raw materials. Our automation equipment products are primarily customized in nature, command relatively high unit prices and involve longer production and acceptance cycles. Accordingly, we typically require customers to pay a specified proportion of the purchase price as an advance payment upon order signing, a further proportion upon delivery of the products to the customer’s designated site, a further proportion upon customer acceptance, and the remaining balance upon expiry of the warranty period. The selling prices of our products are determined through arm’s length negotiations with our customers.

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Marketing

We employ an integrated combination of online and offline channels to plan, organize and conduct marketing activities for our global customer base across multiple countries and regions. We primarily acquire orders through online promotion, targeted customer visits, participation in customer tenders and attendance at industry exhibitions and conferences. We promote our products and brand through our official website and promotional materials, organize or co-host marketing conferences, participate in domestic and overseas industry exhibitions and conferences, attend customer-supplier meetings and maintain regular online communications with key customers. In respect of overseas market development, we have established localized marketing strategies tailored to the characteristics of each region and the preferences of local customers. We are committed to addressing the needs of various market segments in order to consolidate our market position and expand our customer base.

Quality Warranty

New Energy Battery Key Materials Business

Our warranty period for new energy battery materials typically ranges from three (3) to thirty-six (36) months, and is determined with reference to material specifications, product type, purchase volume and applicable local regulatory requirements. During the warranty period, where a product has inherent quality defects, we provide free replacement materials or technical rectification solutions. In the event of material quality issues, we will, at the customer’s reasonable request, promptly replace the relevant products and bear the corresponding expenses incurred.

New Energy Battery Automation Equipment Business

Our warranty period for automation equipment is typically twelve (12) months, subject to adjustment based on product type, quantity and applicable local regulatory requirements. During the warranty period, customers may request our technical specialists to replace or repair defective components free of charge. Where our technical specialists confirm that a product has a material structural or mechanical defect, we will replace the product or its components upon the customer’s request.

Following the expiration of the warranty period, we supply parts, components and maintenance services to our customers on a fee-paying basis.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints from customers in connection with product quality, and we did not experience any material product recalls or returns. Our Directors are of the view that the quality of our products has been generally stable throughout the Track Record Period, and no provision for product returns was made during the Track Record Period.

CUSTOMERS

Our primary customers for new energy battery key materials and automation equipment are new energy battery manufacturers. In 2023, 2024 and 2025, the revenue generated from our five largest customers amounted to RMB10,771.6 million, RMB8,860.4 million and RMB9,135.2 million, respectively, representing 70.4%, 66.1% and 58.4% of our total revenue for the respective years. During the same periods, revenue attributable to our largest customer accounted for 39.4%, 39.2% and 39.0% of our total revenue, respectively. During the Track Record Period, we maintained stable business relationships with our five largest customers.

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The following table sets forth certain details of our five largest customers during each year of the Track Record Period.

Rank	Customer	Products/Services Provided	Transaction amount ⁽¹⁾ <i>(RMB in millions)</i>	% of total revenue <i>(%)</i>	Year of commencing business relationship	Business background	Credit terms ⁽²⁾
For the year ended December 31, 2023							
1	Customer A	Anode materials, coated separators, PVDF, automation equipment	6,031.0	39.4	2014	A company engaged in R&D, manufacturing and sales of power/energy storage batteries, headquartered in Fujian, China and listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange.	0-90 days
2	Customer B	Anode materials, automation equipment	1,681.7	11.0	2014	A company engaged in R&D, manufacturing and sales of consumer/power/energy storage batteries, headquartered in Korea and listed on the Korea Exchange.	0-90 days
3	Customer C	Anode materials, PVDF, automation equipment	1,452.7	9.5	2013	A company engaged in R&D, manufacturing and sales of power/energy storage batteries, headquartered in Shenzhen, China and listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange.	0-90 days
4	Customer D	Anode materials, automation equipment	969.2	6.3	2015	A company engaged in R&D, manufacturing and sales of consumer/power batteries, headquartered in Korea and listed on the Korea Exchange.	30-90 days

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Rank	Customer	Products/Services Provided	Transaction amount ⁽¹⁾ <i>(RMB in millions)</i>	% of total revenue <i>(%)</i>	Year of commencing business relationship	Business background	Credit terms ⁽²⁾
5	Customer E	Anode materials, coated separators, automation equipment	637.0	4.2	2018	A company engaged in R&D, manufacturing and sales of power/energy storage batteries, headquartered in Wenzhou, China and listed on the Hong Kong Exchange.	0-60 days
For the year ended December 31, 2024							
1	Customer A	Anode materials, coated separators, PVDF, automation equipment	5,251.9	39.2	2014	A company engaged in R&D, manufacturing and sales of power/energy storage batteries, headquartered in Fujian, China and listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange.	30-90 days
2	Customer B	Anode materials, automation equipment	1,042.4	7.8	2014	A company engaged in R&D, manufacturing and sales of consumer/power/energy storage batteries, headquartered in Korea and listed on the Korea Exchange.	0-120 days
3	Customer F	Anode materials, coated separators, automation equipment	959.3	7.2	2017	A company engaged in R&D, manufacturing and sales of power/energy storage batteries, headquartered in Changzhou, China and listed on the Hong Kong Exchange.	30-90 days

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Rank	Customer	Products/Services Provided	Transaction amount ⁽¹⁾ <i>(RMB in millions)</i>	% of total revenue <i>(%)</i>	Year of commencing business relationship	Business background	Credit terms ⁽²⁾
4	Customer G	Anode materials, coated separators, automation equipment	896.9	6.7	2013	A company engaged in R&D, manufacturing and sales of power/energy storage batteries, headquartered in Huizhou, China and listed on the Hong Kong Exchange.	0-90 days
5	Customer C	Anode materials, PVDF, automation equipment	709.9	5.2	2013	A company engaged in R&D, manufacturing and sales of power/energy storage batteries, headquartered in Shenzhen, China and listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange.	0-90 days
For the year ended December 31, 2025							
1	Customer A	Anode materials, coated separators, PVDF, automation equipment	6,112.7	39.0	2014	A company engaged in R&D, manufacturing and sales of power/energy storage batteries, headquartered in Fujian, China and listed on the Shenzhen Stock Exchange and the Hong Kong Stock Exchange.	0-120 days
2	Customer E	Anode materials, coated separators, automation equipment	1,071.1	6.8	2018	A company engaged in R&D, manufacturing and sales of power/energy storage batteries, headquartered in Wenzhou, China and listed on the Hong Kong Exchange.	0-120 days

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Rank	Customer	Products/Services Provided	Transaction amount ⁽¹⁾ (RMB in millions)	% of total revenue (%)	Year of commencing business relationship	Business background	Credit terms ⁽²⁾
3	Customer B	Anode materials, automation equipment	740.7	4.7	2014	A company engaged in R&D, manufacturing and sales of consumer/power/energy storage batteries, headquartered in Korea and listed on the Korea Exchange.	30-120 days
4	Customer H	Anode materials, coated separators, automation equipment	689.5	4.4	2013	A company engaged in R&D, manufacturing and sales of consumer/power batteries, headquartered in Shenzhen, China and listed on the Shenzhen Stock Exchange and the Hong Kong Exchange.	0-120 days
5	Customer I	Anode materials, coated separators, automation equipment	521.2	3.5	2013	A company engaged in R&D, manufacturing and sales of consumer batteries and headquartered in Hong Kong.	30-90 days

Notes:

- (1) Without taking into account of tax surcharges.
- (2) The credit terms set forth in this table are applicable to our new energy battery key materials business. For our automation equipment business, payment is generally structured on a down payment plus instalment basis, with subsequent payments contingent upon the achievement of agreed milestones.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of our contractual arrangements with our major customers, nor did we encounter any circumstances leading to early termination of any agreement or any contractual disputes with or claims by our major customers that would have a material adverse effect on our operations. To the best knowledge of our Directors, none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest customers during the Track Record Period.

Customer Concentration

For the years ended December 31, 2023, 2024 and 2025, the aggregate revenue generated from our five largest customers accounted for 70.4%, 66.1% and 58.4% of our total revenue, respectively. During the same periods, revenue attributable to our largest customer accounted for 39.4%, 39.2% and 39.0% of our total revenue, respectively.

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Our Directors consider that our customer concentration during the Track Record Period is primarily attributable to the concentrated nature of the downstream new energy battery industry and our ability to meet our customers’ requirements for product innovation and stable supply at scale. See “— Customers — Relationship with Customer A” in this section for details. As of the Latest Practicable Date, our business relationships with our five largest customers during each period of the Track Record Period ranged from eight to thirteen years. We believe that we have maintained our customers’ loyalty by providing a broad spectrum of products that have met, and continue to meet, our customers’ specific functional needs and technical requirements. Our sustained performance has enabled us to secure recurring business opportunities from these customers. During the Track Record Period, we did not have any material dispute regarding our product quality with any customer who was among our five largest customers in any period of the Track Record Period.

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

- (i) except for Customer A and Customer B in the year ended December 31, 2025, none of our five largest customers in any period of the Track Record Period individually accounted for more than 10% of our total revenue in any such period;
- (ii) except for Customer E and Customer F, we have maintained business relationships of more than ten years with each of our five largest customers for the years ended December 31, 2023, 2024 and 2025;
- (iii) we believe that it is mutually beneficial and complementary for both our major customers and us to maintain our business relationships. According to CIC, global new energy materials customers tend to develop close business relationships with leading suppliers rather than smaller market participants, as the former benefits from economies of scale, more robust R&D capabilities and advanced production technologies. Leading companies in the industry typically possess extensive technical know-how and practical experience in managing complex, high-volume production lines, which enables them to meet the rigorous quality, safety and consistency requirements set by international new energy enterprises. These factors contribute to increased customer loyalty toward leading suppliers compared to smaller peers. We believe our industry-leading R&D capabilities, proven track record of customer satisfaction, advanced manufacturing technologies and equipment, substantial production capacity and broad portfolio of new energy battery key materials and automation equipment form the foundation for our deep and stable relationships with major customers. We believe that these strengths will support the continuing stability of our core customer base; and
- (iv) according to CIC, the new energy battery materials industry is concentrated. Accordingly, our Group’s reliance on our major customers is consistent with the prevailing industry norm.

Relationship with Customer A

Customer A is a company listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, specializing in the research, development, production and sales of lithium-ion batteries. Customer A has been our largest customer during each period of the Track Record Period and has played a significant role in the development and growth of our business.

We commenced our business relationship with Customer A in 2014, initially as a supplier of new energy battery key materials and automation equipment. Over the course of our relationship, we have actively supported Customer A’s product development by providing technical expertise and tailored solutions.

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Sales to Customer A

Customer A primarily procures new energy battery key materials and automation equipment from us. According to CIC, consistent with prevailing industry practice in the new energy battery materials sector, major participants such as Customer A typically do not enter into long-term purchase commitments. Instead, our commercial arrangements are governed by annual framework agreements that set forth general terms, including product specifications. This approach enables both parties to respond flexibly to fluctuations in market conditions, technological advancements and changes in end-market demand.

For the years ended December 31, 2023, 2024 and 2025, our revenue attributable to Customer A amounted to RMB6,031.0 million, RMB5,251.9 million and RMB6,112.7 million, respectively, accounting for 39.4%, 39.2% and 39.0% of our total revenue, respectively. During the Track Record Period, gross profit margins attributable to sales to Customer A were generally consistent with those realized for similar products sold to other major customers.

Procurement from Customer A

During the Track Record Period, we purchased residual materials arising from the battery manufacturing process as well as base separator films from Customer A. In the course of Customer A’s battery production, mixed anode materials that no longer meet its production standards are generated as residual materials. The reprocessing of such residual materials — including purification and re-blending — requires specialized equipment, proprietary processes and specific ancillary materials. As a battery manufacturer, Customer A does not possess the requisite processing capabilities and accordingly sold such residual materials to us for reprocessing into qualified anode materials meeting the specifications of Customer A or other customers. In addition, we procured a small amount of base separator films from Customer A, primarily to fulfill the quality and compatibility requirements of its overseas customers. According to CIC, such customer-supplier overlap is not uncommon in the new energy battery materials industry.

For the years ended December 31, 2023, 2024 and 2025, the amount of purchases we made under our procurement arrangements with Customer A amounted to RMB5.0 million, nil and RMB8.2 million, respectively, accounting for 0.1%, nil and 0.1% of our total purchases, respectively. The terms and conditions of the procurement agreement with Customer A were negotiated on an arm’s length basis and were generally in line with the terms and conditions with other comparable suppliers.

Overlapping of Suppliers and Customers

Customer I, Supplier A, Supplier C, Supplier H and Supplier K, each being one of our five largest customers or suppliers during at least one period of the Track Record Period, were also our supplier or customers during at least one period of the Track Record Period.

Customer I is our major customer and also our supplier. They purchased anode materials, coated separators, automation equipment from us, while we purchased PVDF raw materials from them for the production of coated separators. For the years ended December 31, 2023, 2024 and 2025, our revenue attributable to Customer I amounted to RMB404.7 million, RMB328.0 million and RMB521.2 million, respectively, accounting for 2.6%, 2.4% and 3.3% of our total revenue, respectively; and the amount of purchases we made under our procurement arrangements with Customer I amounted to RMB7.4 million, RMB12.1 million and RMB17.5 million, respectively, accounting for 0.1%, 0.3% and 0.2% of our total purchases, respectively. During the Track Record Period, we believe the gross profit margins attributable to sales to Customer I were generally consistent with those realized for similar products sold to other major customers. The terms and conditions of the procurement agreements with Customer I were negotiated on an arm’s length basis and were generally in line with the terms and conditions with other comparable suppliers.

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Supplier A is one of our five largest suppliers during at least one period of the Track Record Period and was also our customer during at least one period of the Track Record Period. We purchased coke products and processing services from them, while we sold certain materials to Supplier A, primarily comprising (i) residual materials recovered during equipment maintenance and overhaul, (ii) unusable materials and semi-finished products generated during our R&D processes, and (iii) aged inventory with relatively low remaining stock levels. The foregoing materials contain relatively high levels of impurities and would require acid washing procedures in order to be reused. As we do not possess acid washing capabilities, we sold such materials to Supplier A. For the years ended December 31, 2023, 2024 and 2025, the amount of purchases we made under our procurement arrangements with Supplier A amounted to RMB353.4 million, RMB163.0 million and RMB196.9 million, respectively, accounting for 4.1%, 3.5% and 2.4% of our total purchases, respectively; and our revenue attributable to Supplier A amounted to RMB25.8 million, nil and nil, respectively, accounting for 0.2%, nil and nil of our total revenue, respectively. The terms and conditions of the procurement agreement with Supplier A were generally in line with the terms and conditions with other comparable customers. During the Track Record Period, the prices for sales made to Supplier A were negotiated on an arm’s length basis and we believe the gross profit margin for such sales would be similar had Supplier A not also been our supplier.

Supplier C is one of our five largest suppliers during at least one period of the Track Record Period and was also our customer during at least one period of the Track Record Period. We purchased coke products and processing services from them, while we sold certain materials to Supplier C, primarily comprising (i) residual materials recovered during equipment maintenance and overhaul, (ii) unusable materials and semi-finished products generated during our R&D processes, and (iii) aged inventory with relatively low remaining stock levels. The foregoing materials contain relatively high levels of impurities and would require acid washing procedures in order to be reused. As we do not possess acid washing capabilities, we sold such materials to Supplier C. For the years ended December 31, 2023, 2024 and 2025, the amount of purchases we made under our procurement arrangements with Supplier C amounted to RMB145.6 million, nil and RMB1.3 million, respectively, accounting for 1.7%, nil and 0.0% of our total purchases, respectively; and our revenue attributable to Supplier C amounted to RMB70.2 million, nil and nil, respectively, accounting for 0.5%, nil and nil of our total revenue, respectively. The terms and conditions of the procurement agreement with Supplier C were generally in line with the terms and conditions with other comparable customers. During the Track Record Period, the prices for sales made to Supplier C were negotiated on an arm’s length basis and we believe the gross profit margin for such sales would be similar had Supplier C not also been our supplier.

Supplier H is one of our five largest suppliers during at least one period of the Track Record Period and was also our customer during at least one period of the Track Record Period. We purchased binder from them, while we sold certain R&D testing materials to them. For the years ended December 31, 2023, 2024 and 2025, the amount of purchases we made under our procurement arrangements with Supplier H amounted to RMB101.1 million, RMB135.7 million and RMB143.9 million, respectively, accounting for 1.2%, 2.9% and 1.7% of our total purchases, respectively; and our revenue attributable to Supplier H amounted to RMB2.7 thousand, RMB2.0 thousand and nil, respectively, accounting for 0.0%, 0.0% and nil of our total revenue, respectively. The terms and conditions of the procurement agreement with Supplier H were generally in line with the terms and conditions with other comparable customers. During the Track Record Period, the prices for sales made to Supplier H were negotiated on an arm’s length basis and we believe the gross profit margin for such sales would be similar had Supplier H not also been our supplier.

Supplier K is one of our five largest suppliers during at least one period of the Track Record Period and was also our customer during at least one period of the Track Record Period. We purchased fluorine-containing organic compounds from them, while we sold hydrofluoric acid produced through our fluorosilicic acid process to Supplier H to ensure raw material quality. For the years ended December 31, 2023, 2024 and 2025, the amount of purchases we made under our procurement arrangements with Supplier K amounted to RMB7.5 million, RMB89.6 million and RMB182.7 million, respectively, accounting for 0.1%, 1.9% and 2.2% of our total purchases, respectively; and our revenue attributable to Supplier K amounted to nil, nil and RMB17.8 million, respectively, accounting for nil, nil and 0.1% of our total revenue, respectively. The terms and conditions of the procurement agreement with Supplier K were generally in line with the terms and conditions with other comparable customers. During the Track Record Period, the prices for sales made to Supplier K were negotiated on an arm’s length basis and we believe the gross profit margin for such sales would be similar had Supplier K not also been our supplier.

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For details about our relationship with Customer, see “— Customers — Customer Concentration — Relationship with Customer A” in this section for details.

In the ordinary course of our business, we had overlapping customers and suppliers other than the major customers and suppliers of the relevant period disclosed above. According to CIC, it is a common practice in the industry to have overlapping customers and suppliers.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

We have established an integrated warehousing, logistics and inventory management system underpinned by end-to-end digitalization, standardized operations and lean management principles. Tailored to the operational characteristics of our new energy battery key materials and automation equipment businesses, the system ensures the safe storage of inventories, efficient circulation of goods and precise delivery, thereby supporting our large-scale business operations and the stable functioning of our supply chain.

EMPLOYEES

We believe that our professional workforce is a key driver of our long-term growth. As of December 31, 2025, we had 13,775 full-time employees, substantially all of whom are based in China. The following table sets forth the breakdown of our employees by function as of December 31, 2025.

Function	Number of Employees	% of Total Employees
Manufacturing and Production	9,820	71.3%
Sales and Marketing	212	1.5%
Research and Development	1,709	12.4%
General and Administrative	1,433	10.4%
Quality Control	601	4.4%
Total	<u>13,775</u>	<u>100.0%</u>

We enter into standard employment contracts with our employees. We also enter into standard confidentiality and non-compete agreements with our senior management and key technical employees.

In accordance with applicable PRC laws and regulations, we are required to participate in employee social welfare programmes administered by local governments. Such programmes include pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. We are required to make contributions for our employees calculated based on their prior year salary levels, subject to minimum and maximum levels prescribed by local governments. We have established a labor union to protect the legitimate rights and interests of all employees. We have also elected Mr. Han Zhongwei as an employee director through the employee representative congress to participate in board decision-making, thereby ensuring that the rights and interests of employees are reasonably protected in the management decision-making process.

Our success depends on our ability to attract, retain and motivate qualified personnel. We recruit our employees based on a number of factors, including their work experience, educational background and our vacancy needs. Our recruiting efforts include online recruitment, internal referrals and, to a lesser extent, campus recruitment and the use of professional recruiters. We provide pre-employment and on-the-job training to our employees to equip them with the requisite skills and knowledge for their respective positions.

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We believe we offer our employees competitive compensation packages and an environment that encourages initiative. The remuneration payable to our employees includes salaries, allowances and discretionary bonuses. We conduct periodic performance reviews for our employees, and their remuneration is determined based on a number of factors, including qualifications, contributions, years of experience and performance.

During the Track Record Period, we engaged a small number of labor agencies to provide us with dispatched workers to cope with production demands. We paid service fees to the labor agencies for the engagement of such workers, and benefit expenses and other applicable costs were borne by the labor agencies.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material labor disputes with our employees which might materially and adversely affect our business operations.

PROPERTIES

As of the Latest Practicable Date, our production facilities are located in China. Our headquarters is in Shanghai, China.

Owned Properties

As of the Latest Practicable Date, we owned 82 properties in China with a total gross floor area of 1,720,056 sq.m., primarily used for manufacturing, warehousing and administrative offices. As of the Latest Practicable Date, our rights to use such properties were lawful and valid, and there were no disputes or potential disputes over the ownership over such land.

Leased Properties

As of the Latest Practicable Date, we had 15 leased properties in China with a total gross floor area of 160,338 sq.m., primarily used for office, production, research and development and warehousing purposes. As of the Latest Practicable Date, we were not subject to any material claims arising from or in respect of any defect in our leasehold interest in any of our leased properties.

INTELLECTUAL PROPERTY

We rely on our proprietary technologies and production know-how to maintain our competitive position in the markets in which we operate, and we generate intellectual property through our extensive research and development activities. We seek to protect our intellectual property and proprietary rights primarily through intellectual property laws, relying on a combination of patents, trademarks, trade secrets and other forms of intellectual property protection in China and other countries.

As of December 31, 2025, we owned approximately 1,800 patents, over 140 copyrights, over 30 registered trademarks and six registered internet domain names in China. Since December 31, 2025 up to the date of this document, there has been no material change in our intellectual property rights.

Our general patent policy is to apply for patents on an ongoing basis in China and other relevant jurisdictions for patentable developments that are considered to have commercial significance. Our patent portfolio covers our proprietary technologies used in raw material formulations, production processes and production equipment.

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During the Track Record Period and up to the Latest Practicable Date, there was no intellectual property-related litigation or arbitration pending or threatened against us that had, or would have, a material adverse effect on our business in China.

LICENSES AND APPROVAL

The following table sets forth details of our material licenses and permits.

No.	Entity	Name of License, Approval or Permit	Expiry Date
1	Ningde Advanced Material Tech Co., Ltd.	Fixed Pollution Source Discharge Registration	January 23, 2030
2	Guangdong Zhuohao New Materials Technology Co., Ltd.	Pollutant Discharge Permit	April 1, 2029
3	Jiangsu Advanced Material Tech Co., Ltd.	Foreign Trade Operator Filing Registration Form	Long term
4	Jiangsu Advanced Material Tech Co., Ltd.	Pollutant Discharge Permit	October 28, 2030
5	Liyang Yuequan Electrical Energy Co., Ltd.	Fixed Pollution Source Discharge Registration	October 17, 2027
6	Liyang Jidun New Material Technology Co., Ltd.	Fixed Pollution Source Discharge Registration	March 4, 2027
7	Liyang Zhuoyue New Material Technology Co., Ltd.	Pollutant Discharge Permit	November 8, 2028
8	Ruyuan Fluorine Resin	Work Safety License	November 21, 2028
9	Ruyuan Fluorine Resin	Pollutant Discharge Permit	March 3, 2030
10 . . .	Ruyuan Fluorine Resin	Hazardous Chemicals Business License	July 15, 2028
11 . . .	Jiangxi Zichen	Pollutant Discharge Permit (Phase II Plant)	October 23, 2027
12 . . .	Jiangxi Zichen	Pollutant Discharge Permit (Phase I Plant)	April 7, 2026

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No.	Entity	Name of License, Approval or Permit	Expiry Date
13 . . .	Jiangxi Zichen	Pollutant Discharge Permit (High-Capacity Anode Project)	May 27, 2029
14 . . .	Liyang Zichen New Materials Technology Co., Ltd.	Customs Import and Export Goods Consignee/Consignor Filing	Long term
15 . . .	Liyang Zichen New Materials Technology Co., Ltd.	Pollutant Discharge Permit	April 7, 2029
16 . . .	Inner Mongolia Zichen Xingfeng New Energy Technology Co., Ltd.	Pollutant Discharge Permit	August 8, 2029
17 . . .	Jiangsu Katop	Foreign Trade Operator Filing Registration Form	Long term
18 . . .	Jiangsu Katop	Customs Import and Export Goods Consignee/Consignor Filing	Long term
19 . . .	Guangdong Katop Automation Technology Co., Ltd.	Customs Import and Export Goods Consignee/Consignor Filing	Long term
20 . . .	Guangdong Katop Automation Technology Co., Ltd.	Fixed Pollution Source Discharge Registration	September 7, 2029
21 . . .	Shenzhen Katop	Customs Declaration Unit Registration Certificate	Long term
22 . . .	Sichuan Jiatuo	Urban Sewage Discharge into Drainage Network Permit	Long term
23 . . .	Sichuan Jiatuo	Fixed Pollution Source Discharge Registration	May 27, 2029
24 . . .	Dongguan Songshan Lake Katop Intelligent Equipment Co., Ltd.	Customs Declaration Unit Filing Certificate	Long term
25 . . .	Dongguan Songshan Lake Katop Intelligent Equipment Co., Ltd.	Fixed Pollution Source Discharge Registration	December 28, 2030

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During the Track Record Period and up to the Latest Practicable Date, we had obtained all licences, approvals, permits and certificates that are material and necessary for our business operations in the jurisdictions in which we operate, and such licences, permits, approvals and certificates are valid and subsisting.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulty in obtaining or applying for the renewal of all necessary licences, permits and approvals that would have a material and adverse effect on our operations. We do not expect any impediment in renewing our material licences, permits and approvals as they expire in the future that would have a material adverse effect on our operations.

AWARDS AND RECOGNITION

We have received numerous awards and recognitions for our brand, business operations, products, intellectual properties and corporate responsibility achievements. The table below sets forth a summary of significant awards and recognitions relating to our Group in 2023, 2024 and 2025.

Year	Award/Recognition	Awarding Body
2026 . .	Best Partnership	LG Energy Solution
2025 . .	Technology Innovation Award (技術創新獎)	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司)
2025 . .	National Specialized and Innovative “Little Giant” Enterprise (國家專精特 新小巨人企業)	Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化 部)
2025 . .	Science and Technology Progress Award Second Prize (科學技術進步獎二等獎)	Hubei Provincial People’s Government (湖北省人民政府)
2025 . .	Guangdong Specialized and Innovative SME (廣東省專精特新中小企業)	Guangdong Provincial Department of Industry and Information Technology (廣東省工業和信息化廳)
2025 . .	Jiangsu Provincial Advanced Intelligent Factory (江蘇省先進智能工廠)	Jiangsu Provincial Department of Industry and Information Technology (江蘇省工業和信息化廳)
2025 . .	2024 Science and Technology Progress Award Third Prize (2024年度科學技術 進步獎三等獎)	Fujian Provincial Department of Science and Technology (福建省科學技術廳)
2025 . .	Sichuan Provincial Enterprise Technology Center (四川省企業技術中心)	Sichuan Provincial Department of Economy and Information Technology (四川省經濟和信息化廳)
2025 . .	2025 Jiangsu Unicorn Enterprise (2025年江蘇獨角獸企業)	Jiangsu New Productive Forces Promotion Center (江蘇省新質生產力促 進中心)
2025 . .	Technology Innovation Award, Special Contribution Award (技術創新獎、特別 貢獻獎)	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司)
2025 . .	Best Quality Award (最佳品質獎)	Jiangsu Contemporary Amperex Technology Limited (江蘇時代新能源科 技有限公司)
2024 . .	Technology Innovation Award (技術創新獎)	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限 公司)

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Year	Award/Recognition	Awarding Body
2024 . .	Jiangsu Provincial Intelligent Manufacturing Factory (江蘇省智能製造工廠)	Jiangsu Provincial Department of Industry and Information Technology (江蘇省工業和信息化廳)
2024 . .	Post-Doctoral Research Station (博士後科研工作站)	Ministry of Human Resources and Social Security of the People’s Republic of China (中華人民共和國人力資源和社會保障部)
2023 . .	Guangdong Provincial Post-Doctoral Workstation (廣東省博士工作站)	Guangdong Provincial Department of Human Resources and Social Security (廣東省人力資源和社會保障廳)
2024 . .	2023 CATL Safety Production Advanced Award (2023年度寧德時代安全生產先進獎)	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司)
2024 . .	2022 Science and Technology Progress Award Third Prize (2022年度科學技術進步獎三等獎)	Fujian Provincial Provincial People’s Government (福建省人民政府)
2024 . .	Sichuan Provincial Specialized and Innovative SME (四川省專精特新中小企業)	Sichuan Provincial Department of Economy and Information Technology (四川省經濟和信息化廳)
2024 . .	2024 ATL Outstanding Supplier (2024年度ATL優秀供應商)	Ningde Amperex Technology Limited (寧德新能源科技有限公司)
2024 . .	Specialized and Innovative “Little Giant” Enterprise (專精特新“小巨人”企業)	Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部)
2023 . .	Outstanding Supplier (優秀供應商)	Ningde Amperex Technology Limited (寧德新能源科技有限公司)
2023 . .	Outstanding Supplier (優秀供應商)	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司)
2023 . .	Outstanding Supplier (優秀供應商)	FAW-CATL Power Battery Co., Ltd. (時代一汽動力電池有限公司)
2023 . .	Best Support (Service) Award (最佳支援(服務)獎)	Xiamen Neware Technology Co., Ltd. (廈門新能安科技有限公司)
2023 . .	2022 CATL Best Delivery Award (2022年度寧德時代最佳交付獎)	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司)
2023 . .	2023 CATL EHS Progress Award (2023年度寧德時代EHS進步獎)	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司)
2023 . .	Jiangsu Provincial Graduate Workstation (江蘇省研究生工作站)	Jiangsu Provincial Department of Education, Jiangsu Provincial Department of Science and Technology (江蘇省教育廳、江蘇省科學技術廳)

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INSURANCE

We maintain mandatory insurance policies as required by PRC laws and regulations and in accordance with prevailing commercial practices in our industry. We maintain property risk insurance to cover losses of fixed assets, including machinery, equipment and inventory, against events such as theft and natural disasters. Our employee-related insurance comprises pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing provident fund contributions. During the Track Record Period and up to the Latest Practicable Date, we did not file any material insurance claims in relation to our business. See ‘Risk Factors — Our insurance coverage may not be sufficient to cover all losses, which may increase our costs of operation.’ for further details.

As of the Latest Practicable Date, we believe that our insurance coverage is consistent with prevailing industry practice and is adequate to cover our major assets, facilities and liabilities, including, without limitation, property risk insurance and employer’s liability insurance. We procure insurance policies of the types and in the amounts that we consider appropriate, and evaluate such policies from time to time having regard to our past experience, changes in our production operations and developments in the industry.

LEGAL PROCEEDINGS AND COMPLIANCE MATTERS

Legal Proceedings

We are, and may from time to time in the future be, subject to various legal or administrative claims and proceedings arising in the ordinary course of our business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including the time and attention of our management. See “Risk Factors — We may be involved in claims, disputes and legal proceedings in our ordinary course of business” for further details.

During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Legal Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not commit any non-compliance with applicable laws and regulations which, individually or in the aggregate, would have a material adverse effect on our business, financial condition or results of operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We firmly believe that sustainable development requires the integration of social values into corporate operations. We are committed to leveraging technology and innovative solutions to deliver public welfare resources to the community. At the early stage of our operations, we have implemented a broad range of ESG initiatives to comprehensively enhance our corporate governance standards and generate benefits for society.

We have established a robust organisational structure and management system for sustainable development, comprising a clear hierarchical framework that includes the Board of Directors, the Strategy and Sustainability Committee, the ESG Management Committee and its subordinate sub-committees and special task forces. This structure drives the effective implementation of our sustainable development strategy. Authorised by the Board of Directors and the Strategy and Sustainability Committee, the ESG Management Committee oversees ESG governance across the Company and submits regular reports to the Board of Directors, ensuring the systematic and standardised advancement of all ESG management initiatives. To ensure governance effectiveness, we identify core sustainable development topics through a double materiality assessment and closely align our strategic planning with the United Nations Sustainable Development Goals (SDGs). We actively engage functional departments and stakeholders through interviews and research surveys to collect insights and assess the materiality of identified risks, while the Audit and Supervision Department conducts comprehensive risk identification and assessment.

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We have consistently adhered to our corporate development philosophy of “Forging ahead relentlessly for clean energy, energy conservation and environmental protection, and striving to dedicate ourselves to building a better home.” To further strengthen our ESG governance structure, the Company has established a top-down, vertically integrated management matrix and fostered a tiered and interlocking division of responsibilities and operational mechanisms. As of the end of 2025, the Company had been covered in ESG assessments by numerous domestic and overseas ESG institutions. Its MSCI ESG Rating was upgraded to AA in August 2025. In October 2025, the Company submitted its first CDP Climate Change and Water Security Questionnaire and was awarded a “Management Level (B)” rating for both categories. As of the end of 2025, a total of eight production bases of the Company’s subsidiaries had obtained “Green Factory” certification, and five subsidiary bases had been certified as “Carbon Neutral Factories”.

We undertake to comply with the environmental, social and governance (“ESG”) reporting requirements from the date of our listing. Our ESG governance structure explicitly adheres to the scope of responsibilities and authorities set out in the Guidelines No. 14 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies — Sustainability Report (Trial) (上海證券交易所上市公司自律監管指引第14號——可持續發展報告(試行)), as well as the Environmental, Social and Governance Reporting Guide (環境、社會及管制報告指引) set forth in the Appendix to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

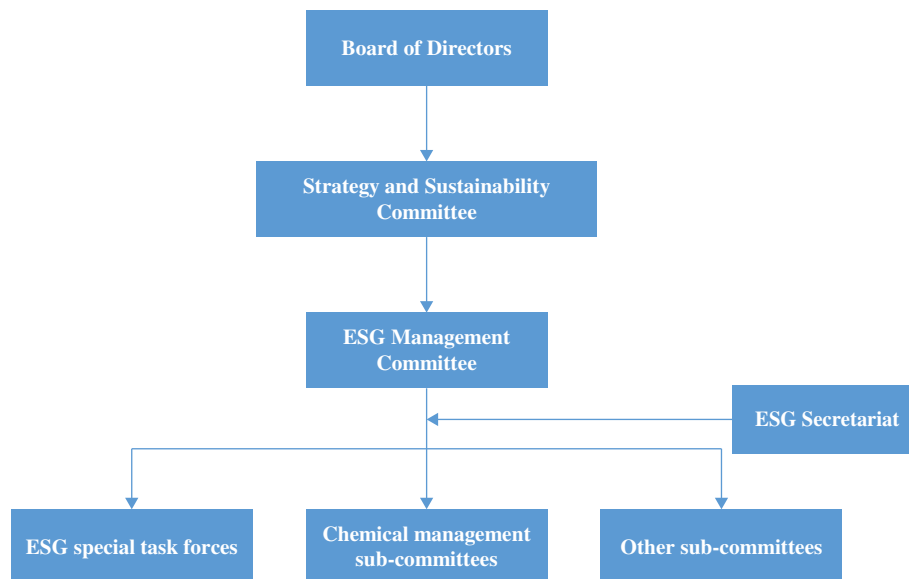
ESG GOVERNANCE STRUCTURE

We continue to refine our ESG governance structure by establishing a framework comprising the Board of Directors, the Strategy and Sustainability Committee, the ESG Management Committee and its subordinate sub-committees and special task forces, and by building a group-wide ESG implementation network.

At the decision-making level, the Board of Directors acts as the supreme decision-making body for the Company’s ESG management, assuming overall responsibility for the guidance and oversight of material ESG matters. It directly leads and oversees the work of the ESG Management Committee through the Board’s Strategy and Sustainability Committee.

At the management level, authorised by the Board of Directors and the Strategy and Sustainability Committee, the ESG Management Committee is responsible for the Company’s ESG governance. To further enhance the effectiveness of ESG management, the ESG Management Committee has established subordinate ESG special task forces and professional sub-committees, which are authorised to carry out the day-to-day management of ESG affairs and specialised chemical management, thereby establishing a group-wide ESG implementation network. The ESG Secretariat, a permanent administrative body under the ESG Management Committee, performs overall coordination functions.

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To further safeguard the integrity of ESG operations, we have established a risk management structure led by the General Manager’s Office, in which the Audit Department, Finance Department, Legal Department, Energy Management Department and Environmental and Safety Department (Safety and Environmental Protection Committee) each perform their respective duties. The Company conducts regular audit work and, in the course of routine and special audits, has implemented special audit procedures targeting commercial ethics-related issues, including anti-fraud measures, related transactions, employees’ business ethics, and supplier management and evaluation. In 2025, we completed a total of 61 audit projects, comprising 31 routine audits, 16 special audits and 14 infrastructure audits, covering the Company and its 28 subordinate subsidiaries.

ENVIRONMENT

Environmental protection has always been a core component of the Company’s sustainable development strategy. We have built a green, low-carbon and efficient operational system through concrete actions and have implemented multiple measures to promote green operations and optimise resource utilisation. These measures include continuously advancing the optimisation of internal operational processes and technological innovation to enhance energy efficiency, actively adopting clean technologies, and deploying renewable energy projects in our production operations. Going forward, we will continue to promote energy conservation and emission reduction projects, explore additional renewable energy application solutions, and achieve synergistic improvements in both environmental performance and business growth.

Environmental Protection

We attach great importance to environmental management. We have formulated stringent management policies and control measures governing the discharge of waste gas, wastewater and solid waste generated during the production process. We strictly adhere to the Environmental Protection Law of the People’s Republic of China (中華人民共和國環境保護法) and all applicable local environmental laws and regulations. In active response to the national green development strategy, we implement the EHS management policy of “Safety First, Environmental Priority, Prevention Oriented, and Full Employee Engagement.” We are committed to continuous improvement and the pursuit of excellence.

Environmental Compliance Management

We are committed to advancing our environmental management system and vigorously promoting the implementation of the ISO 14001 Environmental Management System across all production bases, with a view to continuously elevating our environmental management standards and risk control capabilities. By formulating the Safety, Environmental Protection, and Occupational Health Management

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Manual (安全環保職業健康管理手冊) and the Environmental Protection Management System (環境保護管理制度), we have explicitly incorporated environmental inspections into our annual internal audits. As of 31 December 2025, 100% of our eligible production subsidiaries had successfully obtained ISO 14001:2015 Environmental Management System certification. In addition, our production bases under construction or newly established are actively developing their environmental management systems in alignment with ISO 14001 requirements.

Chemical Lifecycle Management

We have established a robust chemical management structure by forming a Chemical Management Sub-Committee under the ESG Management Committee, which assumes full responsibility for chemical safety management. We have developed the Working Guidelines for the ESG Chemical Sub-Committee (ESG管理委員會化學品分委會工作規範), clearly setting out its management policies and objectives. Through the collaborative efforts of the Environmental and Safety Department, the Quality Control Department and the R&D Department, we are committed to implementing chemical management requirements across all business divisions and subsidiaries. We have established and continuously improved a safer, more standardised and comprehensive system for chemical assessment, storage and testing, strengthened the full-process management of the chemical lifecycle, built a transparent archival record system for data and information collection and sharing to enhance the full lifecycle management of chemicals, and advanced the research, development and iteration mechanism for more environmentally friendly chemical substances.

We have established a dedicated team responsible for identifying, recording and reporting issues related to prohibited and hazardous substances. This team formulates the Company’s Controlled Chemicals List based on the Catalogue of Hazardous Chemicals and the EU REACH regulation. In 2024, we completed an update to our Controlled Chemicals List, integrating the EU REACH SVHC List (comprising a total of 240 categories of chemicals) with the original controlled chemicals list, while also incorporating entries from the national hazardous chemicals catalogue. In 2025, we updated our Controlled Chemicals List in response to the latest developments in chemical management policies in mainland China, the European Union and other regions, adding eight new controlled chemicals and further strengthening the identification and management of chemical risks.

We prioritise environmentally friendly and safe raw and auxiliary materials and drive our subsidiaries to launch projects and initiatives for chemical reduction and substitution. For example, in 2025, the subsidiary Ruyuan Fluororesin optimised its production process for vinylidene fluoride (VDF) by converting high-boiling by-products into difluoroethyl acetate for use as a battery additive, thereby reducing the generation of high-boiling substances and cutting emissions by 900 tonnes per year. The subsidiary Guangdong Zhuogao optimised its testing process for separator coating in the coating-transfer stage by replacing the original acetone-based method, reducing the use of organic solvents and fully substituting acetone, resulting in an annual reduction of approximately 200 litres of acetone consumption.

Addressing Climate Change

Low-Carbon Management and Climate Change Response Targets

Integrating green and low-carbon practices deeply into our corporate strategy represents our proactive response to the global consensus on sustainable development and a concrete action in alignment with China’s national objectives of “Carbon Peaking and Carbon Neutrality.” To this end, we have positioned energy conservation and emission reduction as one of the core drivers of high-quality development, comprehensively integrating them throughout all business processes, including research and development, production and operations.

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Based on a thorough understanding and forward-looking consideration of climate change issues, we have established a “Dual Carbon” Joint Task Force, built a three-tier organisational structure covering decision-making, implementation planning and operations, and formulated a comprehensive and targeted climate response strategy together with clear targets for addressing climate change. At the strategic level, we align our efforts closely with our business characteristics and development plans, covering the entire lifecycle from low-carbon planning and design, through manufacturing and production, to recycling. This strategy is designed to minimise the adverse impacts of climate change, enhance our green and low-carbon competitiveness, facilitate the industry’s transformation towards sustainable development, and contribute to global climate governance.

We have consistently strengthened the standardisation of energy management, refined our green and low-carbon manufacturing system, and actively advanced the construction of Green Factories, Zero-Carbon Factories and Zero-Heat Factories. By the end of 2025, all subsidiaries had established energy management systems, with 100% of stably operating subsidiaries having obtained ISO 50001 energy management system certification. In addition, eight subsidiaries had been certified as “Green Factories” and five subsidiary bases had achieved “Carbon-Neutral Factories” certification.

We have deeply integrated the philosophy of green and low-carbon development into the entire process of production and operations and have been building a technology-driven, lean-managed and full-employee-engaged sustainable development system. By optimising the energy structure, applying advanced energy-saving technologies, deepening lean operations and promoting full employee engagement, we have developed a systematic carbon reduction pathway covering the entire spectrum of “energy-production-management-behaviour.” In terms of energy transition, we have focused on optimising the energy mix and increasing the share of clean energy. On the demand side, we have comprehensively improved energy efficiency by implementing energy-saving and low-carbon technologies such as equipment upgrading, waste heat recovery and high-temperature heat pumps. We have also tapped into the potential of resource conservation through lean management and have innovatively built the “Xiaolai Homeland (小來家園)” digital platform. Combined with a diverse range of publicity activities, we have been fostering a company-wide carbon reduction culture on an ongoing basis and have developed a comprehensive green and low-carbon development model spanning infrastructure, production and operations, and behavioural awareness. As of the end of 2025, the proportion of renewable and green electricity utilised by the Company had surged to 47.0%, representing a substantial year-on-year increase of 28.7 percentage points. We aim to achieve 100% utilisation of renewable and green electricity by 2030.

We advance full-chain carbon management encompassing both customers and suppliers, and actively support our customers’ climate goals and carbon emission management strategies. By empowering upstream suppliers, we have built a collaborative, carbon-reducing green supply chain ecosystem. We have also utilised market-based mechanisms to participate in carbon market transactions: on one hand, we have purchased and retired 78,377 tonnes of carbon credits to proactively offset our operational emissions; on the other hand, we successfully applied for and passed the review of Chengdu’s “Tian Fu Inclusive Carbon Credits” carbon asset project for the first time, expanding our pathways for carbon asset development. Through a combination of market-driven initiatives and institutional innovations, we have delivered tangible environmental benefits and transformative momentum towards achieving our “Carbon Peaking and Carbon Neutrality” goals.

We strictly comply with the standards of the GHG Protocol and ISO 14064-1:2018 in organising our subsidiaries to conduct greenhouse gas verifications and product carbon footprint calculations on an annual basis, and we continuously strengthen carbon information disclosure. In 2025, we completed 16 third-party carbon emission certifications, comprising nine greenhouse gas verifications and seven product carbon footprint certifications. Upon our inaugural participation in the Carbon Disclosure Project (CDP) evaluation, we achieved a “B” rating for our climate change response efforts. These accomplishments have laid a solid data foundation for our emission reduction pathway planning and performance enhancement.

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The following table sets forth the Company’s annual total greenhouse gas (GHG) emissions data for the years indicated:

Type of Emissions ¹	Unit	2023	2024	2025
Scope 1 GHG emissions	tCO ₂ e	68,539.0	67,377.1	111,625.6
Scope 2 GHG emissions	tCO ₂ e	846,495.9	628,985.4	649,248.9
Total GHG emissions (Scope 1 and Scope 2)	tCO ₂ e	915,034.8	696,362.5	760,874.6

Note: Scope 1 emissions refer to direct GHG emissions from emission sources owned or controlled by the Company. Scope 2 emissions refer to indirect GHG emissions from purchased electricity and other energy consumed by the Company.

Energy Audit and Energy Efficiency Management

In compliance with the Energy Conservation Law of the People’s Republic of China (中華人民共和國節約能源法) and other relevant laws and regulations, we have formulated internal systems and management procedures including the Energy Conservation Management Measures (節能管理辦法), the Energy Management Manual (能源管理手冊) and the Energy Evaluation Management System (能源評價管理制度). In 2025, two subsidiaries of the Company newly obtained ISO 50001:2018 Energy Management Certification, achieving full coverage of such certification among stably operating subsidiaries. The Company conducts regular internal and external energy audits on an annual basis. In 2025, with third-party support, the Company completed seven energy audits, comprising four specialised audits and three comprehensive audits. These audits collectively identified 19 potential energy-saving opportunities and proposed six management optimisation recommendations.

In terms of energy efficiency management, the Company has vigorously advanced the construction of rooftop distributed photovoltaic (PV) systems. By the end of 2025, the Company had launched 13 rooftop PV projects (comprising both completed and under-construction installations) with a total capacity of 90 MW. Upon grid connection, these projects are expected to generate an average annual power output of approximately 89.73 million kWh and reduce carbon dioxide emissions by approximately 52,546 tCO₂ per year. We also leverage information technology to enhance management capabilities, having developed and successfully implemented the “Smart Online Energy Monitoring System” and the “Power Load Management System” at our production bases, to effectively reduce GHG emissions from energy consumption.

Indicators	2023	2024	2025
Comprehensive energy consumption (tee) ⁽¹⁾	241,750.9	192,522.8	289,423.3
Total direct energy consumption (tce) ⁽¹⁾	23,944.7	26,083.1	43,936.8
Total indirect energy consumption (tce) ⁽¹⁾	217,806.1	166,439.7	245,486.4
Clean energy consumption (MWh, electricity equivalent)	414,490.1	343,028.4	1,031,165.3

Note:

- (1) The calculation of comprehensive energy consumption is based on the General principles for calculation of the comprehensive energy consumption (GB/T 2589-2020). The energy types covered include natural gas, gasoline, diesel, electricity and steam. Direct energy includes natural gas, gasoline and diesel, while indirect energy includes electricity and steam.

Water Resource Management

Our water resources are sourced from municipal water supply and rainwater harvesting, and are used primarily for production, office operations and employees’ daily living needs. We strictly comply with applicable national laws and regulations as well as local rules, including the Water Law of the People’s Republic of China (中華人民共和國水法) and the Water Pollution Prevention and Control Law of the People’s Republic of China (中華人民共和國水污染防治法). We have formulated and implemented a

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number of internal procedures, with several subsidiaries enacting water conservation systems such as the Resource Conservation Management Procedure (節約資源管理程序) and the Water Use Management System (用水管理制度). We also promote the recycling of reclaimed water through process optimisation, collect rainwater for greening irrigation and non-production water use, and conduct company-wide water conservation publicity and training to continuously raise employees’ awareness of water conservation. To further strengthen water resource management, certain subsidiaries have established leading groups for water conservation to fully implement water resource management measures, optimise water use processes, promote water conservation technologies and improve the efficiency of water resource utilisation. The following table presents the water resource consumption data for the years indicated:

Indicators	2024	2025
Total water consumption (thousand tonnes)	3,596.4	4,839.3
Water consumption categorized by water source: municipal water supply (thousand tonnes)	2,836.6	3,914.4
Water consumption categorized by water source: groundwater (thousand tonnes)	3.1	4.8
Water consumption categorized by water source: rainwater collected and stored directly by the Company (thousand tonnes).	0.1	0.1
Water intake categorized by water source: others (thousand tonnes).	756.6	920.0
Total recycled water (thousand tonnes)	39,278.8	174,115.9

Note: The Company has made additional disclosures regarding groundwater and other water sources. In 2025, the Company’s total volume of recycled water increased, primarily due to the capacity expansion of certain subsidiaries during the reporting period.

Pollutant Discharge and Waste Management

Our overall policy for managing pollutant discharges and waste in production and office operations is set out below.

We exercise stringent control over the generation of pollution at the source and advance the goals of waste reduction and resource utilisation. By optimising production processes and strengthening source control, we continuously reduce waste generation and ensure the normal operation of environmental protection facilities and equipment, so as to guarantee the compliant discharge and disposal of wastewater, waste gas and solid waste. We strictly comply with applicable national laws and regulations, including the Water Pollution Prevention and Control Law of the People’s Republic of China (中華人民共和國水污染防治法) and the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), as well as applicable industry standards, and simultaneously abide by the relevant local laws and regulations applicable at each production base. We continuously improve our mechanisms for pollutant discharge and waste management and strictly adhere to the requirements of the ISO 14001 environmental management system.

In terms of waste management, we strictly comply with the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法) to ensure that all types of waste are disposed of in a standardised and harmless manner. In particular, we implement a full-process comprehensive management system for solid waste covering its generation, collection, storage, transportation, utilisation and disposal to prevent environmental pollution. We have also established a solid waste management ledger to accurately record information on the type, quantity, flow direction, storage, utilisation and disposal of solid waste, so as to ensure the traceability and trackability of solid waste and effectively control general and hazardous waste generated in production and daily operations. We adopt a classified management approach for waste, separating non-hazardous waste from hazardous waste. Non-hazardous waste primarily comprises solid waste such as domestic waste, packaging materials and general industrial waste. Hazardous waste primarily comprises harmful waste such as waste engine oil, waste engine oil drums, and waste electronic products and research and development (R&D) products.

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In accordance with applicable legal requirements, we entrust qualified third-party entities with the disposal or recycling of solid waste. Hazardous waste generated in workshops is collected, packaged and transported to the temporary hazardous waste storage area, where it is received by dedicated solid waste management specialists. The Environmental Protection Department is responsible for online declarations and coordinating external disposal efforts to minimise the environmental impact of waste. In addition, major pollutant discharge units regularly disclose relevant waste disposal information to the public to enhance transparency.

The following table presents the waste generation and disposal data for the years indicated:

Categories		Treatment Methods		
Non-hazardous waste	Domestic waste	Collected and transported uniformly by the municipal sanitation department		
	General solid waste	Entrusted to qualified third parties for disposal and recycling		
Hazardous waste . . .	Used transformer oil, waste tar, spent activated carbon, used glue containers, passivation tank residue, waste-water treatment sludge, wastewater evaporation residue, and waste separator	Disposed of in compliance with regulations by third-party entities with hazardous waste disposal qualifications		
Indicators		2023	2024	2025
Total non-hazardous waste (thousand tonnes) . . .		43.2	28.9	40.5
Total hazardous waste (thousand tonnes)		3.8	4.7	7.6

SOCIAL RESPONSIBILITY

Sustainable Supply Chain

We continuously advance ESG management across the supply chain and guide our suppliers to fulfil their sustainable development obligations in respect of environmental responsibility, social responsibility and business ethics. We have formulated the Supplier Access System, the Supplier Performance Evaluation Management Regulations and other relevant policies, and have built a comprehensive management system covering supplier access evaluation, full-process quality supervision and dynamic performance evaluation. We have also developed the Supplier Audit and Coaching Management System and formed a Supplier Audit and Coaching Team. The Team is responsible for conducting regular audits of key material suppliers and suppliers requiring rectification, and for providing continuous process and quality improvement coaching to suppliers with low product pass rates or significant recent product quality anomalies. These systems and processes regulate supplier access, ongoing guidance and management, and the day-to-day execution of procurement operations, ensuring that the raw materials procured meet the requirements for quality, environmental protection, hazardous substance management, information security management and social responsibility.

In terms of environmental responsibility, we encourage our suppliers to conduct GHG accounting, set emission reduction targets, and promote the management of clean energy as well as wastewater, waste gas and solid waste. In terms of social responsibility, we explicitly prohibit child labour and forced labour, require the protection of employees’ basic rights and interests, and conduct regular reviews of their occupational health and safety measures. In terms of business ethics, we strictly adhere to applicable laws and regulations, including the Anti-Unfair Competition Law of the People’s Republic of China (中華人民共和國反不正當競爭法) and the Interim Provisions on the Prohibition of Commercial Bribery (關於禁止商業賄賂行為的暫行規定). We formulate and continuously improve the PTL Code of Business Ethics (璞泰來商業道德行為準則), sign transparent procurement agreements and organise anti-corruption training, so as to build a fair, transparent and compliant supply chain and achieve full coverage of business ethics training for all personnel within the supply chain and the Company.

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New suppliers of key raw materials are screened and evaluated in accordance with relevant environmental, health, safety and social responsibility (EHSS) standards (including ISO 14001 and ISO 45001). To optimise the management of qualified suppliers, we have implemented a supplier classification system covering suppliers of raw materials, packaging materials and accessories, various chemical equipment, mechanical parts and engineering services. Suppliers in different categories are assigned to dedicated procurement personnel for business connection, so as to improve procurement efficiency. We actively promote sustainable development among our suppliers, with particular emphasis on key raw material suppliers. In addition, we require all suppliers to formulate clear anti-corruption policies and, where necessary, to engage independent third-party institutions to conduct external reviews of their anti-corruption management systems. The Audit and Supervision Department conducts random inspections of supplier procurement records on a quarterly basis to verify the implementation of procurement inquiry and pricing processes.

Quality Management

We drive quality improvement through technological innovation and have established and continuously improved a product quality management system comprising the Quality Manual and the Quality Management Regulations. We also conduct regular audits of the quality management system in accordance with the Internal Audit Control Procedure to ensure its continuous and effective operation. We have obtained international standard certifications, including ISO 9001: 2015 Quality Management System Certification, IATF 16949: 2016 Automotive Industry Quality Management System Certification, QC 080000 and IEQC-HSPM Hazardous Substance Process Management System Certification. We also conduct annual certification audits and updates. We have established management regulations such as the Internal/External Audit Management Regulations, and regularly conduct laboratory 5S inspections and internal audits. These efforts involve testing and related training across various aspects, including laboratory environment, laboratory documentation, test project analysts, testing instruments and quality control of test projects. In line with the Company’s digital transformation, the Company has been continuously developing and implementing digital systems since 2024 and building the application of a digital platform in product quality management to improve the operational efficiency of quality management and create new value for production activities.

To strengthen the measurement and monitoring of product quality, we have formulated annual quality objectives and management plans covering production, quality, equipment, planning and other work areas. We track progress on a regular basis and conduct in-depth analysis and improvement of underperforming projects, with a target of achieving a 100% project compliance rate. We have also established a performance evaluation mechanism that incorporates core indicators such as customer audit pass rates, the number of customer complaints and return rates into the management performance assessment system. This fosters a company-wide quality management accountability system and drives the effective implementation of quality objectives. Furthermore, we have established a comprehensive product testing system and standard management control processes for laboratories, covering the entire operational process from raw material procurement to finished product delivery. Through the organic integration of raw material inspection, in-process inspection and finished product inspection, and by relying on advanced testing equipment and technologies, we effectively control product quality to deliver safe and reliable products to our customers.

In terms of after-sales service, we have established a standardised product recall process, defined the division of responsibilities among the Marketing Centre, the Quality Control Centre and the Technology Centre, and improved a closed-loop management mechanism for customer communication, cause analysis and corrective actions. In addition, we have built a comprehensive knowledge sharing platform that systematically organises experience and knowledge in quality management, process optimisation and technological innovation, enabling real-time information sharing with supply chain partners.

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Occupational Health and Safety

Safety Management

We prioritise safety by continuously improving the occupational health and safety system, information security measures and product safety management processes. We regularly identify and assess risks and employ a variety of control measures to address them effectively. This holistic approach ensures that our products are safe and of high quality, our employees work in a healthy and safe environment, and our operations remain stable and reliable.

The safety management system runs through the entire production and operation process, covering product process design, production and manufacturing, material storage and other aspects. We have established a Safety and Environmental Protection Committee (“SEPC”) as the highest decision-making body for EHS management, appointing the General Manager as the Director of the SEPC and the primary person responsible for workplace safety, to comprehensively manage, lead and oversee safety, environmental protection and occupational health efforts. Composed of leaders from each business unit and subsidiary, the SEPC collaboratively participates in major EHS decisions and guides and supervises the implementation of EHS initiatives across branches and subsidiaries, with all employees collectively executing these efforts.

We have established a comprehensive and stringent safety management system in strict compliance with applicable national laws and regulations, including the Law of the People’s Republic of China on Work Safety (中華人民共和國安全生產法), the Fire Protection Law of the People’s Republic of China (中華人民共和國消防法), the Emergency Response Law of the People’s Republic of China (中華人民共和國突發事件應對法), the Regulations on the Safety Management of Hazardous Chemicals (危險化學品安全管理條例), the Regulations on Safety Supervision of Special Equipment (特種設備安全監察條例) and the Regulation on Emergency Responses to Work Safety Accidents (生產安全事故應急條例), as well as local work safety regulations at each production base. These laws and regulations provide an important basis for our work. Based on national regulations including the Regulations on Safety Supervision of Special Equipment and the Measures for Emergency Responses to Work Safety Accidents (安全生產事故應急預案管理辦法), as well as local work safety regulations at each production base, we have established a comprehensive and rigorous safety management system. We regularly publish and update our internal safety management system and exercise stringent control over all aspects of production safety in a systematic and standardised manner. The Company adheres to the EHS objectives of “preventing all types of production safety accidents, environmental pollution accidents and occupational injury accidents.” We have also continuously introduced the concept of the ISO 22301 Business Continuity Management System to strengthen business continuity management, establish an optimal enterprise emergency response system and ensure the continuous operation of our business.

Occupational Health

We have always regarded the occupational health and safety of our employees as the cornerstone of the Company’s development. By continuously improving our management system, assessing risks and enhancing training, we have optimised the occupational health and safety management processes across all operational aspects.

We strictly adhere to the requirements of the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法) and other relevant laws and regulations, and have established an occupational disease prevention and control management system that has been fully implemented at all production bases. We inform employees of potential occupational hazards, post warning signs in areas where toxic and hazardous substances are present, and continuously carry out occupational health and safety training and publicity.

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We identify and assess relevant risks through on-site processes and activities. We entrust qualified third-party testing institutions to conduct regular inspections of occupational disease hazard factors (including dust, noise, hazardous chemicals and others), and prominently display the results on occupational hazard notice boards in each workshop to achieve visual communication of testing outcomes. Systematic investigation and testing methods are employed to identify chemical, physical and biological occupational disease hazards. At the project design and planning stage, we engage subject-matter experts to compile pre-assessment reports and dedicated occupational health chapters, so as to fully identify workplace hazards and formulate effective control measures. By regularly arranging for employees to undergo comprehensive occupational health examinations, we have effectively implemented occupational disease prevention and control measures.

Protection of Employee Rights and Interests

We adhere to the principles of openness, fairness and equality in employment and strictly comply with the Labour Law, the Labour Contract Law, the Provisions on the Prohibition of Child Labour, the Law on the Protection of Rights and Interests of Women, as well as all applicable local regulations in China. During the recruitment process, we rigorously screen candidates to ensure that no child labour is employed. In addition, in the supplier audit process, we require our suppliers to strictly abide by the provisions prohibiting the recruitment of child labour.

We maintain a zero-tolerance stance towards discrimination and forced labour, and closely monitor overtime hours to safeguard employees’ well-being. The Human Resources Department manages labour relations in accordance with the Employee Management Manual, conducting regular training to enhance communication and effectively manage labour-related risks. To the best of our knowledge, there is no child labour or forced labour in our supply chain.

We fully respect employees’ freedom of association and the right to collective bargaining and have established a trade union representing all employees. This trade union is committed to safeguarding employees’ rights and interests and fostering a healthy employer-employee relationship. To build an inclusive workplace, we have formulated a robust anti-discrimination and anti-harassment mechanism. We have zero tolerance for any form of employment discrimination and explicitly prohibit workplace harassment in all its forms.

Talent Management and Development

We formulate our talent management and development strategy based on the Company’s mission, vision and core values. We have established a standardised job grading system, improved the framework for promotion and performance management, and conduct regular talent assessments and job rotations. Combined with enhanced training programmes, these initiatives provide employees with extensive development opportunities and professional career guidance.

The performance management system assesses employees through a structured planning, assessment and feedback mechanism, serving as a basis for fair compensation and promotion decisions. The Human Resources Department incorporates annual evaluation results into career development plans. We continuously update institutional policies, including the training management system and the evaluation of professional and technical qualifications, to strengthen career development and promotion channels.

We support employees’ career development through vertical promotion and horizontal transfer channels across technical, management and other functional areas. This flexible mechanism meets the diverse needs and aspirations of employees and fosters a dynamic environment that drives professional development. We are committed to promoting diversity and equal opportunities throughout the Company. We ensure gender equality through our employment policies and welfare benefits, including the maternity leave system and the principle of equal pay for equal work.

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Social Responsibility

While pursuing continuous innovation and research and development, we are deeply committed to public welfare initiatives and fulfil our social responsibility by advancing community development and social progress. Upholding the philosophy of giving back to society, we actively promote rural vitalization, with a key focus on supporting the development of rural children’s education.

In 2024, to advance the development of school education in Qionglai City, the Company officially signed an agreement with the Qionglai Bureau of Education of Sichuan Province, pledging to donate a total of RMB750,000 in instalments over the next five years to support disadvantaged students and teachers in public middle and primary schools in Qionglai City. In addition, the Company made a targeted donation of RMB300,000 to Qionglai West Street Primary School, earmarked for projects including the exterior wall renovation and upgrading of teaching buildings, office buildings and laboratory buildings, as well as the improvement of campus cultural development initiatives. By the end of 2025, we had cumulatively provided donation funds of RMB600,000, and the relevant construction projects were progressing steadily.

In addition, since 2019, PTL has partnered with the Zhejiang Xinhua Compassion Education Foundation for seven consecutive years to implement the “Hope for Pearl” program, advancing sustained educational assistance by funding outstanding and impoverished students (dubbed “Pearl Students”) and schools in disadvantaged areas. In 2024, the Company made a financial donation to the renovation of five classrooms at Muir Primary School in Butuo County, Liangshan Yi Autonomous Prefecture, Sichuan Province. The donation fully upgraded and renovated the severely dilapidated classrooms, including interior repainting, curtain installation, replacement of all desks and chairs, and provision of integrated multimedia teaching equipment, significantly improving the students’ learning environment. The renovated classrooms were named “PTL Caring Classrooms.” In 2025, to encourage students in relatively underdeveloped and remote areas to pursue and complete their education, and to further advance the development of education in China, the Company officially established the “PTL Pearl Class” in Tongjiang County, Daba Mountains, Sichuan Province. We donated funds to cover the tuition and accommodation fees for three years of high school for 30 “Pearl Students” at partner schools; from 2019 to the end of 2025, we had cumulatively donated approximately 1.3 million and sponsored 160 “Pearl Students” over the 7 years. Kindled by the sustained efforts of our student assistance program, the first cohort of students supported by us was admitted to universities in 2021. They have gradually completed their studies and embarked on contributing to social development.

RISK MANAGEMENT AND INTERNAL CONTROL

We are committed to establishing and maintaining a risk management and internal control system comprising policies and procedures covering risks that may arise in research and development, procurement management, production management, sales management and new project construction. We are equally committed to continuously improving these systems, cultivating a risk management culture and raising the risk management awareness of all employees. We have adopted and implemented comprehensive risk management policies across our business operations.

Operational Risk Management

We face operational risks related to our day-to-day operations, primarily arising from inadequate or failed internal controls and systems, human error, IT system failures or external events. We consider these operational risks to be key risks in our business and believe that, through adequate operational policies and procedures, these inherent risks can be controlled and mitigated. We have developed a robust risk management system to monitor and respond to risks in daily operations.

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To ensure business continuity, we have developed contingency plans to detect and respond to emergency events. In the event of an emergency, our contingency plans set out prescribed response protocols applicable to our various business units. We continuously assess the effectiveness of our contingency plans and conduct reviews following each emergency event to identify potential areas for improvement. We also regularly conduct emergency response drills to ensure that employees are familiar with our response protocols.

Financial Reporting Risk Management

We have formulated a set of accounting policies related to financial reporting risk management, including accounting records management policies, invoice management policies, budget management policies, fund management policies, financial statement preparation policies and finance department management policies. We have formulated various rules to implement our accounting policies, and our finance department reviews our management accounts in accordance with these procedures.

Information System Risk Management

We have implemented relevant internal procedures and control measures to ensure that user data is protected and to prevent such data from being leaked or lost. During the Track Record Period and up to the Latest Practicable Date, we did not experience any information leakage that had a material adverse effect on our operations. We have formulated and implemented strict information system monitoring procedures. These procedures involve regularly generating monitoring logs that record in detail the operating status of our information system network equipment, network traffic, user activities, anomalies and information security events. We have also designated information system administrators to review security conditions to maintain high standards of data integrity and security. This review process includes checking authorized access, privileged operations, unauthorized access attempts, system failures and anomalies.

Regulatory Compliance Risk Management

We are subject to evolving regulatory requirements in China, including requirements to obtain and renew certain licences, permits, approvals and certificates required for our business operations in different regions. To effectively manage our ongoing compliance with applicable laws and regulations, we have implemented a number of internal control measures. In particular, we have designated personnel to regularly monitor changes in laws, regulations and policies issued by relevant government authorities in the regions where we operate, to ensure that we obtain the necessary licences required to operate our business and maintain an up-to-date understanding of applicable requirements. In addition, we regularly monitor and review the status of our licences and permits. We continuously improve our internal policies in response to changes in laws, regulations and industry standards and update our internal procedures accordingly.

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Internal Control Risk Management

We have designed and adopted strict internal control procedures to ensure that our business operations comply with relevant rules and regulations. Under these procedures, our internal legal department reviews and updates the forms of contracts we enter into, reviews contract terms and examines all relevant documents for our business operations, and is responsible for obtaining any necessary government pre-approvals or consents. We strictly prohibit employees from accepting kickbacks, bribing others or secretly receiving commissions or any other personal benefits.

Human Resources Risk Management

We have implemented a human resources management system to ensure our effective operation, safeguard the legitimate rights and interests of both parties to the labor relationship and improve operational efficiency. Our internal human resources management system covers all stages of the labor relationship, from recruitment to probation, assessment, promotion and review, and separation.

We have formulated an employee handbook and code of conduct approved by management and distributed to all employees. The handbook contains internal rules and guidelines on professional ethics, fraud prevention mechanisms, negligence and corruption. We provide regular training to employees, as well as resources to explain the guidelines contained in the employee handbook.

Credit Risk Management

The credit risk we face primarily arises from the products and services we deliver, specifically from customers' failure to fulfil payment obligations stipulated in purchase and service agreements. We address such credit risk by carefully evaluating the credit status, liquidity position and market reputation of potential customers.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

OVERVIEW

As of the Latest Practicable Date, Mr. Liang is a direct beneficial owner of 531,510,881 A Shares and is deemed to be interested in a total of (i) 230,261,325 A Shares held by Ningbo Shengyue, which was controlled by Mr. Liang as its largest limited partner as to 84.50%; and (ii) 199,799,546 A Shares held by Ningbo Kuoneng, which was controlled by Mr. Liang as its general partner. Mr. Liang is the founder, chairman of the Board and an executive Director of our Company. See “Directors and Senior Management — Directors” for more details.

Ningbo Shengyue is a limited partnership established under the laws of the PRC on November 3, 2014, whose principal business is investment management. It is held by its general partner, Ms. Shao Xiaomei (邵曉梅), the spouse of Mr. Liang, as to 0.50%, and by its limited partners, Mr. Liang and Mr. Chen Wei, as to 84.50% and 15.00%, respectively. Ningbo Kuoneng is a limited partnership established under the laws of the PRC on August 14, 2015, whose principal business is investment management. It is held by its general partner, Mr. Liang, as to 1.0677%, and 18 limited partners, none of whom holds 30% or more interest therein.

As advised by the PRC Legal Advisor, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng are parties deemed to be acting-in-concert pursuant to the applicable laws and regulations of the PRC. Therefore, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng were in aggregate entitled to exercise the voting rights attached to 961,571,752 Shares and approximately 45.01% of our Shares in issue and constituted our Controlling Shareholders Group as of the Latest Practicable Date.

Immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng will be entitled to exercise in aggregate the voting rights attached to approximately [REDACTED] of our Shares in issue. Assuming the [REDACTED] is exercised in full, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng will be entitled to exercise in aggregate the voting rights attached to approximately [REDACTED]% of our Shares in issue. Accordingly, Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng will remain as the Controlling Shareholders Group of our Company upon Listing.

See “History and Corporate Structure — Our Shareholding and Corporate Structure” for the simplified corporate structure of our Group.

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, none of members of our Controlling Shareholders Group had any interest in any business which competes, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKINGS

Mr. Liang executed a non-compete undertaking in April 2016, pursuant to which he has undertaken, amongst others, that:

- (i) he is not engaged in any business or activity that is directly or indirectly the same as, similar to, or commercially competitive with our Group;
- (ii) he will not seek any business opportunities belonging to the Group for himself or any other person. If he obtains any business opportunity from any third party that competes with or may compete with the business operated by the Group, he will immediately notify the Group and make best efforts to transfer such business opportunity to our Group;
- (iii) he will not, in any way, directly or indirectly, engage in or participate in any business or activity that is the same as, similar to, or commercially competitive with our Group, or have any interest in any economic entity that competes with our Group, or serve as a senior manager or core technical personnel in such economic entity; and
- (iv) he will ensure that any other enterprises directly or indirectly controlled by him (other than our Company), if any, fulfill the same obligations as him in the non-compete undertaking.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

INDEPENDENCE OF OUR GROUP FROM OUR CONTROLLING SHAREHOLDERS GROUP

Our Directors are of the view that our Group is capable of carrying on its business independently from our Controlling Shareholders Group following the completion of the [REDACTED] for the following reasons.

Management Independence

Our daily management and operational decisions are made collectively by our executive Directors and our senior management, with our Board having an overall supervision of our management. Our Board comprises three executive Directors and three independent non-executive Directors, and we have a team of seven senior management members (two of whom are our executive Directors). All of our Directors, including the independent non-executive Directors, have the requisite qualifications, integrity and experience to maintain an effective Board. We also have sufficient members of our management team who are independent from our Controlling Shareholders Group and have the adequate relevant experience to ensure the normal operation of the day-to-day business and management of our Group. We consider that our Directors and senior management of our Company can independently perform their duties in our Company and operate independently from our Controlling Shareholders Group for the following reasons:

- (i) save for Mr. Liang (our founder, chairman of the Board and executive Director) being a member of our Controlling Shareholders Group, a limited partner holding 84.50% of the partnership interest in Ningbo Shengyue and the general partner of Ningbo Kuoneng, all of our other Directors and members of our senior management team are independent from our Controlling Shareholders Group, and are capable to contribute sufficient time and efforts to manage the daily operations of our Group. In addition, the management personnel of our Company have clear reporting lines, and ultimately the management team reports to our Board. Our Board supervises and monitors the performance of our Company’s management team generally through regular meetings of our Board and extraordinary meetings of our Board to consider, deliberate and approve material matters which exceed the delegated authorities of management team, as well as the regular updates of operational and financial data and information that are provided to our Directors. See “Directors and Senior Management — Directors” for biographical details of our Directors and senior management;
- (ii) each of our Directors is aware of his/her fiduciary duties as a director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;
- (iii) the Articles of Association has made relevant provisions to avoid conflict of interest, and that our Directors are prohibited from voting in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest. Mr. Liang has abstained and will abstain from voting in Board meetings in respect of matters in relation to himself and/or his associates;
- (iv) our Board has a balanced composition of executive Directors and independent non-executive Directors, which ensures the independence of our Board in making decisions affecting our Group and can promote the interest of the Company and its Shareholders as a whole. Specifically, (a) our independent non-executive Directors are not associated with members of our Controlling Shareholders Group or their respective associates; (b) we have three independent non-executive Directors, which accounted for half of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite experience, knowledge and competence as independent directors of listed companies and will be able to provide professional and balanced advice to the Board. Accordingly, our Directors believe that our independent non-executive Directors are able to bring impartial and sound

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

judgment to the decision-making process of our Board and protect the interests of our Company and the Shareholders as a whole. See “Directors and Senior Management — Directors” for biographical details of our independent non-executive Directors; and

- (v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders Group which would support our independent management. See “— Corporate Governance Measures” for further details.

In light of the above, we believe that our Group can be managed independently from members of our Controlling Shareholders Group and their respective close associates.

Operational Independence

Our Company has been operating, and will continue to operate after Listing, independently from our Controlling Shareholders Group. Our Group makes and implements operational decisions independently of our Controlling Shareholders Group and has our own organizational structure with independent departments, including our own business units, R&D, sales and marketing and other functions (such as administration, finance, human resources, legal and compliance and company secretarial functions), each with specific areas of responsibility. Furthermore, we have independent production capabilities and technology relating to our Group’s business and do not rely on our Controlling Shareholders Group. Our Company also maintains a set of comprehensive internal control measures to facilitate the effective operation of our business. Our Company also has independent channels to gain access to our customers, suppliers and business partners, and is not dependent on our Controlling Shareholders Group in these respects. Our Group has our own employees who are primarily recruited through both internal referrals and external sources (such as campus recruitment, recruitment websites and third-party recruiters) to operate the business and can independently manage its human resources. We have obtained relevant licences, approvals and permits from relevant regulatory authorities which are material to our operations in the PRC. Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders Group and will continue to be so after the Listing.

Financial Independence

We have adopted our own independent audit, financial management and internal control systems and also have an independent accounting and finance department responsible for discharging relevant accounting, financial management and treasury functions, which are all independent from members of our Controlling Shareholder Group and their respective close associates. We make financial decisions and determine our use of funds according to our own business needs. We have adequate internal resources and a strong credit profile to support our daily operation. Moreover, our Board has established the Audit Committee to provide independent oversight to, among others, our accounting and financial reporting processes.

We open and manage our bank accounts independently, and have not shared any bank account with our Controlling Shareholders Group. We are also capable of obtaining financing from third parties, without reliance on our Controlling Shareholders Group. We do not expect to rely on our Controlling Shareholders Group or any of their close associates for financing after the Listing as we expect that our working capital will be primarily funded by cash generated from our business operation, and external financing.

No loan or guarantee has been provided by, or granted to, our Controlling Shareholders Group or their respective associates during the Track Record Period and as of the Latest Practicable Date.

In light of the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of sound corporate governance in protection of our Shareholders’ interests. Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance, upon Listing.

In order to further avoid potential conflicts of interest, we have implemented or will implement the following measures to strengthen the protection of our Shareholders’ interests:

- (i) as part of our preparation for the [REDACTED], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest;
- (ii) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into any connected transaction with any member of our Controlling Shareholders Group or their respective associates, our Company will comply with the applicable requirements under the Listing Rules;
- (iii) we are committed that our Board shall include a balanced composition of executive Directors and independent non-executive Directors. We appointed three independent non-executive Directors as of the Latest Practicable Date, and believe our independent non-executive Directors (a) possess sufficient experience; (b) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement; and (c) will be able to provide impartial and independent opinion to protect the interests of our Shareholders as a whole. In the event that our independent non-executive Directors are requested to consider or review any conflict of interest circumstances involving our Controlling Shareholder Group, the independent non-executive Directors will be provided with all necessary information for consideration and will be allowed to seek advice from independent professionals (such as financial advisors or legal advisors) at the expense of our Company;
- (iv) we have appointed Changjiang Corporate Finance (HK) Limited as our Compliance Advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws in Hong Kong and the Listing Rules, including various requirements relating to directors’ duties and corporate governance, upon Listing; and
- (v) as required by the Listing Rules, if there exists any continuing connected transaction with the Controlling Shareholder Group, our independent non-executive Directors shall review any such continuing connected transaction annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

CONNECTED TRANSACTIONS

Upon Listing, certain transactions between our Group and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSON

Our Company has entered into agreements with the following connected persons, the transactions contemplated under such agreements will constitute our continuing connected transactions upon Listing:

Name of our connected person	Connected relationship
Shanghai Jayson New Energy Materials Group Co., Ltd. (上海錦源晟新能源材料集團有限公司) (“ Shanghai Jayson ”)	As of the Latest Practicable Date, Shanghai Jayson was (i) directly held as to 27.6396% by Mr. Liang; and (ii) held as to 16.5837% by Kuoyuan Enterprise Management (Shanghai) Co., Ltd. (闊元企業管理(上海)有限公司), which was wholly owned by Mr. Liang. As such, Shanghai Jayson is an associate of Mr. Liang and a connected person of our Company.
Sichuan Indigo Material Technology Group Co., Ltd. (四川茵地樂材料科技集團有限公司) (“ Sichuan Indigo ”)	As of the Latest Practicable Date, Sichuan Indigo was held as to 71.00% by Shanghai Porigine Chemical Material Group Co., Ltd. (上海璞源化學材料集團股份有限公司, formerly known as “日播時尚集團股份有限公司”) (a company listed on the Shanghai Stock Exchange (stock code: 603196)), which was controlled by Mr. Liang. Therefore, Sichuan Indigo is an associate of Mr. Liang and a connected person of our Company.
Guangdong HEC Technology Holding Co., Ltd. (廣東東陽光科技控股股份有限公司) (“ GD HEC ”) (a company listed on the Shanghai Stock Exchange (stock code: 600673))	As of the Latest Practicable Date, one of our major subsidiaries, Ruyuan Fluorine Resin, was held as to 40.00% by Ruyuan Dongyangguang Fluorine Co., Ltd. (乳源東陽光氟有限公司), which in turn was held as to 82.4353% by GD HEC. Therefore, GD HEC is an associate of Ruyuan Fluorine Resin and a connected person of our Company.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

We entered into the following transactions with the above-mentioned connected persons that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon Listing:

Nature of transactions	Counterparty	Applicable Listing Rules	Waiver sought
Fully exempt continuing connected transactions			
Lease agreement with Shanghai Jayson	Shanghai Jayson	14A.76	Not applicable
Non-exempt continuing connected transactions (subject to annual reporting, announcement and annual review requirements)			
Sichuan Indigo Product Procurement and Sales Framework Agreement	Sichuan Indigo	14A.35, 14A.49, 14A.55, 14A.56, 14A.71, 14A.105	Requirement as to announcement
GD HEC Product Procurement and Sales Framework Agreement . . .	GD HEC	14A.35, 14A.49, 14A.55, 14A.56, 14A.71, 14A.105	Requirement as to announcement

CONNECTED TRANSACTIONS

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

On January 1, 2026, we entered into a lease agreement (the “**Lease Agreement**”) with Shanghai Jayson, pursuant to which we have agreed to lease the second floor of one of our owned properties to Shanghai Jayson for a monthly rent of RMB32,000 from January 1, 2026 to December 31, 2026. The rent has been determined after arm’s length negotiations between our Company and Shanghai Jayson with reference to the location, function and size of the property, and is to be no less favorable to our Group than the prevailing market price of the rent of similar property.

As all applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transaction contemplated under the Lease Agreement are below 0.1%, the transaction under the Lease Agreement constitutes *de minimis* transactions and is fully exempt from the annual reporting, announcement, circular and independent Shareholders’ approval, and annual review requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions in the ordinary and usual course of our business, which will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules (the “**Non-exempt Continuing Connected Transactions**”).

1. Sichuan Indigo Product Procurement and Sales Framework Agreement

Principal terms

On February 5, 2026, our Company (for itself and on behalf of its subsidiaries) entered into a product procurement and sales framework agreement with Sichuan Indigo (for itself and on behalf of its subsidiaries) (the “**Sichuan Indigo Product Procurement and Sales Framework Agreement**”), pursuant to which our Group will (i) procure raw materials such as binders from Sichuan Indigo and/or its subsidiaries; (ii) sell equipment and products such as Nano-alumina to Sichuan Indigo and/or its subsidiaries; and (iii) provide consigned processing and other services to Sichuan Indigo and/or its subsidiaries.

The initial term of the Sichuan Indigo Product Procurement and Sales Framework Agreement commenced on January 1, 2026 and will end on December 31, 2026, subject to renewal through mutual consent by the parties and compliance with all applicable laws and regulations including the Listing Rules. The parties will enter into separate agreements setting out the specific terms and conditions in respect of the transactions based on the principles under the Sichuan Indigo Product Procurement and Sales Framework Agreement.

Reasons for and benefits of the transaction

Sichuan Indigo (together with its subsidiaries, “**Sichuan Indigo Group**”) is principally engaged in the R&D, production and sales of binders specifically for lithium-ion batteries. Its products have gained recognition from downstream power battery customers and new energy vehicle manufacturers in China. Our Group has established a continuous business relationship with Sichuan Indigo Group to support our Group’s main business development considering in particular the following:

- (1) **Securing stable supply of key raw materials.** Sichuan Indigo Group is a key supplier of binders essential to our Group’s separator coating business. Procuring binders and related products from Sichuan Indigo Group ensures a stable and high-quality supply of raw materials necessary for our Group’s production operations.
- (2) **Leveraging complementary capabilities and achieving operational synergies.** Sichuan Indigo Group possesses specialized R&D and production capabilities in the field of lithium-ion battery binders. By providing consigned processing services to Sichuan Indigo Group, such as fluorine processing, we can leverage our specialized expertise in specific process stages, achieving production synergies and complementary resource allocation. Additionally, selling equipment and nano-alumina products to Sichuan Indigo Group can optimize our Group’s asset utilization efficiency and expand our product distribution channels.
- (3) **Deepening strategic partnership.** Our Group and Sichuan Indigo Group have established a long-term strategic partnership. Continuing this cooperation strengthens the synergies across technology development, market access and supply chain management, creating mutual benefits that align with our Group’s overall strategic objectives.

CONNECTED TRANSACTIONS

Pricing policies

In respect of procurement of raw materials, the fees payable by us to Sichuan Indigo and/or its subsidiaries shall be determined with reference to prevailing market rate. The terms under the Sichuan Indigo Product Procurement and Sales Framework Agreement in relation to procurement of raw materials shall not be less favorable than the terms available to our Group for the procurement of same or comparable raw materials from Independent Third Parties (to the extent available) taking into account the quantity and quality of the raw materials and other transactions terms such as payment terms.

When we procure such products in our ordinary and usual course of business, we select suppliers and determine the relevant terms of procurement through arms' length negotiation. We select the most suitable suppliers available for selection, which comprise our connected persons and other Independent Third Parties, taking into account the pricing terms, quantity, our particular business needs, payment terms and other factors. Sichuan Indigo and/or its subsidiaries, like other Independent Third Parties, will need to go through our internal selection and approval procedures in order to become our suppliers under the Sichuan Indigo Product Procurement and Sales Framework Agreement.

In respect of sales of products and provision of services, the fees receivable by us from Sichuan Indigo and/or its subsidiaries shall be determined with reference to prevailing market rate. The terms under the Sichuan Indigo Product Procurement and Sales Framework Agreement in relation to sales of products and provision of services shall not be less favorable than the terms available to our Group for the sales of products and provision of services to Independent Third Parties (to the extent available) taking into account the quantity and quality of products, delivery time and other transactions terms such as payment terms.

Similar to other independent suppliers of Sichuan Indigo and/or its subsidiaries, we are required to go through their internal procurement and approval procedures as well as commercial negotiation before becoming their suppliers. Sichuan Indigo and/or its subsidiaries have the discretion to select us to be their suppliers based on their commercial needs and the suitability of the products and/or services that we offer and other objective criteria including the quantity and quality of our products and other transaction terms such as pricing terms and payment terms.

Historical amounts

The transaction amounts paid by us to Sichuan Indigo and/or its subsidiaries in respect of procurement of raw materials for the years ended December 31, 2023, 2024 and 2025 were approximately RMB44.4 million, RMB43.3 million and RMB47.5 million, respectively.

The transaction amounts received by us from Sichuan Indigo and/or its subsidiaries in respect of sales of products and provision of services for the years ended December 31, 2023, 2024 and 2025 were approximately RMB1.4 million, RMB1.0 million and RMB1.9 million, respectively.

Annual caps and basis of determination

The maximum aggregate annual amount of the transaction amount payable by us to Sichuan Indigo and/or its subsidiaries in relation to procurement of raw materials for the year ending December 31, 2026 is not expected to exceed RMB90 million.

The above annual cap was determined based on the following factors:

- (i) historical transaction amounts and historical trend of the three years ended December 31, 2023, 2024 and 2025 under the existing product procurement arrangements between the parties; and
- (ii) the expected increase of our Group's demand of binders under the Sichuan Indigo Product Procurement and Sales Framework Agreement, taking into account our overall operation plan and the estimated expansion of our business for the year ending December 31, 2026.

CONNECTED TRANSACTIONS

The maximum aggregate annual amount of the transaction amount receivable by us from Sichuan Indigo and/or its subsidiaries in relation to sales of products and provision of services for the year ending December 31, 2026 is not expected to exceed RMB20 million.

The above annual cap was determined based on the following factors:

- (i) historical transaction amounts and historical trend of the three years ended December 31, 2023, 2024 and 2025 under the existing product sales and services provision arrangements between the parties; and
- (ii) the expected stable demand of our products and services arising out of the expansion of the business of Sichuan Indigo Group.

Listing Rules implications

In respect of the transactions as described above under the Sichuan Indigo Product Procurement and Sales Framework Agreement, the highest applicable percentage ratio (other than profits ratio) is expected to exceed 0.1%, but all applicable percentage ratios are less than 5%, on an annual basis. Such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but will be exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

2. GD HEC Product Procurement and Sales Framework Agreement

Principal terms

On [●], 2026, our Company (for itself and on behalf of its subsidiaries) entered into a product procurement and sales framework agreement with GD HEC (for itself and on behalf of its subsidiaries) (the “**GD HEC Product Procurement and Sales Framework Agreement**”, together with the Sichuan Indigo Product Procurement and Sales Framework Agreement, the “**Framework Agreements**”), pursuant to which our Group will (i) procure products such as Chlorodifluoromethane, liquid alkali, liquid chlorine, and natural gas from GD HEC and/or its subsidiaries; (ii) procure processing services for PVDF products from GD HEC and/or its subsidiaries; and (iii) sell hydrochloric acid and other by-products to GD HEC and/or its subsidiaries.

The initial term of the GD HEC Product Procurement and Sales Framework Agreement commenced on the Listing Date and will end on December 31, 2026, subject to renewal through mutual consent by the parties and compliance with all applicable laws and regulations including the Listing Rules. The parties will enter into separate agreements setting out the specific terms and conditions in respect of the transactions based on the principles under the GD HEC Product Procurement and Sales Framework Agreement.

Reasons for and benefits of the transaction

The main products of GD HEC (together with its subsidiaries, “**GD HEC Group**”) cover chemical materials and energy materials. It is the only production enterprise in South China with a complete fluorochlorination industry chain and it possesses the qualifications to handle hazardous chemicals such as hydrochloric acid, which our Group does not have. Besides, GD HEC Group’s provision capacity for liquid alkali, liquid chlorine and natural gas and PVDF processing ability can meet our Group’s needs in the production and operation of lithium battery main and auxiliary materials.

Our Group has established a continuous business relationship with GD HEC Group to support our Group’s main business development considering in particular the following:

CONNECTED TRANSACTIONS

- (1) **Securing stable supply of key raw materials.** GD HEC Group is a key supplier of the chemical materials required for our Group’s PVDF products. Procuring products from GD HEC Group ensures a stable and high-quality supply of materials necessary for our Group’s production operations.
- (2) **Nearby location.** The fluorochemical and chlor-alkali chemical material production companies under the GD HEC Group are geographically close to our subsidiaries responsible for PVDF production, which can help our Group process byproducts such as hydrochloric acid nearby, improving the safety of chemical transportation and reducing logistics costs.
- (3) **Supplement to our Group’s PVDF production.** GD HEC Group has established capabilities in post-PVDF processing, particularly in the drying stage. During periods of tight PVDF supply, our Company can engage GD HEC Group for these processing services, thereby ensuring uninterrupted product delivery to customers.

Pricing policies

In respect of procurement of products and services, the fees payable by us to GD HEC and/or its subsidiaries shall be determined with reference to prevailing market rate. The terms under the GD HEC Product Procurement and Sales Framework Agreement in relation to procurement of products and services shall not be less favorable than the terms available to our Group for the procurement of same or comparable products or services from Independent Third Parties (to the extent available) taking into account the quantity and quality of the products and the services and other transactions terms such as payment terms.

When we procure such products and services in our ordinary and usual course of business, we select suppliers and determine the relevant terms of procurement through arms’ length negotiation. We select the most suitable suppliers available for selection, which comprise our connected persons and other Independent Third Parties, taking into account the pricing terms, quantity, our particular business needs, payment terms and other factors. GD HEC and/or its subsidiaries, like other Independent Third Parties, will need to go through our internal selection and approval procedures in order to become our suppliers under the GD HEC Product Procurement and Sales Framework Agreement.

In respect of sales of products, the fees receivable by us from GD HEC and/or its subsidiaries shall be determined with reference to prevailing market rate. The terms under the GD HEC Product Procurement and Sales Framework Agreement in relation to sales of products shall not be less favorable than the terms available to our Group for the sales of products and provision of services to Independent Third Parties (to the extent available) taking into account the quantity and quality of products, delivery time and other transactions terms such as payment terms.

Similar to other independent suppliers of GD HEC and/or its subsidiaries, we are required to go through their internal procurement and approval procedures as well as commercial negotiation before becoming their suppliers. GD HEC and/or its subsidiaries have the discretion to select us to be their suppliers based on their commercial needs and the suitability of the products and/or services that we offer and other objective criteria including the quantity and quality of our products and other transaction terms such as pricing terms and payment terms.

Historical amounts

The transaction amounts paid by us to GD HEC and/or its subsidiaries in respect of procurement of products and services for the years ended December 31, 2023, 2024 and 2025 were approximately RMB7.7 million, RMB17.2 million and RMB20.6 million, respectively.

The transaction amounts received by us from GD HEC and/or its subsidiaries in respect of sales of products for the years ended December 31, 2023, 2024 and 2025 were nil, approximately RMB0.2 million and RMB8.8 million, respectively.

CONNECTED TRANSACTIONS

Annual caps and basis of determination

The maximum aggregate annual amount of the transaction amount payable by us to GD HEC and/or its subsidiaries in relation to procurement of products and services for the year ending December 31, 2026 is not expected to exceed RMB25.0 million.

The above annual cap was determined based on the following factors:

- (i) historical transaction amounts and historical trend of the three years ended December 31, 2023, 2024 and 2025 under the existing product procurement arrangements between the parties;
- (ii) the expected increase of our Group’s demand of relevant products and services under the GD HEC Product Procurement and Sales Framework Agreement, taking into account our overall production plan and the estimated expansion of our business for the year ending December 31, 2026; and
- (iii) the market supply and demand situation and price trends of relevant products and services.

The maximum aggregate annual amount of the transaction amount receivable by us from GD HEC and/or its subsidiaries in relation to sales of products for the year ending December 31, 2026 is not expected to exceed RMB12.0 million.

The above annual cap was determined based on the following factors:

- (i) historical transaction amounts and historical trend of the two years ended December 31, 2024 and 2025 under the existing product sales arrangements between the parties; and
- (ii) our overall production plan and the sale plan of hydrochloric acid and other by-products.

Listing Rules implications

In respect of the transactions as described above under the GD HEC Product Procurement and Sales Framework Agreement, the highest applicable percentage ratio (other than profits ratio) is expected to exceed 0.1%, but all applicable percentage ratios are less than 5%, on an annual basis. Such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but will be exempt from the independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In respect of the Non-exempt Continuing Connected Transactions as described above under the Framework Agreements, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the year ending December 31, 2026 is expected to be more than 0.1% but less than 5% on an annual basis. Accordingly, the Non-exempt Continuing Connected Transactions under the Framework Agreements are subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the annual review requirement under Rules 14A.55 and 14A.56 of the Listing Rules.

As the above Non-exempt Continuing Connected Transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that strict compliance with the aforesaid announcement requirements would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules, in respect of Non-exempt Continuing Connected

CONNECTED TRANSACTIONS

Transactions under the Framework Agreements, provided that the aggregate transaction amounts of the Non-exempt Continuing Connected Transactions for the year ending December 31, 2026 of the Framework Agreements will not exceed the relevant annual caps as set out in this section.

Apart from the announcement requirement from which waivers are sought, the Company will comply with the other applicable requirements under Chapter 14A of the Rules. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions (including their annual cap for the year ending December 31, 2026) have been, and will continue to be, carried out in the ordinary and usual course of business of our Group and are on normal commercial terms, fair and reasonable and in the interest of our Company and Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has (i) reviewed the relevant documents and information provided by the Company in relation to the Non-exempt Continuing Connected Transactions and (ii) participated in the due diligence and discussions with the management of the Group.

Based on the aforementioned and the Directors' view above, the Sole Sponsor is of the view that (i) the aforesaid Non-exempt Continuing Connected Transactions, for which waivers have been sought, have been entered into in the ordinary and usual course of the Group's business on normal commercial terms that are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (ii) the proposed respective annual caps of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- we have approved and adopted internal procedures and internal guidelines, which provide that, among others, if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules. The Board and other internal departments of our Company will be jointly responsible for evaluating the terms under the framework agreements for our Group's continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transaction entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transaction has been entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and is in accordance with the agreement governing it on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them

CONNECTED TRANSACTIONS

to believe that the continuing connected transaction has not been approved by the Board, is not in accordance with the pricing policies of our Group in all material respects, is not entered into in accordance with the relevant agreement governing the transactions in all material respects or has exceeded the cap;

- when considering the fees and transaction amounts arising under the connected transactions between our connected persons and us, we will regularly review and consider the prevailing market conditions and practices, and make reference to the pricing and terms between us and Independent Third Parties for comparable services or similar transactions (if available), to make sure that the terms and conditions offered by/to our connected persons based on commercial negotiations are fair and reasonable and are based on normal commercial terms or no less favorable terms to our Group; and
- when considering any renewal or revision to the agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings or Shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreement(s) to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon Listing, our Board will consist of six Directors, including three executive Directors and three independent non-executive Directors. Our Directors serve a term of three years and shall be subject to re-election upon the expiry of their respective term of office. The following table sets out certain information in respect of our Directors.

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Liang Feng (梁豐)	58	Chairman of our Board and executive Director	November 6, 2012	December 10, 2015 ⁽¹⁾	Responsible for overseeing the strategic planning and business direction of our Group
Mr. Chen Wei (陳衛)	55	Executive Director and general manager	November 6, 2012	December 10, 2015 ⁽¹⁾	Responsible for overseeing the daily operations and management of our Group
Mr. Han Zhongwei (韓鐘偉) . .	51	Executive Director and vice general manager	November 16, 2015	December 10, 2015 ⁽¹⁾	Responsible for assisting the general manager in headquarters management and overseeing strategy, global expansion, and cost efficiency across business units
Mr. Pang Jinwei (龐金偉) . .	58	Independent non-executive Director	December 27, 2021	December 27, 2021	Responsible for providing independent advice and judgement to the Board
Mr. Huang Yong (黃勇)	46	Independent non-executive Director	December 8, 2023	December 8, 2023	Responsible for providing independent advice and judgement to the Board
Ms. Han Yingjiao (韓穎姣) . .	42	Independent non-executive Director	Listing Date ⁽²⁾	Listing Date ⁽²⁾	Responsible for providing independent advice and judgement to the Board

Notes:

- (1) The dates of the appointment refer to the first appointment of the relevant positions in our Company after its conversion into a joint stock company with limited liability on December 10, 2015. For the details of the conversion, see “History and Corporate Structure — Conversion into Joint Stock Limited Company and Listing on the Shanghai Stock Exchange.”
- (2) The shareholders’ resolution for the appointment of Ms. Han Yingjiao as an independent non-executive Director was passed on March 2, 2026 and her appointment will take effect from the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Liang Feng (梁豐), aged 58, is the chairman of the Board and an executive Director. Mr. Liang founded our Group in November 2012 and has been serving as the chairman of the Board and executive Director since December 2015. He is primarily responsible for overseeing the strategic planning and business direction of our Group.

From May 2010 to April 2015, Mr. Liang served as the director of Veracity Investments Co., Ltd. (上海承壹私募基金管理有限公司, formerly known as 上海毅揚投資管理有限公司 and 上海一村投資管理有限公司). From July 2007 to May 2010, he served as a fund manager at Huatai-PineBridge Fund Management Co., Ltd. (華泰柏瑞基金管理有限公司, formerly known as 友邦華泰基金管理有限公司). From November 2005 to April 2007, he served as a fund manager at China Asset Management Co., Limited (華夏基金管理有限公司).

Mr. Liang obtained a master’s degree in economics from Zhejiang University (浙江大學) in the PRC in March 2003.

Mr. Chen Wei (陳衛), aged 55, is an executive Director and the general manager of our Company. Mr. Chen co-founded the Company with Mr. Liang in November 2012 and has served as the general manager of our Company since then, and has been an executive Director since December 2015. He is primarily responsible for overseeing the daily operations and management of our Group.

Prior to joining our Group, Mr. Chen worked at Dongguan New Energy Technology Co., Ltd. (東莞新能源科技有限公司) from June 2010 to July 2013 and from November 2008 to February 2010. From February 2002 to October 2008, he worked at Dongguan New Energy Electronic Technology Co., Ltd. (東莞新能源電子科技有限公司). From January 2000 to January 2002, he worked at Dongguan Huangcun New Energy Electronics Factory (東莞簞村新能源電子廠). From August 1997 to December 1999, he worked at Dongguan Nancheng Sae Magnetics Plant (東莞南城新科磁電製品廠).

Mr. Chen obtained a bachelor’s degree in precision instrument from University of Science and Technology of China (中國科學技術大學) in the PRC in July 1993.

Mr. Han Zhongwei (韓鐘偉), aged 51, is an executive Director and the executive vice general manager of our Company. Mr. Han joined our Group in November 2015 and has served as a Director, vice general manager, secretary to the Board and chief financial officer of our Company from November 2015 to May 2024. He has been serving as an executive Director and the executive vice general manager of our Company since then. He is primarily responsible for assisting the general manager in headquarters management and overseeing strategy, global expansion, and cost efficiency across business units.

From September 2007 to June 2013, he held the positions of deputy general manager, secretary to the board of directors and chief financial officer at Shanghai Metersbonwe Fashion & Accessories Co., Ltd. (上海美特斯邦威服飾股份有限公司).

Mr. Han obtained a doctoral degree in economics from Middlesex University in the United Kingdom in March 2007.

Independent Non-Executive Directors

Mr. Pang Jinwei (龐金偉), aged 58, is an independent non-executive Director. He joined our Group in December 2021 and has been serving as an independent Director since then. Mr. Pang is primarily responsible for providing independent advice and judgement to the Board.

Mr. Pang has been an associate professor and director of the digital tax research center at Shanghai National Accounting Institute (上海國家會計學院).

Mr. Pang also served as an independent director of Ningxia XN Automation Equipment Co., Ltd. (寧夏小牛自動化設備股份有限公司) from December 2022 to December 2025 and been serving as an independent director of Porton Pharma Solutions Ltd. (重慶博騰製藥科技股份有限公司) since April 2022.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Pang obtained a master’s degree in taxation from Shanghai University of Finance and Economics (上海財經大學) in January 2000, and a doctoral degree in economics from Zhongnan University of Economics and Law in December 2013.

Mr. Huang Yong (黃勇), aged 46, is an independent Director of our Company. Mr. Huang joined our Group in December 2023 and has been serving as an independent Director of our Company since then. Mr. Huang is primarily responsible for providing independent advice and judgment to the Board.

Mr. Huang has been working at Shanghai Oriental Huayin Law Firm (上海東方華銀律師事務所) since January 2006 and has been serving as a partner since January 2015. He has also been serving as an independent director at Shanghai Haoyuan Chemexpress Co., Ltd. (上海皓元醫藥股份有限公司), a company listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688131), since January 2025.

Mr. Huang obtained a bachelor’s degree in economic law from East China University of Political Science and Law (華東政法大學) in the PRC in July 2002 and a master’s degree in economic law from East China University of Political Science and Law in June 2005.

Ms. Han Yingjiao (韓穎姣), aged 42, is an independent non-executive Director. She was appointed as an independent non-executive Director with effect from the Listing Date and is primarily responsible for providing independent advice and judgement to the Board.

Ms. Han has been serving as a managing director at Patria Investments Hong Kong Limited since March 2026. She has successively served as an advisor to the chief executive officer and a managing director at CGS International Securities Singapore Pte. Ltd. from May 2025 to February 2026. From August 2018 to April 2025, she worked as a senior vice president and the head of IPO services in China region at Hong Kong Stock Exchanges and Clearing Limited. From October 2009 to August 2018, she was an executive director and co-manager of the equity capital markets department at Ruixin Fangzheng Securities Co., Ltd. (瑞信方正證券有限責任公司) (currently known as Beijing Securities Co., Ltd. (北京證券有限責任公司)). From July 2008 to October 2009, she worked as an analyst at UBS Securities Co. Limited (瑞銀證券有限責任公司).

Ms. Han obtained a bachelor’s degree in international economics and trade from Xiamen University (廈門大學) in the PRC in July 2006 and a master’s degree in enterprise management from Peking University (北京大學) in the PRC in July 2008. She is also a certified public accountant in the PRC.

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(b) to (v) of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on March 2, 2026, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

DIRECTORS AND SENIOR MANAGEMENT

Rule 8.10 of the Listing Rules

Each of our Directors confirms that, as of the Latest Practicable Date, he/she did not have any interest in any business which competes or is likely to compete directly or indirectly with our business and requires disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

The senior management is responsible for the day-to-day management of our business. None of the members of senior management are related to our Directors or other members of senior management. The following table sets out the information of members of our senior management.

Name	Age	Position(s)	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Chen Wei (陳衛)	55	Executive Director and general manager	November 6, 2012	December 10, 2015 ⁽¹⁾	Responsible for overseeing the daily operations and management of our Group
Mr. Han Zhongwei (韓鐘偉) . .	51	Executive Director and executive vice general manager	November 16, 2015	December 10, 2015 ⁽¹⁾	Responsible for assisting the general manager in headquarters management and overseeing strategy, global expansion, and cost efficiency across business units
Mr. Wang Xiaoming (王曉明) . .	57	Vice general manager	July 4, 2014	July 26, 2021	Responsible for the overall operation, business development and technical management of the membrane materials and coating business of our Group
Ms. Liu Fang (劉芳)	56	Vice general manager	December 21, 2012	July 26, 2021	Responsible for the development and management of the anode material business of our Group
Mr. Liu Yongbiao (劉勇標) . .	49	Vice general manager	July 29, 2014	January 19, 2024	Responsible for the business management of the functional material segment of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Xiong Gaoquan (熊高權)	45	Chief financial officer	September 16, 2016	May 14, 2024	Responsible for the management of the finance, funds, budgeting and other related work of our Group
Mr. Zhang Xiaquan (張小全)	45	Secretary to the Board and joint company secretary	July 8, 2015	May 14, 2024	Responsible for the information disclosure, investor relations management, investment and financing management and standardized operation of our Group

Note:

- (1) The dates of the appointment refer to the first appointment of the relevant positions in our Company after its conversion into a joint stock company with limited liability on December 10, 2015. For the details of the conversion, see “History and Corporate Structure — Conversion into Joint Stock Limited Company and Listing on the Shanghai Stock Exchange.”

Mr. Chen Wei (陳衛), aged 55, is an executive Director and the general manager of our Company. For his biography, see “— Directors — Executive Directors” above.

Mr. Han Zhongwei (韓鐘偉), aged 51, is an executive Director and the executive vice general manager of our Company. For his biography, see “— Directors — Executive Directors” above.

Mr. Wang Xiaoming (王曉明), aged 57, is a vice general manager and the general manager of the membrane materials and coating business division of our Company. He is primarily responsible for the overall operation, business development and technical management of the membrane materials and coating business of our Group.

Mr. Wang joined our Group in July 2014 and held various positions within our Group. From January 2013 to April 2015, he worked as the general manager of Dongguan Zhuogao Electronic Technology Co., Ltd. (東莞市卓高電子科技有限公司, formerly known as 東莞市比克電子科技有限公司), a subsidiary of our Company. From May 2015 to January 2025, he worked at Dongguan Zhuoyue New Materials Technology Co., Ltd. (東莞市卓越新材料科技有限公司) (a former subsidiary of our Company which was deregistered in January 2025), with his last position being the executive director and manager. He has been a vice general manager of our Company since July 2021 and the general manager of the membrane materials and coating business division of our Company since May 2021, and was previously a supervisor of our Company from November 2015 to July 2021.

Mr. Wang obtained a bachelor’s degree in chemical engineering from Tianjin Institute of Technology (天津理工學院) in the PRC in July 1993.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu Fang (劉芳), aged 56, is a vice general manager of our Company and general manager of the anode material business division of our Company. She is primarily responsible for the development and management of the anode material business of our Group.

Ms. Liu joined our Group in December 2012 and served as the executive vice general manager of Jiangxi Zichen Technology Co., Ltd. (江西紫宸科技有限公司), a subsidiary of our Company, from December 2012 to May 2021. She has served as the chairman of the board of supervisors of our Company from November 2015 to July 2021, and has been serving as a vice general manager of our Company and general manager of the anode material business division of our Company since July 2021.

Ms. Liu obtained her MBA degree from China Europe International Business School (中歐國際工商學院) in the PRC in August 2025.

Mr. Liu Yongbiao (劉勇標), aged 49, is a vice general manager of our Company. He is primarily responsible for the business management of the functional material segment of our Group.

Mr. Liu joined our Group since July 2014 and has held various roles within our Group. Mr. Liu has been serving as a vice general manager of our Company since January 2024 has also been working as (i) the chairman of the board of directors of Ruyuan Fluorine Resin, a subsidiary of our Company, since July 2021; (ii) the chairman of the board of directors of Hainan Pujing New Materials Technology Co., Ltd. (海南璞晶新材料科技有限公司), since November 2021; and (iii) the chairman of the board of directors of Sichuan Indigo Materials Technologies Group Co., Ltd. (四川茵地樂材料科技集團有限公司), a subsidiary of our Company, since December 2021. Mr. Liu served as the general manager of Liyang Yuequan Electrical Energy Co., Ltd. (溧陽月泉電能有限公司), a subsidiary of our Company, from May 2019 to March 2025, and a vice general manager at Dongguan Zhuogao Electronic Technology Co., Ltd. (東莞市卓高電子科技有限公司, formerly known as “東莞市比比克電子科技有限公司”), which became our subsidiary in July 2014, from March 2011 to November 2022.

Mr. Liu obtained a bachelor’s degree in electrochemistry from Zhengzhou University of Light Industry (鄭州輕工業大學, formerly known as 鄭州輕工業學院) in the PRC in July 2001.

Mr. Xiong Gaoquan (熊高權), aged 45, is the chief financial officer of our Company. He is primarily responsible for the management of the finance, funds, budgets and other related work of our Group.

Mr. Xiong joined our Group in September 2016 and has been serving as the chief financial officer of our Company since May 2024. He served as the director of the financial center of our Company from October 2023 to May 2024, the financial manager and general manager assistant of Jiangxi Zichen, a subsidiary of our Company, from September 2019 to October 2023, and the director of the budget analysis department of our Company from September 2016 to September 2019.

Mr. Xiong obtained a bachelor’s degree in accounting from Nanchang University (南昌大學) in the PRC in July 2004. He obtained a master’s degree in accounting from Shanghai Jiao Tong University (上海交通大學) in the PRC in June 2015, and a master’s degree in business administration from Fudan University (復旦大學) in the PRC in June 2023.

Mr. Zhang Xiaoquan (張小全), aged 45, is the secretary to the Board. He is primarily responsible for the information disclosure, investor relations management, investment and financing management and standardized operation of our Group.

Mr. Zhang joined our Group in July 2015 and has been serving as the secretary to the Board since May 2024. He has also been serving as a director at Katop Automation, a subsidiary of our Company, since March 2023, and a supervisor at Shanghai Putailai New Energy Technology Co., Ltd. (上海璞泰來新能源技術有限公司) since January 2021. From July 2015 to May 2021, he served as a director of the securities affairs department and the securities affairs representative of our Company. From May 2021 to May 2024, he served as the manager of securities affairs and the securities affairs representative of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang obtained a bachelor’s degree in chemical engineering and technology from Anhui University of Technology and Science (安徽工程科技學院) in the PRC in July 2005, and a master’s degree in business administration from University of Science and Technology of China (中國科學技術大學) in the PRC in May 2010.

JOINT COMPANY SECRETARIES

Mr. Zhang Xiaoquan (張小全) is the secretary to the Board and has been appointed as one of our joint company secretaries in February 2026. For Mr. Zhang’s biography, see “— Senior Management” above.

Mr. Ng Tung Ching Raphael (吳東澄) was appointed as our joint company secretary in February 2026 with effect from Listing. Mr. Ng is a seasoned professional with over 15 years of extensive experience in the legal and company secretarial domains, specializing in corporate governance and compliance. He currently serves as the Assistant Vice President, Entity Solutions of Computershare Hong Kong Investor Services Limited (香港中央證券登記有限公司).

Mr. Ng is a Fellow of both The Hong Kong Chartered Governance Institute (the “**HKCGI**”, formerly known as the Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. He also possesses the practitioner’s endorsement from HKCGI.

Mr. Ng earned his bachelor’s degree in law from Manchester Metropolitan University in the United Kingdom. He holds a master’s degree in Chinese business law from the Chinese University of Hong Kong and a master’s degree in professional accounting and corporate governance from the City University of Hong Kong.

MANAGEMENT AND CORPORATE GOVERNANCE

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 and Appraisal Committee, the Nomination Committee and the Strategy and Sustainable Development Committee.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review connected transactions, and provide advice and comments to the Board. The Audit Committee comprises three members, namely Mr. Pang Jinwei, Mr. Huang Yong and Ms. Han Yingjiao, with Mr. Pang Jinwei as chairperson of the Audit Committee.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Appraisal Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses, and other compensation payable to our Directors and other senior management. The Remuneration and Appraisal Committee comprises four members, namely Mr. Pang Jinwei, Mr. Huang Yong, Ms. Han Yingjiao and Mr. Han Zhongwei, with Mr. Pang Jinwei as chairperson of the Remuneration and Appraisal Committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established the Nomination Committee pursuant to Rule 3.27A of the Listing Rules with written terms of reference set out in the Code on Corporate Governance in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors, management of Board succession and evaluate the Board Diversity Policy. The Nomination Committee comprises four members, namely Mr. Huang Yong, Mr. Chen Wei, Mr. Pang Jinwei and Ms. Han Yingjiao, with Mr. Huang Yong as chairperson of the Nomination Committee.

Strategy and Sustainable Development Committee

We have established the Strategy and Sustainable Development Committee. The primary duties of the Strategy and Sustainable Development Committee are to review and make recommendations to the Board on our long-term strategies and major investments and transactions of the Group. The Strategy and Sustainable Development Committee comprises six members, namely Mr. Liang, Mr. Chen Wei, Mr. Hang Zhongwei, Mr. Pang Jinwei, Mr. Huang Yong and Ms. Han Yingjiao, with Mr. Liang as chairperson of the Strategy and Sustainable Development Committee.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of our Shareholders. In accomplish this, our Company expects to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the Listing save for the deviation as mentioned below. Any deviation from the code provisions shall be carefully considered, and the reasons for any deviation and explanation of how good corporate governance was achieved by means other than strict compliance with the code provisions shall be given in the interim report and the annual report in respect of relevant period.

Board Diversity

Our Company has adopted a board diversity policy (the “**Board Diversity Policy**”), which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of our Group, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the Board Diversity Policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

Our Directors have a balanced mixed of knowledge and skills, including but not limited to overall business management, engineering, law, taxation, finance and accounting. They received degrees in various majors including engineering, chemistry, international finance, law, economics, accounting, taxation, business administration and technology. Furthermore, the Board has a relatively wide range of ages, ranging from 42 years old to 58 years old. The Board is of the view that the Board satisfies the Board Diversity Policy.

With regards to gender diversity on the Board, we recognize the particular importance of gender diversity. Our Board currently comprises one female Director and five male Directors and expects to continue to maintain an appropriate gender mix in the Board upon Listing. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our Board Diversity Policy provides that our Board should not be a single gender board. Our Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior

DIRECTORS AND SENIOR MANAGEMENT

management and potential successors to the Board. We plan to offer all-rounded training to female employees whom we consider to have the suitable experience, skills, and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance, and research and development. We are of the view that such a strategy will offer chances for the Board to identify more capable female employees to be nominated as a member of the Board in future with an aim to providing the Board with a pipeline of female candidates to achieve gender diversity in the Board in the long run.

The Nomination Committee is responsible for reviewing the diversity of the Board. Upon the Listing, the Nomination Committee will from time to time review the Board Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. Our Company will disclose the biographical details of each Director and plans to report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in our annual corporate governance report.

Management Presence

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. See “Waivers and Exemptions — Waiver in respect of Management Presence in Hong Kong” for further details.

REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances, and benefits in kind and our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including fees, salaries, allowances and benefits in kind, pension scheme contributions and share-based payment expenses) for our Directors for the years ended December 31, 2023, 2024 and 2025 was approximately RMB5.5 million, RMB5.5 million and RMB10.4 million, respectively.

The five highest paid individuals of our Group for the years ended December 31, 2023, 2024 and 2025 included nil, nil and three Directors, respectively. The aggregate amount of remuneration (including salaries, allowances and benefits in kind, pension scheme contributions and share-based payment expenses) for the five highest paid individuals for the years ended December 31, 2023, 2024 and 2025 was approximately RMB13.2 million, RMB13.1 million and RMB18.3 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the Track Record Period by our Company to our Directors. For the year ended December 31, 2026, we expect to pay approximately RMB10.6 million in aggregate remuneration (including fees, salaries, allowances and benefits in kind, pension scheme contributions and share-based payment expenses) to our Directors.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Company. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or supervisor or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

DIRECTORS AND SENIOR MANAGEMENT

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will receive recommendation from the Remuneration and Appraisal Committee, which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and senior management as well as the performance of our Group.

COMPLIANCE ADVISOR

We have appointed Changjiang Corporate Finance (HK) Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

- before the publication of any regulatory announcement, circular, or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;
- where we propose to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development, or results of our Group deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group:

Name of Shareholder	Capacity/Nature of interest	A Shares held as of the Latest Practicable Date		A Shares held following the completion of the [REDACTED] ⁽¹⁾⁽²⁾		
		Number	Approximate percentage of issued Shares ⁽⁴⁾ (%)	Number	Approximate percentage of issued A Shares ⁽⁴⁾ (%)	Approximate percentage of total issued Shares (%)
Mr. Liang ⁽³⁾ . . .	Beneficial owner, interest in controlled corporations and interest held jointly with other persons	961,571,752	45.01	961,571,752	45.01	[REDACTED]
Ningbo Shengyue ⁽³⁾ . .	Beneficial owner and interest held jointly with other persons	961,571,752	45.01	961,571,752	45.01	[REDACTED]
Ningbo Kuoneng ⁽³⁾ . .	Beneficial owner and interest held jointly with other persons	961,571,752	45.01	961,571,752	45.01	[REDACTED]
Mr. Chen Wei . .	Beneficial owner	176,698,100	8.27	176,698,100	8.27	[REDACTED]

Notes:

- (1) All interest stated are long positions.
- (2) The table above assumes (i) the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED] and (ii) the [REDACTED] is not exercised.
- (3) As of the Latest Practicable Date, Mr. Liang is a direct beneficial owner of 531,510,881 A Shares and is deemed to be interested in a total of (i) 230,261,325 A Shares held by Ningbo Shengyue, in which Mr. Liang is the largest limited partner as to 84.50%; and (ii) 199,799,546 A Shares held by Ningbo Kuoneng, in which Mr. Liang acts as its general partner. Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng are parties deemed to be acting-in-concert under the laws and regulations of the PRC. Therefore, under the SFO, each of Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng is deemed to be interested in the Shares held by each other. Mr. Liang, Ningbo Shengyue and Ningbo Kuoneng constitute our Controlling Shareholders Group.
- (4) The calculation of the percentage includes 32,632,415 A Shares repurchased by our Company as of the Latest Practicable Date pursuant to the repurchase mandate approved by our Board and held in our Company's stock repurchase account as treasury shares (assuming no changes are made to the number of such repurchased shares held in our Company's stock repurchase account between the Latest Practicable Date and completion of the [REDACTED]).

Save as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group.

SHARE CAPITAL

SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the [REDACTED].

As of the Latest Practicable Date

As of the Latest Practicable Date, our share capital was RMB2,136,399,076, comprising of 2,136,399,076 A Shares with a nominal value of RMB1.00 each, all of which are listed on the Shanghai Stock Exchange. This includes 32,632,415 A Shares repurchased by our Company as of the Latest Practicable Date pursuant to the repurchase mandate approved by our Board and held in our Company’s stock repurchase account as treasury shares.

Immediately after the Completion of the [REDACTED]

Immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), the share capital of our Company immediately following completion of the [REDACTED] will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
A Shares in issue*	2,136,399,076	[REDACTED]
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00

Immediately following completion of the [REDACTED] (assuming the [REDACTED] is fully exercised), the share capital of our Company immediately following completion of the [REDACTED] will be as follows:

Description of Shares	Number of Shares	Approximate percentage to total share capital (%)
A Shares in issue*	2,136,399,076	[REDACTED]
H Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	100.00

Note:

- * Including 32,632,415 A Shares repurchased by our Company as of the Latest Practicable Date pursuant to the repurchase mandate approved by our Board and held in our Company’s stock repurchase account as treasury shares (assuming no changes are made to the number of such repurchased shares held in our Company’s stock repurchase account between the Latest Practicable Date and completion of the [REDACTED]).

RANKING

Upon the completion of the [REDACTED], our Shares will consist of A Shares and H Shares. A Shares and H Shares are all ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association.

SHARE CAPITAL

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed by or traded between legal or natural persons of the PRC.

A Shares and H Shares shall carry the same rights in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR LISTING AND TRADING ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the market prices of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (H股公司境內未上市股份申請“全流通”業務指引) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for listing and trading on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to issue H Shares and seek the listing of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the shareholders’ general meeting of our Company held on March 2, 2026 and is subject to the following major conditions:

- (i) *Size of the [REDACTED]*: The proposed number of H Shares to be offered shall not exceed approximately [REDACTED] of the total issued share capital enlarged by the H Shares to be issued pursuant to the [REDACTED] (before the exercise of the [REDACTED]). The number of H Shares to be issued pursuant to the full exercise of the [REDACTED] shall not exceed [REDACTED] of the total number of H Shares to be [REDACTED] initially under the [REDACTED].
- (ii) *Method of [REDACTED]*: The method of [REDACTED] shall be by way of an [REDACTED] to institutional investors and a [REDACTED] for subscription in Hong Kong.
- (iii) *Target investors*: The H Shares shall be issued to overseas investors who meet the relevant conditions, and qualified domestic investors who are entitled to invest in overseas securities in accordance with relevant PRC laws and regulations.
- (iv) *[REDACTED] basis*: The [REDACTED] of the H Shares will be determined by the Board and/or its authorized person with the authorization of the Shareholders’ general meetings, together with the [REDACTED], after full consideration of the interests of existing Shareholders and the conditions of domestic and international capital markets based on the domestic and overseas capital market conditions at the time of this issuance and the Listing together with the roadshow and the book-building results, and through demands for orders and book-building process.
- (v) *Validity period*: The issue and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 24 months from the date on which such matters were approved at the Shareholders’ meeting. If the Company obtains approval from the relevant regulatory authorities for the Listing and listing within the 24 months, the authorization period shall

SHARE CAPITAL

automatically be extended to the later of the completion date of this issuance and the Listing or the exercise date of the [REDACTED] (if applicable). There are no other approved [REDACTED] plans for our Shares except the [REDACTED].

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND MEETING ARE REQUIRED

For details of circumstances under which our Shareholders’ general meeting is required, See “Summary of the Articles of Association of the Company” in Appendix V to this document.

SHARE INCENTIVE SCHEME

Certain employees of our Group are eligible for interests of our Share incentive scheme and in accordance with terms and provisions of the relevant Share incentive scheme of our Company. For details, see “Statutory and General Information — (D) Share Incentive Scheme” in Appendix VI to this document.

FINANCIAL INFORMATION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes included in Appendix I to this document. The financial information as set out in the Accountants’ Report incorporates the financial statements of the Company during the Track Record Period. You should read the whole Accountants’ Report and not rely merely on the information in this section. For the purpose of this section, unless the context otherwise requires, references to 2023, 2024 and 2025 refer to our financial years ended December 31 of such years.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed “Forward-Looking Statements,” “Risk Factors” and “Business” in this document.

OVERVIEW

We are a leading comprehensive solutions provider in the upstream of the new energy battery value chain. In the new energy era, we push the boundaries of battery materials innovation and intelligent manufacturing. We empower the world’s top new energy battery enterprises. We have established a vertically integrated presence across the upstream of the new energy battery value chain, delivering platform-based industry solutions. Driven by technological innovation, we lead technology upgrades, promote cost reduction and efficiency improvement across the industry, create value for energy conservation, environmental protection and sustainable global energy development. During the Track Record Period, we primarily generated our revenue through two main types of product, namely (i) new energy battery key materials and (ii) new energy battery automation equipment. During the same period, our revenue amounted to RMB15,292.9 million, RMB13,398.8 million, RMB15,655.8 million in 2023, 2024 and 2025, respectively.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our Customers’ Demand for Our Products, Services and Solutions and Downstream Market Dynamics

We are committed to becoming an architect of the upstream ecosystem for the new energy battery value chain, empowering globally leading new energy battery enterprises by providing industry-leading battery materials, automation equipment and processing services, and providing comprehensive upstream solutions for new energy batteries. During the Track Record Period, a majority of our revenue was derived from sales of (i) new energy battery key materials and (ii) new energy battery automation equipment. Our products, services and solutions are widely applied in downstream scenarios such as electric vehicles, energy storage systems and consumer electronics, and we are actively developing critical next-generation battery materials applicable to sodium-ion batteries, semi-solid-state batteries, solid-state batteries and other innovative fields. Accordingly, our business is affected by fluctuations in market demand from our direct customers, who are primarily new energy battery manufacturers, as well as demand in the end-markets for products that incorporate our battery materials and that are manufactured with our equipment. According to CIC, the new energy industry has become a core pillar for the global energy transition and green and low-carbon development. The global new energy battery market size are expected to increase from 2,257.0 GWh in 2025 to approximately 6,284.3 GWh in 2030, representing a CAGR of 22.7%. We expect that our sales will continue to be driven by demand growth in these downstream markets.

FINANCIAL INFORMATION

Our Product Pricing and Ability to Effectively Manage Our Supply Chain

We are exposed to fluctuations in the market prices of our products, which are significantly influenced by demand and supply dynamics, market competition and evolving product specifications driven by ongoing technological advances in the market segments in which we participate. We determine the selling prices of our products by balancing customer acceptability with our profitability requirements, taking into account a number of factors including, among others, raw material costs, customer purchase volumes, customer relationships, prevailing market competition conditions and the prevailing market prices for comparable products in the target sales regions. We reserve the right to further adjust the prices of our products in response to significant fluctuations in the market prices of key raw materials. Our automation equipment products are primarily customized in nature, command relatively high unit prices and involve longer production and acceptance cycles. The selling prices of our products are determined through arm’s length negotiations with our customers. See “Business — Sales and Marketing — Pricing.” Among our pricing factors, the cost of raw materials is particularly critical. We procure a range of key raw materials for the production of our new energy battery key materials and new energy battery automation equipment. The primary raw materials used in the production of new energy battery key materials include petroleum coke, needle coke, primary graphite, graphite crucibles and box boards, base separator films, binders, ceramic materials and fluorine-containing organic compounds. The primary raw materials used in the production of new energy battery automation equipment include coating dies, various rollers, motors, controllers, ovens and other components.

Among our raw materials, cokes are primarily petrochemical by-products, the prices of which are influenced by the prices of crude oil as well as market supply and demand to a certain degree. During the Track Record Period, we did not experience any material adverse fluctuation in the prices of our raw materials. To minimize any potential interruptions to our operations arising from the supply of key raw materials, we systematically analyse market supply and demand conditions based on orders on hand and historical transaction data, and maintain a reasonable level of safety stock for our raw and auxiliary materials. To mitigate raw material price fluctuation risk, we have established a dedicated market monitoring mechanism to track in real time the supply and demand structure and price trends of key raw materials, and conduct forward-looking planning prior to commercial negotiations with suppliers. Through strategies such as advance procurement and price-locking arrangements, we seek to ensure stable material supply while optimizing procurement costs. We have established stable, long-term relationships with multiple qualified suppliers to ensure a reliable and continuous supply of raw materials and components. During the Track Record Period, we did not experience any significant shortage of raw material supply. See “Business — Procurement and Suppliers — Supply Chain Management.

Ability to Drive Product Innovation Through Synergetic R&D Capability

We operate in highly competitive and rapidly evolving new energy battery market, where customers require continuous improvements in performance, safety and cost. To meet fast evolving customer requirements, we have developed a platform-based R&D system centered on the upstream of the new energy battery value chain. While the production processes of our various product lines operate independently, they collectively serve the upstream of new energy batteries and benefit from significant synergies in material systems, coating processes and equipment control. For instance, coated separators can be developed in close collaboration with coating machines, alumina and base separator films on a shared technology platform. This approach has given rise to an R&D model characterized by relatively independent product lines underpinned by a shared technology platform. In terms of organizational structure, we have adopted a model of headquarters platform coordination supported by subsidiary-level specialist R&D. At the headquarters level, we have established a strategic product R&D department responsible for foundational technology research, achieving breakthroughs in key processes and materials, formulating the strategic product development roadmap and overseeing overall technology management. At the subsidiary level, each major subsidiary has established a dedicated R&D department focused on process optimization, equipment enhancement and new product development within its respective product line, while advancing technological innovation in a coordinated manner under unified R&D planning and standards.

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Leading by our R&D strategy, as of December 31, 2025, we have established 10 R&D centers to gain access to frontier technologies. In 2023, 2024 and 2025, our R&D expenses amounted to RMB960.7 million, RMB743.4 million and RMB888.2 million, accounting for approximately 6.3%, 5.5% and 5.7% of our revenue in the same periods, respectively. This sustained level of R&D investment underpins our ability to remain at the forefront of industry technology and to support our leading market position in both domestic and overseas markets.

Ability to Maintain and Improve Production and Operational Efficiency

Our competitiveness and long-term profitability are significantly dependent upon our ability to maintain and improve production and operation efficiency as our business grows.

Our ability to manage and expand our production capacity has a significant impact on the growth in our revenue and market share expansion. We are committed to advancing automation and digitalization across our operations to ensure the consistency and stability of product quality, deploying ERP and MES systems to maintain rigorous control over production costs and processes. Our coated separator and film materials business division has further implemented lights-out manufacturing to achieve the highest practicable level of automation. We have also established a comprehensive ISO/IATF production process management and control system to ensure effective oversight of all production operations. See “Business — Manufacturing — Production Facilities.” Looking ahead, we intend to continue to improve and maintain a high level of production capacity utilization and to expand our capacity in a prudent manner in line with market demand.

Competition

The industry in which we operate is subject to high entry barriers, including technology, capital, equipment, operational scale and customer relationship barriers. We primarily compete with well-established domestic and international manufacturers of new energy battery key materials and new energy battery automation equipment. According to CIC, in the market of these fields is relatively concentrated, with leading enterprises benefiting from economies of scale, long-term customer cooperation and sustained research and development investment.

During the Track Record Period, the new energy battery industry experienced cyclical fluctuations. On the one hand, global demand for power, energy storage and consumer batteries continued to grow; on the other hand, phases of overcapacity in certain battery materials and equipment segments and intensified price competition put pressure on industry participants. In this context, we leveraged our vertically “materials + equipment + services” integrated product matrix to improve cost efficiency, enhance product performance and actively optimize our pricing and product performance, thereby maintaining our leading positions in multiple core segments. According to CIC, measured by new energy battery coated separator shipment volume, we were the world’s largest new energy battery coated separator company in 2025, with a market share of approximately 35.3% in the global new energy battery coated separator market, and have ranked first in the industry for seven consecutive years. Measured by installed production capacity, we possess the world’s largest separator coating capacity, which reached 14.0 billion sq.m. per year in 2025. In the artificial graphite anode material field, measured by the artificial graphite anode material shipment volume, our market share is 5.4% in the global, according to CIC. According to the same source, among new energy battery binder material products, measured by new energy battery PVDF shipment volume, we were the world’s largest new energy battery PVDF supplier in 2025, with a market share of 27.6%, and have ranked as the top supplier in the industry for three consecutive years.

Looking ahead, we believe that our strong capital resources, vertically integrated strategic layout across new energy battery key materials, new energy battery automation equipment and electrode processing services, high self-supply rates in core materials and equipment, extensive intellectual property portfolio, experienced research and development and management teams, and long-term cooperative relationships with globally leading battery manufacturers and automakers provide us with a significant competitive advantage over existing and potential new market entrants. We intend to continue to deepen our integrated value chain synergies, enhance our domestic and overseas production and service capabilities and expand our customer base in the future, in order to consolidate and further strengthen our competitive position in a dynamic and evolving competitive landscape.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

The historical financial information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been consistently adopted by us in the preparation of the historical financial information throughout the Track Record Period.

The historical financial information has been prepared under the historical cost convention, except for debt investments at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss (“FVTPL”), which have been measured at fair value.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue from Contracts with Customers

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

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

(a) Sale of New Energy Battery Key Materials

Revenue from the sale of battery materials is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the products for export sales and acceptance of the products for domestic sales.

For some customers, the sales of battery materials are under vendor-managed inventory (“VMI”) arrangement where the products are delivered to the customers’ locations for their use. The control of the products is transferred when the products are accepted and used by the customers.

(b) Sale of New Energy Automation Equipment

The new energy automation equipment that we provide to the customers usually has an intended purpose and cannot be readily substituted. When the automation equipment is delivered to the customer’s location, we perform installation, deployment and commissioning work until the equipment satisfies the requirements of the customers. We determine that the promised goods in the sale of automation equipment represent one performance obligation, because these promises are highly interdependent, and the customer is unable to derive significant benefits from the access to an individual promise for the intended purpose without receipt of the other goods.

As none of the criteria under paragraph 35 of IFRS 15 are met for the control that transfers over time, revenue from the sale of automation equipment is recognized at the point in time when the equipment is accepted by the customers.

FINANCIAL INFORMATION

(c) Provision of Services

Revenue from the provision of services is recognized at point in time when the services are rendered and completed and accepted by the customers.

Revenue from other sources

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Other income

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

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

Property, Plant and Equipment and Depreciation

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	<u>Annual rates</u>
Buildings	5% to 6%
Plant and machinery	9% to 32%
Motor vehicles	23% to 24%
Electronic and other equipment	9% to 32%
Leasehold improvements and renovations	10% to 33%

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

FINANCIAL INFORMATION

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Fair Value Measurement

We measure our certain financial instruments, including wealth management products, bank bills receivable and foreign exchange forward contracts at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The preparation of the historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

FINANCIAL INFORMATION

Significant Accounting Judgements and Estimates

Judgements

In the process of applying the our accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the historical financial information:

Classification of Financial Assets

The classification of financial assets at initial recognition depends on our business model for managing those financial assets. In assessing the business model, we consider factors such as how the entity evaluates and reports the performance of financial assets to key management personnel, as well as the risks that affect the performance of financial assets and how such risks are managed. When evaluating whether the objective is to collect contractual cash flows, we are required to analyse and exercise judgement regarding the reasons, timing, frequency, and value of sales of financial assets before their maturity.

Deferred Tax Assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for Expected Credit Losses on Trade Receivables and Contract Assets

We use a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various debtors that have similar loss patterns.

The provision matrix is initially based on our historical observed default rates. We calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the customer industry, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. See note 23 and note 25 of the Accountants’ Report in Appendix I to this document.

Impairment of Non-financial Assets (Other Than Goodwill)

We assess whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of fair value less costs of

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disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices, less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of Goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at December 31, 2023, 2024 and 2025 were RMB78,645,000, RMB103,504,000 and RMB103,504,000, respectively. See note 20 of the Accountants’ Report in Appendix I to this document.

Provision for Inventory Write-down

We measure inventory at the lower of cost and net realizable value in accordance with our accounting policy. A provision for inventory write-down is recognized when the cost of inventory exceeds its net realizable value, or for obsolete and slow-moving items which are identified as no longer suitable for sale or use based on sales forecasts. Identifying impairment of inventory requires management to exercise judgement and make estimates based on conclusive evidence, taking into account factors such as the purpose for holding the inventory, current market conditions and the impact of events occurring after the balance sheet date. Differences between actual outcomes and previous estimates will affect the carrying amount of inventory and the recognition or reversal of inventory write-down provisions in the period in which the estimates are revised.

Warranty Provision

We estimate the warranty rate on a reasonable basis for portfolios of contracts with similar characteristics, taking into account all relevant information such as historical warranty data, current warranty conditions, product improvements, and market changes. The estimated warranty rate may not equal the actual future warranty rate. We re-evaluate the warranty rate at each balance sheet date at a minimum, and determine the provision based on the re-evaluated warranty rate. See note 25 of the Accountants’ Report in Appendix I to this document.

Leases — Estimating the Incremental Borrowing Rate

We cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what we “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). We estimate the IBR using observable inputs (such as market interest rates) when available and are required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

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RESULTS OF OPERATIONS

The following table summarizes our results of operations for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Revenue	15,292,852	13,398,812	15,655,757
Cost of sales	(11,339,110)	(10,435,779)	(11,000,839)
Gross profit	3,953,742	2,963,033	4,654,918
Other income and gains	545,748	527,569	475,191
Selling and distribution expenses	(196,521)	(161,739)	(155,368)
Administrative expenses	(713,622)	(681,199)	(834,007)
Research and development expenses	(960,650)	(743,384)	(888,241)
Impairment losses on financial and contract assets	(7,170)	(36,868)	(55,691)
Other expenses	(27,534)	(121,631)	(69,521)
Finance cost	(252,316)	(255,938)	(235,486)
Share of profits and losses of – Joint ventures	(16,969)	(25,627)	(19,994)
– Associates	42,811	55,506	86,558
Profit before tax	2,367,519	1,519,722	2,958,359
Income tax expenses	(214,368)	(132,499)	(344,408)
Profit for the year	2,153,151	1,387,223	2,613,951

PRINCIPAL COMPONENTS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue

Revenue by Product Type

During the Track Record Period, we primarily generated our revenue through two main types of product, namely (i) new energy battery key materials and (ii) new energy battery automation equipment.

The following table sets forth a breakdown of our revenue by product type for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>					
New energy battery key materials	11,729,430	76.7	9,633,424	71.9	11,325,315	72.3
New energy battery automation equipment	3,421,882	22.4	3,672,486	27.4	4,148,247	26.5
Others ⁽¹⁾	141,540	0.9	92,902	0.7	182,195	1.2
Total	15,292,852	100.0	13,398,812	100.0	15,655,757	100.0

Note:

(1) Others primarily included revenue derived from the sale of scrap materials.

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Revenue by Geographical Location

The following table sets forth a breakdown of our revenue by geographical location for the periods indicated

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentage)						
Chinese Mainland	13,010,804	85.1	11,982,478	89.4	14,719,306	94.0
Overseas ⁽¹⁾	2,282,048	14.9	1,416,334	10.6	936,451	6.0
Total	15,292,852	100.0	13,398,812	100.0	15,655,757	100.0

Note:

- (1) Overseas primarily included Europe and Asia (except China). Our revenue from overseas decreased from 2023 to 2025, primarily due to a decrease in selling prices of our anode materials.

Sales Volume and Average Selling Price

The table below sets forth the breakdown of the sales volume and average selling prices by product type for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Sales volume ⁽²⁾	Average selling prices	Sales volume ⁽²⁾	Average selling prices	Sales volume ⁽²⁾	Average selling prices
New energy battery key materials						
– Coated separators and film materials ⁽¹⁾ (million m ² , RMB/m ²)	5,316	0.8	7,026	0.6	11,000	0.6
– Anode materials ⁽¹⁾ (thousand tonnes, RMB/kg)	155	40.5	132	30.2	143	24.5
– Functional materials ⁽¹⁾ (thousand tonnes, RMB/kg)	11	91.5	24	44.9	45	33.4
– CAAS electrode processing ⁽³⁾ (thousand m ² , RMB/m ²)	7	27.3	358	6.2	3,818	6.5
New energy battery automation equipment ⁽⁴⁾ (units, RMB’000/unit)	656	N/A	603	N/A	811	N/A

Notes:

- (1) The average selling prices of the products declined year by year primarily due to the intensified market competition.
- (2) The sales volume refers to those used for external sales only.
- (3) As the CAAS electrode processing business was still in the business development stage in 2023, with the most orders for testing purpose, the relatively high average selling prices in 2023 was not meaningful as a reference metric.
- (4) The average selling prices of our new energy battery automation equipment are not meaningful as a reference metric, primarily attributable to (i) the varying proportion of different equipment with a wide price range sold each year from our diverse product portfolio and (ii) the highly customized nature of our equipment.

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Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of (i) raw materials, (ii) manufacturing costs and (iii) labor costs. The following table sets forth a breakdown of our cost of sales both in absolute amount and as a percentage of total cost of sales for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousands, except for percentage)</i>						
Raw materials	5,413,341	47.7	5,512,715	52.8	6,523,198	59.3
Manufacturing costs	4,270,358	37.7	3,607,796	34.6	3,385,241	30.8
Labor costs	604,976	5.3	627,046	6.0	808,945	7.4
Impairment losses on inventories	1,050,435	9.3	688,222	6.6	283,455	2.5
Total	11,339,110	100.0	10,435,779	100.0	11,000,839	100.0

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
<i>(RMB in thousands, except for percentage)</i>						
		<i>(%)</i>		<i>(%)</i>		<i>(%)</i>
New energy battery key materials	3,240,861	27.6	2,302,498	23.9	3,867,700	34.2
New energy battery automation equipment . . .	693,421	20.3	621,357	16.9	718,143	17.3
Others ⁽¹⁾	19,460	13.7	39,178	42.2	69,075	37.9
Total	3,953,742	25.9	2,963,033	22.1	4,654,918	29.7

Note:

(1) Others primarily included revenue derived from the sale of scrap materials.

Other Income and Gains

Our other income and gains primarily comprised (i) government grants, mainly in relation to R&D and technological innovation activities, with all conditions attached being fulfilled, (ii) interest income and (iii) value-added tax additional deduction.

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The following table sets forth a breakdown of our other income and gains for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Other income			
Government grants	234,252	212,070	192,278
Interest income	170,106	180,719	140,930
Value-added tax additional deduction	92,918	83,754	64,299
Investment income on financial assets at fair value through profit or loss	—	13,621	5,263
Rental income	128	515	1,754
Others	10,884	11,785	8,653
Subtotal	508,288	502,464	413,177
Gains			
Fair value gains on financial assets and liabilities at FVTPL	28,774	4,267	62,014
Foreign exchange gain	8,686	20,838	—
Subtotal	37,460	25,105	62,014
Total	545,748	527,569	475,191

Selling and Distribution Expenses

Our selling and distribution expenses primarily included (i) employee benefit expenses related to our sales personnels, (ii) marketing expenses, (iii) promotional sample expenses, (iv) business hospitality expenses, (v) consulting service expenses, in relation to marketing activities, (vi) traveling expenses and (vii) logistics and warehousing expenses, in relation to product sales. The following table sets forth a breakdown of selling and distribution expenses for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands, except for percentage)</i>		
Employee benefit expenses	62,635	53,591	54,381
Marketing expenses	75,225	44,596	25,629
Promotional sample expenses	8,761	17,102	17,281
Business hospitality expenses	16,525	17,153	16,046
Consulting service expenses	2,707	6,480	10,933
Traveling expenses	10,785	9,907	7,195
Logistics and warehousing expenses	7,369	2,460	6,108
Others ⁽¹⁾	12,514	10,450	17,795
Total	196,521	161,739	155,368

Note:

(1) Others mainly included insurance expenses, telecommunication fees, rental fees, office expenses.

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Administrative Expenses

Our administrative expenses primarily comprised (i) employee benefit expenses related to our administrative expenses, (ii) tax and surcharges, (iii) depreciation and amortization and (iv) office expenses. The following table sets forth a breakdown of administrative expenses for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands, except for percentage)</i>		
Employee benefit expenses	400,669	353,264	449,819
Tax and surcharges	65,542	73,593	91,833
Depreciation and amortization	62,118	70,869	87,643
Office expenses	55,146	29,709	38,628
Administrative consulting expenses	8,861	13,702	28,839
Professional service fees	32,055	50,101	20,997
Business hospitality expenses	18,451	18,070	18,677
Travel expenses	10,486	12,519	17,182
Others ⁽¹⁾	60,294	59,372	80,389
Total	713,622	681,199	834,007

Note:

- (1) Others mainly included rental expenses, disability employment security fund, environmental protection fee and sewage discharge fee.

Research and Development Expenses

Our research and development expenses primarily comprised (i) employee benefit expenses related to our R&D personnels, (ii) material expenses, (iii) depreciation and amortization and (iv) traveling expenses. The following table sets forth a breakdown of research and development expenses for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands, except for percentage)</i>		
Employee benefit expenses	364,394	353,410	369,860
Material expenses	483,387	264,043	365,710
Depreciation and amortization	47,686	52,388	63,374
Traveling expenses	11,323	10,075	6,397
Others ⁽¹⁾	53,860	63,468	82,900
Total	960,650	743,384	888,241

Note:

- (1) Others mainly included energy expenses, accessory costs, collaborative R&D expenses, office expenses and patent annuity.

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Impairment Losses on Financial and Contract Assets, Net

Our impairment losses on financial and contract assets mainly represented provisions of impairment of trade receivables and contract assets. Our impairment losses on financial and contract assets amounted to RMB7.2 million, RMB36.9 million and RMB55.7 million in 2023, 2024 and 2025, respectively.

Other Expenses

Our other expense primarily comprised impairment losses on (i) fixed assets, (ii) construction in progress, (iii) intangible assets and (iv) goodwill. Our other expenses were RMB27.5 million, RMB121.6 million and RMB69.5 million in 2023, 2024 and 2025, respectively.

Finance Costs

Our finance costs primarily comprised (i) interest on bank loans and other borrowings and (ii) interest on lease liabilities. The following table sets forth a breakdown of our finance costs for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Interest on bank loans and other borrowings . . .	322,603	347,002	303,469
Interest on lease liabilities	1,367	655	214
Less: Interest capitalize	(71,654)	(91,719)	(68,197)
Total	252,316	255,938	235,486

Share of Profits and Losses of Associates and Joint Ventures

Our share of profits and losses of associates and joint ventures mainly reflected our gains and losses from our investment in associate entities and joint ventures. Our share of profits of associates amounted to RMB42.8 million, RMB55.5 million and RMB86.6 million in 2023, 2024 and 2025, respectively. Our share of losses of joint ventures amounted to RMB17.0 million, RMB25.6 million and RMB20.0 million in 2023, 2024 and 2025, respectively.

Income Tax Expenses

Our income tax expense represents the tax expenses arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate. In 2023, 2024 and 2025, our income tax expense amounted to RMB214.4 million, RMB132.5 million and RMB344.4 million, respectively.

Chinese Mainland

Under the EIT Law and implementation regulations of the EIT Law, the corporate income tax rate of the PRC subsidiaries was 25% during the Track Record Period. In addition, during the Track Record Period, certain of our subsidiaries were accredited as high and new technology enterprises and were entitled to a preferential EIT rate of 15%. Certain subsidiaries enjoyed preferential treatment for small-scaled enterprises with minimal profit, resulting in an effective tax rate of up to 20% on part of their taxable income. In addition, a subsidiary located in Ruyuan Yao Autonomous County, Shaoguan City, Guangdong Province benefited from a local tax incentive and was subject to a reduced corporate income tax rate of 9%. Additionally, certain subsidiaries registered in the Hainan FTP of the PRC was subject to a preferential corporate income tax rate of 15%. Certain subsidiaries established in western regions of China were also entitled to a reduced corporate income tax rate of 15%.

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Hong Kong

The subsidiaries incorporated in Hong Kong was subject to Hong Kong profits tax at the rate of 8.25% for taxable income not exceeding HKD2,000,000, and 16.5% for taxable income exceeding HKD2,000,000 on any estimated assessable profits arising in Hong Kong during the Track Record Period.

Other jurisdictions

Certain subsidiaries of our Group in overseas jurisdictions are subject to corporate income tax at a rate ranging from 17% to 29.7% during the Track Record Period. See note 12 to the Accountants’ Report in Appendix I to this document.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 16.8% from RMB13,398.8 million in 2024 to RMB15,655.8 million in 2025, primarily due to an increase in the revenue from sales of new energy battery key materials.

- Our revenue from new energy battery key materials increased by 17.6% from RMB9,633.4 million in 2024 to RMB11,325.3 million in 2025, primarily due to an increase in the sales volume of our coated separators and film materials and our functional materials. The sales volume of our coated separators and film materials increased from 7,026 million m² in 2024 to 11,000 million m² in 2025 and the sales volume of our functional materials increased from 24 thousand tonnes to 44 thousand tonnes resulting from of our product competitiveness and increased market demands.
- Our revenue from new energy battery automation equipment increased by 13.0% from RMB3,672.5 million in 2024 to RMB4,148.2 million in 2025, primarily due to our competitive product strength and an increase in market demands as the accelerated production capacity expansion of our downstream customers.
- Our revenue from others increased by 96.1% from RMB92.9 million in 2024 to RMB182.2 million in 2025, primarily due to an increase in our sales of scrap materials.

Cost of Sales

Our cost of sales increased by 5.4%, from RMB10,435.8 million in 2024 to RMB11,000.8 million in 2025, primarily due to an increase in raw materials costs in line with our revenue growth.

Gross Profit and Gross Profit Margin

Our gross profit increased by 57.1% from RMB2,963.0 million in 2024 to RMB4,654.9 million in 2025. Our gross profit margin increased from 22.1% in 2024 to 29.7% in 2025.

- Our gross profit margin from new energy battery key materials increased from 23.9% in 2024 to 34.2% in 2025, primarily due to (i) an increase in revenue contribution of coated separators and film materials and functional materials, which had relatively higher gross profit margin and (ii) a decrease in manufacturing cost of anode materials driven by our proactive improvement in manufacturing process, operation management and formula optimization of the products and (iii) a decrease in impairment loss on inventories due to the stabilization of the selling prices of our products.

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- Our gross profit margin from new energy battery automation equipment remained relatively stable at 16.9% in 2024 to 17.3% in 2025.
- Our gross profit margin from others decreased from 42.2% in 2024 to 37.9% in 2025, primarily due to an increase in revenue contribution of scrap materials with relatively lower gross profit margin.

Other Income and Gains

Our other income and gains decreased by 9.9% from RMB527.6 million in 2024 to RMB475.2 million in 2025, primarily due to a decrease in interest income resulting from decreased investment yields.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at RMB161.7 million in 2024 and RMB155.4 million in 2025.

Administrative Expenses

Our administrative expenses increased by 22.4% from RMB681.2 million in 2024 to RMB834.0 million in 2025, primarily due to an increase in employee benefits expenses resulting from an increase in the number of our administrative personnels in line with our business expansion.

Research and Development Expenses

Our research and development expenses increased by 19.5% from RMB743.4 million in 2024 to RMB888.2 million in 2025, primarily due to an increase in materials expenses in relation to our R&D activities resulting from our increased R&D efforts.

Impairment Losses on Financial and Contract Assets, Net

Our net impairment losses on financial and contract assets increased by 50.9% from RMB36.9 million in 2024 to RMB55.7 million in 2025, primarily due to (i) an increase in our trade receivables in line with our sales growth and (ii) extended settlement cycle of our certain customers.

Other Expenses

Our other expenses decreased by 42.8% from RMB121.6 million in 2024 to RMB69.5 million in 2025, primarily due to the impairment losses on fixed assets and construction in progress in 2024 as we strategically suspended a certain construction project.

Finance Costs

Our finance costs decreased by 8.0% from RMB255.9 million in 2024 to RMB235.5 million in 2025, primarily due to a decrease in interest on bank loans and other borrowings resulting from decreased prevailing interest rate and our repayment of certain bank borrowings.

Share of Losses of Joint Ventures

Our share of losses of joint ventures decreased by 21.9% from RMB25.6 million in 2024 to RMB20.0 million in 2025, primarily due to a decrease in the loss of a certain JV.

Share of Profits of Associates

Our share of profits of associates increased by 56.0% from RMB55.5 million in 2024 to RMB86.6 million in 2025, primarily due to the profit of a certain associate driven by its leading market position and strong growth.

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Income Tax Expenses

Our income tax expenses increased significantly from RMB132.5 million in 2024 to RMB344.4 million in 2025, primarily due to an increase in our profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 88.4% from RMB1,387.2 million in 2024 to RMB2,614.0 million in 2025.

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

Revenue

Our revenue decreased by 12.4% from RMB15,292.9 million in 2023 to RMB13,398.8 million in 2024, primarily due to the decrease in revenue from new energy battery key materials.

- Our revenue from new energy battery key materials decreased by 17.9% from RMB11,729.4 million in 2023 to RMB9,633.4 million in 2024, primarily due to a decrease in both the sales volume and the average selling price of our anode materials. The sales volume of our anode materials decreased from 155 thousand tonnes in 2023 to 132 thousand tonnes in 2024, and the average selling price decreased from RMB40.5 per kg in 2023 to RMB30.2 per kg in 2024, primarily because (i) the anode materials industry experienced a phase of intensified market competition driven by slower market growth rate and rapidly expanding production capacity, which put pressure on both sales volume and pricing, (ii) downstream market demand in certain overseas markets, particularly Europe, weakened, mainly due to a slowdown in the market growth for EV batteries and energy storage batteries, resulting in reduced orders from certain existing customers, and (iii) we proactively optimized our order portfolio to increase our profitability.
- Our revenue from new energy battery automation equipment increased by 7.3% from RMB3,421.9 million in 2023 to RMB3,672.5 million in 2024, primarily due to our product competitiveness and an increase in market demands as the accelerated production capacity expansion of our downstream customers.
- Our revenue from others decreased by 34.3% from RMB141.5 million in 2023 to RMB92.9 million in 2024, primarily due to a decrease in sales of scrap materials.

Cost of Sales

Our cost of sales decreased by 8.0% from RMB11,339.1 million in 2023 to RMB10,435.8 million in 2024, primarily due to a decrease in manufacturing expenses driven by our improvement in product and process design and a decrease in sales of anode materials, whose unit cost is relatively higher than other products.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 25.1% from RMB3,953.7 million in 2023 to RMB2,963.0 million in 2024. Our gross profit margin decreased from 25.9% in 2023 to 22.1% in 2024.

- Our gross profit margin from new energy battery key materials decreased from 27.6% in 2023 to 23.9% in 2024, primarily due to a decrease in the selling prices of our products resulting from intensified market competition, partially offset by decreased raw material cost in line with the market dynamics.

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- Our gross profit margin from new energy battery automation equipment decreased from 20.3% in 2023 to 16.9% in 2024, primarily because we continuously upgraded and optimized our new energy battery automation equipment to meet the customers’ evolving demands, which led to increased production cost and reduced gross profit margin.
- Our gross profit margin from others increased from 13.7% in 2023 to 42.2% in 2024, primarily due to an increase in revenue contribution of scrap materials with relatively high gross profit margin.

Other Income and Gains

Our other income and gains remained relatively stable at RMB545.7 million in 2023 and RMB527.6 million in 2024.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 17.7% from RMB196.5 million in 2023 to RMB161.7 million in 2024, primarily due to a decrease in marketing expenses as a result of our enhanced management over marketing activities, increasing our marketing efficiency and effectiveness.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB713.6 million in 2023 and RMB681.2 million in 2024.

Research and Development Expenses

Our research and development expenses decreased by 22.6% from RMB960.7 million in 2023 to RMB743.4 million in 2024, primarily due to a decrease in R&D material costs as we proactively optimized our R&D portfolio, prioritizing R&D activities on core technologies to enhance long-term competitiveness.

Impairment Losses on Financial and Contract Assets, Net

Our net impairment losses on financial and contract assets increased significantly from RMB7.2 million in 2023 to RMB36.9 million in 2024, primarily due to an increase in impairment losses on trade receivables (i) an increase in our trade receivables in line with our sales growth and (ii) extended settlement cycle of our certain customers amid intensified market competition.

Other Expenses

Other expenses increased significantly from RMB27.5 million in 2023 to RMB121.6 million in 2024, primarily due to an increase in impairment losses on construction in progress and intangible assets as we strategically suspended a certain construction project.

Finance Costs

Our finance costs remained relatively stable at RMB252.3 million in 2023 and RMB255.9 million in 2024.

Share of Losses of Joint Ventures

Our share of losses of joint ventures increased by 50.6% from RMB17.0 million in 2023 to RMB25.6 million in 2024, primarily due to the loss of a certain JV resulting from intensified market competition.

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Share of Profits of Associates

Our share of profits of associates increased by 29.7% from RMB42.8 million in 2023 to RMB55.5 million in 2024, primarily due to the profit of an certain associate driven by its leading market position and strong growth.

Income Tax Expenses

Our income tax decreased by 38.2% from RMB214.4 million in 2023 to RMB132.5 million in 2024, primarily due to a decrease in profit before tax.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 35.6% from RMB2,153.2 million in 2023 to RMB1,387.2 million in 2024.

DISCUSSION OF SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories included (i) raw materials, (ii) contract fulfilment costs, in relation to the testing and delivery of our new energy battery automation equipment, (iii) work in progress, (iv) finished goods and (v) goods delivered. The following table sets forth the breakdown of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Raw materials	729,480	641,474	727,660
Contract fulfilment costs	543,629	562,409	598,727
Work in progress	3,817,587	2,410,307	2,904,768
Finished goods	1,125,418	778,863	834,008
Goods delivered	5,261,845	3,971,421	3,839,636
Total	11,477,959	8,364,474	8,904,799

Our inventories decreased from RMB11,478.0 million as of December 31, 2023 to RMB8,364.5 million as of December 31, 2024, primarily due to (i) a decrease in work in progress, finished goods and raw materials driven by our optimized inventory management, including strategically reduced procurement amount, consumption of existing inventories and increased self-supply of key raw materials and (ii) a decrease in goods delivered as inventories of new energy battery automation equipment decreased. Our inventories increased from RMB8,364.5 million as of December 31, 2024 to RMB8,904.8 million as of December 31, 2025, primarily due to an increase in our work in progress and raw materials as we strategically increased our inventory level to meet increasing market demands.

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The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year	10,233,107	4,767,418	7,139,762
Over one year	1,244,852	3,597,056	1,765,037
Total	11,477,959	8,364,474	8,904,799

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

	Year ended December 31,		
	2023	2024	2025
	(days)		
Inventory turnover days ⁽¹⁾	362	347	286

Note:

- (1) The inventory turnover days were calculated based on the average of opening and closing balance of inventories of the relevant period, divided by the cost of sales for that period and multiplied by 365 days.

Our inventory turnover days decreased from 362 days in 2023 to 347 days in 2024 and further decreased to 286 days in 2025, primarily due to our optimized inventory management, including strategically reduced procurement amount, consumption of existing inventories and increased self-supply of key raw materials.

As of January 31, 2026, RMB942.7 million, or 10.6%, of our total inventories as of December 31, 2025, had been subsequently utilized or sold.

Trade and Bills Receivables

Our trade and bills receivables primarily comprised (i) trade receivables and (ii) bank bills receivables. The following table sets forth our trade and bills receivables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade receivables	3,436,166	4,153,168	5,080,988
Bank bills receivables	579,963	550,940	946,339
Commercial bills receivables	9,418	5,467	9,056
Less: Allowance for credit loss	(197,907)	(216,326)	(208,218)
Total	3,827,640	4,493,249	5,828,165

Our trade and bills receivables increased from RMB3,827.6 million as of December 31, 2023 to RMB4,493.2 million as of December 31, 2024, primarily due to an increase in trade receivables resulting from longer settlement cycles of certain customers of our new energy battery key materials. Our trade and bills receivables increased from RMB4,493.2 million as of December 31, 2024 to RMB5,828.2 million as of December 31, 2025, primarily in line with our sales growth.

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The following table sets forth an aging analysis of our trade and bills receivables excluding the allowance for credit loss as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Within one year	3,474,651	4,234,040	5,218,537
One to two years	337,625	194,666	457,310
Two to three years	12,423	63,160	139,744
Over three years	2,941	1,383	12,574
Total	3,827,640	4,493,249	5,828,165

The following table sets forth our trade and bills receivables turnover days for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	(days)		
Trade and bills receivables turnover days ⁽¹⁾	97	113	120

Note:

- (1) The trade and bills receivables turnover days were calculated based on the average balance of our trade and bills receivables of during the relevant period, divided by our total revenue for that period and multiplied by 365 days.

Our trade and bills receivables turnover days increased from 97 days in 2023 to 113 days in 2024, primarily due to longer payment settlement cycle resulting from (i) longer payment settlement cycles of our downstream customers amid intensified market competition in the new energy battery industry and (ii) our relatively flexible credit terms granted for certain key strategic customers to maintain long-term cooperation. Our trade and bills receivables turnover days remained relatively stable at 113 days in 2024 and 120 days in 2025.

As of January 31, 2026, RMB1,422.0 million, or 24.4%, of our trade and bills receivables as of December 31, 2025, had been subsequently settled.

Financial Assets at FVTPL

Our financial assets at FVTPL primarily consisted of (i) wealth management products, including certificates of deposit, structured deposits and bank wealth management products and (ii) bank bills receivable.

The following table sets forth the breakdown of our financial assets at FVTPL as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Wealth management products	954,434	1,407,618	2,629,524
Bank bills receivable	567,237	572,688	1,534,557
Unlisted equity instruments	79,806	76,853	96,764
Listed equity investment	3,008	2,073	—
Foreign exchange forward contracts	410	—	—
Total	1,604,895	2,059,232	4,260,845

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Our financial assets at FVTPL increased from RMB1,604.9 million as of December 31, 2023 to RMB2,059.2 million as of December 31, 2024, primarily due to our purchase of wealth management products. Our financial assets at FVTPL increased from RMB2,059.2 million as of December 31, 2024 to RMB4,260.8 million as of December 31, 2025, primarily due to our purchase of wealth management products and an increased number of orders settled in bills.

Our financial assets at FVTPL are subject to Level 3 fair value measurement. Details of the fair value measurement of financial assets at FVTPL, particularly the fair value hierarchy, the valuation techniques and key inputs, including the relationship of unobservable inputs to fair value are disclosed in note 47 of the Accountants’ Report in Appendix I to this document.

We have established management systems that specify the approval authority, information disclosure, authorization management, operation processes, financial accounting, supervision and risk control procedures of our wealth management activities, so as to standardize our financial product investments. Our investment strategy is grounded in the principles of compliance, safety and effectiveness. Each of our investments in financial assets is reported to and approved by our chief financial officer. Throughout the investment process, the performance of these investments shall be reported to our chief financial officer and other key management personnel on a monthly basis. The types of wealth management products we choose are low-risk products with high safety and good liquidity. Adhering to prudent investment principles, we conduct investment activities with an aim to improve capital utilization efficiency and investment returns on cash assets.

Our Board is responsible for overseeing all significant investment activities. Our finance department manages wealth management portfolio based on the specific investment plans. Our management team responsible for such investments has extensive experience in managing the financial aspects of an enterprise’s operations. We maintain oversight of wealth management products, including monitoring and evaluating the performance of wealth management products. In addition, we adhere to all applicable laws, regulations, and management policies regarding the proper disclosure of investment information.

Following the Listing, our investments in financial products will be conducted in accordance with the provisions of Chapter 14 of the Listing Rules.

Trade and Bills Payables

Our trade and bills payables primarily represented payables to our suppliers for raw materials procurement. The following table sets forth our trade and bills payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Trade payables	3,921,620	3,064,555	4,551,176
Bills payables	3,389,694	1,556,151	2,981,843
Total	<u>7,311,314</u>	<u>4,620,706</u>	<u>7,533,019</u>

Our trade and bills payables decreased by 36.8% from RMB7,311.3 million as of December 31, 2023 to RMB4,620.7 million as of December 31, 2024, primarily due to a decrease in the market prices and procurement amount of our raw materials resulting from our enhanced inventory management. Our trade and bills payables increased from RMB4,620.7 million as of December 31, 2024 to RMB7,533.0 million as of December 31, 2025, primarily due to our increased procurement of raw materials in line with our sales growth.

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

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Less than one year	7,266,860	4,384,539	7,341,364
One to two years	40,470	210,948	147,792
Two to three years	1,837	22,188	36,407
Over three years	2,147	3,031	7,456
Total	7,311,314	4,620,706	7,533,019

The following table sets forth our trade and bills payables turnover days for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>(days)</i>		
Trade and bills payables turnover days ⁽¹⁾	243	209	202

Note:

- (1) The trade and bills payables turnover days were calculated based on the average balance of trade and bills payables of the relevant period, divided by our cost of sales for that period and multiplied by 365 days.

Our trade and bills payables turnover days decreased from 243 days in 2023 to 209 days in 2024, primarily due to a decrease in our raw material procurement resulting from our enhanced inventory management. Our trade and bills payables turnover days remained relatively stable at 209 days in 2024 and 202 days in 2025.

As of January 31, 2026, RMB1,036.1 million, or 13.8% of our trade and bills payables as of December 31, 2025, had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consisted of (i) prepayments for property, plant and equipment, (ii) prepayments to suppliers, (iii) other tax recoverable, and (iv) prepaid expenses, in relation to our production materials.

The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Non-current portion			
Prepayments for property, plant and equipment	761,350	1,234,676	252,898
Prepayments for acquisition of a subsidiary	85,165	—	—
Subtotal	846,515	1,234,676	252,898

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	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Current portion			
Prepayments to suppliers	370,294	263,459	394,290
Other tax recoverable	322,447	381,083	365,742
Other assets	505,398	343,393	341,268
Other receivables	67,178	80,920	77,950
Deposits	54,842	21,074	14,069
Impairment allowance	(12,803)	(28,803)	(37,353)
Subtotal	1,307,356	1,061,126	1,155,966
Total	2,153,871	2,295,802	1,408,864

Our prepayments, other receivables and other assets increased from RMB2,153.9 million as of December 31, 2023 to RMB2,295.8 million as of December 31, 2024, primarily due to an increase in prepayments for property, plant and equipment as the construction of our new production facilities progressed. Our prepayments, other receivables and other assets decreased from RMB2,295.8 million as of December 31, 2024 to RMB1,408.9 million as of December 31, 2025, primarily due to a decrease in our prepayments for property, plant and equipment following the delivery of equipment we procured.

Other Payables and Accruals

Our other payables and accruals primarily consisted of (i) payables for property, plant and equipment, (ii) payroll payables and (iii) accrued expenses, mainly representing accrued logistics fee and accrued utility expenses.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	(RMB in thousands)		
Payables for property, plant and equipment	1,025,205	1,291,582	1,256,973
Payroll and welfare payables	496,885	465,637	480,602
Other payables and accrued expenses	187,289	240,602	222,651
Other tax payables	88,348	177,257	166,415
Deposit received	24,814	17,069	14,745
Employee share scheme repurchase obligation . .	48,096	18,768	—
Total	1,870,637	2,210,915	2,141,386

Our other payables and accruals increased from RMB1,870.6 million as of December 31, 2023 to RMB2,210.9 million as of December 31, 2024, primarily due to an increase in payables for property, plant and equipment following the construction of our new production facilities. Our other payables and accruals remained relatively stable at RMB2,210.9 million as of December 31, 2024 to RMB2,141.4 million as of December 31, 2025.

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NET CURRENT ASSETS

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

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	(RMB in thousands)			(unaudited)
Current assets				
Inventories	11,477,959	8,364,474	8,904,799	9,355,269
Trade and bills receivables	3,827,640	4,493,249	5,828,165	6,042,930
Contract assets	465,287	485,097	491,774	528,228
Prepayments, other receivables and other assets	1,307,356	1,061,126	1,155,966	1,314,958
Financial assets at fair value through profit or loss	1,525,089	1,982,379	4,164,081	4,392,597
Debt investment at fair value through other comprehensive income	963,528	442,028	201,270	253,908
Time deposits	—	46,000	327,617	327,617
Restricted cash	749,544	403,906	466,007	539,234
Cash and cash equivalents	8,352,507	6,136,514	5,189,698	4,861,187
Total current assets	28,668,910	23,414,773	26,729,377	27,615,928
Current liabilities				
Trade and bills payables	7,311,314	4,620,706	7,533,019	8,139,259
Contract liabilities	4,326,404	3,470,330	3,169,854	3,519,486
Other payables and accruals	1,870,637	2,210,915	2,141,386	1,997,970
Financial liabilities at fair value through profit or loss	—	1,640	—	—
Interest-bearing bank and other borrowings	6,682,211	6,393,189	6,914,806	6,019,079
Lease liabilities	13,145	3,505	2,574	2,847
Provision	11,343	13,434	18,579	4,254
Tax payable	175,957	144,592	130,588	52,743
Total current liabilities	20,391,011	16,858,311	19,910,806	19,735,638
Net current assets	8,277,899	6,556,462	6,818,571	7,880,290

Our net current assets increased from RMB6,818.6 million as of December 31, 2025 to RMB7,880.3 million as of January 31, 2026, primarily due to (i) a decrease in interest-bearing bank and other borrowings resulting from our repayment and (ii) an increase in inventories in line with our sales growth, partially offset by (i) a decrease in cash and cash equivalent resulting from raw material procurement and (ii) an increase in trade and bills payable resulting from increased procurement of raw materials to meet increasing market demands.

Our net current assets increased from RMB6,556.5 million as of December 31, 2024 to RMB6,818.6 million as of December 31, 2025, primarily due to (i) an increase in financial assets at FVTPL resulting from our purchase of wealth management products and an increase in bills receivables in line with our sales growth, (ii) an increase in trade and bills receivables in line with our sales growth, partially offset by an increase in trade and bills payables in line with our sales growth.

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Our net current assets decreased from RMB8,277.9 million as of December 31, 2023 to RMB6,556.5 million as of December 31, 2024, primarily due to (i) a decrease in inventories resulting from (a) a decrease in work in progress, finished goods and raw materials driven by our optimized inventory management, including strategically reduced procurement amount, consumption of existing inventories and increased self-supply of key raw materials and (b) a decrease in goods delivered as inventories of new energy battery automation equipment decreased and (ii) a decrease in cash and cash equivalents resulting from repayment of certain banking borrowings and the incurrence of capital expenditure, partially offset by a decrease in trade and bills payables resulting from a decrease in our raw material procurement resulting from our enhanced inventory management.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital Sufficiency

Our Directors are of the view that taking into account our available resources including cash and cash equivalents on hand, the operating cash flows, the available banking facilities and the net estimated proceeds from the [REDACTED], we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

During the Track Record Period and up to the Latest Practicable Date, we primarily funded our cash requirements from cash from operations, and banking and equity finance. As of December 31, 2023, 2024 and 2025, we had cash and cash equivalents of RMB8,352.5 million, RMB6,136.5 million and RMB5,189.7 million, respectively. Going forward, we expect to fund our working capital requirements with a combination of various sources, including but not limited to cash generated from operations, the net proceeds from the [REDACTED] and other possible equity and debt financing as and when appropriate. 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.

Cash Flows

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

	Year ended December 31,		
	2023	2024	2025
	(RMB in thousands)		
Net cash flows from operating activities	1,117,806	2,371,683	2,697,298
Net cash flows used in investing activities	(4,984,329)	(3,708,754)	(2,974,026)
Net cash flows from/(used in) financing activities	6,592,318	(880,786)	(670,314)
Net increase/(decrease) in cash and cash equivalents	2,725,795	(2,217,857)	(947,042)
Cash and cash equivalents at beginning of year .	5,621,506	8,352,507	6,136,514
Effect of foreign exchange rate changes, net . . .	5,206	1,864	226
Cash and cash equivalents at end of year	8,352,507	6,136,514	5,189,698

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Net Cash Flows from Operating Activities

For the year ended December 31, 2025, we had net cash generated from operating activities of RMB2,697.3 million, which represents our profit before tax of RMB2,958.4 million, adjustments of non-cash and non-operating items, movements in working capital, interest received of RMB140.9 million and income tax paid of RMB404.7 million. Our adjustment of non-cash and non-operating items primarily comprised depreciation of property, plant and equipment of RMB1,069.3 million. Our movements in working capital primarily comprised (i) increase in trade and bills payables of RMB5,166.1 million and (ii) increase in trade and bills receivables of RMB4,689.9 million.

For the year ended December 31, 2024, we had net cash generated from operating activities of RMB2,371.7 million, which represents our profit before tax of RMB1,519.7 million, adjustments of non-cash and non-operating items, movements in working capital, interest received of RMB180.7 million and income tax paid of RMB384.3 million. Our adjustment of non-cash and non-operating items primarily comprised (i) depreciation of property, plant and equipment of RMB894.6 million and (ii) net impairment losses on inventories of RMB688.2 million. Our movements in working capital primarily comprised (i) decrease in inventories of RMB2,425.3 million and (ii) increase in trade and bills payables of RMB1,019.8 million, partially offset by increase in trade and bill receivables of RMB4,823.1 million.

For the year ended December 31, 2023, we had net cash generated from operating activities of RMB1,117.8 million, which represents our profit before tax of RMB2,367.5 million, adjustments of non-cash and non-operating items, movements in working capital, interest received of RMB170.1 million and income tax paid of RMB445.2 million. Our adjustment of non-cash and non-operating items primarily comprised (i) net impairment losses on inventories of RMB1,050.4 million and (ii) depreciation of property, plant and equipment of RMB718.0 million. Our movements in working capital primarily comprised (i) increase in trade and bills payables of RMB4,656.0 million and (ii) decrease in financial assets at FVTPL of RMB1,008.0 million, partially offset by (i) increase in trade and bill receivables of RMB5,677.2 million and (ii) increase in inventories of RMB1,493.4 million.

Net Cash Flows Used in Investing Activities

For the year ended December 31, 2025, net cash used investing activities was RMB2,974.0 million, primarily due to (i) purchase of financial assets at FVTPL of RMB3,581.1 million and (ii) purchase of items of property, plant and equipment of RMB1,503.6 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB2,407.0 million.

For the year ended December 31, 2024, net cash used in investing activities was RMB3,708.8 million, primarily due to (i) purchase of items of property, plant and equipment of RMB3,187.9 million and (ii) purchase of financial assets at FVTPL of RMB3,131.7 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB2,702.3 million.

For the year ended December 31, 2023, net cash used in investing activities was RMB4,984.3 million, primarily due to (i) purchase of items of property, plant and equipment of RMB3,664.8 million and (ii) purchase of financial assets at FVTPL of RMB2,190.9 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB1,239.1 million.

Net Cash Flows from/(Used in) Financing Activities

For the year ended December 31, 2025, net cash used in financing activities was RMB670.3 million, primarily due to (i) repayment of bank loans of RMB6,094.7 million and (ii) repayment of bonds of RMB1,200.0 million, partially offset by (i) new bank loans of RMB5,816.8 million and (ii) net proceeds from the issuance of bonds of RMB1,400 million.

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For the year ended December 31, 2024, net cash used in financing activities was RMB880.8 million, primarily due to (i) repayment of bank loans of RMB6,121.3 million and (ii) repayment of bonds of RMB2,000.0 million, partially offset by (i) new bank loans of RMB6,670.6 million and (ii) net proceeds from the issuance of bonds of RMB1,599.0 million.

For the year ended December 31, 2023, net cash generated from financing activities was RMB6,592.3 million, primarily due to (i) new bank loans of RMB7,066.3 million and (ii) proceeds from issuance of shares of RMB2,820.6 million, partially offset by repayment of bank loans of RMB3,650.2 million.

INDEBTEDNESS

The following table sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of January 31,
	2023	2024	2025	2026
	<i>(RMB in thousands)</i>			<i>(unaudited)</i>
Current				
Interest-bearing bank and other borrowings	6,682,211	6,393,189	6,914,806	6,019,079
Lease liabilities	13,145	3,505	2,574	2,847
Non-current				
Interest-bearing bank and other borrowings	3,955,395	4,787,232	3,499,030	4,228,631
Lease liabilities	7,922	9,739	7,411	10,055
Total	10,658,673	11,193,665	10,423,821	10,260,612

Interest-bearing Bank and Other Borrowings

As of December 31, 2023, 2024 and 2025, and January 31, 2026, we had interest-bearing bank and other borrowings of RMB10,637.6 million, RMB11,180.4 million, RMB10,413.8 million and RMB10,121.9 million, respectively. During the Track Record Period, our bank borrowings were from reputable PRC banks and international banks. Our bank borrowings were denominated in Renminbi. The effective interest rate on our bank borrowings ranges from 0.40% to 4.90% during the Track Record Period. Our bank borrowings secured by the pledge of our construction in progress amounted to RMB403.4 million as of December 31, 2023. Our bank borrowings secured by the pledge of our plant and machinery amounted to RMB2,322.8 million, RMB3,850.8 million and RMB2,577.3 million as of December 31, 2023, 2024 and 2025, respectively. Our bank borrowings secured by the pledge of our trade receivables amounted to RMB27.8 million as of December 31, 2023. Our bank borrowings secured by the pledge of our restricted cash and time deposits amounted to RMB590.7 million, RMB1,506.0 million and RMB1,813.9 million as of December 31, 2023, 2024 and 2025, respectively.

We issued three short-term financing notes during the Track Record Period in the PRC interbank bond market in the aggregated principal amount of RMB3.8 billion, with coupon rates ranging from 1.90% to 3.42% and terms ranging from 180 days to 270 days. As of December 31, 2025, one tranche of short-term financing notes in the principal amount of RMB600.0 million was outstanding.

We issued one tranche of long-term financing notes in 2025 in the PRC interbank bond market in the principal amount of RMB200.0 million, with coupon rate of 2.35% and term of three years.

Our bank borrowings and bonds contain standard terms, conditions and covenants that are customary for commercial bank borrowings and corporate bonds, as the case may be. Our Directors confirm that there was no default in payments of our liabilities or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of January 31, 2026, our total committed banking facilities amounted to RMB20,736.2 million and our unutilized committed banking facilities amounted to RMB11,288.5 million.

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Lease Liabilities

Our lease liabilities are in relation to properties that we lease for our production bases and offices. As of December 31, 2022, 2023, 2024 and January 31, 2026, our lease liabilities amounted to RMB21.1 million, RMB13.2 million, RMB10.0 million and RMB12.9 million, respectively.

Indebtedness Statement

Save as disclosed above, as of January 31, 2026, being the most recent practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there had been no material change in our indebtedness since January 31, 2026 and up to the date of this document. As of the Latest Practicable Date, there was no material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date.

Capital Expenditure

Our capital expenditure represented (i) purchase of items of property, plant and equipment, (ii) purchase of other intangible assets and (iii) payment for leasehold land. Our capital expenditure amounted to RMB3,971.1 million, RMB3,263.3 million and RMB1,519.2 million in 2023, 2024 and 2025, respectively.

Capital Commitments

Our capital commitments represented purchases of property, plant and equipment, for which were contracted, but not provided, which amounted to RMB5,275.0 million, RMB3,092.5 million and RMB4,737.2 million in 2023, 2024 and 2025, respectively.

Contingent Liabilities

As of December 31, 2023, 2024 and 2025, we did not have any material contingent liabilities. Our Directors confirmed that there had not been any material change in our contingent liabilities since December 31, 2025 and up to the Latest practicable Date.

KEY FINANCIAL RATIOS

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

	Year ended/As of December 31,		
	2023	2024	2025
Gross profit margin (%) ⁽¹⁾	25.9	22.1	29.7
Net profit margin (%) ⁽²⁾	14.1	10.4	16.7
Current ratio ⁽³⁾	1.4	1.4	1.3
Debt-to-asset ratio ⁽⁴⁾	0.6	0.5	0.5

Notes:

- (1) Gross profit margin is calculated by dividing gross profit by total revenue for the same period.
- (2) Net profit margin is calculated by dividing net profit by total revenue for the same period.
- (3) Current ratio is calculated by dividing current assets by current liabilities as of the date indicated.
- (4) Debt-to-asset ratio is calculated by dividing total liabilities by total asset as of the date indicated. Total debt is defined to include all interest-bearing borrowings and lease liabilities.

FINANCIAL INFORMATION

FINANCIAL RISK MANAGEMENT

We are exposed to various types of financial risks in the ordinary course of our business, including interest rate risk, foreign currency risk, credit risk and liquidity risk. See note 48 of the Accountants’ Report in Appendix I to this document.

OFF-BALANCE SHEET ARRANGEMENTS

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

DIVIDEND POLICY

Pursuant to PRC laws and regulations, including the PRC Company Law (中華人民共和國公司法), and the Articles of Association, we have adopted an annual dividend policy. We prioritize distributing dividends in the form of cash, but may also distribute dividends in the form of stocks or a combination of cash and stocks. Except in certain special circumstances, the cash dividends distributed in a given year must not be less than 10% of the annual distributable profit for that year. Any proposed distribution of dividends is subject to the discretion of the Board of Directors and the approval at our Shareholders’ meetings.

The following table sets forth the dividend that has been declared by us during the Track Record Period:

	Year ended December 31,		
	2023	2024	2025
	<i>(RMB in thousands)</i>		
Final dividend	472,882	297,951	357,770

As of the Latest Practicable Date, dividends declared during 2023, 2024 and 2025 had been fully settled. In March 2026, we declared a final dividend of RMB483.9 million for the year ended December 31, 2025, which is expected to be paid before the Listing.

DISTRIBUTABLE RESERVE

As of December 31, 2025, our distributable reserve was RMB10,281.1 million.

RELATED-PARTY TRANSACTIONS

Related party transactions are set out in note 45 to Appendix I to this document. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and at arm’s length basis.

LISTING EXPENSES

Listing expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. Listing expenses to be borne by us are estimated to be approximately HK\$[REDACTED], comprising: (i) [REDACTED] fees of HK\$[REDACTED]; and (ii) [REDACTED] related expenses of HK\$[REDACTED], which are further categorized into: (a) fees and expenses of legal advisors and accountants of HK\$[REDACTED]; and (b) other fees and expenses of HK\$[REDACTED], assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range), approximately HK\$[REDACTED] of which was charged or is expected to be charged to our consolidated statements of profit or loss, and approximately HK\$[REDACTED] of which is expected to be deducted from equity upon the completion of the [REDACTED].

FINANCIAL INFORMATION

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Please refer to Appendix II to this document for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, and there had been no event since December 31, 2025 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For a detailed description of our future plans, see “Business — Our Strategies.”

USE OF PROCEEDS

Assuming the [REDACTED] is not exercised and the [REDACTED] is [REDACTED] per [REDACTED] (being the midpoint of the range of the [REDACTED] stated in this document), after deducting [REDACTED], fees, and estimated expenses payable by us in connection with the [REDACTED], we estimate that we will receive net proceeds of approximately HK\$[REDACTED] from the [REDACTED].

We intend to use our proceeds for the purposes, subject to adjustments based on our ongoing business needs and changing market conditions:

- (i) Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated to further improve our production capabilities.
 - (a) Approximately [REDACTED]%, or HK\$[REDACTED], will be used in the construction of a new production facility for anode materials in Malaysia with a planned annual production capacity of 50,000 tonnes. This expansion is expected to enhance our overseas production footprint and improve our ability to serve international customers. According to CIC, as the production capacity of anode materials is primarily concentrated in the PRC, there exists a supply-demand gap in overseas markets due to limited local production capacity for anode materials. As global adoption of EVs accelerates, we believe this supply shortfall continues to drive strong international demand. By establishing local production capabilities in proximity to our key international customers, we are able to provide faster and more responsive services, thereby strengthening our long-term relationships with these customers. We believe that deepening such customer relationships will, in turn, generate positive spillover effects on our domestic order growth, as our enhanced global reputation and strengthened customer partnerships reinforce our overall competitiveness. The total construction period of the Malaysia manufacturing base is approximately 24 months.
 - (b) Approximately [REDACTED]%, or HK\$[REDACTED], will be used in the construction of a new base separator film production facility in Sichuan. This expansion is expected to increase our self-sufficiency ratio in base separator film for our coated separator business and further enhance our market share in the base separator film and coating processing industries. According to CIC, we are the only company in the upstream of the new energy battery value chain to achieve a high degree of integration of materials and equipment with our self-developed manufacturing capabilities. We possess independent, leading capabilities in the development and manufacturing of base separator film and in the development of coating technologies and equipment. According to CIC, we ranked first globally in 2025 in terms of shipment volume of coated separators for new energy batteries. Through the establishment of our production capacity in Sichuan, we aim to further enhance our ability to provide customers with more efficient and more large-scale coated separator production capacity. The total construction period of the new Sichuan manufacturing base is approximately 18 months.
- (ii) Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated to support our R&D initiatives, primarily in advanced anode materials and separator materials, as well as novel solid-state battery electrolyte materials. We believe such investment will enhance our product offerings and better position us to capitalize on the future opportunities.
 - (a) Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated to our anode materials segment, primarily to support the R&D of ultra-high capacity composite graphite anode materials, ultra-fast charging composite graphite anode materials, biomass-based graphite anode materials, high-loading vapour-deposited silicon-based anode materials and their porous carbon materials, lithium metal anode materials for solid-state batteries, high-performance single-walled carbon nanotubes and other

FUTURE PLANS AND USE OF PROCEEDS

advanced anode and conductive materials, as well as the associated processing technologies. We believe that these R&D initiatives are critical to addressing the evolving performance requirements of next-generation lithium-ion batteries, including higher energy density, faster charging speeds and improved cycle life. As downstream customers increasingly demand anode materials with superior electrochemical performance to support the growing adoption of EVs and energy storage systems, we believe that continued investment in these areas is essential to maintaining our technological competitiveness and strengthening our market position.

- (b) Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated to our separator and functional materials business segments and will mainly be used to support the research and development of new coated separator products, low shut-down temperature high-strength separator products, sodium-ion battery separators and new electrolyte materials for solid-state batteries. We believe that, as battery systems are increasingly applied in more demanding use cases such as high energy density electric vehicle batteries and large-scale energy storage systems, the development of high-end coated separators and low shut-down temperature high-strength separators will be critical to enhancing the overall safety and reliability of batteries.

As sodium-ion batteries, which are characterized by lower cost, abundant resources, high safety and good low-temperature performance, gradually achieve commercial application, we believe that the development of and investment in sodium-ion battery separators will help us expand the boundaries of our product offerings and capture new opportunities in the sodium-ion battery market. At the same time, the development of next-generation electrolyte materials is an indispensable component in advancing solid-state battery technologies. As the industry moves towards the commercialization of solid-state batteries, we believe that the investment in the research and development of new electrolyte materials will enable us to establish a first-mover advantage in this rapidly evolving market, broaden our product portfolio and capture emerging market opportunities.

- (iii) Approximately [REDACTED]%, or HK\$[REDACTED], will be allocated for working capital and general corporate purposes.

The above allocation of the net proceeds 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 to the mid-point of the indicative [REDACTED] range stated in this document.

The net proceeds that we would receive if the [REDACTED] were exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the [REDACTED] of the indicative [REDACTED] range), (ii) HK\$[REDACTED] (assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range), and (iii) HK\$[REDACTED] (assuming an [REDACTED] of [REDACTED] per [REDACTED], being the [REDACTED] of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised, we intend to apply the additional net proceeds to the above purposes in the proportions stated above.

If the net proceeds are insufficient to fund our development plans, we intend to make up the shortfall through various means, including bank financing and available cash reserves.

To the extent that the net proceeds of the [REDACTED] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance, and the relevant applicable laws in the relevant jurisdiction for non-Hong Kong based deposits). We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm’s letterhead]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANGHAI PUTAILAI NEW ENERGY TECHNOLOGY GROUP CO., LTD AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Shanghai Putailai New Energy Technology Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[3] to I-[71], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”) and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[3] to I-[71] 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 listing of the H Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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ACCOUNTANTS’ REPORT

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

[●]

Certified Public Accountants

Hong Kong

Date

APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with the Hong Kong Standards on Auditing as issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
REVENUE	6	15,292,852	13,398,812	15,655,757
Cost of sales		(11,339,110)	(10,435,779)	(11,000,839)
GROSS PROFIT		3,953,742	2,963,033	4,654,918
Other income and gains	7	545,748	527,569	475,191
Selling and distribution expenses		(196,521)	(161,739)	(155,368)
Administrative expenses		(713,622)	(681,199)	(834,007)
Research and development expenses		(960,650)	(743,384)	(888,241)
Impairment losses on financial and contract assets, net		(7,170)	(36,868)	(55,691)
Other expenses		(27,534)	(121,631)	(69,521)
Finance costs	9	(252,316)	(255,938)	(235,486)
Share of profits and losses of:				
Joint ventures		(16,969)	(25,627)	(19,994)
Associates		42,811	55,506	86,558
PROFIT BEFORE TAX	8	2,367,519	1,519,722	2,958,359
Income tax expenses	12	(214,368)	(132,499)	(344,408)
PROFIT FOR THE YEAR		2,153,151	1,387,223	2,613,951
Attributable to:				
Owners of the parent		1,923,214	1,192,754	2,365,338
Non-controlling interests		229,937	194,469	248,613
		2,153,151	1,387,223	2,613,951
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14			
Basic (RMB per share)		0.95	0.56	1.12
Diluted (RMB per share)		0.94	0.56	1.12

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
PROFIT FOR THE YEAR	<u>2,153,151</u>	<u>1,387,223</u>	<u>2,613,951</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Debt investments at fair value through other comprehensive income:			
Changes in fair value	(15,032)	7,285	2,816
Income tax effect	<u>2,114</u>	<u>(1,187)</u>	<u>(347)</u>
	(12,918)	6,098	2,469
Exchange differences on translation of foreign operations	<u>724</u>	<u>(65)</u>	<u>1,125</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods .	<u>(12,194)</u>	<u>6,033</u>	<u>3,594</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(12,194)</u>	<u>6,033</u>	<u>3,594</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,140,957</u>	<u>1,393,256</u>	<u>2,617,545</u>
Attributable to:			
Owners of the parent	1,911,020	1,198,787	2,368,932
Non-controlling interests	<u>229,937</u>	<u>194,469</u>	<u>248,613</u>
	<u>2,140,957</u>	<u>1,393,256</u>	<u>2,617,545</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	12,155,189	15,143,349	16,852,691
Right-of-use assets	17	882,729	910,829	893,949
Goodwill	20	78,645	103,504	103,504
Other intangible assets	16	50,658	58,131	46,155
Investments in joint ventures	18	183,868	158,241	137,184
Investments in associates	19	236,176	292,504	379,326
Financial assets at fair value through profit or loss	26	79,806	76,853	96,764
Deferred tax assets	34	492,450	710,695	778,859
Prepayments, other receivables and other assets	24	846,515	1,234,676	252,898
Total non-current assets		15,006,036	18,688,782	19,541,330
CURRENT ASSETS				
Inventories	21	11,477,959	8,364,474	8,904,799
Trade and bills receivables	23	3,827,640	4,493,249	5,828,165
Contract assets	25	465,287	485,097	491,774
Prepayments, other receivables and other assets	24	1,307,356	1,061,126	1,155,966
Financial assets at fair value through profit or loss	26	1,525,089	1,982,379	4,164,081
Debt investment at fair value through other comprehensive income	22	963,528	442,028	201,270
Time deposits	28	—	46,000	327,617
Restricted cash	28	749,544	403,906	466,007
Cash and cash equivalents	28	8,352,507	6,136,514	5,189,698
Total current assets		28,668,910	23,414,773	26,729,377
CURRENT LIABILITIES				
Trade and bills payables	29	7,311,314	4,620,706	7,533,019
Contract liabilities	30	4,326,404	3,470,330	3,169,854
Other payables and accruals	31	1,870,637	2,210,915	2,141,386
Financial liabilities at fair value through profit or loss	26	—	1,640	—
Interest-bearing bank and other borrowings	32	6,682,211	6,393,189	6,914,806
Lease liabilities	17	13,145	3,505	2,574
Provision	33	11,343	13,434	18,579
Tax payable		175,957	144,592	130,588
Total current liabilities		20,391,011	16,858,311	19,910,806
NET CURRENT ASSETS		8,277,899	6,556,462	6,818,571
TOTAL ASSETS LESS CURRENT LIABILITIES		23,283,935	25,245,244	26,359,901
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	32	3,955,395	4,787,232	3,499,030
Lease liabilities	17	7,922	9,739	7,411
Deferred income	35	563,864	879,920	1,036,350
Deferred tax liabilities	34	26,730	27,973	35,346
Total non-current liabilities		4,553,911	5,704,864	4,578,137
Net assets		18,730,024	19,540,380	21,781,764
EQUITY				
Equity attributable to owners of the parent				
Share capital	36	2,137,996	2,137,165	2,136,399
Treasury shares	37	(348,114)	(618,327)	(600,005)
Reserves	39	15,984,607	16,868,258	18,897,204
		17,774,489	18,387,096	20,433,598
Non-controlling interests	41	955,535	1,153,284	1,348,166
Total equity		18,730,024	19,540,380	21,781,764

Year ended 31 December 2023

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Attributable to owners of the parent

	2024											
	Foreign currency translation reserve						Statutory surplus reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Foreign currency translation reserve	Statutory surplus reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity	
	RMB '000 (note 36)	RMB '000 (note 37)	RMB '000 (note 39)	RMB '000 (note 39)	RMB '000 (note 39)	RMB '000 (note 39)	RMB '000 (note 39)	RMB '000	RMB '000	RMB '000	RMB '000	
As at 1 January 2024	2,137,996	(348,114)	7,888,583	(12,918)	2,039	439,366	11,610	7,655,927	17,774,489	955,535	18,730,024	
Profit for the year	–	–	–	–	–	–	–	1,192,754	1,192,754	194,469	1,387,223	
Other comprehensive income for the year:												
Change in fair value of debt investments at fair value through other comprehensive income, net of tax	–	–	–	6,098	–	–	–	–	6,098	–	6,098	
Exchange differences on translation of foreign operations	–	–	–	–	(65)	–	–	–	(65)	–	(65)	
Total comprehensive income for the year	–	–	–	6,098	(65)	–	–	1,192,754	1,198,787	194,469	1,393,256	
Share reissued for equity-settled share-based payment arrangements	–	10,338	528	–	–	–	–	–	10,866	–	10,866	
Repurchase of treasury shares	–	(300,006)	–	–	–	–	–	–	(300,006)	–	(300,006)	
Cancellation of treasury shares	(831)	19,455	(18,624)	–	–	–	–	–	–	–	–	
Acquisition of a subsidiary (note 40)	–	–	–	–	–	–	–	–	–	57,369	57,369	
Capital injection to a non-wholly owned subsidiary	–	–	89	–	–	–	–	–	89	(89)	–	
Dividend declared (note 13)	–	–	–	–	–	–	–	(297,951)	(297,951)	–	(297,951)	
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(54,000)	(54,000)	
Transfer to statutory surplus reserve	–	–	–	–	–	58,006	–	(58,006)	–	–	–	
Transfer to safety funds	–	–	–	–	–	–	4,585	(4,585)	–	–	–	
Utilisation of safety funds	–	–	–	–	–	–	(2,450)	2,450	–	–	–	
Share of reserves of an associate . .	–	–	822	–	–	–	–	–	822	–	822	
As at 31 December 2024	2,137,165	(618,327)	7,871,398*	(6,820)*	1,974*	497,372*	13,745*	8,490,589*	18,387,096	1,153,284	19,540,380	

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2025

	Attributable to owners of the parent										
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Foreign currency translation reserve	Statutory surplus reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (note 36)	RMB'000 (note 37)	RMB'000 (note 39)	RMB'000 (note 39)	RMB'000	RMB'000 (note 39)	RMB'000 (note 39)	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2025	2,137,165	(618,327)	7,871,398	(6,820)	1,974	497,372	13,745	8,490,589	18,387,096	1,153,284	19,540,380
Profit for the year	-	-	-	-	-	-	-	2,365,338	2,365,338	248,613	2,613,951
Other comprehensive income for the year:											
Change in fair value of debt investments at fair value through other comprehensive income, net of tax	-	-	-	2,469	-	-	-	-	2,469	-	2,469
Exchange differences on translation of foreign operations	-	-	-	-	1,125	-	-	-	1,125	-	1,125
Total comprehensive income for the year	-	-	-	2,469	1,125	-	-	2,365,338	2,368,932	248,613	2,617,545
Share based payments, net of tax	-	-	35,609	-	-	-	-	-	35,609	-	35,609
Cancellation of treasury shares	(766)	18,322	(17,556)	-	-	-	-	-	-	-	-
Capital injection to a non-wholly owned subsidiary	-	-	(269)	-	-	-	-	(357,770)	(269)	269	-
Dividend declared (note 13)	-	-	-	-	-	-	-	-	(357,770)	-	(357,770)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(54,000)	(54,000)
Transfer to statutory surplus reserve	-	-	-	-	-	210,771	-	(210,771)	-	-	-
Transfer to safety funds	-	-	-	-	-	-	8,734	(8,734)	-	-	-
Utilisation of safety fund	-	-	-	-	-	-	(2,449)	2,449	-	-	-
As at 31 December 2025	2,136,399	(600,005)	7,889,182*	(4,351)*	3,099*	708,143*	20,030*	10,281,101*	20,433,598	1,348,166	21,781,764

* These reserve accounts comprise the consolidated reserves of RMB15,984,607,000, RMB16,868,258,000 and RMB18,897,204,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		2,367,519	1,519,722	2,958,359
Adjustments for:				
Finance costs	9	252,316	255,938	235,486
Share of profits and losses of associates and joint ventures	18&19	(25,842)	(29,879)	(66,564)
Interest income	7	(170,106)	(180,719)	(140,930)
Equity-settled share-based payment expenses . .		9,281	143	26,941
Foreign exchange difference, net		(8,686)	(20,838)	1,218
Investment losses/(incomes) on financial assets at fair value through profit or loss	7	5,791	(13,621)	(5,263)
Amortisation of government grants related to assets	35	(23,716)	(41,994)	(67,502)
Amortisation of other intangible assets	8	11,919	15,620	18,874
Depreciation of property, plant and equipment .	8	718,022	894,612	1,069,343
Depreciation of right-of-use assets	8	35,511	35,216	22,410
Impairment losses of inventories, net	8	1,050,435	688,222	283,455
Loss on disposal of items of property, plant and equipment	8	12,164	4,696	5,948
(Reversal of impairment)/impairment of trade and bills receivables	8	(11,045)	18,454	46,605
(Reversal of impairment)/impairment of other receivables	8	(6,150)	16,026	8,550
Impairment losses of property, plant and equipment	8	—	64,012	7,603
Impairment losses of right-of-use assets	8	—	22,203	—
Impairment losses of goodwill	8	—	10,918	—
Impairment loss of investments in joint ventures	8	—	—	17,612
Fair value gain of financial assets and liabilities at fair value through profit or loss	8	(28,774)	(4,267)	(62,014)
Impairment of contract assets	8	24,365	2,388	536
		4,213,004	3,256,852	4,360,667
(Increase)/decrease in inventories		(1,493,389)	2,425,263	(823,780)
Increase in trade and bills receivables		(5,677,204)	(4,823,088)	(4,689,863)
(Increase)/decrease in debt investment at fair value through other comprehensive income .		(963,528)	521,500	240,758
Decrease/(increase) in prepayments, other receivables and other assets		13,734	222,222	(115,390)
Increase in contract assets		(136,046)	(22,198)	(7,213)
Decrease/(increase) in financial assets at fair value through profit or loss		1,008,024	(23,664)	(945,583)
Decrease in contract liabilities		(465,379)	(856,074)	(300,476)
Increase in trade and bills payables		4,655,996	1,019,803	5,166,122
(Decrease)/increase in provision		(14,166)	2,091	5,145
Increase in deferred income		195,173	358,050	223,932
Decrease/(increase) in restricted cash		34,330	420,638	(137,101)
Increase in other payables and accruals		22,325	73,901	(16,152)
Cash generated from operations		1,392,874	2,575,296	2,961,066
Interest received		170,106	180,719	140,930
Income tax paid		(445,174)	(384,332)	(404,698)
Net cash flows from operating activities		1,117,806	2,371,683	2,697,298

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		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of items of property, plant and equipment		(3,664,765)	(3,187,869)	(1,503,576)
Purchase of other intangible assets		(13,193)	(23,058)	(7,170)
Payment for leasehold land	17	(293,099)	(52,399)	(8,420)
Acquisition of a subsidiary	40	(85,165)	(2,768)	–
Capital injection in associates and a joint venture		(6,400)	–	(16,812)
Proceeds from disposal of items of property, plant and equipment		15,850	21,949	5,674
Decrease in prepayments, other receivables and other assets		14,251	10,750	12,000
Purchase of financial assets at fair value through profit or loss		(2,190,940)	(3,131,669)	(3,581,069)
Proceeds from disposal of financial assets at fair value through profit or loss		1,239,132	2,702,310	2,406,964
Placement of pledged time deposits		–	–	(320,000)
Placement of non-pledged time deposits		–	(46,000)	–
Withdrawal of non-pledged time deposits		–	–	38,383
Net cash flows used in investing activities		(4,984,329)	(3,708,754)	(2,974,026)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank loans		7,066,286	6,670,570	5,816,782
Repayment of bank loans		(3,650,248)	(6,121,332)	(6,094,655)
Proceeds from the issuance of bonds, net		1,000,000	1,599,009	1,400,000
Repayment of bonds		–	(2,000,000)	(1,200,000)
Interest paid		(247,993)	(267,530)	(234,683)
Settlement of share repurchase obligation under share award scheme		(49)	(18,990)	(18,768)
Repurchase of treasury shares	37	(299,999)	(300,006)	–
Acquisition of non-controlling interests		(188,976)	–	–
Dividends paid		(538,209)	(351,951)	(411,770)
Proceeds from issuance of shares	36	2,820,600	–	–
Share issue expenses	36	(5,470)	–	–
Capital injection from non-controlling interests		658,927	–	–
(Increase)/decrease in restricted cash		–	(75,000)	75,000
Repayment of lease liabilities		(22,551)	(15,556)	(2,220)
Net cash flows from/(used in) financing activities		6,592,318	(880,786)	(670,314)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of year		5,621,506	8,352,507	6,136,514
Effect of foreign exchange rate changes, net		5,206	1,864	226
CASH AND CASH EQUIVALENTS AT END OF YEAR				
		8,352,507	6,136,514	5,189,698
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	28	8,352,507	6,136,514	5,189,698
Cash and cash equivalents as stated in the statement of cash flows	28	8,352,507	6,136,514	5,189,698

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	15	19,096	17,042	15,785
Other intangible assets		495	233	18
Investments in subsidiaries	27	8,640,395	9,883,256	10,853,529
Investments in joint ventures	18	133,713	108,016	70,784
Investments in associates	19	234,256	290,604	377,102
Financial assets at fair value through profit or loss	26	59,581	56,327	76,693
Total non-current assets		9,087,536	10,355,478	11,393,911
CURRENT ASSETS				
Inventories		5,470	8,068	6,341
Trade and bills receivables		101	125	–
Prepayments, other receivables and other assets	24	2,177,007	2,178,181	1,900,368
Financial assets at fair value through profit or loss	26	934,434	737,606	997,829
Cash and cash equivalents	28	2,693,991	1,134,568	2,075,496
Total current assets		5,811,003	4,058,548	4,980,034
CURRENT LIABILITIES				
Trade and bills payables		12	89	–
Other payables and accruals	31	51,397	22,300	2,604
Interest-bearing bank and other borrowings	32	1,965,524	1,518,836	1,343,505
Tax payable		3,115	–	–
Total current liabilities		2,020,048	1,541,225	1,346,109
NET CURRENT ASSETS		3,790,955	2,517,323	3,633,925
TOTAL ASSETS LESS CURRENT LIABILITIES				
		12,878,491	12,872,801	15,027,836
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	32	–	–	374,943
Deferred tax liabilities	34	9,754	10,519	18,671
Total non-current liabilities		9,754	10,519	393,614
Net assets		12,868,737	12,862,282	14,634,222
EQUITY				
Share capital	36	2,137,996	2,137,165	2,136,399
Treasury shares	37	(348,114)	(618,327)	(600,005)
Reserves	39	11,078,855	11,343,444	13,097,828
Total equity		12,868,737	12,862,282	14,634,222

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Shanghai Putailai New Energy Technology Group Co., Ltd. (the “Company”) is a joint stock company with limited liability incorporated in Shanghai, the People’s Republic of China (“PRC”). The Company’s ordinary shares were listed on the Shanghai Stock Exchange (“A Shares”). The registered office of the Company is situated at No. 456-116, Dieqiao Road, Pudong New Area, Shanghai.

The Company and its subsidiaries (the “Group”) are engaged in the manufacture and sale of lithium-ion battery key materials and automation equipment, and the provision of intelligent manufacturing system services for the new energy battery and battery materials industry.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the principal subsidiaries are set out below:

Name	Notes	Place and date of incorporation/registration and place of business	Paid up capital (‘000)	Percentage of equity interest attributable to the Company (%)		Principal activities
				Direct	Indirect	
江西紫宸科技有限公司 JiangXi ZiChen Technology Co., Ltd.*	(a)	PRC/Chinese mainland 21 December 2012	RMB900,000	100.00	–	Manufacture of battery materials
深圳市新嘉拓自动化技术有限公司 Shenzhen New Katop Automation Co., Ltd.*	(b)	PRC/Chinese mainland 22 March 2013	RMB30,000	–	71.54	Manufacture of automation equipment
寧德卓高新材料科技有限公司 Ningde Advanced Material Tech Co., Ltd.*	(a)	PRC/Chinese mainland 18 November 2015	RMB439,000	100.00	–	Manufacture of battery materials
江蘇卓高新材料科技有限公司 Jiangsu Advanced Material Tech Co., Ltd.*	(a)	PRC/Chinese mainland 17 April 2017	RMB300,000	100.00	–	Manufacture of battery materials
江蘇嘉拓新能源智能裝備股份有限公司 Jiangsu Katop New Energy Intelligent Equipment Co., Ltd.*	(c)	PRC/Chinese mainland 17 July 2017	RMB353,500	71.54	–	Manufacturing of automation equipment
四川卓勤新材料科技有限公司 Sichuan Advanced Industrious Material Tech Co., Ltd.*	(a)	PRC/Chinese mainland 26 November 2020	RMB1,688,000	100.00	–	Manufacture of battery materials
四川紫宸科技有限公司 Sichuan Zichen Technology Co., Ltd.*	(a)	PRC/Chinese mainland 15 January 2021	RMB2,269,000	100.00	–	Manufacture of battery materials
乳源東陽光氟樹脂有限公司 Ruyuan Dongyangguang Fluorine Resin Co., Ltd.*	(d)	PRC/Chinese mainland 21 November 2013	RMB125,000	60.00	–	Manufacture of battery materials

The above table lists major subsidiaries of the Company which, in the opinion of the directors, principally have operation activities. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* The English names of these companies are translation of their respective Chinese names for identification purpose only as they have not registered any official English names.

Notes:

- The statutory financial statements of these entities for the years ended 31 December 2023 and 2024 prepared in accordance with accepted accounting principles generally accepted in the Chinese Mainland (“PRC GAAP”) were audited by Ernst & Young Hua Ming LLP, certified public accountants registered in the Chinese mainland.
- No audited financial statements have been prepared for the entity for the year ended 31 December 2023 as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of registration. The financial statements of the entity for the year ended 31 December 2024 prepared in accordance with PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants LLP, certified public accountants registered in the Chinese mainland.
- No audited financial statements have been prepared for the entity for the year ended 31 December 2023 as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of registration. The financial statements of the entity for the year ended 31 December 2024 and 2025 prepared in accordance with the PRC GAAP were audited by BDO China Shu Lun Pan Certified Public Accountants LLP, certified public accountants registered in the Chinese mainland.
- The statutory financial statements of the entity for the years ended 31 December 2023, 2024 and 2025 prepared in accordance with PRC GAAP were audited by Ernst & Young Hua Ming LLP, certified public accountants registered in the Chinese mainland.

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2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been consistently adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for debt investments at fair value through other comprehensive income and financial assets and liabilities at fair value through profit or loss (“FVTPL”), which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial information of the subsidiaries is prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7¹</i>

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

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The Group is in the process of making an assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. So far, the Group considers that these new and amended IFRS Accounting Standards, except for IFRS 18, may result in changes in accounting policies but are unlikely to have a significant impact on the Group’s financial performance and financial position in the period of initial application. The application of IFRS 18 is not expected to have a material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group’s financial information.

3. MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group’s investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group’s share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in consolidated profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group’s investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group’s investments in associates or joint ventures.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group measures the non-controlling interests in the acquiree at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

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Fair value measurement

The Group measures its certain financial instruments, including wealth management products, bank bills receivable and foreign exchange forward contracts at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and non-current assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

	Annual rates
Buildings	5% to 6%
Plant and machinery	9% to 32%
Motor vehicles	23% to 24%
Electronic and other equipment	9% to 32%
Leasehold improvements and renovations	10% to 33%

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Purchased patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 20 years.

Non-patented know-how

Know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Software and others

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over their estimated useful life of 3 to 10 years.

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Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 5 years
Leasehold land	45 to 50 years

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

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Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

Financial assets at fair value through profit or loss

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

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividends will flow to the Group and the amount of the dividends can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and other borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and other borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include financial liabilities at fair value through profit or loss, trade and bills payables, other payables, interest-bearing bank and other borrowings, and lease liabilities.

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Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, loans and other borrowings)

After initial recognition, trade and other payables, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

The Group provides for warranties in relation to the sale of products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns. The warranty-related cost is revised annually.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

(a) Sale of new energy battery key materials

Revenue from the sale of battery materials is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the products for export sales and acceptance of the products for domestic sales.

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For some customers, the sales of battery materials are under vendor-managed inventory (“VMI”) arrangement where the products are delivered to the customers’ locations for their use. The control of the products is transferred when the products are accepted and used by the customers.

(b) Sale of new energy automation equipment

The new energy battery automation equipment that the Group provides to the customers usually has an intended purpose and cannot be readily substituted. When the automation equipment is delivered to the customer’s location, the Group performs installation, deployment and commissioning work until the equipment satisfies the requirements of the customers. The Group determines that the promised goods in the sale of automation equipment represent one performance obligation, because these promises are highly interdependent, and the customer is unable to derive significant benefits from the access to an individual promise for the intended purpose without receipt of the other goods.

As none of the criteria under paragraph 35 of IFRS 15 are met for the control that transfers over time, revenue from the sale of automation equipment is recognised at the point in time when the equipment is accepted by the customers.

(c) Provision of services

Revenue from the provision of services is recognised at point in time when the services are rendered and accepted by the customers.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

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

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

Contract assets

If the Group performs by transferring services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Group operates share incentive plans. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured based on the fair value of the share awards at the grant date, which is determined either by reference to the closing price on the grant date or using the Black-Scholes option-pricing model, further details of which are given in note 34 to the Historical Financial Information.

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The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Company and its subsidiaries which operate in the Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The Company and its subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Production safety expenses

Provisions for the Group’s obligations for safety operations are based on the Group’s revenue arising from the sale of automation equipment. Production safety expenses accrued based on the related PRC rules and regulations are treated as an appropriation to reserves. The reserve funds could be utilised when expenses or capital expenditures on safety measures are incurred. The amount of reserve funds utilised would be transferred from the reserve funds account to retained earnings.

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Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group’s business model for managing those financial assets. In assessing the business model, the Group considers factors such as how the entity evaluates and reports the performance of financial assets to key management personnel, as well as the risks that affect the performance of financial assets and how such risks are managed. When evaluating whether the objective is to collect contractual cash flows, the Group is required to analyse and exercise judgement regarding the reasons, timing, frequency, and value of sales of financial assets before their maturity.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various debtors that have similar loss patterns.

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The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the customer industry, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and contract assets are disclosed in note 23 and note 25 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices, less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023, 2024 and 2025 were RMB78,645,000, RMB103,504,000 and RMB103,504,000, respectively. Further details are given in note 20 to the Historical Financial Information.

Provision for inventory write-down

The Group measures inventory at the lower of cost and net realisable value in accordance with its accounting policy. A provision for inventory write-down is recognised when the cost of inventory exceeds its net realisable value, or for obsolete and slow-moving items which are identified as no longer suitable for sale or use based on sales forecasts. Identifying impairment of inventory requires management to exercise judgement and make estimates based on conclusive evidence, taking into account factors such as the purpose for holding the inventory, current market conditions and the impact of events occurring after the balance sheet date. Differences between actual outcomes and previous estimates will affect the carrying amount of inventory and the recognition or reversal of inventory write-down provisions in the period in which the estimates are revised.

Warranty provision

The Group estimates the warranty rate on a reasonable basis for portfolios of contracts with similar characteristics, taking into account all relevant information such as historical warranty data, current warranty conditions, product improvements, and market changes. The estimated warranty rate may not equal the actual future warranty rate. The Group re-evaluates the warranty rate at each balance sheet date at a minimum, and determines the provision based on the re-evaluated warranty rate. Further details are given in note 25 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

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5. SEGMENT INFORMATION

Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has three operating reportable segments: the new energy battery materials and services segment, the new energy battery automation equipment and services segment, and the industrial investment, trade management and other segment.

- (1) The new energy battery key materials and services segment, primarily produces anode materials, separator materials, and cathode binders or separator coating materials for lithium-ion batteries, including graphitisation processing and related by-products, as well as related products such as base separator films, coating processing, and aluminum-plastic packaging films.
- (2) The new energy battery automation equipment and services segment primarily manufactures automated process equipment for lithium battery manufacturing.
- (3) The industrial investment, trade management and other segment comprises the Group’s investment and trading activities in the lithium battery industry chain, as well as other material production operations.

For the purposes of resource allocation and performance evaluation, the operating results of each operating segment are managed separately. Segment performance is evaluated based on the reported segment gross profit. This measure is derived from total gross profit after adjustments and is consistent with the Group’s total gross profit.

The Group’s assets and liabilities are managed centrally, and therefore, asset and liability information for each operating segment is not presented. Transfer pricing between operating segments is determined with reference to fair prices applied in transactions with third parties. Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2023

	New energy battery key materials and services	New energy battery automation equipment and services	Industrial Investment, trade management, and others	Elimination of intersegment sales	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	12,264,142	3,589,516	955,355	(1,516,161)	15,292,852
Segment cost of sales	9,096,148	3,041,083	888,373	(1,686,494)	11,339,110
Gross profit	3,167,994	548,433	66,982	170,333	3,953,742
Other income and gains					545,748
Corporate and other unallocated expenses					(1,905,497)
Finance costs					(252,316)
Share of profits and losses of associates and joint ventures					25,842
Profit before tax					2,367,519

Year ended 31 December 2024

	New energy battery key materials and services	New energy battery automation equipment and services	Industrial Investment, trade management, and others	Elimination of intersegment sales	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	9,833,584	3,767,882	826,284	(1,028,938)	13,398,812
Segment cost of sales	7,589,136	3,124,514	789,778	(1,067,649)	10,435,779
Gross profit	2,244,448	643,368	36,506	38,711	2,963,033
Other income and gains					527,569
Corporate and other unallocated expenses					(1,744,821)
Finance costs					(255,938)
Share of profits and losses of associates and joint ventures					29,879
Profit before tax					1,519,722

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Year ended 31 December 2025

	New energy battery key materials and services	New energy battery automation equipment and services	Industrial investment, trade management, and other	Elimination of intersegment sales	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	11,947,347	4,571,965	1,316,468	(2,180,023)	15,655,757
Segment cost of sales	8,119,304	3,733,130	1,263,048	(2,114,643)	11,000,839
Gross profit	3,828,043	838,835	53,420	(65,380)	4,654,918
Other income and gains					475,191
Corporate and other unallocated expenses					(2,002,828)
Finance costs					(235,486)
Share of profits and losses of associates and joint ventures					66,564
Profit before tax					2,958,359

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese mainland	13,010,804	11,982,478	14,719,306
Overseas	2,282,048	1,416,334	936,451
Total revenue	15,292,852	13,398,812	15,655,757

The revenue information above is based on the locations of the customers.

(b) Non-current assets

Most of the Group’s non-current assets are located in the Chinese mainland. Thus, no geographic information of non-current assets is presented.

Information about major customers

The revenue generated from sales to customer groups which individually accounted for more than 10% of the Group’s total revenue during each of the Relevant Periods is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	6,030,987	5,251,857	6,112,652
Customer B	1,681,683	N/A*	N/A*

N/A – Not applicable.

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group’s revenue during the respective period.

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6. REVENUE

An analysis of revenue is as follows:

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Types of goods			
New energy battery key materials	11,729,430	9,633,424	11,325,315
New energy battery automation equipment	3,421,882	3,672,486	4,148,247
Others*	141,540	92,902	182,195
Total	<u>15,292,852</u>	<u>13,398,812</u>	<u>15,655,757</u>
Timing of revenue recognition			
Goods transferred at a point in time	<u>15,292,852</u>	<u>13,398,812</u>	<u>15,655,757</u>

* “Others” primarily represents revenue derived from the sale of scrap materials.

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sales of new energy battery key materials

The performance obligation is satisfied upon delivery to the agreed-upon locations in accordance with the contracts for export sales and acceptance of the products by the customers for domestic sales. For VMI arrangement, the control of the products is transferred when the products are accepted and used by the customers. Payment is generally due within 60 to 120 days from delivery or accepted the customers.

Sales of new energy battery automation equipment

The performance obligation is satisfied when the customer takes possession of and accepts the customised equipment. Payment terms and conditions are based on the billing schedule established in the contracts with customers.

(c) Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period .	<u>3,556,382</u>	<u>2,758,430</u>	<u>2,326,907</u>

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts expected to be recognised as revenue			
Within one year	3,409,440	4,131,710	4,594,425
After one year	<u>5,334,611</u>	<u>3,167,222</u>	<u>2,771,395</u>
Total	<u>8,744,051</u>	<u>7,298,932</u>	<u>7,365,820</u>

The amounts of transaction prices allocated to the remaining performance obligations mainly relate to new energy battery automation equipment sales, of which the performance obligations are to be satisfied around one year. The amounts disclosed above do not include variable consideration which is constrained.

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7. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other income			
Interest income	170,106	180,719	140,930
Government grants*	234,252	212,070	192,278
Value-added tax additional deduction	92,918	83,754	64,299
Dividend income and gain on disposal of on financial assets at fair value through profit or loss	–	13,621	5,263
Rental income	128	515	1,754
Others	10,884	11,785	8,653
Total other income	508,288	502,464	413,177
Gains			
Fair value gains on financial assets and liabilities at fair value through profit or loss	28,774	4,267	62,014
Foreign exchange gains, net	8,686	20,838	–
Total gains	37,460	25,105	62,014
Other income and gains	545,748	527,569	475,191

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements are complied with.

8. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Cost of inventories sold		11,339,110	10,435,779	11,000,839
Depreciation of property, plant and equipment	15	718,022	894,612	1,069,343
Amortization of other intangible assets	16	11,919	15,620	18,874
Depreciation of right-of-use assets	17	35,511	35,216	22,410
Research and development expenses (excluding amortization, depreciation and employee benefit expense)		912,964	690,996	824,867
Lease payments not included in the measurement of lease liabilities	17	37,373	36,261	31,261
Loss/(gain) on disposal of/(dividend income) from financial assets at fair value through profit or loss	7	5,791	(13,621)	(5,263)
Fair value gains on financial assets and liabilities at fair value through profit or loss	7	28,774	4,267	62,014
Auditors’ remuneration		2,380	2,380	2,380
Interest income	7	(170,106)	(180,719)	(140,930)
Impairment losses of property, plant and equipment**	15	–	64,012	7,603
Impairment losses of right-of-use assets**	17	–	22,203	–
Impairment loss of goodwill**	20	–	10,918	–
Impairment loss of investments in joint ventures**	18	–	–	17,612
Product warranty provision	33	17,448	25,931	13,304
Impairment losses of inventories, net		1,050,435	688,222	283,455
Impairment of financial and contract assets, net:				
(Reversal of impairment)/impairment of trade and bills receivables	23	(11,045)	18,454	46,605
(Reversal of impairment)/impairment of other receivables	24	(6,150)	16,026	8,550
Impairment of contract assets	25	24,365	2,388	536
Total		7,170	36,868	55,691

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	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Foreign exchange differences, net	7	(8,686)	(20,838)	1,218
Losses on disposal of items of property, plant and equipment, net**		12,164	4,696	5,948
Employee benefit expenses (excluding directors’ remuneration (note 10)):				
– Wages and salaries		1,649,650	1,445,297	1,698,946
– Share-based payment expense		9,281	143	26,425
– Pension scheme contributions		205,399	215,941	243,146
Subtotal		1,864,330	1,661,381	1,968,517

* The amounts disclosed for cost of inventories sold included the impairment of inventories, product warranty provision expenses, and expenses relating to employees’ expenses, depreciation and amortisation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The amounts are included in “Other expenses” in profit or loss.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on bank loans and other borrowings	322,603	347,002	303,469
Interest on lease liabilities	1,367	655	214
Total interest expenses	323,970	347,657	303,683
Less: Interest capitalise	(71,654)	(91,719)	(68,197)
Total	252,316	255,938	235,486

10. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

The remuneration paid or payable to the directors and chief executive of the Company during the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees	240	240	240
Other emoluments:			
Salaries, allowances and benefits in kind	4,850	4,850	9,200
Pension scheme contributions	429	435	435
Share-based payment expenses	–	–	516
Total	5,519	5,525	10,391

During the year ended 31 December 2025, a director was granted share options, in respect of his service to the Group, under the share option scheme of the Company, further details are set out in note 38 to the Historical Financial Information. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the year ended 31 December 2025 is included in the above directors’ and chief executive’s remuneration disclosures.

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(i) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Mr. Yuan Bin (f)	120	–	–
Mr. Pang Jinwei (d)	120	120	120
Mr. Huang Yong (e)	–	120	120
Total	<u>240</u>	<u>240</u>	<u>240</u>

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(ii) Executive directors

	Salaries, allowances and bonuses	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2023				
Directors:				
Mr. Liang Feng (a)	1,600	143	–	1,743
Mr. Chen Wei (b)	1,600	143	–	1,743
Mr. Han Zhongwei (c)	1,650	143	–	1,793
Total	<u>4,850</u>	<u>429</u>	<u>–</u>	<u>5,279</u>

	Salaries, allowances and bonuses	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2024				
Directors:				
Mr. Liang Feng (a)	1,600	145	–	1,745
Mr. Chen Wei (b)	1,600	145	–	1,745
Mr. Han Zhongwei (c)	1,650	145	–	1,795
Total	<u>4,850</u>	<u>435</u>	<u>–</u>	<u>5,285</u>

	Salaries, allowances and benefits in kind	Pension scheme contributions	Share-based payment expenses	Total remuneration
	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2025				
Directors:				
Mr. Liang Feng (a)	3,300	145	–	3,445
Mr. Chen Wei (b)	3,300	145	–	3,445
Mr. Han Zhongwei (c)	2,600	145	516	3,261
Total	<u>9,200</u>	<u>435</u>	<u>516</u>	<u>10,151</u>

Notes:

- (a) Mr. Liang Feng was appointed as the chairman of the board of the directors on 27 December 2021.
- (b) Mr. Chen Wei was appointed as the chief executive officer on 27 December 2021.
- (c) Mr. Han Zhongwei was appointed as the director and executive deputy general manager on 27 December 2021.
- (d) Mr. Pang Jinwei was appointed as an independent director on 27 December 2021.
- (e) Mr. Huang Yong was appointed as an independent director on 8 December 2023.
- (f) Mr. Yuan Bin was appointed as an independent director between December 2021 and December 2023.

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There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

As the Company dissolved the supervisory committee on 16 May 2025, the supervisors’ remuneration was not included in the above disclosures.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the Relevant Periods included nil, nil and 3 directors, respectively. Details of the remuneration for the Relevant Periods of the remaining 5, 5, and 2 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	12,684	12,497	6,700
Pension scheme contributions	504	554	1,186
Share-based payment expenses	—	—	253
Total	<u>13,188</u>	<u>13,051</u>	<u>8,139</u>

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	2023	2024	2025
HKD2,500,001 to HKD3,000,000	—	1	—
HKD3,000,001 to HKD3,500,000	5	4	—
HKD4,000,001 to HKD4,500,000	—	—	1
HKD4,500,001 to HKD5,000,000	—	—	1
Total	<u>5</u>	<u>5</u>	<u>2</u>

During the year ended 31 December 2025, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 38 to the Historical Financial Information. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the year ended 31 December 2025 is included in the above non-director and non-chief executive highest paid employees’ remuneration disclosures.

12. INCOME TAX EXPENSES

Hong Kong

The subsidiaries incorporated in Hong Kong was subject to Hong Kong profits tax at the rate of 8.25% for taxable income not exceeding HKD2,000,000, and 16.5% for taxable income exceeding HKD2,000,000 on any estimated assessable profits arising in Hong Kong during the Relevant Periods.

Singapore

The subsidiary incorporated in Singapore is subject to income tax at the rate of 17% on the estimated assessable profits arising in Singapore during the Relevant Periods.

Germany

The subsidiary incorporated in Germany is subject to income tax at the rate of 27.4% on the estimated assessable profits arising in Germany during the Relevant Periods.

The United States of America (“USA”)

The subsidiaries incorporated in USA are subject to income tax at the rate of 29.7% on the estimated assessable profits arising in the USA during the Relevant Periods.

Chinese Mainland

Under the Corporate Income Tax (the “CIT Law”) and Implementation Regulation of the CIT Law of Chinese Mainland, the corporate income tax (“CIT”) rate was 25% during the Relevant Periods unless subject to tax concession as set out below:

- (1) Certain subsidiaries of the Group were accredited as high and new technology enterprises and were entitled to a preferential CIT rate of 15% during the Relevant Periods.

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- (2) Certain subsidiaries of the Group have applied the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy, pursuant to which the portion of annual taxable income amount not exceeding RMB3,000,000 were subject to an effective reduced CIT tax rate of 5% from 1 January 2022 to 1 January 2027.
- (3) Pursuant to the local incentive policy, Ruyuan HEC Fluororesin Co., Ltd., which established in Ruyuan Yao Autonomous County, Shaoguan City, Guangdong Province, is subject to a reduced CIT rate of 9% from 2018 to 2025.
- (4) Hainan Putailai New Energy Technology Co., Ltd, is a qualified encouraged industrial enterprise registered in the Hainan free trade port of the Chinese Mainland is subject to a preferential CIT rate of 15% from 1 January 2020 to 31 December 2035.
- (5) Inner Mongolia Zichen Xingfeng New Energy Technology Co., Ltd., is qualified as an encouraged enterprise established in western regions, and is subject to a preferential CIT tax rate of 15% during the Relevant Periods.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	419,938	352,967	390,695
Deferred income tax	(205,570)	(220,468)	(46,287)
Tax charge for the year	<u>214,368</u>	<u>132,499</u>	<u>344,408</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	2,367,519	1,519,722	2,958,359
Tax at the statutory tax rate	587,831	379,184	737,241
Effect of different tax rates of subsidiaries	(258,606)	(193,502)	(317,223)
Adjustments in respect of current tax of previous periods	8,427	9,770	37,372
Profit attributable to associates and joint ventures	(6,459)	(7,457)	(16,719)
Effect of tax rate changes on opening deferred income tax balances	24,270	1,214	–
Deductible temporary differences and tax losses not recognised	267	55,558	13,951
Tax losses utilised from previous periods	(312)	–	–
Additional deductible allowance for qualified research and development expenses*	(145,620)	(118,850)	(139,115)
Expenses not deductible for tax	5,526	6,991	28,938
Other	(956)	(409)	(37)
Tax charge for the year at the Group’s effective tax rate	<u>214,368</u>	<u>132,499</u>	<u>344,408</u>

* According to the CIT Law, the Company and its subsidiaries are entitled to additional deduction of qualified research and development expenses from the taxable income. The additional deduction percentage was 100% from 1 January 2023.

The Group is within the scope of the Pillar Two model rules. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates, and the legislation is effective for the Group’s financial year beginning 1 January 2024.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in year of 2024 and 2025. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group does not expect a material exposure to Pillar Two income taxes.

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13. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Dividends declared for ordinary shareholders of the Company recognised during the year:			
Final dividends	472,882	297,951	357,770

The dividends of RMB0.34 (tax inclusive), RMB0.14 (tax inclusive) and RMB0.17 (tax inclusive) for each ordinary share to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date in respect of the years ended 31 December 2022, 2023 and 2024 were approved by the Annual General Meeting of the Company.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average numbers of ordinary shares outstanding during the Relevant Periods.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average numbers of ordinary shares used in the calculation are the number of ordinary shares outstanding during the Relevant Periods, as used in the basic earnings per share calculation, and the weighted average numbers of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

On 28 April 2023, the Company implemented the conversion of capital reserve into share capital such that 4.5 new shares were issued for every 10 existing shares. After the conversion, the number of shares was increased from 1,390,829,959 to 2,016,703,441. The calculation of basic and diluted earnings per share is adjusted for the proportionate change as if the conversion had occurred at the beginning of the earliest period presented.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<u>Earnings</u>			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	1,923,214	1,192,754	2,365,338
Less: Cash dividends attributable to the shareholders of restricted share units	(803)	—	—
Total	1,922,411	1,192,754	2,365,338
	Number of shares		
	2023	2024	2025
Shares ('000)			
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings per share calculation	2,017,030*	2,134,388*	2,103,103*
Effect of dilution – weighted average number of ordinary shares: Restricted share units and share option	21,195	—	1,354
Total	2,038,225	2,134,388	2,104,457

* The weighted average number of shares was after taking into account the effect of treasury shares held.

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15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements and renovations	Plant and machinery	Electronic and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023							
At 1 January 2023:							
Cost	2,713,158	335,733	3,686,700	448,901	36,828	2,555,764	9,777,084
Accumulated depreciation and impairment	(257,165)	(72,092)	(775,165)	(134,084)	(20,935)	–	(1,259,441)
Net carrying amount	<u>2,455,993</u>	<u>263,641</u>	<u>2,911,535</u>	<u>314,817</u>	<u>15,893</u>	<u>2,555,764</u>	<u>8,517,643</u>
At 1 January 2023, net of accumulated depreciation and impairment	2,455,993	263,641	2,911,535	314,817	15,893	2,555,764	8,517,643
Additions	45,741	74,846	–	2,495	1,395	4,244,437	4,368,914
Transfers	557,230	13,356	977,213	169,083	2,477	(1,719,359)	–
Disposals	(262)	–	(6,427)	(6,290)	(367)	–	(13,346)
Depreciation provided during the year	(131,167)	(86,844)	(334,515)	(162,468)	(3,028)	–	(718,022)
At 31 December 2023, net of accumulated depreciation and impairment	<u>2,927,535</u>	<u>264,999</u>	<u>3,547,806</u>	<u>317,637</u>	<u>16,370</u>	<u>5,080,842</u>	<u>12,155,189</u>
At 31 December 2023:							
Cost	3,315,819	423,935	4,590,426	605,334	39,289	5,080,842	14,055,645
Accumulated depreciation and impairment	(388,284)	(158,936)	(1,042,620)	(287,697)	(22,919)	–	(1,900,456)
Net carrying amount	<u>2,927,535</u>	<u>264,999</u>	<u>3,547,806</u>	<u>317,637</u>	<u>16,370</u>	<u>5,080,842</u>	<u>12,155,189</u>

The Group

	Buildings	Leasehold improvements and renovations	Plant and machinery	Electronic and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024							
At 1 January 2024:							
Cost	3,315,819	423,935	4,590,426	605,334	39,289	5,080,842	14,055,645
Accumulated depreciation and impairment	(388,284)	(158,936)	(1,042,620)	(287,697)	(22,919)	–	(1,900,456)
Net carrying amount	<u>2,927,535</u>	<u>264,999</u>	<u>3,547,806</u>	<u>317,637</u>	<u>16,370</u>	<u>5,080,842</u>	<u>12,155,189</u>
At 1 January 2024, net of accumulated depreciation and impairment	2,927,535	264,999	3,547,806	317,637	16,370	5,080,842	12,155,189
Additions	24,499	21,922	12,908	52,066	3,042	3,738,209	3,852,646
Transfers	1,412,208	32,810	1,364,108	28,747	807	(2,838,680)	–
Acquisition of a subsidiary (note 40)	75,653	670	569	684	127	48,293	125,996
Disposals	–	–	(18,033)	(13,479)	(346)	–	(31,858)
Impairment recognised (note 8)	–	–	(15,476)	(91)	–	(48,445)*	(64,012)
Depreciation provided during the year	(210,856)	(91,647)	(541,182)	(44,069)	(6,858)	–	(894,612)
At 31 December 2024, net of accumulated depreciation and impairment	<u>4,229,039</u>	<u>228,754</u>	<u>4,350,700</u>	<u>341,495</u>	<u>13,142</u>	<u>5,980,219</u>	<u>15,143,349</u>
At 31 December 2024:							
Cost	4,832,076	479,337	5,921,591	664,830	41,515	5,980,219	17,919,568
Accumulated depreciation and impairment	(603,037)	(250,583)	(1,570,891)	(323,335)	(28,373)	–	(2,776,219)
Net carrying amount	<u>4,229,039</u>	<u>228,754</u>	<u>4,350,700</u>	<u>341,495</u>	<u>13,142</u>	<u>5,980,219</u>	<u>15,143,349</u>

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	Buildings	Leasehold improvements and renovations	Plant and machinery	Electronic and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025							
At 1 January 2025:							
Cost	4,832,076	479,337	5,921,591	664,830	41,515	5,980,219	17,919,568
Accumulated depreciation and impairment	(603,037)	(250,583)	(1,570,891)	(323,335)	(28,373)	–	(2,776,219)
Net carrying amount	<u>4,229,039</u>	<u>228,754</u>	<u>4,350,700</u>	<u>341,495</u>	<u>13,142</u>	<u>5,980,219</u>	<u>15,143,349</u>
At 1 January 2025, net of accumulated depreciation and impairment	4,229,039	228,754	4,350,700	341,495	13,142	5,980,219	15,143,349
Additions	7,809	130,255	25,787	29,546	17,143	2,585,321	2,795,861
Transfers	1,373,524	4,138	1,524,090	65,492	3,895	(2,971,139)	–
Disposals	(2,659)	–	(2,312)	(3,895)	(707)	–	(9,573)
Impairment	–	–	(7,468)	(129)	(6)	–	(7,603)
Depreciation provided during the year	<u>(247,457)</u>	<u>(118,604)</u>	<u>(577,284)</u>	<u>(113,169)</u>	<u>(12,829)</u>	<u>–</u>	<u>(1,069,343)</u>
At 31 December 2025, net of accumulated depreciation and impairment	<u>5,360,256</u>	<u>244,543</u>	<u>5,313,513</u>	<u>319,340</u>	<u>20,638</u>	<u>5,594,401</u>	<u>16,852,691</u>
At 31 December 2025:							
Cost	6,210,291	613,730	7,451,492	748,225	59,671	5,594,401	20,677,810
Accumulated depreciation and impairment	<u>(850,035)</u>	<u>(369,187)</u>	<u>(2,137,979)</u>	<u>(428,885)</u>	<u>(39,033)</u>	<u>–</u>	<u>(3,825,119)</u>
Net carrying amount	<u>5,360,256</u>	<u>244,543</u>	<u>5,313,513</u>	<u>319,340</u>	<u>20,638</u>	<u>5,594,401</u>	<u>16,852,691</u>

Certain of the Group’s plant and machinery and construction in progress with aggregate net book values of approximately RMB1,740,373,000, RMB2,270,247,000 and RMB2,018,144,000 as at 31 December 2023, 2024 and 2025, respectively, were pledged as security for the Group’s interest-bearing bank borrowings.

The application for the property ownership certificates for certain buildings with net book values of approximately RMB254,407,000, RMB668,642,000, and RMB400,462,000 as at 31 December 2023, 2024 and 2025, respectively, was still in progress.

* During the year ended 31 December 2024, the Group terminated one construction project for battery material manufacturing due to the changes in the business plan, resulting in an impairment loss of RMB48,445,000 recognised for construction in progress.

The Company

	Buildings	Leasehold improvements and renovations	Electronic and other equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023					
At 1 January 2023:					
Cost	30,279	1,254	2,208	1,085	34,826
Accumulated depreciation	(11,266)	(601)	(1,859)	(1,031)	(14,757)
Net carrying amount	<u>19,013</u>	<u>653</u>	<u>349</u>	<u>54</u>	<u>20,069</u>
At 1 January 2023, net of accumulated depreciation	19,013	653	349	54	20,069
Additions	–	236	993	–	1,229
Depreciation provided during the year	<u>(1,438)</u>	<u>(479)</u>	<u>(285)</u>	<u>–</u>	<u>(2,202)</u>
At 31 December 2023, net of accumulated depreciation	<u>17,575</u>	<u>410</u>	<u>1,057</u>	<u>54</u>	<u>19,096</u>
At 31 December 2023:					
Cost	30,279	1,490	3,201	1,085	36,055
Accumulated depreciation	<u>(12,704)</u>	<u>(1,080)</u>	<u>(2,144)</u>	<u>(1,031)</u>	<u>(16,959)</u>
Net carrying amount	<u>17,575</u>	<u>410</u>	<u>1,057</u>	<u>54</u>	<u>19,096</u>

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	Buildings	Leasehold improvements and renovations	Electronic and other equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024					
At 1 January 2024:					
Cost	30,279	1,490	3,201	1,085	36,055
Accumulated depreciation	(12,704)	(1,080)	(2,144)	(1,031)	(16,959)
Net carrying amount	17,575	410	1,057	54	19,096
At 1 January 2024, net of accumulated depreciation	17,575	410	1,057	54	19,096
Additions	–	–	59	–	59
Depreciation provided during the year	(1,439)	(273)	(401)	–	(2,113)
At 31 December 2024, net of accumulated depreciation	16,136	137	715	54	17,042
At 31 December 2024:					
Cost	30,279	1,490	3,261	1,085	36,115
Accumulated depreciation	(14,143)	(1,353)	(2,546)	(1,031)	(19,073)
Net carrying amount	16,136	137	715	54	17,042
	Buildings	Leasehold improvements and renovations	Electronic and other equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025					
At 1 January 2025:					
Cost	30,279	1,490	3,261	1,085	36,115
Accumulated depreciation	(14,143)	(1,353)	(2,546)	(1,031)	(19,073)
Net carrying amount	16,136	137	715	54	17,042
At 1 January 2025, net of accumulated depreciation	16,136	137	715	54	17,042
Additions	–	130	370	320	820
Disposals	–	–	–	(24)	(24)
Depreciation provided during the year	(1,438)	(153)	(449)	(13)	(2,053)
At 31 December 2025, net of accumulated depreciation	14,698	114	636	337	15,785
At 31 December 2025:					
Cost	30,279	1,620	3,631	931	36,461
Accumulated depreciation	(15,581)	(1,506)	(2,995)	(594)	(20,676)
Net carrying amount	14,698	114	636	337	15,785

16. OTHER INTANGIBLE ASSETS

The Group

	Patents and licences	Non-patented knowhow	Software and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2023				
At 1 January 2023:				
Cost	58,856	393	26,826	86,075
Accumulated amortisation	(22,270)	(393)	(14,028)	(36,691)
Net carrying amount	36,586	–	12,798	49,384
At 1 January 2023, net of accumulated amortisation	36,586	–	12,798	49,384
Additions	2,650	–	10,543	13,193
Amortisation provided during the year	(4,928)	–	(6,991)	(11,919)
At 31 December 2023, net of accumulated amortisation	34,308	–	16,350	50,658
At 31 December 2023:				
Cost	61,506	393	37,369	99,268
Accumulated amortisation	(27,198)	(393)	(21,019)	(48,610)
Net carrying amount	34,308	–	16,350	50,658

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	Patents and licences	Non-patented knowhow	Software and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2024				
At 1 January 2024:				
Cost	61,506	393	37,369	99,268
Accumulated amortisation	(27,198)	(393)	(21,019)	(48,610)
Net carrying amount	<u>34,308</u>	<u>—</u>	<u>16,350</u>	<u>50,658</u>
At 1 January 2024, net of accumulated amortisation	34,308	—	16,350	50,658
Additions	13,305	—	9,753	23,058
Acquisition of a subsidiary (note 40)	—	—	35	35
Amortisation provided during the year	(7,181)	—	(8,439)	(15,620)
At 31 December 2024, net of accumulated amortisation	<u>40,432</u>	<u>—</u>	<u>17,699</u>	<u>58,131</u>
At 31 December 2024:				
Cost	74,811	393	47,157	122,361
Accumulated amortisation	(34,379)	(393)	(29,458)	(64,230)
Net carrying amount	<u>40,432</u>	<u>—</u>	<u>17,699</u>	<u>58,131</u>
	Patents and licences	Non-patented knowhow	Software and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2025				
At 1 January 2025:				
Cost	74,811	393	47,157	122,361
Accumulated amortisation	(34,379)	(393)	(29,458)	(64,230)
Net carrying amount	<u>40,432</u>	<u>—</u>	<u>17,699</u>	<u>58,131</u>
At 1 January 2025, net of accumulated amortisation	40,432	—	17,699	58,131
Additions	28	—	7,142	7,170
Disposals	(189)	—	(83)	(272)
Amortisation provided during the year	(9,843)	—	(9,031)	(18,874)
At 31 December 2025, net of accumulated amortisation	<u>30,428</u>	<u>—</u>	<u>15,727</u>	<u>46,155</u>
At 31 December 2025:				
Cost	74,650	393	53,947	128,990
Accumulated amortisation	(44,222)	(393)	(38,220)	(82,835)
Net carrying amount	<u>30,428</u>	<u>—</u>	<u>15,727</u>	<u>46,155</u>

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various items of properties and leasehold land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 45 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Leasehold land	Buildings	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	584,650	30,978	615,628
Additions	293,099	11,916	305,015
Depreciation provided during the year	(15,768)	(19,743)	(35,511)
Lease termination	—	(2,403)	(2,403)
At 31 December 2023 and 1 January 2024	<u>861,981</u>	<u>20,748</u>	<u>882,729</u>

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	Leasehold land	Buildings	Total
	RMB'000	RMB'000	RMB'000
Additions	52,399	13,903	66,302
Acquisition of a subsidiary (<i>note 40</i>)	25,489	–	25,489
Depreciation provided during the year	(19,846)	(15,370)	(35,216)
Lease termination	–	(6,272)	(6,272)
Impairment losses recognised* (<i>note 8</i>)	(22,203)	–	(22,203)
At 31 December 2024 and 1 January 2025	897,820	13,009	910,829
Additions	8,420	–	8,420
Depreciation provided during the year	(19,815)	(2,595)	(22,410)
Disposal and termination of lease	(1,776)	(1,114)	(2,890)
At 31 December 2025	884,649	9,300	893,949

* During the year ended 31 December 2024, the Group terminated one construction project for battery material manufacturing due to the changes in the business plan, resulting in an impairment loss of RMB22,203,000 recognised for leasehold land.

As at 31 December 2023, 2024 and 2025, the Group’s leasehold land with net carrying amounts of RMB323,638,000, RMB357,576,000 and RMB322,207,000 were pledged for the bank borrowings (*note 32*).

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	33,023	21,067	13,244
Additions	11,916	13,903	–
Accretion of interest recognised during the year	1,367	655	214
Payments	(22,551)	(15,556)	(2,220)
Lease termination	(2,688)	(6,825)	(1,253)
Carrying amount at the end of the year	21,067	13,244	9,985
Analysed into:			
Current portion	13,145	3,505	2,574
Non-current portion	7,922	9,739	7,411

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	1,367	655	214
Gains on termination and disposal of right-of-use assets and lease liabilities	(285)	(553)	(254)
Depreciation charge of right-of-use assets	35,511	35,216	22,410
Expense relating to short-term leases	37,373	36,261	31,261
Total amount recognised in profit or loss	73,966	71,579	53,631

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(d) The total cash outflow for leases is set out in note 42 to the Historical Financial Information.

18. INVESTMENTS IN JOINT VENTURES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	243,868	218,241	214,796
Impairment provision	(60,000)	(60,000)	(77,612)
	<u>183,868</u>	<u>158,241</u>	<u>137,184</u>

Particulars of the Group’s principal joint venture are as follows:

Name	Particulars of capital held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
棗莊振興炭材科技有限公司 (Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.)*	Paid-in capital share	Chinese mainland	38.62%	Manufacture of graphite and carbon products

* The English names of the company is translation of its respective Chinese name for identification purpose only as it has not registered any official English name.

The above entity is a joint venture of the Group as the decisions about the relevant activities of the entity require the unanimous consent of the shareholders. The above investment is directly held by the Company.

The above joint venture incurred losses during the Relevant Periods. The Group performed an impairment assessment on the investment in the joint venture and the recoverable amount is its fair value less costs of disposal or its value in use. The recoverable amount of the investment in the joint venture has been determined based on its value in use in 2023 and 2024. The recoverable amount of the investment in the joint venture has been determined based on its fair value less costs of disposal in 2025. Based on the impairment assessment, an impairment provision of RMB60,000,000 was recognised prior to the Relevant Periods and additional impairment provision of RMB17,612,000 were recognised during the year ended 31 December 2025.

The joint venture of the Group are considered not individually material for the Relevant Periods and the following table illustrates the aggregate financial information of the Group’s joint venture:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of the joint ventures’ loss and total comprehensive loss for the year	(16,969)	(25,627)	(19,994)
Impairment provision	–	–	(17,612)
Aggregate carrying amount of the Group’s investments in the joint ventures	<u>183,868</u>	<u>158,241</u>	<u>137,184</u>

The Group’s balances with the joint venture are set out in note 45 to the Historical Financial Information.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	193,713	168,016	148,396
Impairment provision	(60,000)	(60,000)	(77,612)
	<u>133,713</u>	<u>108,016</u>	<u>70,784</u>

19. INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	<u>236,176</u>	<u>292,504</u>	<u>379,326</u>

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Particulars of the principal associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
四川茵地藥材料科技集團有限公司 (Sichuan Indigo Materials Technology Group Co., Ltd.*)	Paid-in capital	PRC/Chinese mainland	26%	Provision of technical services for lithium-ion batteries

* The English names of the company is translation of its respective Chinese name for identification purpose only as it has not registered any official English name.

The above investment is directly held by the Company.

The following table illustrates the aggregate financial information of the Group’s associates that are not individually material:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of the associates’ profit and total comprehensive income for the year	42,811	55,506	86,558
Aggregate carrying amount of the Group’s investments in the associates	<u>236,176</u>	<u>292,504</u>	<u>379,326</u>

The Group’s balances with the associates are disclosed in note 45 to the Historical Financial Information.

The Company

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Share of net assets	<u>234,256</u>	<u>290,604</u>	<u>377,102</u>

20. GOODWILL

The Group

	Li Yang TNS Electro-Energy Co., Ltd.	Shanghai Lufeng Venture Capital Management Co., Ltd.	Dongguan Advanced Electronic Technology Co., Ltd.	Dongguan Chao HONG Automation Equipment Co., Ltd.	Jiangsu Gaoyuan Membrane Material Technology Co., Ltd.	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023:						
Cost	83,808	1,295	1,798	10,918	–	97,819
Accumulated impairment . . .	(19,174)	–	–	–	–	(19,174)
Net carrying amount	<u>64,634</u>	<u>1,295</u>	<u>1,798</u>	<u>10,918</u>	<u>–</u>	<u>78,645</u>
Cost and net carrying amount at 1 January 2023	64,634	1,295	1,798	10,918	–	78,645
At 31 December 2023	<u>64,634</u>	<u>1,295</u>	<u>1,798</u>	<u>10,918</u>	<u>–</u>	<u>78,645</u>
At 31 December 2023:						
Cost	83,808	1,295	1,798	10,918	–	97,819
Accumulated impairment . . .	(19,174)	–	–	–	–	(19,174)
Net carrying amount	<u>64,634</u>	<u>1,295</u>	<u>1,798</u>	<u>10,918</u>	<u>–</u>	<u>78,645</u>
Cost and net carrying amount at 1 January 2024	64,634	1,295	1,798	10,918	–	78,645
Acquisition of a subsidiary (note 40)	–	–	–	–	35,777	35,777
Impairment during the year (note 8)	–	–	–	(10,918)	–	(10,918)
At 31 December 2024, 1 January 2025 and 31 December 2025:	<u>64,634</u>	<u>1,295</u>	<u>1,798</u>	<u>–</u>	<u>35,777</u>	<u>103,504</u>

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Impairment testing of goodwill

Goodwill arises from business combinations and is allocated to the following cash-generating units (“CGU”) for impairment testing:

- Li Yang TNS Electro-Energy Co., Ltd. CGU
- Shanghai Lufeng Venture Capital Management Co., Ltd. CGU
- Dongguan Advanced Electronic Technology Co., Ltd. CGU
- Dongguan Chao HONG Automation Equipment Co., Ltd. CGU
- Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. CGU
- (a) Li Yang TNS Electro-Energy Co., Ltd. CGU

The recoverable amount of Li Yang TNS Electro-Energy Co., Ltd. CGU has been determined based on a value in use calculation using cash flow projections for financial budgets covering a five-year period. As the recoverable amount of Li Yang TNS Electro-Energy Co., Ltd. CGU exceeded the carrying value as at 31 December 2023, 2024 and 2025, no impairment was required during the Relevant Periods.

The pre-tax discount rate applied to the cash flow projections, the revenue growth rate, gross profit margin and the terminal growth rate used to extrapolate the cash flows of Li Yang TNS Electro-Energy Co., Ltd. CGU beyond the five-year period are as follows:

	As at 31 December		
	2023	2024	2025
Revenue growth rate	-31.55% to 5.00%	-12.42% to 5.00%	-10.67% to 0.50%
Gross profit margin	30.00% to 42.00%	17.00% to 31.00%	51.00% to 58.00%
Pre-tax discount rate	13.27%	10.48%	11.88%
Terminal growth rate	0.00%	0.00%	0.00%

The values assigned to the key assumptions on expected revenue, gross profit margin and pre-tax discount rate are consistent with management’s past experience and external information sources.

Sensitivity to changes in key assumptions:

The management of the Company has performed sensitivity test by decreasing 5% of expected revenue, decreasing 3% of gross profit margin or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amounts by the CGU’s recoverable amount above its carrying amount (Headroom) are as below:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Headroom	107,504	76,739	330,608
Impact by decreasing expected revenue	(62,942)	(73,548)	(24,827)
Impact by decreasing terminal growth rate	(52,660)	(59,010)	(53,956)
Impact by increasing pre-tax discount rate	(24,239)	(28,970)	(42,760)

In the opinion of the directors of the Company, for the Li Yang TNS Electro-Energy Co., Ltd. CGU, a reasonably possible change in the key assumptions of the cash flow projections would not cause its carrying amount exceed its recoverable amount. The headroom was RMB107,504,000, RMB76,739,000 and RMB330,608,000 as at 31 December 2023, 2024 and 2025.

If the expected revenue decreases by 8.54%, or the gross profit rate decreases by 6.13%, or the pre-tax discount rate increased from 13.27% to 18.22%, the carrying amount of the Li Yang TNS Electro-Energy Co., Ltd. CGU would be equal to its recoverable amount as at 31 December 2023.

If the expected revenue decreases by 5.22%, or the gross profit rate decreases by 3.91%, or the pre-tax discount rate increased from 10.48% to 13.61%, the carrying amount of the Li Yang TNS Electro-Energy Co., Ltd. CGU would be equal to its recoverable amount as at 31 December 2024.

If the expected revenue decreases by 66.59%, or the gross profit rate decreases by 18.39%, or the pre-tax discount rate increased from 11.88% to 28.93%, the carrying amount of the Li Yang TNS Electro-Energy Co., Ltd. CGU would be equal to its recoverable amount as at 31 December 2025.

- (b) Dongguan Chao HONG Automation Equipment Co., Ltd. CGU

Goodwill arising from acquisition of Dongguan Chao HONG Automation Equipment Co., Ltd. CGU, was not material in carrying amount fully impaired in 2024.

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21. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Raw materials	729,480	641,474	727,660
Contract costs	543,629	562,409	598,727
Work in progress	3,817,587	2,410,307	2,904,768
Finished goods	1,125,418	778,863	834,008
Goods delivered*	5,261,845	3,971,421	3,839,636
	<u>11,477,959</u>	<u>8,364,474</u>	<u>8,904,799</u>

* “Goods delivered” primarily represents the new energy battery automation equipment delivered to the customer’s location under installation.

22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Receivables classified at financial assets at fair value through other comprehensive income	<u>963,528</u>	<u>442,028</u>	<u>201,270</u>

The Group received trade receivables that can be endorsed and transferred within the customer’s supply chain on a non-recourse basis. In its daily cash management activities, the Group may either endorse these trade receivables for discounting or hold them to maturity to collect contractual cash flows. Given that the Group’s business model involves both the objective of collecting contractual cash flows and the objective of selling the financial assets, these trade receivables are classified as financial assets measured at fair value through other comprehensive income.

23. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade receivables	3,436,166	4,153,168	5,080,988
Bank bills receivables	579,963	550,940	946,339
Commercial bills receivables	9,418	5,467	9,056
	<u>4,025,547</u>	<u>4,709,575</u>	<u>6,036,383</u>
Less: allowance for credit losses	<u>(197,907)</u>	<u>(216,326)</u>	<u>(208,218)</u>
Total	<u>3,827,640</u>	<u>4,493,249</u>	<u>5,828,165</u>

The Group’s trading terms with its customers are mainly on credit. For sales of materials, the credits period is normally within 60 to 120 days from delivery or accepted the customers. For sales of equipment, the settlement is made in accordance with the terms specified in the sales contracts. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The Group’s bills receivable were all aged within six months and were neither past due nor impaired.

As at 31 December 2023, 2024 and 2025, the Group had certain concentrations of credit risk as 47.1%, 44.3% and 40.5% and 78.5%, 75.3% and 62.2% of the Group’s trade receivables were due from the Group’s largest customer and five largest customers, respectively.

Included in the Group’s trade receivables are amounts due from the Group’s related companies of RMB681,000, RMB461,000, and RMB1,438,000 as at 31 December 2023, 2024 and 2025 (note 45), respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

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The Group pledged trade receivables of approximately RMB27,904,000 to secure a bank loan granted as at 31 December 2023 (note 32).

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An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the date of recognition, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	3,474,651	4,234,040	5,218,537
1 to 2 years	337,625	194,666	457,310
2 years to 3 years	12,423	63,160	139,744
Over 3 years	2,941	1,383	12,574
Total	<u>3,827,640</u>	<u>4,493,249</u>	<u>5,828,165</u>

The movements in loss allowance for impairment of trade receivables are as follows:

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at beginning of year	218,820	197,907	216,326
Impairment losses, net (<i>note 8</i>)	(11,045)	18,454	46,605
Amount write off as uncollectible	(9,868)	(35)	(54,713)
Balance at end of year	<u>197,907</u>	<u>216,326</u>	<u>208,218</u>

An impairment analysis was made based on expected credit loss model on the recoverability of trade and bills receivables. The identification of impairment requires management’s judgements and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence of macroeconomic conditions. Generally, trade receivables are written off according to management approval. Trade receivables for which the counterparties failed to make the demanded repayments are defaulted receivables. The Group has provided full impairment for the defaulted receivables.

Set out below is the information about the credit risk exposure on the trade and bills receivables using a provision matrix:

As at 31 December 2023

The Group

	Provision on an individual basis	Provision on a collective basis				
		Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	100.0%	1.8%	10.0%	20.4%	62.6%	4.9%
Gross carrying amount (RMB'000)	89,108	3,537,849	375,124	15,600	7,866	4,025,547
Expected credit losses (RMB'000)	89,108	63,198	37,499	3,177	4,925	197,907

As at 31 December 2024

The Group

	Provision on an individual basis	Provision on a collective basis				
		Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	100.0%	1.7%	14.7%	13.3%	71.5%	4.6%
Gross carrying amount (RMB'000)	95,720	4,307,906	228,273	72,830	4,846	4,709,575
Expected credit losses (RMB'000)	95,720	73,866	33,607	9,670	3,463	216,326

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As at 31 December 2025

The Group

	Provision on an individual basis	Provision on a collective basis				Total
		Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	
Expected credit loss rate	100.0%	1.6%	10.2%	16.0%	32.2%	3.4%
Gross carrying amount (RMB'000)	36,536	5,305,757	509,240	166,298	18,552	6,036,383
Expected credit losses (RMB'000)	36,536	87,220	51,930	26,554	5,978	208,218

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current portion:			
Prepayments for property, plant and equipment	761,350	1,234,676	252,898
Prepayments for acquisition of a subsidiary (<i>note 40</i>)	85,165	–	–
	<u>846,515</u>	<u>1,234,676</u>	<u>252,898</u>
Current portion:			
Prepayments to suppliers	370,294	263,459	394,290
Other receivables	67,178	80,920	77,950
Other tax recoverable	322,447	381,083	365,742
Other assets*	505,398	343,393	341,268
Deposits	54,842	21,074	14,069
	<u>1,320,159</u>	<u>1,089,929</u>	<u>1,193,319</u>
Less: Impairment allowance	(12,803)	(28,803)	(37,353)
	<u>1,307,356</u>	<u>1,061,126</u>	<u>1,155,966</u>
Total	<u>2,153,871</u>	<u>2,295,802</u>	<u>1,408,864</u>

* Other assets represent the consumables used in the production of battery materials, which are amortized to cost of inventories sold based on the units of consumption.

As at 31 December 2023, 2024 and 2025, the impairment of the other receivables and deposits were measured based on 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on lifetime expected credit loss.

As at 31 December 2023, 2024 and 2025, other receivables included amounts of RMB60,670,000 RMB50,613,000 and RMB38,613,000 due from Ningde Ali Technology Co., Ltd. which were secured by a 40% equity interest in Ningde Wanhua Investment Group Co., Ltd. (an independent third party). The receivables bears an interest rate of 5.25% per annum prior to 1 January 2026 and an interest rate of 3.50% per annum thereafter. Since the receivables had a significant increase in credit risk since initial recognition, they were measured based on lifetime expected credit loss and impairment provisions of RMB8,780,000, RMB15,184,000 and RMB19,307,000 were recognised as at the end of each of the Relevant Periods.

Other than above, the other receivables were interest-free, unsecured and repayable on demand.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Due from subsidiaries	1,870,887	1,863,529	1,485,452
Dividends receivable	304,861	304,861	411,291
Other tax recoverable	18	9,394	3,482
Other receivables	1,042	191	108
Deposits	235	226	56
	<u>2,177,043</u>	<u>2,178,021</u>	<u>1,900,389</u>
Impairment allowance	(36)	(20)	(21)
	<u>2,177,007</u>	<u>2,178,181</u>	<u>1,900,368</u>

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The movements in loss allowance for impairment of other receivables are as follows:

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at beginning of year	18,959	12,803	28,803
(Reversal of impairment)/impairment recognised during the year (<i>note 8</i>)	(6,150)	16,026	8,550
Amount written off as uncollectible	(6)	(26)	–
Balance at end of year	<u>12,803</u>	<u>28,803</u>	<u>37,353</u>

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balance at beginning of year	24	36	20
Impairment/(reversal of impairment) recognised during the year	12	(16)	1
Balance at end of year	<u>36</u>	<u>20</u>	<u>21</u>

25. CONTRACT ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Retention receivables	489,758	511,956	519,169
Impairment	(24,471)	(26,859)	(27,395)
Total	<u>465,287</u>	<u>485,097</u>	<u>491,774</u>

Contract assets are mainly from sales of new energy automation equipment. According to the contract term, a certain percentage of the contract amount is classified as retention receivables which will be collected upon the completion of warranty period. The retention receivables are recognised as contract assets when the equipment is accepted by the customer and are reclassified to trade receivables upon the completion of the warranty period which is normally one year.

The movements in the loss allowance for impairment of contract assets are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	106	24,471	26,859
Impairment losses recognised (<i>note 8</i>)	24,365	2,388	536
At end of year	<u>24,471</u>	<u>26,859</u>	<u>27,395</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are referred to those of the trade and bills receivables as the contract assets and the trade and bills receivables are from the same customer bases. The determination of provision rates for contract assets also takes into account the probability of default, historical loss record as well as forward-looking information. The calculation is adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

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Set out below is the information about the credit risk exposure on contract assets:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expected credit loss rate	5.00%	5.25%	5.28%
Gross carrying amount	489,758	511,956	519,169
Expected credit losses	<u>24,471</u>	<u>26,859</u>	<u>27,395</u>

26. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

Financial assets

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss:			
Wealth management products	954,434	1,407,618	2,629,524
Bank bills receivables*	567,237	572,688	1,534,557
Unlisted equity investments	79,806	76,853	96,764
Listed equity investment	3,008	2,073	–
Foreign exchange forward contracts	410	–	–
	<u>1,604,895</u>	<u>2,059,232</u>	<u>4,260,845</u>
Analysed into:			
Current portion	1,525,089	1,982,379	4,164,081
Non-current portion	<u>79,806</u>	<u>76,853</u>	<u>96,764</u>

* All bank bills receivables are with aging within one year.

Financial liabilities

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial liabilities at fair value through profit or loss:			
Foreign exchange forward contracts	–	1,640	–
	<u>–</u>	<u>–</u>	<u>–</u>

The Company

Financial assets

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss:			
Wealth management products	<u>934,434</u>	<u>737,606</u>	<u>997,829</u>

The wealth management products are primarily issued by banks in the Chinese mainland and were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

The above investment in equity instruments is classified as financial assets at fair value through profit or loss as the Group had not irrevocably elected to classify them at fair value through other comprehensive income and the purpose is mainly for trading.

Bank bills receivables were classified and measured as financial assets at fair value through profit or loss as they are not held within the business model with the objective to collect contractual cashflows nor the business model with the objective of both collecting contractual cashflows and selling.

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27. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments, at cost	8,640,395	9,883,256	10,853,529

28. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED CASH

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	8,352,507	6,136,514	5,189,698
Time deposits	–	46,000	327,617
Restricted cash	749,544	403,906	466,007
Subtotal	9,102,051	6,586,420	5,983,322
Less:			
Time deposits:			
Pledged time deposits for bank loans and bank bills	–	–	(320,000)
Non-pledged time deposits with original maturity of more than three months when acquired	–	(46,000)	(7,617)
Subtotal	–	(46,000)	(327,617)
Restricted cash for:			
bank bills issued	(705,341)	(255,913)	(430,094)
letters of credit	(7,273)	(67,572)	(9,065)
bank loans	–	(75,000)	–
letter of guarantee	(36,930)	(5,421)	(26,848)
Cash and cash equivalents	8,352,507	6,136,514	5,189,698

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Denominated in:			
RMB	8,922,252	6,484,592	5,814,856
USD	176,716	98,780	164,172
EUR	2,747	2,646	3,675
Others	336	402	619
Total cash and bank balances	9,102,051	6,586,420	5,983,322

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	2,693,991	1,134,568	2,075,496

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total cash and cash equivalents	2,693,991	1,134,568	2,075,496

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The RMB is not freely convertible into other currencies, however, under the Chinese mainland’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances and time deposits and restricted cash are deposited with creditworthy banks with no recent history of default.

29. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Trade payables	3,921,620	3,064,555	4,551,176
Bills payables	3,389,694	1,556,151	2,981,843
	<u>7,311,314</u>	<u>4,620,706</u>	<u>7,533,019</u>

Included in the Group’s trade payables are amounts due to the Group’s related companies of RMB36,838,000, RMB36,439,000 and RMB44,212,000 as at 31 December 2023, 2024 and 2025 (note 45), respectively, which are payable on terms similar to those offered by the major suppliers of the Group.

An ageing analysis of trade and bills payables as at the end of each of the Relevant Periods, based on the date of recognition, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Less than 1 year	7,266,860	4,384,539	7,341,364
1 to 2 years	40,470	210,948	147,792
2 to 3 years	1,837	22,188	36,407
Over 3 years	2,147	3,031	7,456
Total	<u>7,311,314</u>	<u>4,620,706</u>	<u>7,533,019</u>

The trade payables are non-interest-bearing, unsecured, and repayable on demand.

30. CONTRACT LIABILITIES

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB’000	RMB’000	RMB’000	RMB’000
Advance from customers	<u>4,791,783</u>	<u>4,326,404</u>	<u>3,470,330</u>	<u>3,169,854</u>

Contract liabilities mainly include advance payments for the sale of new energy automation equipment. The decrease in contract liabilities during the Relevant Periods was mainly due to the Group fulfilling its obligations under contracts at the end of the year.

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31. OTHER PAYABLES AND ACCRUALS

The Group

	Note	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Deposit received		24,814	17,069	14,745
Payroll and welfare payables		496,885	465,637	480,602
Shares repurchase obligation under share award scheme		48,096	18,768	–
Payables for property, plant and equipment		1,025,205	1,291,582	1,256,973
Other payables and accrued expenses	(a)	187,289	240,602	222,651
Other tax payables		88,348	177,257	166,415
Total		<u>1,870,637</u>	<u>2,210,915</u>	<u>2,141,386</u>

The Company

	Note	As at 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Payroll and welfare payables		1,846	1,916	977
Shares repurchase obligation under share award scheme		48,096	18,769	–
Other payables and accrued expenses	(a)	1,088	1,326	1,383
Other tax payables		367	289	244
Total		<u>51,397</u>	<u>22,300</u>	<u>2,604</u>

(a) Other payables are non-interest-bearing and unsecured and repayable on demand.

Included in the Group’s other payables are amounts due to the Group’s related companies of RMB1,072,000, RMB1,063,000 and RMB1,072,000 as at 31 December 2023, 2024 and 2025 (note 45), respectively.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity (year)	RMB'000	Effective interest rate (%)	Maturity (year)	RMB'000	Effective interest rate (%)	Maturity (year)	RMB'000
Current									
Bank loans – secured	0.75-2.35	2024	658,646	0.40-2.40	2025	1,541,985	0.43-2.90	2026	2,095,959
Bank loans – unsecured	1.25-3.20	2024	3,011,275	2.16-3.05	2025	2,090,513	1.75-3.05	2026	2,039,875
Short-term bonds – unsecured	3.42	2024	1,020,524	2.90-3.35	2025	603,130	1.90	2026	602,125
Current portion of long term bonds – unsecured	N/A	N/A	–	N/A	N/A	–	2.35	2026	1,880
Current portion of long term bank loans – secured	2.05-4.05	2024	353,196	1.80-4.90	2025	965,450	2.45-2.85	2026	688,526
Current portion of long term bank loans – unsecured	2.40-3.70	2024	1,638,570	2.05-3.55	2025	1,192,111	1.52-3.00	2026	1,486,441
			<u>6,682,211</u>			<u>6,393,189</u>			<u>6,914,806</u>
Non-current									
Bank loans – secured	2.05-4.05	2025 to 2030	2,332,905	1.80-4.90	2026 to 2030	2,849,368	2.45-2.85	2027 to 2030	1,606,731
Bank loans – unsecured	2.50-3.70	2025 to 2029	1,622,490	2.45-3.55	2026 to 2030	1,937,864	2.18-3.00	2027 to 2030	1,692,856
Long-term bonds – unsecured	N/A	N/A	–	N/A	N/A	–	2.35	2028	199,443
			<u>3,955,395</u>			<u>4,787,232</u>			<u>3,499,030</u>
Total			<u>10,637,606</u>			<u>11,180,421</u>			<u>10,413,836</u>

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	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed into:			
Bank loans repayable:			
Within one year	6,682,211	6,393,189	6,914,806
In the second year	1,341,697	2,261,327	1,736,746
In the third year	1,069,614	1,270,009	1,130,617
Beyond three years	1,544,084	1,255,896	631,667
Total	<u>10,637,606</u>	<u>11,180,421</u>	<u>10,413,836</u>

Notes:

The bank borrowings amounting to RMB403,351,000 as at 31 December 2023 were secured by the pledge of the Group’s construction in progress (note 15).

The bank borrowings amounting to RMB2,322,781,000, RMB3,850,767,000 and RMB2,577,285,000 as at 31 December 2023, 2024 and 2025, respectively, were secured by the pledge of the Group’s plant and machinery (note 15) and leasehold land (note 17).

The bank borrowings amounting to RMB27,904,000 as at 31 December 2023 were secured by the pledge of the Group’s trade receivables (note 23).

The bank borrowings amounting to RMB590,711,000, RMB1,506,036,000 and RMB1,813,931,000 as at 31 December 2023, 2024 and 2025, respectively, were secured by the pledge of restricted cash and time deposits (note 28).

The Company

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity (year)	RMB’000	Effective interest rate (%)	Maturity (year)	RMB’000	Effective interest rate (%)	Maturity (year)	RMB’000
Current									
Bank loans – unsecured	2.16-3.20	2024	945,000	2.16-3.01	2025	915,706	2.15-2.30	2026	720,000
Short-term bonds – unsecured	3.42	2024	1,020,524	2.90-3.35	2025	603,130	1.90	2026	602,125
Current portion of long term bank loans – unsecured	N/A	N/A	–	N/A	N/A	–	2.24	2026	19,500
Current portion of long term bonds – unsecured	N/A	N/A	–	N/A	N/A	–	2.35	2026	1,880
			<u>1,965,524</u>			<u>1,518,836</u>			<u>1,343,505</u>
Non-current									
Bank loans – unsecured	N/A	N/A	–	N/A	N/A	–	2.24	2027	175,500
Lone-term bonds – unsecured	N/A	N/A	–	N/A	N/A	–	2.35	2028	199,443
			<u>–</u>			<u>–</u>			<u>374,943</u>
Total			<u>1,965,524</u>			<u>1,518,836</u>			<u>1,718,448</u>

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Analysed into:			
Bank loans repayable:			
Within one year	1,965,524	1,518,836	1,343,505
In the second year	–	–	175,500
In the third to fifth years, inclusive	–	–	199,443
Total	<u>1,965,524</u>	<u>1,518,836</u>	<u>1,718,448</u>

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33. PROVISION

	Onerous contract provisions	Warranty provision	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	1,375	24,134	25,509
Additional provision	37,576	17,448	55,024
Amounts utilised during the year	(38,951)	(30,239)	(69,190)
At 31 December 2023 and 1 January 2024	—	11,343	11,343
Additional provision	—	25,931	25,931
Amounts utilised during the year	—	(23,840)	(23,840)
At 31 December 2024 and 1 January 2025	—	13,434	13,434
Additional provision	—	13,304	13,304
Amounts utilised during the year	—	(8,159)	(8,159)
At 31 December 2025	—	18,579	18,579

The Group provides warranties to its customers for equipment for general repairs of defects occurring during the warranty period which is generally one year. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

The Group

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation	Fair value adjustments arising from assets at fair value through profit or loss	Fair value adjustments arising from acquisitions of subsidiaries	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax liabilities at 1 January 2023	58,943	3,051	14,520	4,648	81,162
Deferred tax charged/(credited) to profit or loss during the year . . .	20,812	6,703	(564)	(1,163)	25,788
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	79,755	9,754	13,956	3,485	106,950
Addition as a result of acquisition of a subsidiary (<i>note 40</i>)	—	—	4,080	—	4,080
Deferred tax (credited)/charged to profit or loss during the year . . .	(10,218)	1,347	(729)	(1,942)	(11,542)
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	69,537	11,101	17,307	1,543	99,488
Deferred tax (credited)/charged to profit or loss during the year . . .	(5,585)	7,497	(704)	(740)	468
Gross deferred tax liabilities at 31 December 2025	63,952	18,598	16,603	803	99,956

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The Group

Deferred tax assets

	Provision for impairment losses	Intra Group of unrealised profits	Losses available for offsetting against future taxable profits	Deferred income	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2023	54,900	142,157	49,083	79,093	5,001	15,529	345,763
Deferred tax credited/(charged) to the profit or loss during the year	44,976	(43,881)	210,638	7,407	(1,355)	13,573	231,358
Deferred tax debited to other capital reserve during the year	—	—	—	—	—	(6,565)	(6,565)
Deferred tax credited to other comprehensive income during the year	—	—	—	—	—	2,114	2,114
Gross deferred tax assets at 31 December 2023 and 1 January 2024	99,876	98,276	259,721	86,500	3,646	24,651	572,670
Deferred tax credited/(charged) to the profit or loss during the year	52,980	(20,943)	123,769	49,225	(2,247)	6,142	208,926
Deferred tax credited to other capital reserve during the year	—	—	—	—	—	1,801	1,801
Deferred tax charged to other comprehensive income during the year	—	—	—	—	—	(1,187)	(1,187)
Gross deferred tax assets at 31 December 2024 and 1 January 2025	152,856	77,333	383,490	135,725	1,399	31,407	782,210
Deferred tax credited/(charged) to the profit or loss during the year	16,253	25,458	(24,001)	21,494	(801)	8,352	46,755
Deferred tax credited to other capital reserve during the year	—	—	—	—	—	14,852	14,852
Deferred tax charged to other comprehensive income during the year	—	—	—	—	—	(348)	(348)
Gross deferred tax assets at 31 December 2025	<u>169,109</u>	<u>102,791</u>	<u>359,489</u>	<u>157,219</u>	<u>598</u>	<u>54,263</u>	<u>843,469</u>

The Company

Deferred tax liabilities

	Fair value adjustments arising from assets at fair value through profit or loss
	RMB'000
Gross deferred tax liabilities at 1 January 2023	3,051
Deferred tax charged to profit or loss during the year	6,703
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	9,754
Deferred tax charged to profit or loss during the year	765
Gross deferred tax liabilities at 31 December 2024	10,519
Deferred tax charged to profit or loss during the year	8,152
Gross deferred tax liabilities at 31 December 2025	<u>18,671</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

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The Group

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	492,450	710,695	778,859
Net deferred tax liabilities recognised in the consolidated statements of financial position	<u>26,730</u>	<u>27,973</u>	<u>35,346</u>

The Company

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax liabilities recognised in the statements of financial position	<u>9,754</u>	<u>10,519</u>	<u>18,671</u>

Deferred tax assets not recognised

The Group has unrecognised accumulated tax losses in the Chinese mainland of nil, RMB400,326,000 and RMB468,972,000 as at 31 December 2024 and 2025, respectively, that will expire in five to ten years for offsetting against future taxable profits.

The Group had unrecognised deductible temporary differences of RMB59,960,000, RMB60,020,000 and RMB77,612,000 as at 31 December 2023, 2024 and 2025, respectively.

Deferred tax assets have not been recognised in respect of the above tax losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time, and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses and the deductible temporary differences can be utilised.

35. DEFERRED INCOME

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants			
At 1 January	392,147	563,864	879,920
Received during the year	195,433	358,050	223,932
Released during the year	<u>(23,716)</u>	<u>(41,994)</u>	<u>(67,502)</u>
At 31 December	<u>563,864</u>	<u>879,920</u>	<u>1,036,350</u>

The Group’s deferred income represented government grants received for projects and is credited to profit or loss on a straight-line basis over the expected lives of the related assets for which they are intended to compensate.

36. SHARE CAPITAL

The Group and the Company

	Number of shares	Share capital
		RMB'000
As at 1 January 2023	1,390,829,959	1,390,830
Issue of shares (<i>note (a)</i>)	121,787,554	121,788
Capitalisation of capital reserve (<i>note (a)</i>)	625,873,482	625,873
Cancellation of treasury shares (<i>note (b)</i>)	<u>(495,349)</u>	<u>(495)</u>
As at 31 December 2023 and 1 January 2024	2,137,995,646	2,137,996
Cancellation of treasury shares (<i>note (b)</i>)	<u>(830,274)</u>	<u>(831)</u>
As at 31 December 2024	2,137,165,372	2,137,165
Cancellation of treasury shares (<i>note (b)</i>)	<u>(766,296)</u>	<u>(766)</u>
As at 31 December 2025	<u>2,136,399,076</u>	<u>2,136,399</u>

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Notes:

- (a) In November 2023, the Company issued 121,787,554 shares with par value of each for RMB23.16 per share. The difference between the proceeds received and the par value of RMB2,693,342,000 (after deducting issuance expenses of RMB5,469,000) was credited to the Company’s capital reserves.

In April 2023, the shareholders of the Company approved a profit distribution in the annual general meeting to issue 625,873,482 new shares to the shareholders with application of RMB625,873,000 as stated in the capital reserve to pay up share capital.

- (b) The Company repurchased and cancelled 495,349 shares, 830,274 shares and 766,296 shares during the years ended 31 December 2023, 2024 and 2025, respectively.

37. TREASURY SHARES

The Group and the Company

	Number of shares	Treasury shares
		RMB'000
At 1 January 2023	1,667,357	94,636
Share reissued for equity-settled share-based payment arrangements (<i>note (a)</i>)	(2,234,516)	(34,677)
Repurchase of treasury shares (<i>note (b)</i>)	9,751,415	299,999
Cancellation of treasury shares	(495,349)	(11,844)
At 31 December 2023 and 1 January 2024	8,688,907	348,114
Shares reissued for equity-settled share-based payment arrangements (<i>note (a)</i>)	(1,793,800)	(10,338)
Repurchase of treasury shares (<i>note (b)</i>)	22,881,000	300,006
Cancellation of treasury shares	(830,274)	(19,455)
At 31 December 2024 and 1 January 2025	28,945,833	618,327
Cancellation of treasury shares	(766,296)	(18,322)
At 31 December 2025	28,179,537	600,005

Notes:

- (a) During the years ended 31 December 2023 and 2024, the Company reissued treasury shares of 2,234,516 shares and 1,793,800 shares, respectively, as equity share base payment upon vesting for the share award scheme.
- (b) During the years ended 31 December 2023 and 2024, the Company repurchased 9,751,415 shares and 22,881,000 shares with average prices of RMB30.76 and RMB13.11 per share for aggregate considerations of RMB299,998,900 and RMB300,006,000, respectively.

38. SHARE-BASED PAYMENTS

The Group approved and adopted a share award scheme (the “Share Award Scheme”) and a share option scheme (the “Share Option Scheme”) for certain employees of the Group (“Incentive Participants”) in order to recognise the contributions of the Incentive Participants to the growth and development of the Group.

As of 31 December 2025, the awarded restricted shares units (“RSUs”) and share options granted to employees under the Share Award Scheme and the Share Option Scheme, respectively, are set out below:

Grant date	Notes	Number of RSUs and share option granted	Subscription/ exercise price	Fair values of RSUs/options on the grant date	The basis for determining the fair value as of the grant date
			RMB per share	RMB per share	
12 November 2018	(a)	1,992,600	22.59	24.29	The open market price on the Shanghai Stock Exchange
27 September 2019	(a)	556,300	25.60	25.10	The open market price on the Shanghai Stock Exchange
21 April 2022	(a)	1,068,300	69.34	48.86	The open market price on the Shanghai Stock Exchange
21 April 2022	(b)	6,370,000	138.68	5.59	Black-Scholes model valuation*

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Grant date	Notes	Number of RSUs and share option granted	Subscription/ exercise price	Fair values of RSUs/options on the grant date	The basis for determining the fair value as of the grant date
10 April 2025	(b)	28,480,900	RMB per share 15.43	RMB per share 2.19	Black-Scholes model valuation*

* The key parameters of the Black-Scholes model are expected volatility, dividend yield and risk-free rate.

(a) Share Awards Scheme

On 12 November 2018, the Company granted 1,992,600 RSUs to 170 Incentive Participants at a subscription price of RMB22.59 per share. The restricted shares will be vested by 5 instalments subject to the Company’s annual performance appraisal and individual performance appraisal during 2018 to 2022.

On 27 September 2019, the Company granted 556,300 RSUs to 51 Incentive Participants at a subscription price of RMB25.60 per share. The restricted shares will be vested by 5 instalments subject to the Company’s annual performance appraisal and individual performance appraisal during 2019 to 2023.

On 21 April 2022, the Company granted 1,068,300 RSUs to 65 Incentive Participants at a subscription price of RMB69.34 per share. The restricted shares will be vested by 3 instalments subject to the Company’s annual performance appraisal and individual performance appraisal during 2022 to 2024.

The Company has repurchase obligation for those RSUs should the Incentive Participants be unable to meet the performance conditions. The repurchase price of RSUs is the original granted price. As at 31 December 2023 and 2024, the repurchase obligation based on the grant price was RMB48,096,000 and RMB18,768,000, respectively, as recognised in other payables (note 31).

The number of restricted shares granted by the Company is summarised as follows:

	Number of shares of the Company		
	2023	2024	2025
At the beginning of the year	6,120,235*	3,390,370	766,296
Vested during the year	(2,234,516)	(1,793,800)	–
Forfeited during the year	(495,349)	(830,274)	(766,296)
At the end of the year	<u>3,390,370*</u>	<u>766,296</u>	<u>–</u>

* The number of shares has been adjusted after the capitalisation of capital reserve. As some of the performance conditions were not met as at 31 December 2023, the Group recognised a reversal of share award expense of RMB2,992,000 for the year ended 31 December 2023 for the above share awards.

(b) Share Option Scheme

On 21 April 2022, the Company granted 6,370,000 share options (before share number adjustment for capitalisation of capital reserve) to 17 Incentive Participants, at an exercise price of RMB138.68 per share. The vesting periods for the share options were 12 months, 24 months, and 36 months from the grant date, and the performance conditions to be satisfied. As the performance conditions were not met as at 31 December 2023, the granted shares options were forfeited, resulting in a reversal of share options expenses of RMB6,907,000 for the year ended 31 December 2023.

On 10 April 2025, the Company granted 28,480,900 share options to 262 Incentive Participants, at an exercise price of RMB15.43 per share. The vesting periods for the share options were 12 months, 24 months, and 36 months from the grant date, and the performance conditions to be satisfied. The Group recognised a share base payment expense of RMB20,757,000 for the year ended 31 December 2025.

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A summary of activities of the share options granted by the Company is as follows:

	Number of shares options of the Company		
	2023	2024	2025
At the beginning of the year	18,473,000*	17,532,820	5,280,900
Granted during the year	–	–	28,480,900
Forfeited during the year	(940,180)	(12,251,920)	(5,280,900)
At the end of the year	<u>17,532,820</u>	<u>5,280,900</u>	<u>28,480,900</u>

* The number of shares has been adjusted after the capitalisation of capital reserve.

39. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Capital reserve

The capital reserve of the Group represents the difference between the par value of the Company’s shares and the proceeds from the shares issued, dilution of non-controlling interest upon capital injection by the Group in a subsidiary, the share of reserves in associates, and the share-based compensation for the equity-settled share-based payment transactions.

Fair value reserve

The fair value reserve represents fair value changes of debt investments at fair value through other comprehensive income.

Statutory surplus reserve

In accordance with the Company Law of the PRC, the entities registered in the Chinese Mainland are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years’ losses) as prepared in accordance with generally accepted accounting principles in the Chinese Mainland, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity’s registered capital. The statutory reserve can be utilised to offset prior years’ losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of the registered capital.

Reserve funds

Pursuant to the regulations issued by the Ministry of Finance and the State Administration of Work Safety of Chinese Mainland, the Group is required to set aside an amount for maintenance, production and other similar funds. The funds can be used for maintenance of production facilities and improvements of safety measures and are not available for distribution to shareholders.

The Company

The amounts of the Company’s reserves and the movements for the Relevant Periods are presented as follows:

	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB’000	RMB’000	RMB’000	RMB’000
At 1 January 2023	6,178,750	261,111	1,282,267	7,722,128
Profit for the year	–	–	1,782,550	1,782,550
Total comprehensive income for the year	–	–	1,782,550	1,782,550
Issue of shares, net (<i>note 36</i>)	2,693,342	–	–	2,693,342
Share-based payments	(8,291)	–	–	(8,291)
Issue of shares upon capitalisation of capital reserve	(625,873)	–	–	(625,873)
Cancellation of treasury shares	(11,349)	–	–	(11,349)
Transfer to statutory surplus reserve	–	178,255	(178,255)	–
Dividend declared	–	–	(472,882)	(472,882)
Divestment of interest in a subsidiary	(770)	–	–	(770)
At 31 December 2023 and 1 January 2024	<u>8,225,809</u>	<u>439,366</u>	<u>2,413,680</u>	<u>11,078,855</u>
Profit for the year	–	–	580,052	580,052
Total comprehensive income for the year	–	–	580,052	580,052
Share-based payments	290	–	–	290
Cancellation of treasury shares	(18,624)	–	–	(18,624)
Transfer to statutory surplus reserve	–	58,006	(58,006)	–
Dividend declared	–	–	(297,951)	(297,951)
Share of reserves of associates	822	–	–	822

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	Capital reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2024 and 1 January 2025 . . .	8,208,297	497,372	2,637,775	11,343,444
Profit for the year	—	—	2,107,712	2,107,712
Total comprehensive income for the year	—	—	2,107,712	2,107,712
Share-based payments	21,001	—	—	21,001
Cancellation of treasury shares	(16,559)	—	—	(16,559)
Transfer to statutory surplus reserve	—	210,771	(210,771)	—
Dividend declared	—	—	(357,770)	(357,770)
At 31 December 2025	8,212,739	708,143	4,176,946	13,097,828

40. BUSINESS COMBINATION

On 1 February 2024, the Group acquired a 50.01% equity interest in 江蘇高遠膜材料科技有限公司 (Jiangsu Gaoyuan Membrane Material Technology Co., Ltd.) at a total cash consideration of RMB93,165,000. Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. is engaged in the new energy battery materials business. The purchase consideration for the acquisition was in the form of cash.

The Group has elected to measure the non-controlling interest in Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. at the non-controlling interest's proportionate share of Jiangsu Gaoyuan Membrane Material Technology Co., Ltd.'s identifiable net assets.

The fair values of the identifiable assets and liabilities of Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Cash and cash equivalents		5,232
Prepayments, other receivables and other assets		21,439
Inventories		5,565
Property, plant and equipment	15	125,996
Other intangible assets	16	35
Right-of-use assets	17	25,489
Trade payables		(12,095)
Other payables and accruals		(18,851)
Interest-bearing bank and other borrowings		(33,973)
Deferred tax liabilities	34	(4,080)
Total identifiable net assets at fair value		114,757
Non-controlling interests		(57,369)
Goodwill	20	35,777
Total		93,165
Satisfied by:		
Cash paid during the year ended 31 December 2024		8,000
Cash prepaid during the year ended 31 December 2023		85,165
Total		93,165

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

An analysis of cash flows for the year ended 31 December 2024 in respect of the acquisition of Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. is as follows:

	RMB'000
Cash consideration paid during the year ended 31 December 2024	(8,000)
Cash and cash equivalents acquired	5,232
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,768)

Since the acquisition, Jiangsu Gaoyuan Membrane Material Technology Co., Ltd. contributed RMB6,352,000 to the Group's consolidated revenue and recorded a loss of RMB4,217,000 for the year ended 31 December 2024.

Had the acquisition been taken place on 1 January 2024, the revenue of the Group and the profit of the Group for the year ended 31 December 2024 would have been RMB13,401,368,000 and RMB1,385,374,000, respectively.

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41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

- (a) Details of the Group’s subsidiary Ruyuan Dongyangguang Fluorine Resin Co., Ltd. that has material non-controlling interests are set out below:

	As at 31 December		
	2023	2024	2025
Percentage of equity interest held by non-controlling interests	45%	45%	45%
Year ended 31 December			
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit for the year allocated to non-controlling interests . . .	181,270	151,892	217,017
Dividends paid	54,360	54,000	54,000
As at 31 December			
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Accumulated balances of non-controlling interests	493,679	591,571	754,588

The following tables illustrate the summarised financial information of Ruyuan Dongyangguang Fluorine Resin Co., Ltd. The amounts disclosed are before any inter-company eliminations:

Year ended 31 December			
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue	1,023,409	1,074,145	1,509,304
Profit for the year	403,773	338,490	483,211
Total comprehensive income for the year	403,773	336,988	483,211
Net cash flows from operating	355,557	192,960	501,185
As at 31 December			
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current assets	1,209,042	1,400,665	1,749,110
Non-current assets	933,270	996,379	1,037,901
Current liabilities	715,597	762,493	1,040,091
Non-current liabilities	326,705	317,553	64,278

(b) Change in subsidiary ownership without loss of control

In May 2023, the Group acquired a further 35% equity interest in Dongguan Chao HONG Automation Equipment Co., Ltd., from non-controlling equity holder for a consideration of RMB63,000,000. The difference between the consideration paid and the share of net asset of non-controlling equity holder being acquired was debited to the capital reserve by RMB50,946,000.

In May 2023, the Group acquired a further 30% equity interest in Shanghai Lufeng Venture Capital Management Co., Ltd., from non-controlling equity holder for a consideration of RMB3,452,000. The difference between the consideration paid and the share of net asset of non-controlling equity holder being acquired was debited to the capital reserve by RMB741,000.

42. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During years ended 31 December 2023 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB11,916,000 and RMB13,903,000, respectively, in respect of lease arrangements for buildings.

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(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities
	RMB'000	RMB'000
As at 1 January 2023	6,977,316	33,023
Changes from financing cash flows	4,168,045	(22,551)
New leases	–	11,916
Interest expense	322,603	1,367
Change in trade and bills receivables	(830,358)	–
Termination of leases	–	(2,688)
As at 31 December 2023 and 1 January 2024	10,637,606	21,067
Changes from financing cash flows	(119,283)	(15,556)
New leases	–	13,903
Interest expense	347,002	655
Change in trade and bills receivables	315,096	–
Termination of leases	–	(6,825)
As at 31 December 2024 and 1 January 2025	11,180,421	13,244
Changes from financing cash flows	(312,556)	(2,220)
Interest expense	303,469	214
Change in trade and bills receivables	(757,498)	–
Termination of leases	–	(1,253)
As at 31 December 2025	10,413,836	9,985

(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within operating activities	(37,373)	(36,261)	(31,261)
Within investing activities	(293,099)	(52,399)	(8,420)
Within financing activities	(22,551)	(15,556)	(2,220)
Total	(353,023)	(104,216)	(41,901)

43. PLEDGE OF ASSETS

Details of the Group’s pledge of assets are included in note 15, note 17, note 23, note 26 and note 28 to the Historical Financial Information.

44. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Property, plant and equipment	5,274,960	3,092,463	4,737,206

45. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

(a) Name and relationship

Name of related party	Relationship with the Group
貴州高點科技有限公司 (Guizhou Gaodian Technology Co., Ltd) . .	A company of which a director of the Company has beneficial interest as an equity holder
王曉明 (Wang Xiaoming)	Vice general manager of the Company
劉勇標 (Liu Yongbiao)	Vice general manager of the Company

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Name of related party	Relationship with the Group
唐承均 (Tang Chengjun)	Spouse of Wang Xiaoming, the Vice general manager of the Company
上海安勝礦業有限公司 (Shanghai Ansheng Mining Co., Ltd.)	A company of which a director of the Company has beneficial interest as an equity holder
上海錦源晟新能源材料集團有限公司 (Shanghai Jayson New Energy Materials Group Co., Ltd.)	A company of which a director of the Company has beneficial interest as an equity holder
棗莊振興炭材科技有限公司 (Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.)	A joint venture
四川茵地樂材料科技集團有限公司 (Sichuan Indigo Materials Technology Group Co., Ltd.)	An associate
南京市廬峰新能新興產業創業投資基金合夥企業(有限合夥) (Nanjing Lufeng New Energy Emerging Industry Venture Capital Fund Partnership (Limited Partnership))	An associate
寧波梅山保稅港區廬峰凱臨投資合夥企業(有限合夥) (Ningbo Meishan Bonded Port Area Lufeng Kailin Investment Partnership (Limited Partnership))	An associate
廣州雲趣信息技術有限公司 (Guangzhou Yunqu Information Technology Co., Ltd.)	A company of which a director of the Company has beneficial interest as an equity holder

(b) Transactions with related parties

		Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
(i) Services rendered				
Sichuan Indigo Materials Technology Group Co., Ltd.	Subcontracting services	1,419	1,000	1,911
Nanjing Lufeng New Energy Emerging Industry Venture Capital Fund Partnership (Limited Partnership)	Management services	4,774	4,774	4,774
Ningbo Meishan Bonded Port Area Lufeng Kailin Investment Partnership (Limited Partnership)	Management services	194	–	–
Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.	Technical support services	300	219	102
Shanghai Jayson New Energy Materials Group Co., Ltd.	Equipment and accessories	–	–	145
		<u>6,687</u>	<u>5,993</u>	<u>6,932</u>
(ii) Raw materials purchased and services provided				
Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.	Purchases of raw materials and others	4,565	6,191	15,652
Sichuan Indigo Materials Technology Group Co., Ltd.	Purchases of raw materials	44,378	43,312	47,519
Guizhou Gaodian Technology Co., Ltd.	Purchases of raw materials	24	18	–
Guangzhou Yunqu Information Technology Co., Ltd.	Technical support services	–	–	149
		<u>48,967</u>	<u>49,521</u>	<u>63,320</u>
(iii) Lease				
As a lessor				
Shanghai Jayson New Energy Materials Group Co., Ltd.	Lease of buildings	–	321	352
Shanghai Ansheng Mining Co., Ltd.	Lease of motor vehicles	39	–	–
		<u>39</u>	<u>321</u>	<u>352</u>
As a lessee				
Tang Chengjun	Lease of buildings	–	–	39
Shanghai Jayson New Energy Materials Group Co., Ltd.	Lease of buildings	–	–	132
		<u>–</u>	<u>–</u>	<u>171</u>

The transactions with related parties were made according to the published prices and conditions similar to those offered to other independent customers and suppliers.

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(c) Outstanding balances with related parties

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade and bills receivables			
Sichuan Indigo Materials Technology Group Co., Ltd. . . .	681	66	1,438
Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.	—	395	—
	<u>681</u>	<u>461</u>	<u>1,438</u>
Trade and bills payables			
Sichuan Indigo Materials Technology Group Co., Ltd. . . .	36,838	36,439	38,172
Zaozhuang Zhenxing Carbon Materials Technology Co., Ltd.	—	—	6,040
	<u>36,838</u>	<u>36,439</u>	<u>44,212</u>
Other payables			
Wang Xiaoming (non-trade)	587	587	587
Liu Yongbiao (non-trade)	476	476	476
Shanghai Jayson New Energy Materials Group Co., Ltd. (trade)	9	—	9
	<u>1,072</u>	<u>1,063</u>	<u>1,072</u>
Contract liabilities			
Sichuan Indigo Materials Technology Group Co., Ltd. . . .	—	—	504

The amounts with related parties are unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Other emoluments:			
Salaries, allowances and benefits in kind	11,663	14,245	19,902
Pension scheme contributions	391	625	625
Share-based payment expenses	—	—	2,682
	<u>12,054</u>	<u>14,870</u>	<u>23,209</u>

Further details of directors’ and the chief executive’s remuneration are included in note 10 to the Historical Financial Information. As the Company dissolved the supervisory committee on 16 May 2025, the supervisors’ remuneration was not included in the above amounts disclosed.

46. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Designated as such upon initial recognition	Debt investments	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables	—	—	—	3,827,640	3,827,640
Financial assets included in prepayments, other receivables and other assets	—	—	—	109,217	109,217
Financial assets at fair value through profit or loss	1,522,081	82,814	—	—	1,604,895
Debt investment at fair value through other comprehensive income	—	—	963,528	—	963,528
Restricted cash	—	—	—	749,544	749,544
Cash and cash balances	—	—	—	8,352,507	8,352,507
Total	<u>1,522,081</u>	<u>82,814</u>	<u>963,528</u>	<u>13,038,908</u>	<u>15,607,331</u>

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Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	7,311,314
Financial liabilities included in other payables and accruals	1,285,404
Interest-bearing bank and other borrowings	10,637,606
Total	<u>19,234,324</u>

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2024

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Designated as such upon initial recognition	Debt investments	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	—	—	—	4,493,249	4,493,249
Financial assets included in prepayments, other receivables and other assets	—	—	—	73,191	73,191
Financial assets at fair value through profit or loss	1,980,306	78,926	—	—	2,059,232
Debt investment at fair value through other comprehensive income	—	—	442,028	—	442,028
Time deposits	—	—	—	46,000	46,000
Restricted cash	—	—	—	403,906	403,906
Cash and cash balances	—	—	—	6,136,514	6,136,514
Total	<u>1,980,306</u>	<u>78,926</u>	<u>442,028</u>	<u>11,152,860</u>	<u>13,654,120</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Derivative financial instruments	1,640	—	1,640
Trade payables	—	4,620,706	4,620,706
Financial liabilities included in other payables and accruals	—	1,568,021	1,568,021
Interest-bearing bank and other borrowings	—	11,180,421	11,180,421
Total	<u>1,640</u>	<u>17,369,148</u>	<u>17,370,788</u>

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

As at 31 December 2025

Financial assets

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Designated as such upon initial recognition	Debt investments	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	—	—	—	5,828,165	5,828,165
Financial assets included in prepayments, other receivables and other assets	—	—	—	54,666	54,666
Financial assets at fair value through profit or loss	4,164,081	96,764	—	—	4,260,845

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	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such	Designated as such upon initial recognition	Debt investments	Financial assets at amortised cost	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Debt investment at fair value through other comprehensive income	—	—	201,270	—	201,270
Time deposits	—	—	—	327,617	327,617
Restricted cash	—	—	—	466,007	466,007
Cash and cash balances	—	—	—	5,189,698	5,189,698
Total	<u>4,164,081</u>	<u>96,764</u>	<u>201,270</u>	<u>11,866,153</u>	<u>16,328,268</u>

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	RMB'000
Trade and bills payables	7,533,019	7,533,019
Financial liabilities included in other payables and accruals	1,494,369	1,494,369
Interest-bearing bank and other borrowings	10,413,836	10,413,836
Total	<u>19,441,224</u>	<u>19,441,224</u>

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, 2024 and 2025, as part of its normal business, the Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the “Endorsed Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). In addition, the Group discounted certain bills receivable accepted by banks in the Mainland China (the “Discounted Bills”) to certain banks to finance its operating cash flows. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills and Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and Discounted Bills, and the associated trade payables settled. Subsequent to the Endorsement and Discounting, the Group did not retain any rights on the use of the Endorsed Bills and Discounted Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. At 31 December 2023, 2024, and 2025, the Group had Endorsed Bills and Discounted Bills with carrying amounts of RMB489,900,000, RMB432,535,000 and RMB651,607,000, respectively.

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group endorsed certain commercial bills, bank bills receivable and trade receivables in the Chinese mainland to certain of its suppliers in order to settle the trade payables due to such suppliers, and discounted certain commercial bills, bank bills receivable and trade receivables to banks in the Chinese mainland, (collectively, the “Derecognised Financial Assets”), with carrying amounts in aggregate of RMB4,241,697,000, RMB4,486,998,000 and RMB5,261,301,000. The Derecognised Financial Assets had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments of the Chinese mainland or the agreements with the customers, the holders of the Derecognised Financial Assets may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Financial Assets, including the Group, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Financial Assets is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Financial Assets. Accordingly, it has derecognised the full carrying amounts of the Derecognised Financial Assets. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Financial Assets and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Financial Assets are not significant.

During the years ended 31 December 2023, 2024 and 2025, the Group recognised finance costs of RMB19,522,000, RMB23,541,000 and RMB25,122,000 on the dates of transfer of the Derecognised Financial Assets. No gains or losses were recognised from the Continuing Involvement, both during the Relevant Periods or cumulatively.

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2023, 2024 and 2025, the fair values of the Group’s financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, time deposits and restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group’s corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At the end of each of the Relevant Periods, the corporate finance team analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

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The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023, 2024 and 2025 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices.

Fair values of unlisted equity investments designated at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation (“EV/EBITDA”) multiple and price to earnings (“P/E”) multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The Group invests in financial assets at fair value through profit or loss, which represent wealth management products issued by banks in the Chinese mainland. The Group has estimated the fair value of wealth management products by using discounted cash flow valuation models with reference to observable inputs including fluctuations of market prices or rates.

The fair values of the trade receivables classified as financial assets at fair value through other comprehensive income and bank bills receivables classified as financial assets at fair value through profit or loss as at the end of each of the Relevant Periods have been calculated by discounting the expected future cash flows, which are the par values of the receivables.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group’s financial instruments.

Assets measured at fair value

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current				
Equity investments at fair value through profit or loss	—	—	79,806	79,806
Current				
Debt investment at fair value through other comprehensive income	—	963,528	—	963,528
Financial assets at fair value through profit or loss	3,008	1,522,081	—	1,525,089
	3,008	2,485,609	—	2,488,617

As at 31 December 2024

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current				
Equity investments at fair value through profit or loss	—	—	76,853	76,853
Current				
Debt investment at fair value through other comprehensive income	—	442,028	—	442,028
Financial assets at fair value through profit or loss	2,073	1,980,306	—	1,982,379
	2,073	2,422,334	—	2,424,407

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As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	
Non-current				
Equity investments at fair value through profit or loss	– =	– =	96,764 =	96,764 =
Current				
Debt investment at fair value through other comprehensive income	–	201,270	–	201,270
Financial assets at fair value through profit or loss	– – =	4,164,081 4,365,351 =	– – =	4,164,081 4,365,351 =

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023, 2024 and 2025:

As at 31 December 2023

	Valuation technique	Significant unobservable input	Value range multiples	Sensitivity of fair value to the input
Unlisted equity investments . .	Valuation multiples	average P/E multiple of peers	21.77-21.87	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB137,000
		Discount for lack of marketability	27.5%	2% increase/decrease in discount would result in decrease/increase in fair value by RMB1,646,000

As at 31 December 2024

	Valuation technique	Significant unobservable input	Value range multiples	Sensitivity of fair value to the input
Unlisted equity investments . .	Valuation multiples	average P/E multiple of peers	1.28-1.38	5% increase/decrease in multiple would result in increase/ decrease in fair value by RMB2,099,000
		Discount for lack of marketability	25%	2% increase/decrease in discount would result in decrease/increase in fair value by RMB1,368,000/1,642,000

As at 31 December 2025

	Valuation technique	Significant unobservable input	Value range multiples	Sensitivity of fair value to the input
Unlisted equity investments . .	Valuation multiples	average P/E multiple of peers	0.90-4.10	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB2,201,820/3,644,011
		Discount for lack of marketability	25%	2% increase/decrease in discount would result in decrease/increase in fair value by RMB2,045,150

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Liabilities measured at fair value

As at 31 December 2024

	Fair value measurement categorised into			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities at fair value through profit or loss	–	1,640	–	1,640
	–	–	–	–

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At 1 January	54,615	79,806	76,853
Total gains/(losses) recognised in profit or loss included in other income	24,883	(3,254)	20,366
Exchange realignment	308	301	(455)
At 31 December	79,806	76,853	96,764

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash and cash equivalents, financial assets and financial liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long term debt obligations with a floating interest rate. The Group manages such exposure by closely monitoring interest rate movements and conducting regular reviews of its borrowing portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group’s profit after tax (through the impact on floating rate borrowings) and the Group’s equity.

	Increase/(decrease) in basis points	Increase/(decrease) in profit after tax	Increase/(decrease) in equity
		RMB'000	RMB'000
2023			
RMB.	100	(71,601)	(71,601)
RMB.	(100)	71,601	71,601
2024			
RMB.	100	(105,773)	(105,773)
RMB.	(100)	105,773	105,773
2025			
RMB.	100	(90,504)	(90,504)
RMB.	(100)	90,504	90,504

Foreign currency risk

The Group mainly operates in the Chinese mainland with most of the Group’s monetary assets, liabilities and transactions principally denominated in RMB.

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The following table indicates the approximate change in the Group’s profit after tax and the Group’s equity (including retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of each of the Relevant Periods with all other variables held constant:

	Increase/(decrease) in rate of foreign currency	Increase/(decrease) in profit after tax	Increase/(decrease) in equity
	%	RMB’000	RMB’000
Year ended 31 December 2023			
If the RMB weakens against the USD	5	18,267	18,267
If the RMB strengthens against the USD	(5)	(18,267)	(18,267)
Year ended 31 December 2024			
If the RMB weakens against the USD	5	11,380	11,380
If the RMB strengthens against the USD	(5)	(11,380)	(11,380)
Year ended 31 December 2025			
If the RMB weakens against the USD	5	6,773	6,773
If the RMB strengthens against the USD	(5)	(6,773)	(6,773)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without specific verification procedures.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2023

	12-monthsECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	–	–	–	4,025,547	4,025,547
Debt investments at fair value through other comprehensive income	963,528	–	–	–	963,528
Financial assets included in prepayments, deposits and other receivables					
– Normal**	61,350	–	–	–	61,350
– Doubtful**	–	60,670	–	–	60,670
Contract assets	–	–	–	489,758	489,758
Restricted cash	749,544	–	–	–	749,544
Cash and cash equivalents	8,352,507	–	–	–	8,352,507
Total	10,126,929	60,670	–	4,515,305	14,702,904

As at 31 December 2024

	12-months ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade and bills receivables*	–	–	–	4,709,575	4,709,575
Debt investments at fair value through other comprehensive income	442,028	–	–	–	442,028
Financial assets included in prepayments, deposits and other receivables					
– Normal**	37,115	–	–	–	37,115
– Doubtful**	–	64,879	–	–	64,879
Contract assets	–	–	–	511,956	511,956
Time Deposit	46,000	–	–	–	46,000
Restricted cash	403,906	–	–	–	403,906
Cash and cash equivalents	6,136,514	–	–	–	6,136,514
Total	7,065,563	64,879	–	5,221,531	12,351,973

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As at 31 December 2025

	12-months ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills receivables*	–	–	–	6,036,383	6,036,383
Debt investments at fair value through other comprehensive income	201,270	–	–	–	201,270
Financial assets included in prepayments, deposits and other receivables					
– Normal**	38,235	–	–	–	38,235
– Doubtful**	–	53,784	–	–	53,784
Contract assets	–	–	–	519,169	519,169
Time Deposit	327,617	–	–	–	327,617
Restricted cash	466,007	–	–	–	466,007
Cash and cash equivalents	5,189,698	–	–	–	5,189,698
Total	<u>6,222,827</u>	<u>53,784</u>	<u>–</u>	<u>6,555,552</u>	<u>12,832,163</u>

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is set out in notes 23 and 25 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

As at the end of each of the Relevant Periods, cash and bank balances were deposited in banks of high quality without significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group’s exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors its risk to a shortage of funds by considering the maturities of both its financial liabilities and financial assets.

The Group’s objective is to maintain a balance between continuity of funding and flexibility. The Group aims to maintain sufficient cash and cash equivalents to meet its liquidity requirements.

The maturity profile of the Group’s financial liabilities and lease liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

The Group

31 December 2023

	Within 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	13,244	9,089	–	22,333
Interest-bearing bank and other borrowings	6,787,302	4,163,754	38,371	10,989,427
Trade and bills payables	7,311,314	–	–	7,311,314
Financial liabilities included in payables and accruals	1,285,404	–	–	1,285,404
Total	<u>15,397,264</u>	<u>4,172,843</u>	<u>38,371</u>	<u>19,608,478</u>

31 December 2024

	Within 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	3,953	10,176	–	14,129
Interest-bearing bank and other borrowings	6,603,058	4,987,840	19,371	11,610,269
Trade and bills payables	4,620,706	–	–	4,620,706
Financial liabilities included in payables and accruals	1,568,021	–	–	1,568,021
Financial liabilities at fair value through profit or loss	1,640	–	–	1,640
Total	<u>12,797,378</u>	<u>4,998,016</u>	<u>19,371</u>	<u>17,814,765</u>

APPENDIX I

ACCOUNTANTS’ REPORT

31 December 2025

	Within 1 year or on demand	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000
Lease liabilities	2,900	7,943	10,843
Interest-bearing bank and other borrowings	7,069,047	3,619,412	10,688,459
Trade and bills payables	7,533,019	–	7,533,019
Financial liabilities included in other payables and accruals	1,494,369	–	1,494,369
Total	16,099,335	3,627,355	19,726,690

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group regards net assets as capital and manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total assets	43,674,946	42,103,555	46,270,707
Total liabilities	24,944,922	22,563,175	24,488,943
debt-to-asset ratio	57%	54%	53%

49. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to the board resolution dated 5 March 2026, the Company proposed and declared to distribute a cash dividend of RMB0.23 (tax inclusive) for each ordinary share, amounting to RMB483,866,000, to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date in respect of the year ended 31 December 2025. Such proposed dividend distribution is subject to approval in the next Annual General Meeting of the Company.

50. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the subsidiaries of the Group in respect of any period subsequent to 31 December 2025.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants’ Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company’s reporting accountants, as set out in Appendix I to this document, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2025 as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2025 or any future dates following the [REDACTED].

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2025	Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2025	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2025	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$ (Note 4)
Based on an [REDACTED] of [REDACTED] per H Share	20,289,220	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of [REDACTED] per H Share	20,289,220	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The consolidated net tangible assets attributable to owners of the Company as at 31 December 2025 is arrived at after deducting goodwill of RMB103,504,000 and other intangible asset of RMB40,874,000 (excluding non-controlling interests portion amounting to RMB5,281,000) from the audited consolidated net assets of the Group attributable to owners of the Company of RMB20,433,598,000 as at 31 December 2025, as shown in Appendix I to this document.
- (2) The estimated net proceeds from the [REDACTED] are based on the [REDACTED] at the indicative price of HK\$[REDACTED] per H Share and [REDACTED] per H Share, being the low end and high end of the indicative [REDACTED] range, respectively, after deduction of the [REDACTED] fees and other related expenses payable by the Group (excluding the listing expense that has been charged to profit or loss during the Track Record Period) and do not take into account of any Shares which may be issued upon the exercise of the [REDACTED].
- (3) The unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company per Share is calculated at after adjustments referred to in the preceding paragraph and on the basis that [REDACTED] Shares in issue immediately assuming the [REDACTED] had been completed on 31 December 2025. It is based on [REDACTED] H Shares and 2,136,399,076 A Shares expected to be in issue immediately following the completion of the [REDACTED] and excluding 32,632,415 treasury shares held by the Company or any Shares which may be issued upon the exercise of the [REDACTED].
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share are converted into Hong Kong dollars at an exchange rate of RMB[0.8820] to HK\$1.00. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as shown on page II-1 have not been adjusted to illustrate the effect of the following:

Pursuant to the board resolution dated 5 March 2026, the Company proposed and declared a dividend of RMB0.23 (tax inclusive) for each ordinary share, amounting to RMB483,866,000 to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the [REDACTED] in respect of the year ended 31 December 2025. Had the payment of the declared dividend been made on 31 December 2025, the unaudited pro forma adjusted consolidated net tangible assets of the Group would decrease from RMB24,148,127,000 to RMB23,644,261,000 based on [REDACTED] of HK\$[REDACTED] per H Share, or from RMB25,444,650,000 to RMB24,960,784,000 based on [REDACTED] of HK\$[REDACTED] per H Share. Had the [REDACTED] and the dividend declaration been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2025 per Share would be RMB[REDACTED] (equivalent to HK\$[REDACTED]) based on an [REDACTED] of HK\$[REDACTED] per H Share and RMB[REDACTED] (equivalent to HK\$[REDACTED]) based on an [REDACTED] of HK\$[REDACTED] per H Share, respectively, on the basis that a total of [REDACTED] Shares were in issue assuming that the [REDACTED] had been completed on 31 December 2025. It is based on [REDACTED] H Shares and 2,136,399,076 A Shares expected to be in issue immediately following the completion of the [REDACTED] and excluding of 32,632,415 treasury shares held by the Company. These amounts are converted from Renminbi to Hong Kong dollars or Hong Kong dollars to Renminbi at an exchange rate of HK\$1 to RMB[0.8820]. No representation is made that Renminbi/Hong Kong dollars amount have been, could have been or may be converted to Hong Kong dollars to Renminbi at that rate or at all.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

PRC TAXATION

Taxation of Security Holders

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current 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, some of which may be subject to special regulations. 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 advisor regarding the PRC and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on dividends

Individual investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended on August 31, 2018 by the SCNPC and came into effect on January 1, 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018 by the State Council and came into effect on January 1, 2019 (hereinafter collectively referred to as the “IIT Law”), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated by the MOF and the State Administration of Taxation of the PRC (the “SAT”) on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise investors

According to the EIT Law, which was latest amended by the SCNPC and implemented on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and amended on April 23, 2019 (hereinafter collectively referred to as the “EIT Law”), the rate of corporate income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if 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.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

The Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (Guo Shui Han [2009] No. 394) (《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》(財稅函[2009]394號)), which was issued by the SAT and came into effect on July 24, 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 of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or region, where applicable.

Pursuant to the Arrangement between the mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “Arrangement”), which was signed between the SAT and the Hong Kong Government on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 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 relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of 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 requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or 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 taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Taxation on Share Transfer

VAT and Local Additional Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on December 25, 1993 and subsequently amended on December 15, 2008 and October 28, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax (the “VAT”) at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

Pursuant to the Notice on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the “Circular 36”), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to VAT and “engaged in the services sale in the PRC” means that the seller or buyer of the taxable services is located in the PRC. It also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the third appendix of the Provisions on the Transitional Policies Concerning the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》). According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, there may be changes in whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

According to the Notice on Adjusting Value-Added Tax Rates (《關於調整增值稅稅率的通知》) issued by the MOF and the State Administration of Taxation on April 4, 2018, which took effect on May 1, 2018, for taxpayers engaged in VAT taxable sales activities or importing goods, the original applicable tax rates of 17% and 11% were adjusted to 16% and 10%, respectively.

According to the Announcement on Policies Related to Deepening VAT Reform (《關於深化增值稅改革有關政策的公告》) issued on March 20, 2019, which took effect on April 1, 2019, for VAT taxable sales activities or importing goods, the original applicable tax rates of 16% and 10% were adjusted to 13% and 9%, respectively.

In addition, on December 25, 2024, the SCNPC promulgated the Value-Added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法》), which will come into effect on January 1, 2026.

Income Tax

Individual investor

According to the IIT Law gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) promulgated by the MOF and the SAT and became effective on March 30, 1998, since January 1, 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised IIT Law of the PRC, the SAT did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

On December 31, 2009, the MOF, SAT and CSRC jointly issued the Notice on Related Issues Concerning Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on the same day, which stipulates that income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from individual income tax, provided that it excludes the relevant restricted shares as defined in the Supplementary Notice Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (《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》) which was jointly issued and implemented by MOF, SAT and CSRC on November 10, 2010. On December 27, 2024, the MOF, the SAT and the CSRC jointly issued the Announcement on the Further Improvement of the Administration of Individual Income Tax on the Transfer of Restricted Shares of Listed Companies by Individuals (《關於進一步完善個人轉讓上市公司限售股所得個人所得稅有關徵管服務事項的公告》), which was effective on the date of issuance, and any inconsistency with this announcement shall be in accordance with this announcement. As of the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprise listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise investors

In accordance with the EIT Law, 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 are 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. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect Taxation Policy

On October 31, 2014 and November 5, 2016, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policies regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) and the Circular on the Relevant Taxation Policies regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to EIT in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from EIT according to law. H-share companies do not withhold tax on dividends and bonus income of PRC enterprise investors, and the tax payable shall be declared and paid by enterprises.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, H-share companies shall submit an application to China Securities Depository and Clearing Corporation Limited (the “CSDC”), which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDC with valid tax deduction certificates. Individual income tax is levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect in accordance with the above provisions.

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On August 21, 2023, the MOF, the SAT and the CSRC jointly issued the Announcement on the Continuation of Implementation of Individual Income Tax Policies Relating to Shanghai- Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and Mutual Recognition of Funds between mainland China and Hong Kong (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》), which stipulates that for PRC individual investors, the transfer difference income derived from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect and the trading of Hong Kong fund units through mutual recognition of funds will continue to be exempt from individual income tax on a temporary basis until December 31, 2027.

Stamp Duty

According to the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, the PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the purchase and disposal of H shares by non-PRC investors outside of the PRC does not apply to the relevant provisions of the Stamp Duty Law of the PRC.

Estate Duty

As of the Latest Practicable Date, no estate duty was levied within the PRC.

PRC FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi. The SAFE, with the authorization of the People's Bank of China (the "PBOC"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》), which was issued by the State Council on January 29, 1996, implemented on April 1, 1996 and latest amended on 5 August, 2008, classifies all international payments and transfers into current items and capital items. Current items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital items, overseas organizations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and regulatory measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, removes other restrictions on convertibility of foreign exchange under current items, while regulates foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as

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the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day. According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders’ meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

The Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council and came into effect on October 23, 2014 provide to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE and effective on December 26, 2014, the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) (the “SAFE”) and its branches, along with local foreign exchange bureaus, supervise activities related to business registration, account management, cross-border transactions, and fund transfers for domestic companies seeking overseas listings. Domestic companies must complete overseas listing registration with their local foreign exchange administration within 15 working days after the conclusion of the listing issuance. In addition, domestic shareholders intending to increase or reduce their holdings in overseas-listed companies must submit the required documentation to the local foreign exchange authority for registration of changes at least 20 working days prior to the proposed increase or reduction. In addition, domestic companies (excluding banking financial institutions) shall open dedicated foreign exchange accounts with domestic banks to handle foreign exchange conversion and fund transfers related to their initial public offerings, additional share issuances, and share repurchase transactions.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by the SAFE on February 13, 2015 and became effective on June 1, 2015, and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. The SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the SAFE of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by the SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background

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under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner’s equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which was amended with immediate effect on December 4, 2023. The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Notice on Optimising 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 and became effective on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without providing materials to the bank in advance for authenticity verification on an item-by-item basis, provided that their utilised capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall manage and control the relevant business risks under the principle of prudent business development and conduct spot checks afterwards in accordance with the relevant requirements. Local foreign exchange authorities shall strengthen monitoring and analysis and interim and ex-post supervision.

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THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the “**Constitution**”), which was adopted on December 4, 1982 and respectively amended on April 12, 1988, March 29, 1993, March 15, 1999, March 14, 2004 and March 11, 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The NPC and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》) (the “**Legislation Law**”), which was adopted on July 1, 2000 and amended on March 15, 2015 and March 13, 2023. The NPC has the power to formulate and amend basic laws governing state organs, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the 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 state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people’s congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people’s congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations 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. The standing committees of the people’s congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. During the examination for approval of local regulations of cities divided into districts by the standing committees of the people’s congresses of the provinces or autonomous regions, if conflicts are identified with the rules and regulations of the people’s governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people’s congresses of provinces or autonomous regions to resolve the issue. 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 ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People’s Bank of China (the “PBOC”), National Audit Office, the subordinate institutions with administrative functions directly under the State Council and the institutions required by the law may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. The people’s governments of the provinces, autonomous regions, municipalities, cities divided into districts and autonomous prefectures may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

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According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《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》) implemented on June 10, 1981, the Supreme People’s Court of the PRC has the power to give interpretation on issues related to the application of laws in a court trial, and issues related to the application of laws in a prosecution process of a procuratorate should be interpreted by the Supreme People’s Procuratorate. If there is any disagreement in principle between Supreme People’s Court’s interpretations and Supreme People’s Procuratorate’s interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws other than the above-mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People’s Courts of the PRC (《中華人民共和國人民法院組織法》), which is adopted on January 1, 1980 and most recently amended October 26, 2018 and became effective on January 1, 2019, 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 basic people’s courts, the intermediate people’s courts and the higher people’s courts. The intermediate people’s courts have divisions similar to those of the basic people’s courts and may set up other special divisions if needed. These two levels of people’s courts are subject to supervision by people’s courts at higher levels. The Supreme People’s Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people’s courts at all levels and special people’s courts.

A people’s court takes the rule of the second instance as the final rule. A party may appeal against the judgment or ruling of the first instance of a local people’s court. The people’s procuratorate may present a protest to the people’s court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people’s procuratorate within the stipulated period, the judgments or rulings of the people’s court are final. Judgments or rulings of the second instance of the intermediate people’s courts, the higher people’s courts and the Supreme People’s Court, and judgments or rulings of the first instance of the Supreme People’s Court are final. However, if the Supreme People’s Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people’s court at any level, or if the people’s court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people’s court at a lower level, it has the authority to review the case itself or to direct the lower-level people’s court to conduct a retrial. If the chief judge of all levels of people’s courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people’s court at the same level for discussion and decision.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the “**Civil Procedure Law**”) adopted on April 9, 1991 and respectively amended on October 28, 2007, August 31, 2012, June 27, 2017, December 24, 2021 and September 1, 2023, prescribes the conditions for instituting a civil action, the jurisdiction of the people’s courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant’s place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people’s court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff’s or the defendant’s place of domicile, the place where the contract is executed or signed or the place where the object of the action is located, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

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A foreign individual, a person without nationality, a foreign enterprise or a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people’s court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for the enforcement of the same subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people’s court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or apply to a foreign court with jurisdiction or recognition in accordance with the international treaties that China has concluded or acceded to or in accordance with the principle of reciprocity. A foreign judgment or ruling may also be recognized and enforced by the people’s court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination according to the principle of reciprocity, unless the people’s court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

The PRC Company Law was adopted by the 5th meeting of the Standing Committee of the 8th National People’s Congress Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively. The latest revised PRC Company Law was implemented on July 1, 2024.

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Overseas Listing Trial Measures and relevant five guidelines, which came into force on March 31, 2023. The Overseas Listing Trial Measures are designated in accordance with the Securities Law and other laws and are applicable to domestic enterprises that issue securities overseas or list their securities for trading.

On February 17, 2023, the CSRC promulgated the Guidelines for the Applications of Regulatory Rules — Overseas Issuance and Listing Category No. 1, stipulating that direct issuance and listing by domestic companies shall abide by the relevant provisions of the Overseas Listing Trial Measures and refer to the Guidelines for Articles of Association of Listed Companies and other relevant provisions of the CSRC on corporate governance to formulate its articles of association and standardize corporate governance. Domestic companies directly issuing and listing overseas shall formulate their articles of association in accordance with the Guidelines for the Articles of Association of Listed Companies (《上市公司章程指引》) (the “**Guidelines for Articles of Association**”) which was revised and effective on March 28, 2025.

Set out below is a summary of the major provisions of the PRC Company Law, the Overseas Listing Trial Measures, and Guidelines for Articles of Association of Listed Companies.

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General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable for its debts with all its property.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

Share Capital

The promoters of a company may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

Under the Company Law, when a company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters: (1) the name and domicile of a shareholder; (2) the type and number of shares held by each shareholder; (3) the serial number of the shares held by each shareholder, if issued in paper form; and (4) the date on which each shareholder acquired the shares.

Allocation and issuance 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. Shares may be offered at a price equal to or greater than, but not less than, par value.

The domestic enterprises that engage in the overseas issuance and listing of securities shall, in accordance with the Overseas Listing Trial Measures, submit to the CSRC a filing report, legal opinions and other relevant materials that truly, accurately and completely describe shareholder information and other circumstances for the record. In case of the direct overseas issuance and listing of domestic enterprises, the issuer shall report the matter to the CSRC for the record. In case of the indirect Overseas Issuance and Listing of domestic enterprises, the issuer shall designate a major domestic operating entity as the domestic responsible person to report the matter to the CSRC for the record.

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Increase in Share Capital

According to the Company Law, if a joint stock limited company issues new shares, the general meeting shall pass a resolution on the class and amount of new shares, the issuance price of the new shares, the commencement and termination dates of the issuance of the new shares and the class and amount of new shares to be issued to existing shareholders. When a company is approved by the securities supervision and administration department under the State Council to issue new shares to the public, it shall publish the document, its financial and accounting statements, and shall prepare the subscription form. Upon full receipt of the proceeds from the company's newly issued shares, the company shall carry out alteration registration with the company registration authority and shall make a public announcement.

After the issue of new shares the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

When a company needs to reduce its registered capital, it shall prepare a statement of financial position and a property list. The company shall inform its creditors within 10 days and publish an announcement in the newspaper or the National Enterprise Credit Information Publicity System within 30 days after the resolution of the shareholders' meeting approving the reduction of registered capital 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.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not repurchase its own 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 to its employees for the purpose of implementing the employee stock ownership plan or share incentive scheme;
- (iv) to repurchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at the general meeting;
- (v) to use for the conversion of the convertible corporate bonds issued by the listed company; and
- (vi) to protect the value of the company and the rights and interests of shareholders of the listed company as required.

The acquisition of shares on the grounds set out in (i) to (ii) above shall be approved by the resolution of general meeting. The repurchase of its shares in cases (iii), (v) or (vi) above shall require a resolution of the board of directors by two-thirds of the directors present at the board meeting, in accordance with the provisions of the articles of association of the company or as authorized by the general meeting.

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Following the repurchase of its shares in accordance with (i) above, such shares shall be canceled within 10 days from the date of repurchase; the shares repurchased in the case of (ii) or (iv) above shall be transferred or canceled within six months. The total number of shares held by the company after share repurchase under the circumstances in (iii), (v) or (vi) above shall not exceed 10% of the total number of the company's issued shares, and shall be transferred or canceled within three years.

A listed company that repurchases its own shares shall fulfill its disclosure obligations in accordance with the provisions of the Securities Law. If a share repurchase is made pursuant to (iii), (v) or (vi) above, it shall be publicly traded in a centralized manner.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and senior management shall declare to the company their shareholdings in the Company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the Company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the Company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the Company.

Shareholders

Under the Company Law and the Guidelines for Articles of Association, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the Company's articles of association, share register, counterfoil of Company debentures, minutes of general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory committee and financial and accounting reports and to make proposals or enquiries on the Company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other forms of profit distribution according to the proportion of shares they hold;
- in the event of the termination or liquidation of the Company, the right to participate in the distribution of the 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.

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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 general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. Under the Company Law, the general meeting exercises the following powers and functions:

- to elect or replace the directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;
- to review and approve reports of the board;
- to review and approve reports of the supervisory committee;
- to review and approve profit distribution plans and loss recovery plans;
- to make resolutions concerning the increase or reduction of the registered capital;
- to resolve on the issue and listing of corporate bonds and other securities;
- to decide on issues such as merger, division, dissolution, liquidation and structure change;
- to modify the articles of association; and
- other powers and functions stipulated by the articles of association.

The annual general meeting is required to be convened once a year. Under the Company Law, an extraordinary general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company’s total share capital;
- shareholders alone or in aggregate holding 10% or more of the Company’s shares request for the convening of an extraordinary general meeting;
- the board considers it necessary;
- the supervisory committee proposes to hold; or
- other circumstances stipulated by the articles of association.

Under the Company Law, general meetings shall be convened by the board, and presided over by the chairman of the board. 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. If the vice chairman is incapable of performing or does not perform his duties, a director nominated by more than half of directors shall preside over the meeting.

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Where the board of directors is incapable of performing or does not perform its duties of convening the general meetings, the supervisory committee shall convene and preside over such meetings in a timely manner. In case the supervisory committee fails to convene and preside over such meetings, 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 meetings.

Under the Company Law, notice of general meetings shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. According to the Guidelines for Articles of Association, after the notice of the General Meeting is given, without cogent reason, the general meeting shall not be postponed or canceled, and the proposals set out in the notice shall not be canceled. Once the general meeting is adjourned or canceled, the convener shall make public announcement and explain the reasons at least 2 working days before the original holding date.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in Shareholders' meetings. According to the Guidelines for Articles of Association, the board of directors and the board secretary shall cooperate for the general meeting convened by the supervisory committee or the Shareholders on their own. When the general meeting is held, all the directors, supervisors and board secretary of the company shall attend the meeting, while the general manager and other senior management shall attend as a nonvoting delegate.

According to the Guidelines for Articles of Association, the shareholders holding more than 3% of the shares of the Company separately or jointly may raise temporary proposal and submit it to the convener in writing 10 days before the general meeting is held. The convener shall supplement the notice of general meeting in 2 days after receiving the proposal and publicize the content of the temporary proposal.

Under the Company Law, shareholders present at general meetings have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the 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 general meetings and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Guidelines for Articles of Association, resolutions of the 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 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 equity incentive plans; (iv) the amount of purchase or disposal of major assets or guarantee of the company within one year exceeding thirty percent of the company's total audited assets for the most recent period; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the 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, according to the laws, administrative regulations or the articles of association.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the general meetings. 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.

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Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors. 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 the directors shall be prescribed by the articles of association, provided that each term may not exceed 3 years. Upon the expiration of the term, the directors may be re-elected and serve consecutive terms. 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 Company Law, the board of directors mainly exercises the following powers and functions:

- to convene the general meetings and report on its work to the general meetings;
- to implement the resolutions of general meetings;
- to decide on the company’s business plans and investment proposals;
- to formulate the profit distribution plan and loss recovery plan of the Company;
- to formulate proposals for the increase or reduction of the Company’s registered capital and the issuance of corporate bonds;
- to develop the scheme on the merger, separation, dissolution and change of company form of the Company;
- to make decisions on the establishment of the company’s internal management departments;
- to make decisions on hiring or dismissing the company’s manager and his salary and compensation, and, according to the nomination of the manager, deciding on the hiring or dismissal of vice manager(s) and the persons in charge of finance as well as their salaries and compensations;
- to formulate the basic management system of the Company; and
- any other powers and functions stipulated by the articles of association.

Meetings of the Board of Directors

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisory committee. The chairman of the board shall convene and preside over a board meeting within ten days after receiving the proposal. No meeting of the board of directors may be held unless a majority of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. In the voting process, one director shall represent one vote. 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.

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If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board of Directors

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualifications of Directors

The Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been sentenced to criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or deprived of political rights for crime, and five years have not elapsed since the completion date of the execution of the penalty, or two years have not elapsed since the expiration of the probation period for suspended sentence, if applicable;
- 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;
- a person who is listed as a dishonest party subject to enforcement by the people's court for failure to pay a relatively large amount of debts when they become due.

Other unsuitable circumstances for directorships are detailed in the Guidelines for Articles of Association.

Supervisory Committee

A joint stock limited company may establish an audit committee composed of directors of the board of directors in accordance with the company's bylaw which exercises the functions of the board of supervisors specified in this Law, and is not required to have a board of supervisors or supervisors.

A joint stock limited company that is small or has a small number of shareholders is not required to establish a board of supervisors but shall have one supervisor who exercises the functions of the board of supervisors as provided for in this Law.

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Except for the above-mentioned two special circumstances, 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. A director and a senior officer of the company shall not serve concurrently as a supervisor.

The supervisory committee shall have a chairman and may have a vice chairman. The chairman and deputy chairman of the supervisory committee shall be elected by more than half of all supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the chairman of the supervisory committee is unable or fails to perform his/her duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. Where the vice chairman is unable or fails to perform his/her duties, the meetings shall be convened and presided over by a supervisor jointly nominated by more than half of all the supervisors.

Each term of a supervisor shall be three years, and a supervisor may continue to serve his post if he is 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 shall convene a meeting at least every six months. According to the Company Law, the supervisory committee shall make resolutions with the consent of a majority of all supervisors.

The supervisory committee exercises the following functions and power:

- to review the company's financial position;
- to supervise the directors and senior management in the performance of their duties and to propose the dismissal of directors or senior management who violate laws, regulations, the articles of association or resolutions of the general 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 general meetings and to convene and preside over general meetings when the board of directors fails to perform the duty of convening and presiding over general meetings under the Company Law;
- to initiate proposals for resolutions to general meetings;
- to initiate proceedings against directors and senior management; and
- other powers and functions stipulated by the articles of association.

The supervisors may attend the meetings of the board, and may inquire about or put forth proposals on matters covered by resolutions of the board. 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.

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Manager and Senior Management

Pursuant to the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall exercise his/her powers in accordance with the company's articles of association or the authorization of the board of directors. Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of the Directors, Supervisors and Senior management

Directors, supervisors and senior management of the Company are required under the Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the Company. The directors, supervisors and senior management are prohibited from:

- embezzling the property of the company and misappropriating the funds of the company;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- taking advantage of power to accept bribes or other illegal income;
- accepting and possessing commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the Company;
- other acts in violation of the duty of loyalty to the company.

Where directors, supervisors and senior management who directly or indirectly contract or conduct a transaction with the company shall report to the board of directors or the shareholders' meeting on matters related to the contracting or conducting the transaction, and seek approval by resolution of the board of directors or the shareholders' meeting in accordance with the company's bylaw. If the close relatives of directors, supervisors, and senior management, enterprises under direct or indirect control of directors, supervisors, senior management, or their close relatives, and affiliates in any other affiliation relationship with directors, supervisors, and senior management contract or conduct transactions with the company, the provisions of the preceding paragraph shall report to the board of directors or the shareholders' meeting on matters related to the contracting or conducting the transaction, and seek approval by resolution of the board of directors or the shareholders' meeting in accordance with the Company's articles of association.

Directors, supervisors and senior management shall not take advantage of his position to take a business opportunity belonging to the company for himself or another person, except under any of the following circumstances:

- which has been reported to the board of directors or the shareholders' meeting and received approval by resolution of the board of directors or the shareholders' meeting according to the Company's articles of association.
- the company is unable to take the business opportunity according to laws, administrative regulations, or the Company's articles of association.

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Directors, supervisors and senior management shall not conduct the same kind of business as the company on his own account or on the account of another person, without reporting to the board of directors or the shareholders' meeting, without approval by resolution of the board of directors or the shareholders' meeting according to the Company's articles of association.

Directors, supervisors and senior management who contravene any law, regulation or the Company's articles of association in the performance of his/her duties and result in any loss to the Company shall be personally liable to the Company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council. The Company shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The Company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, the Company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the Company for inspection by the shareholders at least 20 days before the convening annual general meeting. The joint stock limited company that has publicly issued its shares shall also publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a Shareholders' meeting, allocate funds from the after-tax profits to the discretionary common reserve fund.

For the remaining after-tax profits after making up losses and allocation of common reserve fund, a joint stock limited company 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.

A company's premium from the issuance of stocks at a price above the par value of the stocks, proceeds of issuance of no-par shares which have not been included in registered capital, and other items listed in the capital reserve under provisions of the treasury department of the State Council shall be listed as the company's capital reserve.

The Company's reserve fund shall be applied to make up losses of the Company, expand its business operations or be converted to increase the registered capital of the company.

When the company's losses are covered with common reserves, the discretionary common reserve and the statutory common reserve shall first be used; if they are insufficient, the capital common reserve may be used according to the applicable provisions.

Upon the conversion of statutory common reserve fund into increasing the registered capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

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Appointment and Retirement of Accounting Firms

According to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of a company shall be determined by the general meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting, the board of directors or the board of supervisors conducts a vote on the dismissal of the accounting firm. The company shall provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the hired accounting firm, and shall not refuse, conceal or make false reports.

According to the Guidelines for Articles of Association, the Company shall guarantee to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the hired accounting firm, and shall not refuse, conceal or make false reports. The audit fee of an accounting firm shall be decided by the general meeting.

Profit Distribution

According to the Company Law, the Company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Revision of the 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 the event of a company registration, the amendments to the articles of association shall be registered with the relevant registration authorities. Pursuant to the Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the votes held by shareholders attending the meeting.

Pursuant to the Guidance for Articles of Association, the company shall amend its articles of association under any of the following circumstances: (i) where, after any amendment to the Company Law or any other applicable law or administrative regulation, the provisions of the articles of association conflict with the law and/or administrative regulations amended; (ii) where the company's circumstances change to such an extent that they are inconsistent with what is recorded in the articles of association; and (iii) where the shareholders' general meeting decides to amend the articles of association.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the Articles of Association has expired or other events of dissolution specified in the Articles of Association have occurred; (ii) the general meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; 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 to shareholders.

In the event of (i) or (ii) above, and the company has not distributed property to shareholders, it may continue to exist by amending the company's bylaw or with approval by resolution of the shareholders' meeting. For the amendment of the articles of association in accordance with provisions set out above, a joint stock limited company shall require approval of more than two thirds of voting rights of shareholders attending the general meeting.

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Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation committee shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The liquidation group shall be composed of directors, unless otherwise provided for by the company's bylaw or a resolution of the shareholders' meeting. If a liquidation committee is not established within the stipulated period, an interested party may apply to the people's court and request the court to appoint relevant personnel to form the liquidation committee. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee shall exercise the following functions and power during liquidation:

- to liquidate the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the outstanding business of the Company in connection with liquidation;
- to settle all outstanding tax payment and the tax payment which arise in the course of the liquidation process;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off;
- to represent the company in civil lawsuits.

The liquidation committee shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he/she did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his/her claim and furnish evidence. The liquidation committee shall register such claims. The liquidation committee shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan to be submitted to the 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 liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for bankruptcy liquidation.

After the people's court accepts the bankruptcy application, the liquidation group shall transfer the liquidation affairs to the trustee in bankruptcy designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration.

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The members of a liquidation group shall perform the duty of liquidation and have obligations of fidelity and diligence.

A member of the liquidation group shall be liable for compensation for losses caused to the company, if any, by his slackness in performing the duty of liquidation, or to creditors, if any, with intent or by gross negligence.

Overseas Listing

Pursuant to the Trial Measures for Overseas Listing, issuers conducting an initial public offering or listing overseas, or issuing or listing in different overseas markets after an overseas issuance or listing, shall file with the CSRC within 3 working days after submitting the application documents for the overseas issuance or listing. Where the issuer issues securities in the same overseas market following the Overseas Issuance and Listing, it shall be filed with the CSRC within three working days upon the completion of the issuance. If the filing materials are complete and compliant, the CSRC shall, within 20 working days upon receipt of the materials, complete the filing process and publicize the filing information on its website. If the filing materials are incomplete or non-compliant, the CSRC shall, within 5 working days upon receipt of the materials, notify the issuer of the supplementary materials to be submitted. The issuer shall, within 30 working days, submit the supplementary materials.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or the National Enterprise Credit Information Publicity System within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

Changes in the business registration of the companies as a result of the merger or division shall be registered with the relevant administration authority for industry and commerce.

In accordance with the laws, cancelation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

THE PRC SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of

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securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the PRC (《中華人民共和國證券法》), the “**PRC Securities Law**”) took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The PRC Securities Law, which was revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers by listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

On November 14, 2019, the CSRC issued and implemented the Guidelines on Applications for “Full Circulation” of Domestic Non-listed Shares by H-share Companies (《H股公司境內未上市股份申請“全流通”業務指引》) which was partially revised on August 10, 2023 in accordance with the Decision on Revising and Abolishing Part of Securities and Futures Policy Documents (《關於修改、廢止部分證券期貨制度文件的決定》) by the CSRC. H-share companies applying for “Full circulation” shall file a record with the CSRC. When applying for overseas refinancing, H-share companies may submit “Full circulation” applications either separately or concurrently.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the “**PRC Arbitration Law**”) was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was last amended on September 12, 2025 and will become effective on March 1, 2026. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people’s court will refuse to handle a legal proceeding initiated by one of the parties at such people’s court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people’s court for its enforcement. The people’s court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people’s court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

APPENDIX IV

SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the “**New York Convention**”) adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including but without limitation to where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC’s accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People’s Court of China was reached. The Supreme People’s Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the mainland China and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) on June 18, 1999, which went into effect on February 1, 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangements, the courts of the Hong Kong SAR have agreed to enforce arbitration awards made by mainland China arbitration organisations in accordance with the Arbitration Law of the People’s Republic of China, and people’s courts of mainland China have agreed to enforce arbitration awards made in the Hong Kong SAR in accordance with the Arbitration Ordinance of the Hong Kong SAR. If the court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the PRC will be against public interests of the mainland China, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards made by mainland China arbitration organisations in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced. The Supreme People’s Court of China adopted the Supplementary Arrangement Concerning Mutual Enforcement of Arbitral Awards between the mainland China and Hong Kong SAR (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (the “**Supplemental Arrangement**”) on November 11, 2020. The Supplemental Arrangement mainly provide additional provisions to the Arrangement on Mutual Enforcement of Arbitral Awards between mainland China and Hong Kong SAR (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》). Articles 1 and 4 of the Supplemental Arrangement shall come into effect on November 27, 2020, while articles 2 and 3 shall come into effect on a date to be announced by the Supreme People’s Court.

Judicial Judgment and its Enforcement

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the mainland China 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》) promulgated by the Supreme People’s Court on January 25, 2024 and implemented on January 29, 2024, in the case of effective judgment of a civil and commercial case or civil damages in a criminal case made by the court of China and the court of the Hong Kong Special Administrative Region, any party concerned may apply to the People’s Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

This appendix outlines the principal provisions of the Company’s Articles of Association, which will become effective as of the date of listing of the H-Shares on the Hong Kong Stock Exchange. This appendix is primarily intended to provide potential investors with an overview of the Company’s Articles of Association and therefore does not contain all the information that may be important to potential investors.

SHARES

Issuance of Shares

The Shares of the Company shall be issued based on the principle of openness, fairness and impartiality, and shall rank pari passu in all respects with the Shares of the same class. Shares of the same class issued at the same time shall be issued under the same condition and at the same price; the same price shall be paid for each share subscribed for by any entities or individuals.

Share Increase, Decrease and Buyback

In accordance with laws, regulations and the listing rules of the stock exchange on which the Company’s Shares are listed, the Company may, based on its operating and development needs and the resolution of the shareholders’ meeting, increase its capital by the following ways:

- (i) Issuing Shares to non-specific investors;
- (ii) Issuing Shares to specific investors;
- (iii) Distributing bonus Shares to its existing Shareholders;
- (iv) Converting capital reserve into share capital;
- (v) Other means prescribed by laws and administrative regulations or approved by the securities regulatory authorities or stock exchanges where the Company’s Shares are listed.

The Company may reduce its registered capital and shall do so in accordance with the procedures prescribed by the PRC Company Law and its Articles of Association.

The Company shall not purchase its own Shares, except in any of the following circumstances:

- (i) To reduce the registered capital of the Company;
- (ii) To merge with another company that holds the Shares of the Company;
- (iii) To utilize Shares in the employee share ownership scheme or for share incentive;
- (iv) To request the Company to acquire the Shares of Shareholders who dissent from the resolution of the shareholders’ meeting on the merger or division of the Company;
- (v) To use the Shares in the conversion of the convertible corporate bonds issued by the Company;
- (vi) Where it is necessary for the Company to maintain the value of the Company and the interests of Shareholders;
- (vii) Other circumstances permitted by the laws, administrative regulations, securities regulatory rules of the place where the Company’s Shares are listed.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

The Company may, subject to the applicable securities regulatory rules of the place where the Company's Shares are listed, acquire its own Shares through public centralized trading or other methods as recognized by laws, administrative regulations, the CSRC and Hong Kong Stock Exchange. Where the Company repurchases its own Shares under the circumstances described in Item (iii), (v) or (vi) above, such acquisition shall be conducted through public centralized trading.

Where the Company repurchases its own Shares under the circumstances set out in item (i) or (ii) above, it shall be resolved at the shareholders' meeting. Where the Company repurchases its own Shares under the circumstances set out in item (iii), (v) or (vi) above, it shall be resolved at a board meeting attended by more than two-thirds of the directors, subject to the securities regulatory rules of the place where the Company's Shares are listed.

Subject to the regulatory rules of the place where the Company's Shares are listed, the Shares repurchased by the Company in accordance with the above provisions shall be processed in the following ways: for the circumstance in item (i), such Shares shall be canceled in ten days after the date of repurchase; for the circumstance in item (ii) or (iv), such Shares shall be transferred or canceled in six months; for the circumstance in item (iii), (v) or (vi), the total number of Shares held by the Company shall not exceed 10% of the total issued Shares of the Company, and such Shares shall be transferred or canceled in three years.

Transfer of Shares

Shares issued prior to the public offering of A Shares by the Company shall not be transferred within one year from the date on which the Company's Shares are listed on the stock exchange.

The directors and senior officers of the Company shall declare to the Company their holding of Shares in the Company and the changes thereof, and shall not transfer more than 25% of the total number of Shares held by them in the Company each year during their term of appointment determined when they take office; the Company's Shares held by them shall not be transferred within one year from the date on which the Company's Shares are listed on the market. The aforesaid persons shall not transfer the Shares they hold in the Company within half a year after their termination. Where the securities regulatory rules of the place where the Company's Shares are listed stipulate otherwise on transfer of Shares of the Company, such provisions shall prevail.

Where the shareholders who hold 5% or more of the Company's shares, the directors or senior officers of the Company sell the Company's Shares held by them within six months from the date of purchase or repurchase the Shares sold by them within six months from the date of sale, the proceeds thereof shall belong to the Company, and the Board of Directors of the Company shall call back such proceeds, except where a securities company holds more than 5% of the Shares of the Company after purchasing the remaining Shares upon public offering due to underwriting, or in other circumstances specified by the CSRC and the securities regulatory rules of the stock exchange where the Company's Shares are listed, in which cases the sale of the Shares shall not be subject to a six-month time limit.

Shares or other securities with the nature of equity held by the directors, senior officers and natural person shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, and those held in the accounts of others.

Where the board of directors fails to comply with the foregoing provisions, the shareholders are entitled to require the board to do so within 30 days. If the board of directors fails to act within the aforementioned timeframe, shareholders have the right to directly file a lawsuit with the People's Court in their own name for the benefit of the Company. If the board of directors fails to comply with the above provisions, the responsible Directors shall be jointly and severally liable in accordance with the law.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

SHAREHOLDERS AND SHAREHOLDERS’ MEETING

Shareholders

The Company shall make a register of shareholders based on the vouchers provided by securities registries. The register of shareholders shall be the sufficient evidence proving the shareholders’ holding of the Company’s Shares. The original H share register of shareholders shall be kept in Hong Kong for inspection by shareholders. However, the Company can suspend registration of shareholders in accordance with applicable laws, regulations, and the securities regulatory rules of the place where the Company’s Shares are listed. The shareholders shall enjoy the rights and assume the obligations according to the class of shares they hold. The shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

The Company’s shareholders shall have the following rights:

- (i) to receive dividends and other distributions in proportion to the number of shares held by them;
- (ii) to request to hold, convene, preside over a shareholders’ meeting, attend the shareholders’ meeting in person or by proxy, and exercise the corresponding voting rights in accordance with the laws;
- (iii) to supervise the business operation of the Company and to make suggestions or inquiries;
- (iv) to transfer, donate or pledge the Company’s Shares held by them in accordance with laws, administrative regulations and the Articles of Association;
- (v) to access and reproduce the Articles of Association, register of shareholders, minutes of shareholders’ meetings, resolutions passed at meetings of the board of directors and financial and accounting reports; Shareholders who individually or collectively hold more than 3% of the Shares of the Company for a period of more than 180 consecutive days may inspect the Company’s accounting books and documents;
- (vi) to participate in the distribution of the remaining property of the Company according to the proportion of shares they hold when the Company is terminated or liquidated;
- (vii) to request the Company to repurchase Shares held by shareholders who raise objection to the resolution on the merger or division of the Company as adopted by the shareholders’ meeting;
- (viii) other rights stipulated by laws, administrative regulations, departmental regulations, the regulatory rules of the place where the Company’s Shares are listed or the Articles of Association.

The shareholders are entitled to request the court to invalidate the resolutions of the shareholders’ meeting and board meeting which violate the laws and administrative regulations. The shareholders are entitled to request the PRC courts to cancel the relevant resolution within 60 days after the resolution is adopted if the convening procedure and voting method of the shareholders’ meeting or Board meeting violate the laws, administrative regulations or the Articles of Association, or the resolution content breaches the Articles of Association, unless there are only minor defects in the convening procedure or voting method of the shareholders’ meeting or board meeting which do not materially affect the resolution.

In the event of a violation of laws, administrative regulations or the provisions under the Articles of Association by a director or senior management other than the member of the Audit, Risk Control and Compliance Committee (the “Audit Committee”) in performing his duties resulting in loss suffered by the Company, the shareholders that solely or collectively hold 1% or more Shares of the Company for a continuous period of 180 days have the right to make a written request to the Audit Committee to file a litigation with a PRC court. In the event of a violation of laws, administrative regulations or the provisions

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under the Articles of Association by a member of the Audit Committee in performing his duties that has led to loss and damage suffered by the Company, the shareholders that solely or collectively hold 1% or more Shares of the Company for a continuous period of 180 days have the right to make a written request to the Board to file a litigation with a PRC court.

Upon receipt of the written request made by the shareholders as stipulated in the preceding paragraph, in case the Audit Committee or the Board of Directors refuses to file a lawsuit or fails to file a lawsuit within 30 days from receipt of such request, or under urgent circumstances that failure in filing a lawsuit immediately will have the Company suffer from irreparable damages, the aforesaid shareholders shall have the right to file a lawsuit to a PRC court directly in their own name for protection of the Company's interests.

In the event that any other person infringes upon the legal rights and interests of the Company and causes losses thereto, the aforesaid shareholders may file a lawsuit to a PRC court in accordance with the provisions of the preceding paragraph.

If the directors, supervisors, or senior officers of a wholly-owned subsidiary of the Company have the circumstances stipulated in the preceding paragraph, or if others infringe upon the legitimate rights and interests of the wholly-owned subsidiary of the Company and cause losses, shareholders who hold, individually or jointly, more than 1% of the Company's Shares for more than 180 consecutive days may, in accordance with the Articles of Association, submit a written request to the supervisory committee or the board of directors of the wholly-owned subsidiary to file a lawsuit with a PRC court or file a lawsuit directly with a PRC court in their own name.

Shareholders of the Company shall assume the following obligations:

- (i) to comply with the laws, administrative regulations and the Articles of Association;
- (ii) to pay capital contributions in accordance with the Shares subscribed and the capital participation method;
- (iii) not to withdraw their capital contributions except under the circumstances stipulated by laws, administrative regulations and the securities regulatory rules of the place where the Company's Shares are listed;
- (iv) not to abuse their shareholder rights to harm the interests of the Company or other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to harm the interests of the Company's creditors;
- (v) any other obligations prescribed by the laws, administrative regulations, departmental rules, normative documents, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

If any shareholder of the Company abuses the shareholder's rights and causes losses to the Company or other shareholders, he shall be liable for the compensation. If any shareholder of the Company abuses the independent legal person status of the Company and the limited liability of shareholders to evade debts and severely damages the interests of the creditors of the Company, he shall bear joint and several liability for the debts of the Company.

The controlling shareholder and actual controller of the Company shall exercise their rights and fulfill their obligations in accordance with laws, administrative regulations, and the rules of the CSRC and the stock exchange, safeguarding the interests of the listed company.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

General Provisions on the Shareholders’ Meeting

The shareholders’ meeting is the organ of authority of the Company and shall exercise the following powers according to the PRC Company Law:

- (i) to elect and replace the directors who are not the representatives of the staff and workers, and determine the remuneration of the directors;
- (ii) to review and approve reports of the Board;
- (iii) to review and approve profit distribution plans and loss recovery plans of the Company;
- (iv) to make resolutions concerning the increase or reduction of the Company’s registered capital;
- (v) to make resolutions on the issuance of bonds of the Company;
- (vi) to make resolutions on the merger, division, dissolution, liquidation of the Company or change in the organizational form of the Company;
- (vii) to amend the Articles of Association;
- (viii) to make resolutions on the engagement or removal of accounting firms that provide audit services for the Company;
- (ix) to review and approve external guarantee matters stipulated in the Articles of Association as requiring approval by the shareholders’ meeting;
- (x) to consider the Company’s purchase or disposal of major assets within one year of an aggregate value exceeding 30% of the Company’s audited total assets for the latest period;
- (xi) to deliberate and approve changes in the use of proceeds;
- (xii) to review and approve the equity incentive scheme and Employee Stock Ownership Plan;
- (xiii) to examine other matters that shall be decided by the shareholders’ meeting as stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s Shares are listed or the Articles of Association.

The following external guarantees of the Company shall be considered and approved by the shareholders’ meeting:

- (i) any guarantee provided after the total amount of the external guarantees provided by the Company and its majority owned subsidiaries exceeds 50% of the audited net assets for the latest period;
- (ii) any guarantee provided after the total amount of the external guarantees provided by the Company and its majority owned subsidiaries exceeds 30% of the Company’s audited total assets for the latest period;
- (iii) any guarantee provided by the Company to others within one year that exceed 30% of the audited total assets of the Company for the latest period;
- (iv) the guarantee provided to the guaranteed object with a debt-to-asset ratio of more than 70%;
- (v) any single guarantee with its amount exceeding 10% of the audited net assets for the latest period;

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- (vi) any guarantee provided to shareholders, the actual controllers and their affiliates;
- (vii) other guarantee matters that shall be reviewed and approved by the shareholders' meeting as stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association.

Shareholders' meetings are categorized into annual shareholders' meetings and extraordinary shareholders' meetings. The annual shareholders' meeting shall be convened once a year, and shall be held within six months after the prior fiscal year ends.

In the event of any of the following circumstances, the Company shall convene an extraordinary shareholders' meeting within two months from the date of occurrence:

- (i) The number of directors is less than two-thirds of the number prescribed in the PRC Company Law or the articles of association;
- (ii) The Company's losses which are not covered amount to one-third of the total capital;
- (iii) Written requests are made by shareholders individually or collectively holding more than 10% of the Company's share;
- (iv) The Board considers it necessary;
- (v) The audit committee proposes to convene the meeting;
- (vi) other circumstances stipulated by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

Convening of Shareholders' Meeting

The Independent Directors are authorized to propose to the Board of Directors to convene an extraordinary shareholders' meeting with the approval of a majority of all Independent Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of the extraordinary shareholders' meeting within 10 days of receipt of the proposal. Where the Board agrees to convene an extraordinary shareholders' meeting, the Board shall, within 5 days after the Board resolution is made, issue a notice for the meeting. Where the Board does not agree to convene such meeting, the reasons shall be stated and announced.

The Audit Committee shall have the right to propose to the Board to convene an extraordinary shareholders' meeting, and shall make such proposal in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of the extraordinary shareholders' meeting within 10 days of receipt of the proposal. Where the Board agrees to convene the extraordinary shareholders' meeting, it shall issue a notice of shareholders' meeting within 5 days after the decision is made. Any changes made to the original proposal in the notice shall be agreed by the Audit Committee. If the Board does not agree to convene an extraordinary shareholders' meeting or fails to provide feedback within 10 days after receiving the proposal, it is deemed that the Board is unable to fulfill or does not fulfill its duty to convene the shareholders' meeting, and the Audit Committee may convene and preside over the meeting on its own.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

The Shareholders who individually or jointly hold more than 10% of the Shares of the Company shall have the right to request the Board to convene an extraordinary shareholders' meeting, and shall make such request to the Board in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, provide written feedback on whether it agrees or disagrees with the convening of the extraordinary shareholders' meeting within 10 days of receipt of the proposal. Where the Board agrees to convene the extraordinary shareholders' meeting, it shall issue a notice of shareholders' meeting within 5 days after the board resolution is made. Any changes made to the original request in the notice shall be agreed by the relevant shareholders. If the Board of Directors does not agree to convene an extraordinary shareholders' meeting or fails to provide feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's Shares have the right to propose to the audit committee to convene an extraordinary shareholders' meeting, and such proposal shall be made in writing. Where the Audit Committee agrees to convene the extraordinary shareholders' meeting, it shall issue a notice of shareholders' meeting within 5 days after the receipt of the request. Any changes made to the original proposal in the notice shall be agreed by the relevant shareholders. If the Audit Committee fails to give notice of a shareholders' meeting within the prescribed period, it shall be deemed that the Audit Committee does not convene and preside over the shareholders' meeting, and the shareholders who have individually or collectively held more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over the meeting on their own.

Proposals and Notices of Shareholders' Meetings

The proposal content shall fall into the terms of reference of the shareholders' meeting. There shall be definite topics and specific matters for resolution. The proposal shall comply with the relevant provisions of laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed, and the Articles of Association.

The Board of Directors, the Audit Committee, and shareholders who individually or collectively hold more than 1% of the Company's Shares have the right to submit proposals to the shareholders' meeting.

Shareholders who individually or collectively hold more than 1% of the Company's Shares may propose a provisional proposal and submit it in writing to the convener 10 days prior to the shareholders' meeting. The convener shall issue a supplementary notice of the shareholders' meeting within 2 days after the receipt of the proposal, announcing the contents of the provisional proposal and submitting the provisional proposal to the shareholders' meeting for deliberation, except that the provisional proposal is in violation of the provisions of the laws, administrative regulations, the securities regulatory rules of the place where the Company's Shares are listed or the Articles of Association of the Company or does not fall within the terms of reference of the shareholders' meeting. If the shareholders' meeting shall be postponed for the publication of the supplementary notice of the shareholders' meeting in accordance with the provisions in the securities regulatory rules of the place where the Company's shares are listed, the convening of the shareholders' meeting shall be postponed in accordance with the relevant provisions in the securities regulatory rules of the place where the Company's shares are listed.

Save as specified above, the convener shall neither revise the proposals set out in the notice of shareholders' meetings nor add new proposals after issuing the notice of shareholders' meeting. The shareholders' meeting shall not vote or pass resolutions on proposals not listed in the notice of the shareholders' meeting or resolutions not in conformity with the Articles of Association.

The convener shall notify all shareholders in writing (including by announcements) 21 days prior to the Annual Shareholders' Meeting and 15 days prior to the Extraordinary Shareholders' Meeting.

The notice of the shareholders' meeting shall include the following particulars:

- (i) the time, venue and duration of the meeting;
- (ii) the matters and proposals submitted to the meeting for deliberation;

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- (iii) clear words specifying that all shareholders shall have the right to attend the shareholders' meeting, and that they may appoint a proxy in writing to attend the meeting and vote on their behalf. The proxy is not necessarily a shareholder of the Company;
- (iv) the record date for Shareholders who are entitled to attend the shareholders' meeting;
- (v) the name and telephone number of the regular contact person for the meeting;
- (vi) the voting time and voting procedures of the meeting for the online voting or other means of voting;
- (vii) other requirements stipulated by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

After the notice of the Shareholders' Meeting is given, without good reason, the shareholders' meeting shall not be postponed or canceled, and the proposals set out in the notice shall not be canceled. In the event of any postponement or cancellation, the convener shall give a notice and explanations at least 2 working days before the scheduled meeting date. Where there are special provisions in the security regulatory rules of the place where the Company's shares are listed with respect to the procedures for the postponement or cancellation of shareholders' meeting, such provisions shall prevail, to the extent not violating the regulatory requirements of the Company's place of incorporation.

Holding of Shareholders' Meeting

If the shareholders' meeting requests the directors and senior officers to attend the meeting, the directors and senior officers shall attend the meeting and be questioned by the shareholders.

The shareholders' meeting shall be presided over by the chairman of the board. Where the chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly appointed by a majority of all the directors. A shareholders' meeting convened by the Audit Committee shall be chaired by the convener of the Audit Committee. In the event that the convener of the Audit Committee is unable or fails to perform his/her duties, a member of the Audit Committee jointly elected by a majority of the members of the Audit Committee shall preside. A shareholders' meeting convened by the shareholders themselves shall be presided over by the convener or his/her elected representative. During the course of a shareholders' meeting, if the meeting presider violates the procedural rules such that the meeting cannot continue, the shareholders' meeting may elect a person to act as the meeting presider and continue the meeting with the consent of the majority of the Shareholders entitled to vote and present at the shareholders' meeting.

The Company shall formulate rules of procedure for the shareholders' meeting, stipulating in detail the convening and voting procedures of the meeting, including notification, registration, consideration of proposals, voting, counting of votes, announcement of voting results, formation of resolutions of the meeting, minutes of the meeting and their signatures, etc., as well as the principle of authorization by the shareholders' meeting to the Board. The content of the authorization shall be clear and specific.

Voting of Shareholders' Meetings

The resolutions of shareholders' meeting are classified into ordinary ones and special ones. Ordinary resolutions at a shareholders' meeting shall be passed by a majority of the votes held by the shareholders present at the shareholders' meeting. Special resolutions of the shareholders' meeting shall be adopted by more than two-thirds of the votes held by the Shareholders present at the meeting.

The following matters shall be resolved by way of ordinary resolution of the shareholders' meeting:

- (i) work report of the board of directors;

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- (ii) profit distribution plans and loss recovery plans formulated by the Board of Directors;
- (iii) appointment and removal of directors, and determination of the remuneration of the directors and method of payment;
- (iv) Matters other than those which should be decided by special resolution as provided by law, administrative regulation, securities regulatory rules where the Company's shares are listed or the Articles of Association.

The following matters shall be resolved by way of special resolution of the shareholders' meeting:

- (i) increase or decrease of the Company's registered capital;
- (ii) separation, division, merger, dissolution and liquidation of the Company;
- (iii) any amendment to the Articles of Association;
- (iv) purchase and disposal of major assets by the Company within one year, or provision of guarantee with the amount exceeding 30% of the Company's audited total assets for the latest period;
- (v) the equity incentive scheme;
- (vi) adjustment or change of cash dividend policy;
- (vii) other matters required to be approved by special resolutions under the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association, and matters which, according to an ordinary resolution of the shareholders' meeting, may have a significant impact on the Company and shall be adopted by way of a special resolution.

When a shareholder (including a proxy) exercises his/her voting rights according to the number of voting shares he/she represents, each share shall have one voting right, except for the class shareholders.

When material issues affecting the interests of minority shareholders are considered at the shareholders' meeting, the votes of minority shareholders shall be counted separately, and the results of such separate vote counting shall be disclosed promptly.

Shares of the Company held by the Company do not have voting rights, and such Shares are not counted in the total number of Shares entitled to vote at the shareholders' meeting.

Where a Shareholder's purchase of the Company's Shares with voting rights violates the provisions of paragraphs 1 and 2 of Article 63 of the Securities Law, the voting rights of the Shares exceeding the prescribed proportion shall not be exercised within 36 months after the purchase, and such Shares shall not be included in the total number of shares with voting rights of the shareholders attending the Shareholders' Meeting.

If in accordance with the applicable laws and regulations and the Hong Kong Listing Rules, any shareholder is required to abstain from voting or is restricted to voting for (or against) any individual resolution, any vote by the shareholder or his/her proxies in contravention thereof shall not be counted into the total number of shares with voting rights.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

The board of directors, independent directors, shareholders who hold more than 1% of the Company's voting shares or investor protection institutions established in accordance with law, administrative regulation, securities regulatory rules of the place where the Company's Shares are listed, may publicly solicit shareholders' voting rights. It is prohibited to solicit shareholders' voting rights through paid or disguised paid means.

When the connected (related) transactions are considered at the shareholders' meeting, the interested Shareholders shall not participate in voting, and the number of voting Shares represented by them shall not be counted into the total number of valid votes. The voting particulars of the connected (related) Shareholders shall be disclosed in the resolutions of the shareholders' meeting.

BOARD OF DIRECTORS

Directors

Directors include executive directors, non-executive directors, and independent directors. An independent director refers to an individual who meets the conditions specified in the Articles of Association. The directors of the Company shall be natural persons and shall meet the qualification requirements stipulated by laws, administrative regulations, departmental rules, and the securities regulatory rules of the place where the Company's Shares are listed. None of the following persons may serve as a director of the Company:

- (i) persons without capacity or with limited capacity for civil conduct;
- (ii) persons who were sentenced for crimes of corruption, bribery, encroachment or embezzlement of property or disruption of the socialist market economic order, where five years have not lapsed following the serving of the sentence, or persons who were deprived of their political rights for committing a crime, where five years have not lapsed following the serving of the sentence, or in case of a suspended sentence, not more than two years have elapsed since the date of expiration of the probationary period;
- (iii) persons who acted as directors, or factory managers or managers of bankrupt or liquidated companies or enterprises who bear personal liability for the bankruptcy or liquidation of such companies or enterprises, where three years have not lapsed following the date of completion of such bankruptcy or liquidation;
- (iv) persons who were legal representatives of a company or enterprise, which had its business license revoked due to a violation of the law and were ordered to close down, and who were personally liable for the revocation of business license of such company or enterprise, where less than three years have elapsed since the date of the revocation of business license of such company or enterprise;
- (v) persons who have been listed by the People's Court as defaulter because they have incurred debts of a large amount that have not been settled by the due date.
- (vi) persons who are imposed by the CSRC a ban from entering into the securities market for a period which has not yet expired;
- (vii) persons publicly declared by the stock exchange as unsuitable for serving as directors or senior officers of a company for a period which has not yet expired;
- (viii) other contents as prescribed in laws, administrative regulations, departmental rules, or securities regulatory rules at the place where the shares of the Company are listed.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

Elections, appointments or employment of Directors in violation of the above provisions shall be invalid. In the event that the circumstances as stipulated above arise during the term of office of any Director, the Company shall dismiss the relevant director.

Directors shall be elected or replaced by the shareholders' meeting, and the shareholders' meeting may remove any director (including executive director) before the expiration of his/her term of office. The shareholders' meeting may remove any director before the expiration of his/her term of office by ordinary resolution (but without prejudice to any claim which may be made under any contract). The term of office for directors is three years. Upon expiration of their term, they may be re-elected for consecutive terms in accordance with the securities regulatory rules of the place where the Company's shares are listed.

The term of office of a director shall start from the date on which the said director assumes office to the expiry of the current term of the Board of Directors. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to relevant laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association.

A Director may be the senior officer concurrently, provided that the total number of Directors who concurrently serve as the senior officers and directors who are employee representatives shall not exceed half of the total number of Directors of the Company.

Directors shall comply with the provisions of laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, and shall have a duty of loyalty and duty of diligence to the Company

A director may resign before the expiration of his/her term. The director shall submit a written resignation report to the Board. The board of directors shall disclose the relevant information within two days or within the timeframe specified by the securities regulatory rules of the place where the Company's shares are listed. If the resignation of directors results in the number of board members falling below the quorum, or if the resignation of independent directors results in the number of independent directors being less than one-third of the board members, or if the proportion of independent directors on a special committee does not comply with laws, regulations, or the provisions of these Articles of Association, or if there are no accounting professionals among the independent directors, the original directors shall continue to perform their duties in accordance with laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed, and the Articles of Association until the newly elected directors assume office.

The directors' duty of loyalty to the Company and its shareholders shall remain in effect after the resignation report takes effect and for a period of three years following the expiration of their term of office.

Without the legal authorization by the Articles of Association or the Board of Directors, no director shall act on behalf of the Company or the Board of Directors in his/her own name. Where a Director acts in his/her own name, the Director shall declare in advance his/her position and identity in the case that a third party would reasonably believe that the Director is acting on behalf of the Company or the Board.

The qualifications, nomination and election procedures, powers, and other relevant matters concerning independent directors shall be implemented in accordance with the relevant provisions of laws, administrative regulations, departmental rules, and the securities regulatory rules of the place where the Company's shares are listed.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

Board of Directors

The Company shall have a Board of Directors, which is accountable to the shareholders' meeting.

The Board of Directors is composed of 6 directors, including one chairman.

The Board of Directors shall exercise the following powers:

- (i) to convene a shareholders' meeting and report to the shareholders' meeting on the work of the Board;
- (ii) to implement resolutions adopted by the shareholders' meeting;
- (iii) to decide on the Company's business plan and investment plan;
- (iv) to formulate the profit distribution plan and loss recovery plan of the Company;
- (v) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;
- (vi) to formulate plans for substantial acquisition, repurchase of shares of the Company, or merger, division, dissolution, liquidation and change of organizational form of the Company;
- (vii) to decide on the outbound investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected (related) transactions, external donations etc. of the Company within the authority granted by the shareholders' meeting;
- (viii) to determine the setup of the Company's internal management structure;
- (ix) to appoint or dismiss the shareholders' manager, Secretary to the Board, and decide on matters of remuneration, rewards and punishments; to appoint or dismiss senior management such as executive deputy shareholders' manager, deputy general manager and CFO according to the nomination of the general manager, and decide on matters of remuneration, rewards and punishments;
- (x) to formulate the basic management system of the Company;
- (xi) to formulate the proposals for any amendment to the Articles of Association;
- (xii) to manage the information disclosure of the Company;
- (xiii) to request the shareholders' meeting to engage or replace the accounting firm that provides audit service for the Company;
- (xiv) to debrief the work report of the general manager and check the works of the general manager;
- (xv) other duties stipulated by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's Shares are listed and the Articles of Association.

The Board of Directors of the Company has established other special committees, including the Audit Committee, the Strategy and Sustainable Development Committee, the Nomination Committee, and the Remuneration and Appraisal Committee. The special committees shall be accountable to the Board of Directors and shall perform their duties in accordance with the Articles of Association and the authorization of the Board of Directors. Their proposals shall be submitted to the Board of Directors for deliberation and decision. All members of the special committees are directors. The majority of members of the Audit Committee, the Nomination Committee, and the Remuneration and Appraisal Committee shall

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

be independent directors, who shall also be the conveners. Members of the Audit Committee shall be non-executive directors or independent directors who do not hold senior management positions in the Company. At least one independent director shall be an accounting professional, who shall also serve as convener. The Board of Directors shall be responsible for formulating the working rules of the special committees and regulating their operation. Matters beyond the scope authorized by the shareholders' meeting shall be submitted to the shareholders' meeting for consideration.

The chairman shall be elected by the board of directors through affirmative votes by more than half of all the directors.

Where the chairman is unable or fails to perform his/her duties, such duties shall be performed by a director jointly appointed by a majority of all the directors.

The Board of Directors shall hold at least four meetings each year, which shall be convened by the Chairman and notified to all the directors 14 days prior to the meeting in writing. Notice of an extraordinary meeting of the board of directors shall be given in writing to all directors at least three days prior to the meeting. Shareholders holding more than one-tenth of the voting rights, directors accounting for more than one-third of board members, or the audit committee may propose to convene an extraordinary meeting of the board of directors. The Chairman shall convene and preside over a Board meeting within 10 days after receiving the proposal.

A board meeting shall not be held unless more than half of the directors are present. A board resolution must be approved by more than half of all the Directors, except as otherwise provided by laws, administrative regulations, and the securities regulatory rules of the place where the Company's shares are listed. Each Director shall have one vote for the resolutions of the Board of Directors.

Where a director is related (connected) with the enterprise involved in the resolution of the Board meeting, he/she shall report in writing to the board of directors in a timely manner and shall not exercise the right to vote on the resolution, nor shall he/she exercise the right to vote on behalf of another director. The board meeting can be held with the presence of more than half of the uninterested directors. The resolutions made at the board meeting must be approved by more than half of the uninterested directors. If the number of uninterested directors present at the Board meeting is less than 3, the matter shall be submitted to the shareholders' meeting for consideration. If laws and regulations and the securities regulatory rules of the place where the Company's shares are listed impose any additional restrictions on the participation of directors in the meetings of the Board of Directors and on voting, the relevant provisions shall apply accordingly.

The directors shall attend the board meeting in person. If a director is unable to attend the meeting for some reason, he/she may entrust another director in writing to attend the meeting on his/her behalf. The power of attorney shall specify the name, matters entrusted to, scope of authorization and term of validity of the proxy, and shall be signed or sealed by the principal. The director who attends the meeting on behalf of another director shall exercise the rights of the directors within the scope of authorization. A Director failing to attend the Board meeting in person or by proxy shall be deemed as having waived his/her voting rights at such meeting.

Senior Officers

The Company shall have a general manager who shall be appointed or removed by the Board.

The Company shall have several deputy general managers, who shall be appointed or dismissed by the Board.

The general manager, executive deputy general manager, deputy general manager, chief financial officer and the Board Secretary are senior officers of the Company. The provisions of the Articles of Association regarding circumstances under which a person is prohibited from acting as a Director as well as the directors' duty of loyalty and duty of diligence shall also apply to senior officers.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

The General Manager shall serve a term of office of three years, and can be re-elected upon expiration of his/her term of office.

The general manager shall be accountable to the Board and exercise the following powers:

- (i) to take charge of the production, operation and management of the Company, organize the implementation of the resolutions of the Board, and report on his work to the Board;
- (ii) to organize the implementation of the Company's annual business plans and investment plans;
- (iii) to draft the Company's the plan for the setup of the internal management structure;
- (iv) to draft the Company's basic management system;
- (v) to formulate the specific rules and regulations of the Company;
- (vi) to propose to the board of directors the appointment or dismissal of the executive deputy general manager, the deputy general manager and the chief financial officer;
- (vii) to decide to employ and dismiss the management personnel other than those to be employed and dismissed by the Board of Directors;
- (viii) other powers granted by the Articles of Association or the Board.

The Company shall have a Board secretary who shall be appointed and dismissed by the Board. The Board Secretary shall take charge of the preparation of shareholders' meetings and Board meetings, the safekeeping of documents, the management of the information of Shareholders, the handling of information disclosure affairs, etc.

The senior officers of the Company shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders. If the senior officers fail to faithfully perform their duties or violate their fiduciary duties, causing damage to the interests of the Company and shareholders of public shares, they shall be liable for compensation in accordance with the law.

FINANCIAL AND ACCOUNTING SYSTEMS, DISTRIBUTION OF PROFITS AND AUDIT

Financial and Accounting Systems

The Company shall formulate its financial and accounting systems in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed, and the regulations of the relevant departments.

The Company shall submit and disclose its annual report to the local office of the CSRC and the stock exchange where the Company's shares are listed within four months after the end of each fiscal year, its interim report to the local office of the CSRC and Shanghai Stock Exchange within two months after the end of the first half of each fiscal year, and its quarterly accounting reports to the local office of the CSRC and the stock exchange where the Company's shares are listed within one month after the end of the first three months and nine months of each fiscal year respectively.

The Company shall not set up any other accounting books except for the legal accounting books. The assets of the Company shall not be deposited into an account established in the name of any individual.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

Profit Distribution

When the Company distributes the after-tax profits of the current year, it shall allocate 10% of the profits into the statutory surplus reserve. No further allocation is required if the aggregate amount of the statutory surplus reserve exceeds 50% of the registered capital of the Company. If the Company’s statutory surplus reserve is not sufficient to cover the Company’s losses in the previous fiscal year, such losses shall first be covered before any allocation is made to the statutory surplus reserve in accordance with the provisions of the preceding paragraph.

After the company has allocated the statutory surplus reserve from its after-tax profits, it may, upon a resolution made by the shareholders’ meeting, allocate a discretionary surplus reserve from its after-tax profits. The remaining after-tax profits of the Company after making up for the losses and withdrawing the reserves may be distributed according to the proportion of Shares held by the Shareholders, except it is specified in the Articles of Association that the distribution is not made based on the shareholding proportions. If the Company distributes profits to shareholders in violation of the provisions of the PRC Company Law, the shareholders shall return the profits distributed in violation of the provisions to the Company. If any loss is caused to the Company, the shareholders and the responsible directors and senior officers shall be liable for compensation. No profits shall be distributed in respect of the Company’s Shares held by the Company.

The surplus reserve of the Company shall be used to cover the Company’s losses, expand its production and operation, or increase its capital. If the Company’s statutory reserves and discretionary reserves are insufficient to cover its losses, capital reserves may be utilized in accordance with regulations. When the statutory reserve fund is converted into registered capital, the remaining statutory reserve fund shall be no less than 25% of the registered capital of the Company before the capital increase.

The Company’s profit distribution policy shall be designed to maintain continuity and stability while balancing the long-term interests of the Company, the overall interests of all shareholders, and the sustainable development of the Company. The Company may distribute profits in cash, Shares, combination of cash and Shares, or other ways permitted by laws and regulations. The Company shall prioritize cash dividends for profit distribution when meeting the conditions for cash dividends.

Internal Audit

The Company has implemented an internal audit system, which specifies the leadership system, responsibility and authority, staffing, financial security, use of audit results and accountability for internal audit work.

The Company’s internal audit system shall be implemented upon approval by the board of directors and disclosed externally. The internal audit department shall be accountable to the board of directors.

Engagement of Accounting Firm

The Company shall appoint an accounting firm which complies with the PRC Securities Law to audit the financial statements, examine the net assets of the Company and conduct other relevant consultancy services. The term of office of an accounting firm is one year, which may be extended.

The appointment or removal of an accounting firm by the Company must be decided by the shareholders’ meeting, and the Board of Directors shall not appoint an accounting firm before the decision is made by the shareholders’ meeting.

The Company shall ensure the provision to the accounting firm appointed true and complete accounting vouchers, accounting books, financial accounting reports and other accounting information, and shall not refuse to provide the required information, hide any information or provide any false information.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

The audit fee or method of determining the audit fee of an accounting firm shall be decided by the shareholders' meeting.

When the Company dismisses or does not renew the employment of an accounting firm, it shall give a 10-day prior notice to the accounting firm, and the accounting firm shall have the right to state its opinions at the shareholders' meeting where a voting process concerning the dismissal of such accounting firm is carried out.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL DECREASE, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Decrease

Merger of the Company may take the form of merger by absorption and merger by new establishment. In the case of a merger by absorption, a company absorbs another company and the absorbed company shall be dissolved. In the case of a merger by new establishment, two or more companies merge together for the establishment of a new company and the companies to the merger shall be dissolved.

If the price paid for the merger does not exceed ten percent of the Company's net assets, it does not require a resolution by the shareholders' meeting, unless otherwise stipulated in the Articles of Association. A merger of the Company in accordance with the provisions of the above paragraph shall be resolved by the Board of Directors if the merger is not resolved by the shareholders' meeting.

In the case of a merger, parties to the merger shall execute a merger agreement, and shall prepare the balance sheets and a schedule of assets. The Company shall inform its creditors within 10 days and publish an announcement on the newspaper published publicly or the National Enterprise Credit Information Publicity System and/or the website of the stock exchange where the Company's shares are listed within 30 days after the resolution approving the merger has been adopted. Creditors shall, within 30 days since the date of receiving the notice, or creditors who do not receive the notice shall, within 45 days since the date of the public announcement, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

The surviving company or the newly established company of a merger shall assume the claims and debts of the parties to the merger.

If the Company is divided, its property shall be divided accordingly. In the case of a division, a balance sheet and a schedule of assets shall be prepared. The Company shall inform its creditors within 10 days and publish an announcement on the newspaper published publicly or the National Enterprise Credit Information Publicity System and/or the website of the stock exchange where the Company's shares are listed within 30 days after the resolution approving the division has been adopted. Debts owed by the Company prior to the division shall be assumed by the companies in existence after the division jointly and severally, except as otherwise stated in the agreement entered into between creditors and the company for debt service prior to the division.

Where the Company needs to reduce its registered capital, a balance sheet and a schedule of assets must be prepared. The Company shall inform its creditors within 10 days and publish an announcement on the newspaper published publicly or the National Enterprise Credit Information Publicity System and/or the website of the stock exchange where the Company's shares are listed within 30 days after the resolution approving the reduction of registered capital has been adopted. Creditors shall, within 30 days since the date of receiving the notice, or creditors who do not receive the notice shall, within 45 days since the date of the public announcement, be entitled to require the Company to pay off its debts in full or to provide a corresponding guarantee.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

Where the merger or division of the Company results in a change in its registration particulars, such change shall be registered with the company registration authority according to law. Where the Company is dissolved, it shall cancel its registration according to law. Where a new company is established, its establishment shall be registered according to law. Where the Company increases or reduces its registered capital, it shall amend its registration with the company registration authority in accordance with the law.

Dissolution and Liquidation

The Company shall be dissolved if:

- (i) the business term as specified in the Articles of Association expires or any other dissolution event occurs as specified in the Articles of Association;
- (ii) the shareholders' meeting resolves to dissolve the Company;
- (iii) the Company is dissolved as a result of merger or division;
- (iv) the Company is revoked of business license, ordered to close or canceled according to law;
- (v) shareholders holding more than 10% of the voting rights of the Company request the PRC court to dissolve the Company, 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 to the interests of shareholders.

If the Company encounters any of the dissolution causes specified in the preceding paragraph, it shall publicize the dissolution causes through the National Enterprise Credit Information Publicity System within 10 days.

If the Company is in the situations set out in items (I) and (II) of Article 192 of the Articles of Association and has not yet distributed its property to its shareholders, it may survive by amending the Articles of Association or by a resolution of the shareholders' meeting. Pursuant to the foregoing provisions, amendments to the Articles of Association or resolutions of the shareholders' meeting shall be adopted by a vote of more than two-thirds of the voting rights held by shareholders present at the shareholders' meeting.

Where the Company is dissolved in accordance with the Articles of Association, it shall undergo liquidation. Within fifteen days of the occurrence of the dissolution event, a liquidation committee shall be established and the liquidation process initiated (directors shall be the liquidation obligors of the Company). The liquidation committee shall be composed of the directors, except as otherwise provided in the Articles of Association or as otherwise elected by the resolution of the shareholders' meeting. Where the liquidation obligors fail to perform their liquidation obligations in a timely manner, thereby causing losses to the Company or the creditors, they shall be liable for compensation.

The liquidation committee shall, within 10 days of its establishment, notify the Company's creditors, and make an announcement on the newspapers or the National Enterprise Credit Information Publicity System within 60 days. The creditors shall, within 30 days of receipt of the notice, or within 45 days of the announcement if the creditors have not received such notice, declare their claims to the liquidation committee.

When declaring the claims, the creditors shall specify the relevant matters about the claims and provide evidences. The liquidation committee shall register the claims.

During the period of declaration of claims, the liquidation committee shall not repay any debts to the creditors.

APPENDIX V SUMMARY OF ARTICLES OF ASSOCIATION OF THE COMPANY

After the liquidation committee has thoroughly examined the Company's assets and prepared a balance sheet and schedule of assets, it shall formulate a liquidation plan and submit such plan to the shareholders' meeting or the PRC court for confirmation. After paying off the liquidation expenses, employees' wages, social insurance premiums, statutory compensation, outstanding taxes and company debts, the remaining assets of the Company shall be distributed in proportion to the shareholdings of the shareholders. During the liquidation period, the Company still exists, but shall not carry out any business activities not related to liquidation. The property of the Company shall not be distributed to the Shareholders until all liabilities have been paid off in accordance with the provisions of the preceding paragraph.

Where the liquidation committee discovers upon examination of the Company's assets and preparation of the balance sheet and schedule of assets that the Company's assets are insufficient to repay its debts, an application shall be made to the PRC Court for bankruptcy liquidation. After the PRC court accepts the bankruptcy application, the liquidation committee shall hand over the liquidation affairs to the bankruptcy administrator appointed by the PRC court.

Following the completion of liquidation, the liquidation committee shall formulate a liquidation report, submit it to the shareholders' meeting or the PRC court for confirmation, and submit it to the company registration authority, apply for cancellation of the Company's registration, and announce the Company's termination.

If the Company is declared bankrupt, the bankruptcy liquidation shall be implemented in accordance with the laws on enterprise bankruptcy.

AMENDMENT OF ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

- (i) After the amendment of the PRC Company Law or relevant laws, administrative regulations, the Listing Rules or the securities regulatory rules of the place where the Company's shares are listed, the matters stipulated in the Articles of Association conflict with the provisions of the amended laws, administrative regulations, or securities regulatory rules of the place where the Company's shares are listed;
- (ii) There has been a change to the Company, resulting in inconsistency with the contents in the Articles of Association;
- (iii) The shareholders' meeting decides to amend the Articles of Association.

Where any amendment to the Articles of Association resolved by the shareholders' meeting is subject to examination and approval by the competent authority, such amendment shall be submitted to the competent authority for approval; where any amendment to the Articles of Association involves the Company's registration, the Company's registration shall be amended in accordance with the law.

The Board shall amend the Articles of Association in accordance with the resolutions of the shareholders' meeting and the approval opinions of relevant competent authorities.

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

(A) FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was established as a limited liability company under the laws of the PRC on November 6, 2012, and was converted into a joint stock limited company on December 10, 2015. Our Company completed the listing of our A Shares on the Shanghai Stock Exchange (stock code: 603659) in November 3, 2017.

Our Company has established a place of business in Hong Kong at 46/F, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●]. Mr. Ng Tung Ching Raphael has been appointed as our agent for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendices IV and V to this document, respectively.

2. Changes in Share Capital of Our Company

On September 12, 2024, the registered capital of our Company decreased from RMB2,137,973,428 to RMB2,137,165,372.

On August 28, 2025, the registered capital of our Company decreased from RMB2,137,165,372 to RMB2,136,399,076.

Save as disclosed above, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in Share Capital of Our Subsidiaries

The following sets forth the changes in the share capital of our subsidiaries within two years immediately preceding the date of this document:

The following of our subsidiaries were incorporated within two years immediately preceding the date of this document:

- (i) On August 2, 2024, Putailai NorthAmerica Inc was incorporated in the United States with an authorised share capital of USD100,000;
- (ii) On August 6, 2024, Putailai America LLC was incorporated in the United States with an authorised share capital of USD100,000;
- (iii) On December 29, 2025, Zichen Malaysia Sdn. Bhd. was established in Malaysia with a registered capital of 20,000 Malaysian Rigit; and
- (iv) On November 7, 2025, Jiangsu Changzhou Katop Automation Equipment Co., Ltd. (江蘇常州嘉拓自動化設備有限公司) was established in the PRC with a registered capital of RMB10,000,000.

The following of our subsidiaries were voluntarily deregistered within two years immediately preceding the date of this document:

- (i) On January 22, 2025, Dongguan Zhuoyue New Material Technology Co., Ltd. (東莞市卓越新材料科技有限公司) was deregistered; and
- (ii) On December 30, 2025, Liyang Katop Automation Technology Co., Ltd. (溧陽嘉拓自動化技術有限公司) was deregistered.

On January 6, 2025, Fujian Liangjingjing New Materials Co., Ltd. (福建亮晶晶新材料有限公司) transferred its capital contribution of RMB1.5 million in Hainan Pujing New Materials Technology Co., Ltd. (海南璞晶新材料科技有限公司), a subsidiary of our Company, representing 30% of the registered capital therein, to our Company.

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On June 24, 2025, Shanghai Jayson New Energy Materials Group Co., Ltd. (上海錦源晟新能源材料集團有限公司) (“**Shanghai Jayson**”) transferred its capital contribution of RMB20.0 million in Inner Mongolia Jinyuansheng Mining Co., Ltd. (內蒙古錦源晟礦業有限公司) (currently known as Inner Mongolia Pujin Mining Co., Ltd. (內蒙古璞錦礦業有限公司) (“**Inner Mongolia Pujin**”)), representing 100% of the registered capital therein, to our Company.

On February 28, 2026, our Company transferred the capital contribution of RMB20.0 million in Inner Mongolia Pujin, representing 100% of the registered capital therein, to Shanghai Jayson.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this document.

4. Resolutions Passed by Our Shareholders’ General Meeting in Relation to the [REDACTED]

At the general meeting of the Shareholders held on March 2, 2026, the following resolutions, among other things, were duly passed:

- (a) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;
- (b) the number of H Shares to be issued before the exercise of the [REDACTED] shall not exceed [REDACTED] of the enlarged share capital of our Company upon completion of the [REDACTED] and granting to the [REDACTED] the [REDACTED] of no more than [REDACTED] of the above number of H Shares to be issued;
- (c) subject to the completion of the [REDACTED], the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date, and our Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and
- (d) authorizing our Board and its authorized persons to handle all relevant matters relating to, among other things, the [REDACTED], the issue of H Shares and the Listing.

(B) FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

- (a) the [REDACTED].

2. Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights or industrial property rights which are or may be material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Place of Registration	Class	Registration Number	Expiry Date
1 . .	PTL	The Company	PRC	7	45630870	January 7, 2031
2 . .	PTL	The Company	PRC	6	45620847	January 7, 2031
3 . .	PTL	The Company	PRC	1	45630861	January 21, 2031
4 . . .		The Company	PRC	9	18823850	May 21, 2027

APPENDIX VI

STATUTORY AND GENERAL INFORMATION

As of the Latest Practicable Date, we had made application for the registration of the following trademarks which we consider to be or may be material to us:

No.	Trademark	Applicant	Place where application is made	Class	Application number	Application date
1 . . .		The Company	Hong Kong	1, 7, 9, 17	307153551	January 8, 2026
2 . . .		The Company	Hong Kong	1, 7, 9, 17	307153560	January 8, 2026

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent	Registered Owner	Type	Patent Number	Expiry Date
1 . . .	A stacking table and a stacking apparatus (一種疊片台及疊片設備)	Dongguan Chao Hong Automation Equipment Co., Ltd. (東莞市超鴻自動化設備有限公司)	Invention Patent	ZL202310225929.3	March 10, 2043
2 . . .	A polygonal winding mandrel for a lithium battery winding machine (一種用於鋰電卷繞機的多邊形卷針)	Katop Automation	Invention Patent	ZL201810372130.6	April 24, 2038
3 . . .	A suction-type winding mandrel, a winding mechanism, and a winding method (一種吸氣式卷針、卷繞機構及卷繞方法)	Katop Automation	Invention Patent	ZL202111211842.8	October 18, 2041
4 . . .	An L-shaped simultaneous double-sided coating apparatus (一種L型雙面同時塗布裝置)	Katop Automation	Invention Patent	ZL202210216664.6	March 7, 2042
5 . . .	A tab insertion device for stacking equipment and a method thereof (一種疊片設備插片裝置及方法)	Katop Automation	Invention Patent	ZL202210918964.9	August 2, 2042
6 . . .	A dual-station double-sided taping apparatus, a cell winding equipment, a production line, and a taping method (兩位雙面貼膠裝置、電芯卷繞設備、生產線及貼膠方法)	Katop Automation	Invention Patent	ZL202211249377.1	October 12, 2042
7 . . .	An electrolyte injection and aging equipment and a positive-pressure recovery method (一種注液靜置設備及正壓回收方法)	Katop Automation	Invention Patent	ZL202311498576.0	November 13, 2043

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No.	Patent	Registered Owner	Type	Patent Number	Expiry Date
8 . . .	A drying apparatus (一種烘乾設備)	Guangdong Katop Automation Technology Co., Ltd. (廣東嘉拓自動化技術有限公司)	Utility model patent	ZL202321285895.9	May 24, 2033
9 . . .	A tandem servo valve mechanism (一種串聯式伺服閥機構)	Shenzhen Katop	Invention Patent	ZL202110126731.0	January 29, 2041
10 . .	A method for controlling edge dryness, an air nozzle, and an oven (一種可控邊緣乾燥度的方法、風嘴及烘箱)	Shenzhen Katop	Invention Patent	ZL202110519034.1	May 12, 2041
11 . .	A dry electrode calendering apparatus, a production line, and a method for disassembling and installing a steel belt (一種乾法電極延壓機構、生產線及鋼帶拆卸安裝方法)	Shenzhen Katop	Invention Patent	ZL202411395336.2	October 8, 2042
12 . .	A dry-process dual-steel-belt film-forming apparatus (一種乾法雙鋼帶成膜設備)	Shenzhen Katop	Utility model patent	ZL202222259481.0	August 25, 2032
13 . .	A separator with high adhesion and air permeability and a preparation method thereof (粘結性與透氣性俱佳的隔膜及其製備方法)	Jiangsu Zhuogao and Shenzhen Katop	Invention Patent	ZL202210064002.1	January 20, 2042
14 . .	A separator having reversible thermal shutdown property, a preparation method, and an application thereof (一種具有可逆熱關斷性能的隔膜及其製備方法和應用)	Jiangsu Zhuogao	Invention Patent	ZL202010566549.2	June 19, 2040
15 . .	An adhesive separator and a preparation method thereof (粘結性隔膜及其製備方法)	Jiangsu Zhuogao	Invention Patent	ZL202210559637.9	May 23, 2042
16 . .	A composite current collector, a battery, and an apparatus (一種複合集流體及電池、物體)	Jiangsu Zhuogao	Utility model patent	ZL202022202431.X	September 30, 2030
17 . .	A direct welding structure for a composite current collector and a tab (複合集流體與極耳的直接焊接結構)	Jiangsu Zhuogao	Utility model patent	ZL202222553068.5	September 27, 2032
18 . .	An electrode and a secondary battery comprising the same (極片以及具有該極片的二次電池)	Jiangsu Zhuogao	Utility model patent	ZL202223566292.4	December 30, 2032
19 . .	A coated separator, a preparation method, and an application thereof (一種塗覆隔膜及其製備方法及應用)	Ningde Zhuogao	Invention Patent	ZL202210546423.8	May 20, 2042

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No.	Patent	Registered Owner	Type	Patent Number	Expiry Date
20	A ceramic separator, a preparation method, and an application thereof (一種陶瓷隔膜及其製備方法及應用)	Ningde Zhuogao	Invention Patent	ZL202210671147.8	June 15, 2042
21	A high-adhesion separator, a preparation method, and an application thereof (一種高粘結性隔膜及其製備方法及應用)	Ningde Zhuogao	Invention Patent	ZL202310272228.5	March 21, 2043
22	A modified ceramic separator, a preparation method, and an application thereof (一種改性陶瓷隔膜及其製備方法及應用)	Ningde Zhuogao	Invention Patent	ZL202310682525.7	June 9, 2043
23	A PMMA-coated separator, a preparation method, and an application thereof (一種PMMA塗覆隔膜及其製備方法及應用)	Ningde Zhuogao	Invention Patent	ZL202411169892.8	August 26, 2044
24	A porous composite separator, a preparation method thereof, and a secondary battery (多孔複合隔膜及其製備方法、二次電池)	Ningde Zhuogao	Invention Patent	ZL202510712329.9	May 30, 2045
25	A battery separator, a preparation method thereof, and a secondary battery (電池隔膜及其製備方法和二次電池)	Ningde Zhuogao	Invention Patent	ZL202510712097.7	May 30, 2045
26	A composite coated separator for a lithium-ion battery and a preparation method thereof (一種鋰離子電池複合塗覆隔膜及其製備方法)	Guangdong Zhuohao New Materials Technology Co., Ltd. (廣東卓高新材料科技有限公司)	Invention Patent	ZL202211578632.7	December 7, 2042
27	A 1,1-difluoroethylene copolymer, a preparation method, and an application thereof (一種1,1-二氟乙烯共聚物及其製備方法與應用)	Ruyuan Fluorine Resin	Invention Patent	ZL202210963670.8	August 11, 2042
28	A current collector, a preparation method, and an application thereof (一種集流體及其製備方法和應用)	Liyang Zichen New Materials Technology Co., Ltd. (溧陽紫宸新材料科技有限公司) (“Liyang Zichen”)	Invention Patent	ZL202110864853.X	July 29, 2041
29	An organic porous framework anode, a preparation method thereof, and a battery (一種有機多孔骨架負極、其製備方法和電池)	Liyang Zichen	Invention Patent	ZL202110866883.4	July 29, 2041

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No.	Patent	Registered Owner	Type	Patent Number	Expiry Date
30	A negative electrode structure, a preparation method thereof, and a solid-state battery (一種負極結構、其製備方法以及固態電池)	Liyang Zichen	Invention Patent	ZL202110866695.1	July 29, 2041
31	A lithium metal anode, a preparation method, and an application thereof (一種鋰金屬負極及其製備方法與應用)	Liyang Zichen	Invention Patent	ZL202210997445.6	August 19, 2042
32	A composite graphite material, a preparation method, and an application thereof (一種複合石墨材料及其製備方法與應用)	Liyang Zichen	Invention Patent	ZL202310193978.3	March 3, 2043
33	A composite carbon material, a preparation method, and an application thereof (一種複合碳材料及其製備方法和應用)	Liyang Zichen	Invention Patent	ZL202410592955.4	May 14, 2044
34	A negative electrode material, a preparation method thereof, and a secondary battery (一種負極材料及其製備方法和二次電池)	Liyang Zichen; Jiangxi Zichen	Invention Patent	ZL202410362923.5	March 28, 2044
35	A graphite negative electrode material, a preparation method, and an application thereof (一種石墨負極材料及其製備方法和應用)	Jiangxi Zichen	Invention Patent	ZL202210920297.8	August 2, 2042
36	A porous carbon, a silicon-carbon negative electrode material, an electrode, a lithium-ion battery, and a power-consuming device (一種多孔碳、矽碳負極材料、電極片、鋰離子電池和用電器)	Jiangxi Zichen	Invention Patent	ZL202411381145.0	September 30, 2044
37	A silicon-carbon negative electrode material, a preparation method thereof, a negative electrode, and a lithium-ion battery (一種矽碳負極材料及其製備方法、負極片和鋰離子電池)	Sichuan Zichen	Invention Patent	ZL202411723774.7	November 28, 2044

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(c) Copyrights

As of the Latest Practicable Date, we had registered the following computer software copyrights which we consider to be material to our Group’s business:

No.	Copyright	Registered Owner	Registration Number	Registration Date
1 . .	Fully Automatic Horizontal High-Speed Isostatic Injection System V1.0 (全自動臥式高速等壓注液機系統V1.0)	Katop Automation	2025SR1382547	July 29, 2025
2 . . .	Fully Automatic Cylindrical Battery Isostatic Filling System for V1.0 (圓柱電池全自動等壓注液機系統V1.0)	Katop Automation	2025SR1377072	July 28, 2025
3 . . .	Fully Automatic Thermal Laminated Lithium Battery Winding Machine (全自動熱複合鋰電池捲繞機)	Katop Automation	2025SR1530612	August 14, 2025
4 . . .	Fully Automatic Blade-Type Battery Isobaric Filling System (全自動刀片電池等壓注液機系統)	Katop Automation	2025SR1670244	September 1, 2025
5 . . .	High-Speed Roller Compactor Program V1.0 (高速輥壓機程序V1.0)	Shenzhen Katop	2025SR0017186	January 3, 2025
6 . . .	Precision Printing Primer Coater Program (Omron PSL System) V1.0 (精密印刷底塗機塗布機程序(歐姆龍PSL系統)V1.0)	Shenzhen Katop	2025SR0017203	January 3, 2025
7 . . .	High-Speed Diaphragm Slitting Machine Program V1.0 (高速隔膜分切機程序V1.0)	Shenzhen Katop	2025SR0017211	January 3, 2025
8 . . .	High-Speed Coating Control System (Omron) V1.4 (高速塗布控制系統(歐姆龍)V1.4)	Shenzhen Katop	2025SR0025455	January 6, 2025
9 . . .	Helium Leak Detector Control System (Omron) V1.0 (氦檢機控制系統(歐姆龍)V1.0)	Shenzhen Katop	2025SR0026073	January 6, 2025
10 . .	Roll Compaction and Slitting Integrated Machine Control System V1.1 (輥壓分切一體機控制系統 V1.1)	Shenzhen Katop	2025SR0026113	January 6, 2025
11 . .	Double-Sided Simultaneous Drying Primer Machine Program (Inovance System) V1.0 (雙面同時烘乾底塗機程序(匯川系統)V1.0)	Shenzhen Katop	2025SR0044508	January 8, 2025
12 . .	Copper and Aluminum Foil Spot Coating Machine Program V1.0 (銅鋁箔跳塗機程序V1.0)	Shenzhen Katop	2025SR0044844	January 8, 2025
13 . .	Dry Coating Control System (Omron 1500 Series) V1.0 (幹法擠壓塗布控制系統(歐姆龍1500系 列)V1.0)	Shenzhen Katop	2025SR0063567	January 10, 2025

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No.	Copyright	Registered Owner	Registration Number	Registration Date
14 . .	Composite Control System V1.0 (複合控制系統V1.0)	Shenzhen Katop	2025SR0064315	January 10, 2025
15 . .	Film Drawing Line SCADA Software (拉膜線SCADA軟件)	Shenzhen Katop	2025SR0225598	February 8, 2025
16 . .	Equipment Alarm Monitoring and Data Acquisition Software (設備 報警監控採集軟件)	Shenzhen Katop	2025SR0225619	February 8, 2025
17 . .	Equipment Process Parameter Monitoring and Acquisition Software (設備過程參數監控採 集軟件)	Shenzhen Katop	2025SR0225624	February 8, 2025
18 . .	KTMES Host WEB System V1.0 (KTMES上位機WEB系統V1.0)	Shenzhen Katop	2025SR0508487	March 24, 2025
19 . .	Carburizing Workshop SCADA Software V1.0 (碳化車間Scada 軟件V1.0)	Shenzhen Katop	2025SR0508492	March 24, 2025
20 . .	Equipment Energy Consumption Monitoring and Data Acquisition Software V1.0 (設備 能耗監控採集軟件V1.0)	Shenzhen Katop	2025SR0508510	March 24, 2025

(d) Domain Names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Approval Date
1 . .	Putailai.com	The Company	August 23, 2024
2 . .	Jxzichen.com	Jiangxi Zichen	December 2, 2025
3 . .	zichen.com.cn	Sichuan Zichen	August 12, 2025
4 . .	katopauto.com	Jiangsu Katop Automation Co., Ltd. (江蘇嘉拓 新能源智能裝備股份有限公司)	September 22, 2023

(C) FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors’ Service Contracts and Appointment Letters

Each of the Directors [has entered into] a service contract or appointment letter with our Company. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

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2. Remuneration of Directors

Save as disclosed in “Directors and Senior Management” and under “Accountants’ Report — Notes to the Historical Financial Information — 10. Directors’ and Chief Executive’s Remuneration” in Appendix I to this document, no Director received other remuneration or benefits in kind from our Company in respect of each of the years ended December 31, 2023, 2024 and 2025.

3. Disclosure of Interests

Interests of our Directors or chief executive

Save as disclosed below, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), so far as our Directors are aware, none of our Directors or chief executive has any interests or short positions in our Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

(a) Interests in our Company

Name of Director	Name of associated corporation	Nature of interest	A Shares held as of the Latest Practicable Date		A Shares held following the completion of the [REDACTED] ⁽¹⁾		
			Number	Approximate percentage of issued Shares (%)	Number	Approximate percentage of issued A Shares (%)	Approximate percentage of total issued Shares (%)
Mr. Liang ⁽²⁾	Our Company	Beneficial owner, interest in controlled corporations and interest held jointly with other persons	961,571,752	45.01	961,571,752	45.01	[REDACTED]
Mr. Chen Wei (陳衛)	Our Company	Beneficial owner	176,698,100	8.27	176,698,100	8.27	[REDACTED]
Mr. Han Zhongwei (韓鐘偉)	Our Company	Beneficial owner	10,873,988	0.51	10,873,988	0.51	[REDACTED]

Notes:

- (1) The calculations are made assuming the [REDACTED] is not exercised.
- (2) See “Substantial Shareholders” for further details.

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(b) *Interest in associated corporations*

Name	Position in our Group	Nature of Interest	Name of associated corporation	Approximate percentage of shareholding in associated corporation
Mr. Chen Wei (陳衛)	Executive Director and the general manager of our Company	Beneficial owner and interest in a controlled corporation <i>Note</i>	Katop Automation	3.68%
Mr. Han Zhongwei (韓鐘偉)	Executive Director and the executive vice general manager of our Company	Beneficial owner	Katop Automation	0.28%

Note: As of the Latest Practicable Date, Mr. Chen Wei is a direct beneficial owner of 7,000,000 shares of Katop Automation and is deemed to be interested in a total of 6,000,000 shares of Katop Automation held by Ningbo Jingyuan Venture Capital Partnership Enterprise (Limited Partnership) (寧波靜原創業投資合夥企業(有限合夥)), in which Mr. Chen Wei is both the executive partner and a limited partner holding 50% of the partnership interest.

Save as disclosed above, none of the Directors or the chief executive of the Company will, immediately following completion of the [REDACTED], has any interests and/or short positions in the Shares, underlying Shares and debentures of our Company’s associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Interests and Short Positions Disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Directors or chief executive, who immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see “Substantial Shareholders.”

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Interests of substantial shareholders in members of our Group (excluding our Company)

As of the Latest Practicable Date, to the best knowledge of our Directors, the following persons (other than members of our Group) were interested in 10% or more of the voting rights at general meetings of our subsidiaries:

Name of subsidiary	Name of substantial shareholder	Approximate percentage of shareholding (%)
Jilin Zichen Technology Co., Ltd. (吉林紫宸科技有限公司)	Li Wei (李偉)	14.40
Ruyuan Fluorine Resin	Qiu Tingju (邱庭舉)	10.60
	Ruyuan Dongyangguang Fluorine Co., Ltd. (乳源東陽光氟有限公司)	40.00

(D) SHARE INCENTIVE SCHEME

1. 2025 Share Option Incentive Scheme

The following is a summary of the principal terms of the 2025 Share Option Incentive Scheme adopted by the Board on March 25, 2025. The terms of the 2025 Share Option Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the grant of new options by our Company after the Listing.

(a) Purpose

The main purposes of the 2025 Share Option Incentive Scheme are to optimize the governance structure of our Group, establish and improve the long-term incentive mechanism of our Company, attract and retain senior management and core employees of our Company, mobilizes their enthusiasm and creativity, effectively align the interests of Shareholders, our Company and our core team members, thereby ensuring the focus on our long-term development and ensuring the achievement of the development strategy and business objectives of our Company.

(b) Administration

The Shareholders’ meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of the 2025 Share Option Incentive Scheme. The Shareholders’ meeting may, within its powers and authorities, authorize the Board to handle certain matters relating to the 2025 Share Option Incentive Scheme.

The Board shall act as the executive and administrative body for the 2025 Share Option Incentive Scheme and be responsible for the implementation of the 2025 Share Option Incentive Scheme. The Audit Committee shall be responsible for drafting and revising the 2025 Share Option Incentive Scheme, and submitting it to the Board for consideration and approval. Upon approval by the Board, the 2025 Share Option Incentive Scheme shall be further submitted to the Shareholders’ meeting for review. The Board may handle other matters relating to the 2025 Share Option Incentive Scheme within its scope of authority as delegated by the Shareholders’ meeting.

The board of supervisors of the Company (which has been cancelled with its functions being undertaken by the Audit Committee) is the oversight body for the 2025 Share Option Incentive Scheme and shall express opinions on whether this scheme is conducive to our Company’s sustainable development and whether there are any circumstances that clearly impair the interests of the Company and all of the Shareholders. The Audit Committee shall supervise whether the implementation of the 2025 Share Option Incentive Scheme complies with relevant laws, regulations, normative documents and stock exchange business rules, and is responsible for reviewing the list of Participants. Independent non-executive Directors shall solicit proxy votes from all Shareholders regarding the scheme.

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Where the Company revises this scheme before the consideration and approval at the general meeting, the Audit Committee shall express opinions on whether the revised 2025 Share Option Incentive Scheme facilitates the sustainable development of the Company and whether the revised scheme impairs the interests of the Company and the Shareholders as a whole.

Before the exercise of the entitlements by the Participants, the Audit Committee shall express clear opinions on whether the conditions for the Participants to exercise their rights have been met.

(c) Eligible Participants

Subject to applicable laws and regulations and the Articles of Association, the eligible participants of the 2025 Share Option Incentive Scheme include our Group's directors, senior management and core employees. Eligible participants shall exclude independent Directors, supervisors, shareholders who individually or collectively hold 5% or more of the Shares and actual controllers of our Company, and their respective spouses, parents and children.

(d) Source and maximum number of Shares

The Shares underlying the 2025 Share Option Incentive Scheme are A Shares to be issued by our Company to the selected participants. The total number of Shares that may be issued pursuant to the 2025 Share Option Incentive Scheme is no more than 32,000,000 Shares underlying 32,000,000 Options.

Upon implementation of the 2025 Share Option Incentive Scheme, the aggregate number of Shares subject to all share incentive schemes adopted by the Company in effect shall not exceed 10% of the Company's total share capital. No individual shall receive Shares under all share incentive schemes adopted by the Company that collectively exceed 1% of the Company's total share capital.

(e) Timing of grant of Options

The date on which the options under the initial batch are granted shall be a trading day determined by the Board within 60 days after the date of approval of the 2025 Share Option Incentive Scheme by the Shareholders' meeting. The grant of Options or restricted shares shall be approved by the Board, registered and announced within 60 days after the approval of the 2025 Share Option Incentive Scheme by the Shareholders' meeting. The Options under the reserve batch shall be granted within 12 months after the date of approval of the 2025 Share Option Incentive Scheme by the Shareholders' meeting.

(f) Conditions to the grant of Options

The Options under the 2025 Share Option Incentive Scheme will only be granted to selected participants if the following conditions are fulfilled:

- (a) with respect to our Company, none of the following circumstances having occurred:
 - (1) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountants with respect to our Company's accountants' report for the most recent fiscal year;
 - (2) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountants with respect to the internal control report contained in accountants report for the most recent fiscal year;
 - (3) our Company has not distributed dividends in accordance with the laws and regulations, our Articles of Association or our public commitment within the last 36 months after its listing;

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- (4) the applicable laws and regulations prohibit the implementation of any share incentive arrangement; or
 - (5) any other circumstances determined by the CSRC.
- (b) with respect to a grantee, none of the following circumstances having occurred:
 - (1) the grantee has been regarded as an inappropriate person by the stock exchange within the last 12 months;
 - (2) the grantee has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months;
 - (3) the grantee has been punished or prohibited from entering into the securities market by the CSRC or its local office due to material breach of laws and regulations within the last 12 months;
 - (4) the grantee is not qualified to serve as a director or senior management according to the PRC Company Law;
 - (5) the grantee is prohibited from participating in any share incentive arrangement of listed companies according to applicable laws and regulations; or
 - (6) any other circumstances determined by the CSRC.

(g) Exercise of Options

Options may be exercised by a grantee provided that (i) the conditions set out under paragraph (f) above are fulfilled at the time of exercise of Options; and (ii) the annual assessment and performance targets as set out under the 2025 Share Option Incentive Scheme are achieved.

The exercise price for the Options granted under the 2025 Share Option Incentive Scheme is RMB15.43 per option, which is a price no less than 80% of the A Share trading price of the Company of the one trading day prior to the announcement of the 2025 Share Option Incentive Scheme.

The grantees must exercise their options within the validity period of the respective options. Upon the expiry of the validity period, Options granted but not exercised will cease to be exercisable and shall be canceled by our Company.

The number of Options granted and the exercise prices will be adjusted upon the occurrence of certain events, including but not limited to increase in the share capital by way of capitalization of capital reserves, issue of bonus Shares, subdivision of Shares and issue of new Shares.

The Options granted are exercisable in three tranches of 34%, 33% and 33% in each of the three exercise periods that occur between the first trading day after the 12-month anniversary from the date of grant and the last trading day up to the 48-month anniversary of the date of grant.

The exercise of the Options granted under the 2025 Share Option Incentive Scheme shall be on a trading day, which shall not fall within the following periods: (i) 15 days before the publication of annual report and interim report; (ii) 5 days before the publication of quarterly report, earnings forecast and preliminary earnings estimate; (iii) the period starting from the date of occurrence of any significant price-sensitive event on the trading of our Shares and derivatives or the decision-making process in respect of such event until the date of announcement of such event; and (iv) any other period stipulated by the CSRC and the Shanghai Stock Exchange.

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(h) Lock-up

If the grantee is a Director or a senior management of our Company, the Shares to be transferred each year shall not exceed 25% of the total Shares he/she holds during the term of his/her employment, and no share held by such Director or senior management can be transferred within six months after cessation of appointment.

If the grantee is a Director or senior management of our Company, income gained through the sale of Shares within six months of the purchase, or purchase of Shares within six months of the sale, shall belong to our Company and will be forfeited by the Board.

If there is any change in the applicable laws and regulations on the foregoing lock-up requirements, the grantee shall comply with the amended laws and regulations.

(i) Outstanding Options

On June 3, 2025, all Options under the initial batch were granted to a total of 262 selected participants at the exercise price of RMB15.43 per Share. On June 13, 2025, the exercise price was adjusted to RMB15.26 per Share as a result of completion of the cash dividend (RMB1.7 per ten Shares) distribution on the same day.

As of the Latest Practicable Date, the number of A Shares underlying the outstanding options granted under the 2025 Share Option Incentive Scheme amounted to 28,480,900 A Shares, representing [REDACTED] of the issued Shares immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the Listing). As of the Latest Practicable Date, the outstanding options were held by [one] Director and [five] members of senior management of our Company and [256] grantees who are employees of our Company and are not Directors, members of the senior management or connected persons of our Company. If all outstanding options granted under the 2025 Share Option Incentive Scheme are exercised, assuming the [REDACTED] is not exercised and no changes are made to the total issued share capital of our Company since the Latest Practicable Date and up to the Listing, the issued and outstanding shareholding of the Shareholders immediately following completion of the [REDACTED] will be diluted by [REDACTED]. The dilution effect on our earnings per Share would be [REDACTED].

The table below sets forth the details of options granted to Directors, members of senior management or connected persons of our Company under 2025 Share Option Incentive Scheme as of the Latest Practicable Date:

Name	Position in our Group	Address	Date of grant	Exercise price (RMB)	Exercise period	Number of A Shares underlying outstanding options	A Shares underlying outstanding options as a percentage of issued Shares immediately after the [REDACTED] ^{Note}
Mr. Han Zhongwei (韓鐘偉)	Executive Director and executive vice general manager	No. 225, Lane 4288, Longdong Avenue, Pudong New Area, Shanghai, PRC	June 3, 2025	15.26	April 10, 2026 to April 10, 2028	1,000,000	[REDACTED]%

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Name	Position in our Group	Address	Date of grant	Exercise price (RMB)	Exercise period	Number of A Shares underlying outstanding options	A Shares underlying outstanding options as a percentage of issued Shares immediately after the [REDACTED] ^{Note}
Mr. Wang Xiaoming (王曉明)	Vice general manager	Room 3A, Block 8, Vitality Kangcheng, No. 3 Jinfeng Road, Nancheng District, Dongguan City, Guangdong Province, PRC	June 3, 2025	15.26	April 10, 2026 to April 10, 2028	1,300,000	[REDACTED]%
Ms. Liu Fang (劉芳)	Vice general manager	Room 402, No. 11, Lane 708, Lingshan Road, Pudong New Area, Shanghai, PRC	June 3, 2025	15.26	April 10, 2026 to April 10, 2028	1,000,000	[REDACTED]%
Mr. Liu Yongbiao (劉勇標)	Vice general manager	No. 105, Lianning Road, Lianfeng Town, Liancheng County, Fujian Province, PRC	June 3, 2025	15.26	April 10, 2026 to April 10, 2028	1,000,000	[REDACTED]%
Mr. Xiong Gaoquan (熊高權)	Chief financial officer	Room 602, No. 64, Lane 458, Xiangchuan Road, Chuansha New Town, Pudong New Area, Shanghai, PRC	June 3, 2025	15.26	April 10, 2026 to April 10, 2028	450,000	[REDACTED]%
Mr. Zhang Xiaoquan (張小全)	Secretary to the Board and joint company secretary	Room 301, No. 127, Lane 508, Linglan Road, Pudong New Area, Shanghai, PRC	June 3, 2025	15.26	April 10, 2026 to April 10, 2028	450,000	[REDACTED]%

Note: Assuming no [REDACTED] is exercised.

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The table below sets forth the details of the options granted to the grantees (who are not our Directors, members of our senior management or connected persons of our Company) under the 2025 Share Option Incentive Scheme, categorized by the number of underlying A Shares, which were outstanding as of the Latest Practicable Date:

Category by number of underlying A Shares	Number of grantee	Date of grant	Exercise price (RMB)	Exercise period	Number of A Shares underlying outstanding options	A Shares underlying outstanding options as a percentage of issued Shares immediately after the [REDACTED] ^{Note}
1 to 5,000	1	June 3, 2025	15.26	April 10, 2026 to April 10, 2028	1,000	[REDACTED]%*
5,001 to 50,000	93	June 3, 2025	15.26	April 10, 2026 to April 10, 2028	3,066,600	[REDACTED]%
50,001 to 5,000,000 . .	162	June 3, 2025	15.26	April 10, 2026 to April 10, 2028	20,213,300	[REDACTED]%

Note: Assuming no [REDACTED] is exercised.

* This denotes less than 0.005% of the total issued Shares immediately after the [REDACTED].

(E) OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the H Shares of our Company. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letters entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsor an aggregate fee of US\$400,000 to act as the sponsor of our Company in connection with the proposed Listing on the Stock Exchange.

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4. Consent of Experts

The qualification of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this document are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
King & Wood	Legal advisor to our Company as to PRC laws
Ernst & Young	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the law of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
CIC	An independent professional market research and consulting company

As of the Latest Practicable Date, none of the experts named above has any shareholding 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.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all 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.

6. Promoters

Information of our promoters at the time of the Company’s conversion into a joint stock limited company in December 2015 is as follows:

No.	Name
1. . .	Mr. Liang
2. . .	Ningbo Shengyue
3. . .	Ningbo Kuoneng
4. . .	Mr. Chen Wei
5. . .	Shanghai Kuoyong Enterprise Management Co., Ltd. (上海闊甬投資管理有限公司) (then known as Shanghai Peixuan Enterprise Management Co., Ltd. (上海裴宣企業管理有限公司) and deregistered on March 9, 2022)

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No.	Name
6. . .	Wuhu Jiahui Investment Management Co., Ltd. (蕪湖佳輝投資管理有限公司) (currently known as Shanghai Baigen Trading Co., Ltd. (上海柏亘貿易有限公司))
7. . .	Mr. Qi Xiaodong (齊曉東)
8. . .	Shanghai Fuyushan Enterprise Management Co., Ltd. (上海符禺山投資管理有限公司) (currently known as Duilong Deqing Fuyushan Enterprise Management Co., Ltd. (堆龍德慶符禺山企業管理有限公司))
9. . .	Dongguan Electronic Technology Co., Ltd. (東莞市卓好電子科技有限公司) (then known as Qushui Zhuohao Electronic Technology Co., Ltd. (曲水卓好電子科技有限公司) and deregistered on May 8, 2014)
10. .	Mr. Feng Suning (馮蘇寧)
11. .	Mr. Han Zhongwei (韓鐘偉)
12. .	Ms. Liu Fang (劉芳)
13. .	Mr. Zhang Zhiqing (張志清)
14. .	Mr. Wang Xiaoming (王曉明)
15. .	Mr. Liu Yongbiao (劉勇標)

Within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

7. 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).

8. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

9. Compliance Advisor

Our Company has appointed Changjiang Corporate Finance (HK) Limited as our Compliance Advisor in compliance with Rules 3A.19 of the Listing Rules.

10. No Material Adverse Change

Our Directors confirm that, there has been no material adverse change in our business, financial condition and results of operations since December 31, 2025, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants’ Report in Appendix I to this document, and up to the date of this document.

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11. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected 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 on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

12. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in “Accountants’ Report — 45. Related Party Transactions” in Appendix I to this document.

13. Miscellaneous

Save as disclosed in this document:

- (i) within the two years immediately preceding the date of this document:
 - (a) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (b) no share or loan capital of our Company or any of our subsidiaries had been under option or is agreed conditionally or unconditionally to be put under option;
 - (c) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (d) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (ii) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;
- (iii) 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;
- (iv) our Company has no outstanding convertible debt securities or debentures;
- (v) there is no arrangement under which future dividends are waived or agreed to be waived;
- (vi) save for the A Shares of our Company that are listed on the Shanghai Stock Exchange, and save for the H Shares to be issued in connection with the [REDACTED], none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and
- (vii) all necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.

APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in “Statutory and General Information — (E) Other Information — 4. Consent of Experts” in Appendix VI to this document; and
- (b) a copy of each of the material contracts referred to in “Statutory and General Information — (B) Further Information about our Business — 1. Summary of Material Contracts” in Appendix VI to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available for inspection at the website of the Stock Exchange at www.hkexnews.hk and our website at <https://www.putailai.com> including the date which is 14 days from the date of this document:

- (a) the Articles of Association;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the texts of which are set out in “Accountants’ Report” in Appendix I to this document and “Unaudited Pro Forma Financial Information” in Appendix II to this document, respectively;
- (c) the audited consolidated financial statements of our Company for each of the years ended December 31, 2023, 2024 and 2025;
- (d) the material contracts referred to in “Statutory and General Information — (B) Further Information about our Business — 1. Summary of Material Contracts” in Appendix VI to this document;
- (e) the service contracts and the letters of appointment referred to in “Statutory and General Information — (C) Further information about our Directors — 1. Particulars of Directors’ Service Contracts and Appointment Letters” in Appendix VI to this document;
- (f) the industry report issued by CIC, a summary of which is set forth in “Industry Overview” in this document;
- (g) the PRC legal opinions issued by King & Wood, our PRC Legal Advisor on PRC law, in respect of certain general corporate matters and property interests in the PRC of our Group;
- (h) the written consents referred to in “Statutory and General Information — (E) Other Information — 4. Consent of Experts” in Appendix VI to this document; and
- (i) the PRC Company Law, the PRC Securities Law and the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translation.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a full list of all the grantees under the 2025 Share Option Incentive Scheme will be made available for public inspection at 46/F, Hopewell Center, 183 Queen’s Road East, Wanchai, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this document.