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Application Proof of

Jiangsu HSC New Energy Materials Co., Ltd.
江蘇華盛鋰電材料股份有限公司

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

(the "Company")

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Jiangsu HSC New Energy Materials Co., Ltd.
江蘇華盛鋰電材料股份有限公司

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

[REDACTED]

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

Sole Sponsor, [REDACTED], [REDACTED]

华泰国际
HUATAI INTERNATIONAL

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The [REDACTED], on behalf of the [REDACTED], may, where considered appropriate and with the consent of our Company, reduce the number of [REDACTED] and/or the indicative [REDACTED] range below that is stated in this document (being HK$[REDACTED] per [REDACTED] to HK$[REDACTED] per [REDACTED]) at any time prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. In such case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of the Company at **www.sinohsc.com** as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging [REDACTED] under the [REDACTED]. For further details, see "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

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OVERVIEW

We are a globally leading lithium-ion battery materials supplier, engaging in the R&D, production and sales of lithium-ion battery electrolyte additives, including vinylene carbonate ("**VC**") and fluoroethylene carbonate ("**FEC**"), and other lithium-ion battery materials. According to CIC, we have been the largest global lithium-ion battery electrolyte additive supplier in most of the years since 2005 in terms of sales volume. Specifically, we are the world's largest lithium-ion battery electrolyte additive supplier in terms of sales volume in 2025, with a market share of 15.2%, according to the same source. As the first Chinese player to enter into the global lithium-ion battery electrolyte additive market and achieve mass production of lithium-ion battery electrolyte additives, we are committed to maintaining our market recognition as the most reliable supplier in the global lithium-ion battery materials industry through continuous technological innovations and timely adaptions to the evolving market.

As a indispensable component of the lithium-ion battery, which is in turn important to the new energy industry, lithium-ion battery electrolyte additives play a critical and foundational role in ensuring battery safety, enhancing battery performance and promoting efficient development of the lithium-ion battery industry. We primarily focus on lithium-ion battery electrolyte additives and are expanding into the high-value anode material market. At the same time, we are proactively exploring materials for novel batteries such as solid-state and sodium-ion batteries. We sell both domestically and internationally, covering Asia, Europe and North America, achieving extensive global coverage.

The following table summarizes our key achievements that solidify our industry-leading position:

Well-established Market Position	Leading & Capability	Blue-chip Customers	Strong Product Delivery Capability
• The **first** Chinese player to enter into the global lithium-ion battery electrolyte additive market and achieve mass production of lithium-ion battery electrolyte additives.[1]	• **Lead drafter** of **the national standard** for **VC** products and the **industrial standard** for **FEC** products.	• Serving all of the global **top ten** lithium-ion battery electrolyte manufacturers.[2]	• Annual production capacity of VC and FEC products **achieving 20,500 tonnes**.
• In 2025, we are the world's **largest** lithium-ion battery electrolyte additive supplier in terms of sales volume, with a market share of **15.2**%.[1]	• Industry-leading awards, such as the first prize of **the Scientific and Technological Invention Award** and the second prize of **the National Technological Invention Award**.	• Our products covering **all** major global battery manufacturers.[2]	• Purity level of VC products consistently maintained at **99.9999% (6N-grade)**, and quality of FEC products consistently remained at industry-leading position.

Note:

(1) According to CIC.

(2) In 2025, according to CIC.

Our Business and Products

Our core business revolves around lithium-ion battery materials. We have established a comprehensive product portfolio, primarily centering around lithium-ion battery electrolyte additives, mainly including VC and FEC, and other lithium-ion battery materials, including graphite anode materials and novel silicon-carbon anode materials. As a leading supplier of mainstream lithium-ion battery electrolyte additives such as VC and FEC, our products are popularly utilized in downstream markets including energy storage systems ("**ESS**"), new energy vehicles ("**NEVs**"), consumer electronics, humanoid robotics and low-altitude economy.

Our Market Opportunities

According to CIC, the surging demand from new economy industries such as ESS, NEVs, consumer electronics, humanoid robotics and low-altitude economy are driving rapid growth for the lithium-ion battery industry. As one of the most critical components of lithium-ion batteries, the market of lithium-ion battery electrolyte additives is expected to grow rapidly in the future. According to CIC, the size of the global lithium-ion battery electrolyte additives market increased from 14.5 kilotonnes in 2020 to 135.4 kilotonnes in 2025 at a CAGR of 56.4%, and is expected to further increase to 391.5 kilotonnes in 2030 at a CAGR of 23.7%.

On the other hand, anode material, as another primary raw material of lithium-ion batteries, is also in a period of strong growth, supported by the rise of the ESS and NEV industries. The size of the global anode material market increased from 515.0 kilotonnes in 2020 to 3,040.9 kilotonnes in 2025 at a CAGR of 42.6%, and is expected to further increase to 7,855.4 kilotonnes in 2030 at a CAGR of 20.9%.

Our Technology and R&D

We have been focusing on the R&D, production and sales of lithium-ion battery materials, including mainstream lithium-ion battery electrolyte additives and novel lithium salts. Through consistent technology iteration, we have accumulated substantial experience and technological achievements. For instance, we are the lead drafter of the national standard for VC products and the industrial standard for FEC products. Our VC products are market benchmarks in terms of quality and production techniques and were included in the National Torch Program ("**國家火炬計劃項目**"). Our achievements have been recognized through multiple industry awards and official accreditations, reflecting our technical leadership, innovative capabilities, and manufacturing excellence. See "Business — Awards and Recognitions".

Our Financial Performance

Our total revenue was RMB525.0 million, RMB504.9 million and RMB869.5 million in 2023, 2024 and 2025, respectively, representing an increase of 65.6% from 2023 to 2025. We recorded net loss of RMB33.9 million, RMB188.6 million and RMB2.6 million in 2023, 2024 and 2025, respectively. According to CIC, in line with the general performance of the lithium-ion battery material companies, we experienced fluctuations in our financial performance during the Track Record Period.

OUR COMPETITIVE STRENGTHS

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

- Exceptional product excellence and a multi-dimensional product matrix defining industry standards.
- Market leadership and industry-leading R&D and technical capabilities.
- Supply chain synergy and process-driven technical innovation leading to high-capacity manufacturing excellence.

- Global blue-chip customers base and strong brand influence through strategic collaborations.
- ESG competitiveness and operational excellence.
- Experienced management team with strategic market insight and business acumen.

See "Business — Our Competitive Strengths".

OUR STRATEGIES

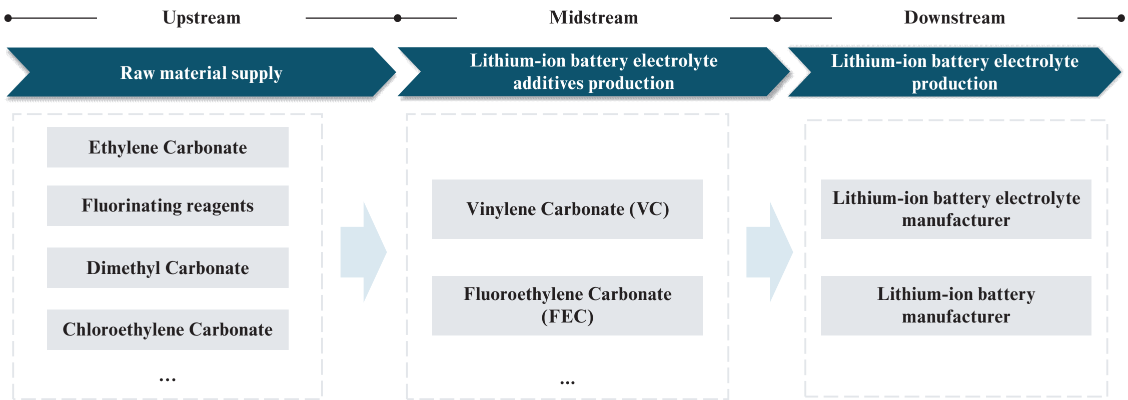
Our key objective is to consolidate and strengthen our market-leading position in the global lithium-ion battery material industry. In line with this objective, we intend to leverage our competitive strengths and implement the following strategies:

- Capacity expansion and technology upgrades to bolster cost-efficiency and market leadership.
- Accelerate industrialization of novel materials to drive new market growth.
- Advance R&D and pursue innovations in emerging sector.
- Explore strategic mergers and acquisitions opportunities to amplify value chain integration.

See "Business — Our Strategies".

OUR VALUE PROPOSITION IN THE LITHIUM-ION BATTERY VALUE CHAIN

Lithium-ion battery electrolyte , anode materials, cathode materials and separators constitute the four primary raw materials of a lithium-ion battery. As a market leader in the lithium-ion battery electrolyte additives market, which produces both lithium-ion battery electrolyte additives and anode materials, we occupy a strategically important position in the lithium-ion battery industry value chain, with chemical raw material manufacturers as our upstream suppliers and lithium-ion battery electrolyte and battery manufacturers as our downstream customers. Particularly, we serve our downstream market demand in a wide array of industries, including ESS, NEVs, consumer electronics, humanoid robotics and low-altitude economy, among others.



See "Business — Our Value Proposition in The Lithium-ion Battery Value Chain."

OUR BUSINESS MODEL

We offer primarily lithium-ion battery materials comprising (i) lithium-ion battery electrolyte additives, including VC and FEC; and (ii) other materials, including anode materials, LiBOB, MMDS and specialty silicones. In addition, we are actively seeking to expand our product portfolio in anticipation of new market demands, such as novel lithium salt and solid-state lithium-ion battery materials. During the Track Record Period, we generated a substantial portion of our revenue from the sales of our VC and FEC products.

OUR PRODUCT OFFERINGS

Lithium-ion Battery Electrolyte Additives

During the Track Record Period, we produced lithium-ion battery electrolyte additive products, including VC and FEC, which are utilized for different batteries, and offered customized solutions related to lithium-ion battery electrolyte additives for lithium-ion battery electrolyte suppliers and battery manufacturers. The performance of lithium-ion battery electrolyte additives is defined by higher purity and lower levels of color and moisture. Our VC products have achieved a purity of 99.9999%, with their color value and moisture levels at industry-leading standard according to CIC.

VC

VC is a core film-forming additive in lithium-ion battery electrolyte. It can undergo electrochemical reactions on the surface of the anode in the lithium-ion battery electrolyte during the initial charging and discharging of lithium-ion batteries to form a SEI. One of the SEI's electrochemical properties, stability, inhibits the embedding of solvent molecules in the lithium-ion battery electrolyte.

Driven by the rapid expansion of China's lithium-ion battery industry since 2000, the demand for battery materials has surged. VC remains one of the most critical lithium-ion battery electrolyte additive in the lithium-ion battery industry. Through independent R&D, we established VC production line with an annual capacity of 60 tonnes in 2004. In 2005, our VC product was recognized as a high-tech product of Jiangsu Province. In 2006, our VC product was recognized as part of the National Torch Program. Since 2022, VC has been our key product and our single largest revenue contributor.

FEC

FEC is a crucial lithium-ion battery electrolyte additive in lithium-ion batteries. By adding FEC to the lithium-ion battery electrolyte, it forms a flexible SEI film on silicon particles, acting as a "buffer layer" that encapsulates and binds the particles. This effectively buffers volumetric stress, prevents detachment of active material from the current collector, and substantially improves the cycling stability of silicon carbon anodes. Consequently, FEC has become an indispensable key additive for enabling the commercial application of high-energy-density silicon-based anode batteries. Currently, lithium-ion batteries enhanced with FEC are primarily utilized in the automotive sector for hybrid and battery electric vehicles, with significant potential for future deployment in ESS for renewable sources such as solar and wind power, representing robust and expansive market prospects.

Due to the significant technical barriers in FEC synthesis and purification, it was not until around 2005 that Japanese and South Korean companies commenced large-scale industrialization of FEC by using direct fluorination of EC. Through independent R&D, we pioneered a distinct halogen exchange process in China in 2006, diverging from the mainstream international direct fluorination route. Our proprietary process utilizes EC as the raw material to produce CEC through chlorination, which is then converted into FEC via potassium fluoride ("**KF**") reaction and purified into industrial-grade FEC. Subsequently, our self-developed series of advanced purification methods further purify the industrial-grade product into electronic-grade FEC. This halogen exchange route features mild and controllable reaction conditions and eliminates the use of fluorine gas, ensuring a higher safety profile. Furthermore, the process achieves a high yield with minimal by-products, resulting in superior selectivity for the target product and high overall yield.

See "Business — Our Product Offerings — Lithium-ion Batteries Electrolytic Additives" for details of our VC and FEC products.

Other Products

Other than offering main lithium-ion battery electrolyte additives, VC and FEC, we also engage in the R&D, production and sales of other lithium-ion battery materials, including anode materials, LiBOB, MMDS and specialty silicones, among others. See "Business — Our Product Offerings — Other Products".

Future Products

Since 2025, we have been strategically pursuing opportunities in the emerging sectors in the lithium-ion battery material industry. We have proactively engaged R&D efforts and made progress in novel lithium salt and solid-state battery materials. See "Business — Our Product Offerings — Future Products".

RESEARCH AND DEVELOPMENT

Our integrated R&D platform, coupled with our rapid iterative engineering capabilities, has enabled us to rapidly and efficiently translate technical innovation into large-scale commercial production and maintain industry leadership in the lithium-ion battery materials sector.

Our R&D Capabilities

We are committed to R&D development and continuous innovation. Over years of accumulation, we have established a high-caliber and professional R&D team capable of meeting evolving industry standards and internal technical requirements.

One key focus is on designing and developing high-quality products. At the same time, we carry out market analysis to inform the direction of our R&D efforts. This includes assessing production cost efficiency and understanding customer sensitivities relating to pricing, required functionalities, and product specifications. We continue to recruit talents globally to strengthen our R&D competitiveness.

As of December 31, 2025, we have two main R&D centers, focusing on lithium-ion battery materials, anode materials (including silicon-carbon anode materials) and novel materials. In addition, each of our subsidiary has one R&D department, focusing on technology iteration and process-upgrade of its respective products.

Our R&D Collaboration

In addition to independent R&D, we collaborate with our customers, i.e. lithium-ion battery electrolyte suppliers and battery manufacturers and research institutes. By leveraging our close relationships with customers and our deep understanding of their needs, we apply our technical expertise and experience to develop new products that align closely with customer requirements and market demands. We also initiate collaborative R&D projects with research institutes in anticipation of market development to produce innovative products to suit future market needs.

Our Integrated R&D Platform

Our integrated R&D lifecycle encompasses the entire value chain, from initial material design and cell fabrication to performance evaluation, mechanistic studies and final downstream application testing. This closed-loop approach ensures that our innovations are not only scientifically rigorous but also commercially optimized for our customers' specific requirements. Our R&D platform also spans the entire lifecycle from laboratory innovation to mass production, representing full-spectrum in-house capabilities ranging from basic research on chemical compounds and polymers to materials synthesis, and further to the design and optimization of equipment for industrial application. This robust R&D ecosystem is bolstered by our elite research platforms, including a national postdoctoral programme, provincial enterprise technology center and provincial engineering research center.

See "Business — Research and Development" for details regarding our research and development.

SALES AND MARKETING

Direct Sales

We primarily use a direct sales model to serve high-value end customers, including leading lithium-ion battery electrolyte suppliers and battery manufacturers. These customers typically have large procurement volumes, significant strategic importance or specific requirements for customized products. We supply products directly to such customers who use them as essential raw materials in their manufacturing process.

Distribution

In addition to direct sales, we sell products through a network of distributors to customers in Japan and Korea. These distributors typically have extensive sales network and good relationships with local companies, which can help us enhance our market penetration in the relevant regions. According to CIC, it is common for lithium-ion battery electrolytic additive suppliers to engage distributors to sell products in Japan and Korea. Typically, we discuss product specifications and key commercial terms directly with our end customers, while our distributors arrange the sales procedure to assist with our transactions with such end customers. In 2023, 2024 and 2025, we had 3, 2 and 3 distributors, respectively.

Pricing Strategies

We price our products using the market-oriented strategy. While we use the market prices of products similar to ours as a benchmark, we also take into consideration other factors such as market supply and demand, our technological advantages, raw materials and other costs, and specific customer requirements, among others.

See "Business — Sales and Marketing."

CUSTOMERS

Our Major Customers

Our customer base consisted primarily of industry-leading lithium-ion battery electrolyte and lithium-ion battery manufactures. Our revenue from our five largest customers in each year during the Track Record Period amounted to RMB414.2 million, RMB405.6 million and RMB692.6 million, respectively, accounting for 79.0%, 80.3% and 79.6% of our total revenue in the same periods, respectively. Our revenue from our largest customer in each year during the Track Record Period amounted to RMB166.3 million, RMB174.3 million and RMB330.5 million, respectively, accounting for 31.7%, 34.5% and 38.0% of our total revenue in the same periods, respectively.

Our Relationship with Customer A and Customer B

Customer A and Customer B were our single largest and second largest customer in 2023, 2024 and 2025, respectively. Our revenue from Customer A accounted for 31.7%, 34.5% and 38.0% of our total revenue in 2023, 2024 and 2025, respectively, and our revenue from Customer B accounted for 20.4%, 32.8% and 28.2% of our total revenue in 2023, 2024 and 2025, respectively. Our Directors consider that, although the revenue from either Customer A or Customer B was relatively concentrated during the Track Record Period, our business model is still sustainable, because (i) we currently expect our relationship with Customer A or Customer B to remain stable; and (ii) with the rapid expansion of our production capacity, we are continuously exploring new opportunities to further diversify our customer composition. See "Business — Customers — Our Relationship with Customer A and Customer B".

PROCUREMENT AND SUPPLIERS

Major Suppliers

Our suppliers comprised primarily manufacturers of chemical raw materials and auxiliary raw materials, including EC, DMC and TEA. Purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB133.7 million, RMB137.6 million and RMB212.5 million, respectively, accounting for 36.6%, 38.9% and 37.4% of our total purchases in the same periods, respectively. Purchases from our single largest supplier in each year during the Track Record Period amounted to RMB47.2 million, RMB55.4 million and RMB72.8 million, respectively, accounting for 12.9%, 15.7% and 12.8% of our total purchases in the same periods, respectively.

Procurement

The key raw materials we require are purchased centrally through our procurement department. We have formulated internal policies to ensure that our costs of sales are continuously monitored and controlled. To enhance cost control, we employ a dynamic procurement strategy. To ensure competitive pricing and supply chain resilience, we maintain a diverse portfolio of qualified vendors, utilizing a multi-source bidding and negotiation process for purchases. In addition, we select our qualified suppliers strictly in accordance with our internal guidelines, after conducting extensive market research and due diligence on the suppliers. We also regularly review and re-evaluate our suppliers and their product and service qualities to ensure they continue to meet our quality standards and requirements.

See "Business — Procurement and Supplies".

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, some of our customers were also our suppliers of raw materials. According to CIC, due to the nature of the lithium-ion battery industry, where procurement, production and sales activities are closely interconnected and many market participants operate in more than one segment of the value chain, it is not uncommon for an industry participant to transact with us on both sides of the supply chain. The number of our overlapping customers and suppliers which were among either our five largest customers or five largest suppliers was 2, 1 and 2 in 2023, 2024 and 2025, respectively. Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. See "Business — Overlapping Customers and Suppliers".

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set out summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this document:

Summary of Consolidated statement of Profit or Loss and Other Comprehensive Income

The following table sets out a summary of our consolidated statements of comprehensive income for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	525,031	504,899	869,489
Cost of sales	(490,411)	(620,672)	(785,478)
Gross profit/(loss)	**34,620**	**(115,773)**	**84,011**
Other income	31,924	19,261	29,706
Other gains and losses, net	42,618	35,637	84,627
Research and development expenses	(47,459)	(41,024)	(51,795)
Administrative and other operating expenses	(91,930)	(101,588)	(109,704)
Selling expenses	(7,356)	(5,744)	(9,062)
Provision for impairment losses on financial assets	(509)	(7,023)	(13,359)
Finance costs	(1,121)	(2,184)	(2,719)
Share of results of associates, net	—	(1,224)	(17,949)
Loss before income tax	**(39,213)**	**(219,662)**	**(6,244)**
Income tax credited	5,271	31,111	3,680
Loss for the year	**(33,942)**	**(188,551)**	**(2,564)**
(Loss)/profit for the year attributable to:			
Owners of the Company	(23,912)	(174,675)	13,257
Non-controlling interests	(10,030)	(13,876)	(15,821)
	(33,942)	**(188,551)**	**(2,564)**

Revenue

The table below sets out a breakdown of our total revenue by type of products and each expressed as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2023		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
VC	328,108	62.5	343,489	68.0	580,899	66.8
FEC	153,124	29.2	111,469	22.1	237,177	27.3
Other products[1]	43,799	8.3	49,941	9.9	51,413	5.9
Total	**525,031**	**100.0%**	**504,899**	**100.0%**	**869,489**	**100.0%**

Note:

(1) Other products included primarily anode materials, LiBOB, MMDS and specialty silicones.

During the Track Record Period, VC and FEC together contributed to most of our revenue. Specifically, VC was our single largest revenue contributor during the Track Record Period. Our revenue generated from the sales of VC products accounted for 62.5%, 68.0% and 66.8% of our total revenue in 2023, 2024 and 2025, respectively, and our revenue generated from the sales of FEC products accounted for 29.2%, 22.1% and 27.3% of our total revenue in the same years, respectively. Sales of our VC and other products recorded an increasing trend during the Track Record Period, primarily due to the increased sales volume as a result of strong market demand from the ESS and NEV industries. Sales of our FEC products decreased in 2024, primarily due to the decreased average selling price, which was influenced by intense market competition and the corresponding overcapacity within the industry. In 2025, the revenue generated from FEC products increased due to a significant increase of sales volume as a result of the strong market demand from the ESS and NEV industries.

See "Financial Information — Year to Year Comparison of Results of Operations" for a detailed discussion in the fluctuations of our revenue during the Track Record Period.

The table below sets out the price range and sales volume of our VC and FEC products for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Average selling price	*Sales volume*	*Average selling price*	*Sales volume*	*Average selling price*	*Sales volume*
	RMB'000/ tonne	*tonne*	*RMB'000/ tonne*	*tonne*	*RMB'000/ tonne*	*tonne*
VC	60.9	5,390.4	42.6	8,065.8	46.5	12,486.9
FEC	57.4	2,669.0	31.8	3,501.0	29.8	7,952.1

During the Track Record Period, the average selling prices of our VC and FEC products were highly correlated with the market demands and industry competition. Sales volume of our VC and FEC products increased during the Track Record Period, primarily as a result of the expanding market demand driven by the ESS and NEV industries. The average selling prices of our VC products decreased from 2023 to 2024, primarily due to the intensified industry competition and the corresponding overcapacity in 2024, while slightly recovered from 2024 to 2025, primarily due to the phase out of overcapacity and the increased market demand in the ESS and NEV industries. The average selling prices of our FEC products reached an extremely low position in 2024 in line with industry trend, primarily due to the intensified industry competition and the corresponding overcapacity. FEC's selling prices continued to decrease in the first half of 2025 and started to recover in the second half of 2025, which result in a slight decrease in the average selling prices in 2025. This recovery in FEC's selling prices was primarily as a result of the phase out of overcapacity within the industry and the strong market demand in the ESS and NEV industries. As downstream demand continues to grow, together with the gradual reduction in excess supply-side capacity, the selling prices of VC and FEC are expected to enter an upward cycle starting from 2026, according to CIC.

The fluctuations in the selling prices of our VC and FEC products during the Track Record Period were consistent with the industry trend, according to CIC.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

Our gross profit/(loss) represents our revenue less our cost of sales. Our gross profit/(loss) margin represents our gross profit divided by our revenue, expressed as a percentage. The following table sets out the breakdown of our gross profit/(loss) and gross profit/(loss) margin by product for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
VC	28,594	8.7	(34,932)	(10.2)	105,943	18.2
FEC	3,841	2.5	(59,409)	(53.3)	(9,771)	(4.1)
Other products[(1)]	2,185	5.0	(21,431)	(42.9)	(12,161)	(23.7)
Total	**34,620**	**6.6%**	**(115,773)**	**(22.9)%**	**84,011**	**9.7%**

Note:

(1) Other products included primarily anode materials, LiBOB, MMDS and specialty silicones.

We recorded gross profit of RMB34.6 million in 2023 and RMB84.0 million in 2025, while gross loss of RMB115.8 million in 2024. We recorded gross profit margin of 6.6% in 2023 and 9.7% in 2025, while gross loss margin of 22.9% in 2024. The fluctuations in our gross profit/loss and gross margin positions were consistent with the fluctuations of the average selling prices of our VC and FEC products during the Track Record Period. For details of the fluctuations of the sales volume and average selling prices of our VC and FEC products, see "Financial Information — Description of Selected Items of Our Consolidated Statements of Comprehensive Income — Revenue".

To a lesser extent, our improved profitability and margin in 2025 was also the effect of the outpace of our revenue over our cost of sales, primarily due to the declined raw material prices and improved cost structure achieved through technology upgrade and economies of scale. Specifically, our cost-to-revenue ratio decreased from 122.9% in 2024 to 90.3% in 2025.

See "Industry Overview — Price Analysis" regarding the fluctuations of the price of our raw materials.

See "Financial Information — Year to Year Comparison of Results of Operations" for a detailed discussion in the fluctuations of our gross profit/(loss) and gross margins during the Track Record Period.

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	1,782,971	2,087,593	2,472,178
Total current assets	2,638,798	2,202,492	1,908,577
Total current liabilities	447,016	500,158	492,876
Net current assets	**2,191,782**	**1,702,334**	**1,415,701**
Total assets less current liabilities	**3,974,753**	**3,789,927**	**3,887,879**
Total non-current liabilities	181,696	223,431	363,243
Net assets	**3,793,057**	**3,566,496**	**3,524,636**

See "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position" for the details of our balance sheet items.

Net Current Assets

We recorded net current assets of RMB2,191.8 million, RMB1,702.3 million, RMB1,415.7 million and RMB1,386.5 million as of December 31, 2023, 2024 and 2025 and February 28, 2026, respectively.

For more details regarding our net current assets positions, see "Financial Information — Net Current Assets."

Summary of Consolidated Statements of Cash Flow

The following table sets forth a summary of our cash flows for the years indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash outflows from operating activities	(134,894)	(110,657)	(257,450)
Net cash outflows from investing activities	(466,383)	(1,154,187)	(216,389)
Net cash (outflows)/inflows from financing activities	(27,396)	5,572	82,436
Net decrease in cash and cash equivalents	**(682,673)**	**(1,259,272)**	**(391,403)**
Cash and cash equivalents at beginning of year	2,611,839	1,984,795	727,264
Effect of foreign exchange rate changes, net	1,629	1,741	(2,657)
Cash and cash equivalents at end of the year	1,984,795	727,264	333,204

See "Financial Information — Liquidity and Capital Resources" for details regarding our cash flow positions.

Key Financial Ratios

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

	Year ended December 31,		
	2023	2024	2025
	%	%	%
Profitability ratio			
Gross profit/(loss) margin	6.6	(22.9)	9.7
Net loss margin	(6.5)	(37.3)	(0.3)
Return on equity	(0.6)	(4.9)	0.4
Return on assets	(0.8)	(4.3)	(0.1)

	As of/year ended December 31,		
	2023	2024	2025
Liquidity ratios			
Current ratio	5.9	4.4	3.9
Quick ratio	5.7	4.2	3.6
Capital adequacy ratio			
Gearing ratio (%)	3.4	4.9	9.9

See "Financial Information — Key Financial Ratio" of this document for the calculations of our key financial ratios.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different [REDACTED] may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to [REDACTED] in our [REDACTED].

- We recorded net losses during the Track Record Period, and had net cash outflows in operating and investing activities. Our profit margins will further be adversely affected as the average selling prices of our products may face downward pressure.
- We may be exposed to credit risk arising from our trade and notes receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.
- If we are unable to effectively adjust our products to adapt to market needs and development in a timely manner, our business, financial condition and results of operations will be materially and adversely affected.
- Demand for our products is driven by the demand of our end-customers' products. If we are unable to respond effectively to changes in the industry, our business, financial condition and results of operations will be materially and adversely affected.
- We face intense competition in our industry.
- 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 are subject to risks relating to product concentration and our product development efforts may not be successful.
- We are subject to the risk of concentration of customers.
- We may need to raise additional capital in the future in order to execute our business plan, which may not be available on acceptable terms, or at all.
- We may not be able to properly manage our production capacity.

See "Risk Factors."

COMPETITION

As the world's largest supplier of lithium-ion battery electrolyte additives with a 15.2% global market share in 2025, we compete primarily with major domestic and international chemical manufacturers, yet maintain a distinct leadership position through our pioneering R&D platform and advanced purification technologies. While the industry faces consolidation, our competitive edge is rooted in our ability to consistently deliver electronic-grade purity and superior thermal stability, meeting the stringent requirements of leading battery manufacturers. By leveraging our integrated production model and established long-term strategic partnerships, we achieve greater cost efficiencies and supply chain resilience compared to smaller-scale peers, positioning us to capture the high-end market as the industry transitions toward a phase of supply-demand tightness and optimized restructuring. We believe we are well-positioned to maintain our leadership position and capture future opportunities in the lithium-ion battery industry.

COMPLIANCE AND LEGAL PROCEEDINGS

We are committed to maintain high standards of compliance with the laws and regulations applicable to our business. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any non-compliance incidents that are systemic or have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that could have a material and adverse effect on our business, financial condition or results of operations. As of the Latest Practicable Date, our Directors were not involved in any actual or threatened material claims or litigation. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. For the potential impact of legal or administrative proceedings on us, see "Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal proceedings, administrative proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition".

[REDACTED] FOR [REDACTED] ON THE STOCK EXCHANGE

We have [REDACTED] to the Listing Committee for the [REDACTED] of, and permission to [REDACTED], the [REDACTED] being [REDACTED] under the [REDACTED].

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, without taking into account of the Treasury A Shares, (i) Mr. Shen, our Chairman and executive Director, directly held 17,440,726 A Shares, representing approximately 11.3% of the total issued share capital of our Company; (ii) Mr. Shen Ming, our General Manager and executive Director, as well as the son of Mr. Shen, directly held 5,901,228 A Shares, representing approximately 3.8% of the total issued share capital of our Company; (iii) Mr. Shen acted as the general partner of Huaying III LP and controlled the voting rights underlying 3,103,000 A Shares held by Huaying III LP, representing approximately 2.0% of the total issued share capital of our Company; (iv) Mr. Shen Ming acted as the general partner of Huaying II LP and controlled the voting rights underlying 5,597,000 A Shares held by Huaying II LP, representing approximately 3.6% of the total issued share capital of our Company; (v) by virtue of the Concert Party Agreement, Mr. Shen and Mr. Shen Ming are deemed to control the voting rights underlying the 8,012,003 A Shares held by the Concert Parties, representing approximately 5.2% of the total issued share capital of our Company; and (vi) by virtue of the Voting Trust Agreements, Mr. Shen controlled the exercise of the voting rights of an additional 53,069,444 A Shares held by Jinonglian Entities and Dunxing Entities, representing approximately 34.3% of the total issued share capital of our Company. In light of the above, as of the Latest Practicable Date, Mr. Shen, Mr. Shen Ming, Huaying II LP, Huaying III LP and the Concert Parties are deemed to be entitled to exercise the voting rights underlying 93,123,401 A Shares, representing approximately 60.2% of the total issued share capital of our Company (excluding the Treasury A Shares), and were considered as our Controlling Shareholders.

Immediately after the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised, no changes are made to the total issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and without taking into account of the effect of the Potential Share Reduction Plan), Mr. Shen, Mr. Shen Ming, Huaying II LP, Huaying III LP and the Concert Parties will remain as our Controlling Shareholders and shall be deemed to be entitled to exercise the voting rights underlying approximately [REDACTED]% of the total issued share capital of our Company (excluding the Treasury A Shares). See "Relationship with our Controlling Shareholders" in this document for details.

OUR LISTING ON THE STAR MARKET OF THE SHANGHAI STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Since July 2022, our Company has been listed on the STAR Market of the Shanghai Stock Exchange. Since our listing on the STAR Market of the Shanghai Stock Exchange and as of the Latest Practicable Date, we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [REDACTED] attention in relation to our compliance record on the Shanghai Exchange.

We seek to be [REDACTED] on the Stock Exchange to further enhance our capital strength and overall competitiveness, boost our international brand profile and image, satisfy our international business development needs, and continue advancing our global strategy. See "Business — Our Strategies" and "Future Plans and [REDACTED]" of this document for more details.

[REDACTED] STATISTICS(1)

The statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] H Shares are newly [REDACTED] in the [REDACTED], (ii) the [REDACTED] is not exercised, and (iii) [REDACTED] Shares are [REDACTED] and outstanding following the completion of the [REDACTED] (excluding Treasury A Shares):

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

Notes:

(1) The calculation of market [REDACTED] is based on the aggregation of the market [REDACTED] of [REDACTED] H Shares expected to be issued immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and the market [REDACTED] of the total share capital of [REDACTED] A Shares (excluding Treasury A Shares) as of the Latest Practicable Date with an average closing price of RMB120.95 during the five trading days of A Shares immediately preceding the Latest Practicable Date.

(2) The [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at December 31, 2025 is arrived at after adjustments and on the basis that a total of [REDACTED] Shares (representing 159,500,000 Shares excluding 4,690,088 treasury shares as at December 31, 2025 and [REDACTED]) were in issue assuming that the [REDACTED] is not exercised and the [REDACTED] had been completed on December 31, 2025. Considering the impact of the subsequent repurchase of an aggregate of 90,846 Shares and assuming that the [REDACTED] would not be exercised as of the Latest Practicable Date, the unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at December 31, 2025 would be RMB[REDACTED](HK$[REDACTED]) and RMB[REDACTED](HK$[REDACTED]), based on an [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per Share, respectively.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and fees incurred in connection with the [REDACTED] and the [REDACTED]. We did not incur [REDACTED] expenses during the Track Record Period and expect to incur [REDACTED] expenses of approximately HK$[REDACTED] million (including [REDACTED]) accounting for [REDACTED]% of the [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK$[REDACTED] per Share, being the [REDACTED] of the [REDACTED] range stated in this document, and no exercise of the [REDACTED]), consisting of (i) approximately HK$[REDACTED] million [REDACTED] expenses, (ii) approximately HK$[REDACTED] million [REDACTED] expenses and fees of the legal advisors and reporting accountant, and (iii) approximately HK$[REDACTED] million for other [REDACTED] expenses and fees. Among our [REDACTED], approximately HK$[REDACTED] million is directly attributable to the [REDACTED] and will be charged to equity upon completion of the [REDACTED]. The [REDACTED] expenses above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such expenses to materially impact our results of operations.

DIVIDENDS

We are incorporated under the laws of the PRC. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. We do not currently have a formal dividend policy.

Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. We may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisors, our PRC companies cannot pay dividends if such companies are in an accumulated loss position.

We declared and paid dividends of RMB110.0 million, RMB47.3 million and nil in 2023, 2024 and 2025, respectively. For further details, see Note 12 to the Accountants' Report in Appendix I to this document. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Subject to our constitutional documents, our Directors are entitled to propose dividend distributions to the shareholders' meeting, which shall have the final discretion to determine whether to implement such distributions. We cannot assure you that we will be able to declare dividends of any amount each year or in any year.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK$[REDACTED] million, after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK$[REDACTED] per Share (being the [REDACTED] of the indicative [REDACTED] range of HK$[REDACTED] and HK$[REDACTED]) and the [REDACTED] is not exercised. We currently intend to apply these [REDACTED] for the following purposes:

- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used to develop the 60,000-tonne VC production project of Hubei Huasheng.
- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used for the industrialization of our novel products, including silicon-carbon anode materials, functional lithium-ion battery electrolyte additives and solid-state lithium-ion battery materials;
- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used for R&D activities. We plan to invest R&D efforts in novel lithium-ion battery materials, such as solid-state electrolytes, novel silicon-carbon anode materials and lithium-ion and sodium-ion battery electrolyte materials.
- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used to pursue mergers and acquisitions opportunities to enhance our vertical integration across the electrochemical value chain.
- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used for working capital and other general corporate purposes.

See "Future Plans and [REDACTED]" for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the Latest Practicable Date, (i) there had been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees, prospects, the industry where we operate, our market or regulatory environment to which we are subject since December 31, 2025, being the date of the latest consolidated financial position of our Group as set out in the Accountants' Report in Appendix I to this document; and (ii) there has been no event since December 31, 2025 that would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DEFINITIONS

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

"2024 Restricted Share Incentive Plan"	the 2024 restricted share incentive plan adopted by our Company on July 16, 2024, with details set out in "Statutory and General Information — 4. Share Incentive Scheme" in Appendix VI to this document
"A Share(s)"	Shares with a nominal value of RMB1.00 each, which is/are listed on the STAR Market of the Shanghai Stock Exchange and traded in RMB
"A Share Listing"	the listing of our A Shares on the STAR Market of the Shanghai Stock Exchange, details are set out in "History, Development and Corporate Structure — Corporate Development and Major Shareholding Changes — Conversion into a Joint Stock Company and Listing on the STAR Market of the Shanghai Stock Exchange" of this document
"A Shareholder(s)"	holder(s) of A Share(s)
"Accountants' Report"	the accountants' report prepared by Rongcheng, 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"	Accounting and Financial Reporting Council (會計及財務匯報局)
"Articles of Association" or "Articles"	the articles of association of our Company adopted on March 26, 2026 which will become effective upon the [REDACTED] and as amended from time to time, a summary of which is set out in Appendix V to this document
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Chairman"	the chairman of our Board

DEFINITIONS

"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan Province
"CIC" or "Industry Consultant"	China Insights Industry Consultancy Limited, a market research and consulting company and Independent Third Party, which prepared the CIC Report
"CIC Report"	an independent market research report commissioned by our Company and prepared by CIC for the purpose of this document
"Class A solvents"	flammable and explosive solvents
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Jiangsu HSC New Energy Materials Co., Ltd. (江蘇華盛鋰電材料股份有限公司), a joint stock company with limited liability established in the PRC on August 4, 1997, the A Shares of which have been listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688353)
"Company Law" or "PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"Compliance Advisor"	Ignite Capital (Asia Pacific) Limited
"Concert Parties"	parties acting in concert with Mr. Shen and Mr. Shen Ming pursuant to the Concert Party Agreement, namely, Ms. Zhang Xuemei (張雪梅), Mr. Shen Gang (沈剛), Mr. Yuan Xuan (袁玄), Mr. Yuan Yang (袁洋), Mr. Li Weifeng (李偉鋒) and Mr. Lin Gang (林剛)
"Concert Party Agreement"	the concert party agreement first entered into in March 2019 and renewed in July 2025 by Mr. Shen, Mr. Shen Ming and the Concert Parties, with details set out in "History, Development and Corporate Structure — Our Voting Rights Structure — Concert Party Agreement" in this document
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules, and unless the content otherwise requires, refers to Mr. Shen, Mr. Shen Ming, Huaying II LP, Huaying III LP and the Concert Parties
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rule

DEFINITIONS

"CSDC"	China Securities Depository and Clearing Co., Ltd. (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)
"Deputy General Manager"	the deputy general manager of our Company
"Director(s)" or "our Director(s)"	the director(s) of our Company
"Dong Jin"	Zhangjiagang Dongjin Industrial Co., Ltd. (張家港東金實業有限公司), a limited company established in the PRC on August 13, 2018, being one of our Shareholders
"Dunxing Entities"	Collectively, Dunxing II LP, Dunxing III LP and Dunxing Value
"Dunxing II LP"	Suzhou Dunxing Value No.2 Venture Capital Partnership Enterprise (Limited Partnership) (蘇州敦行價值二號創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 17, 2018, being one of our Shareholders
"Dunxing III LP"	Suzhou Dunxing Value No.3 Venture Capital Partnership Enterprise (Limited Partnership) (蘇州敦行價值三號創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 17, 2018, being one of our Shareholders
"Dunxing Investment"	Suzhou Dunxing Investment Management Co., Ltd. (蘇州敦行投資管理有限公司), a limited company established in the PRC on March 22, 2017, being one of our indirect Shareholders
"Dunxing Management"	Suzhou Dunxing Enterprise Management Consulting Co., Ltd. (蘇州敦行企業管理諮詢有限公司), a limited company established in the PRC on January 20, 2017, being one of our indirect Shareholders
"Dunxing Value"	Suzhou Dunxing Value Investment Partnership(Limited Partnership) (蘇州敦行價值創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on June 23, 2017, being one of our Shareholders
"EIT"	enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"ESG"	environmental, social and governance
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
[REDACTED]	[REDACTED]
"General Manager"	the general manager of our Company

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Greater China"	the PRC, the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and Taiwan Province
"Group," "our Group," "our," "we" or "us"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guide for New Listing Applicants" or "Guide"	the Guide for New Listing Applicants as published by the Stock Exchange in December 2023 which took effect on January 1, 2024 (as amended or supplemented or otherwise modified from time to time)
"H Share(s)"	Shares with a nominal value of RMB1.00 each, to be [REDACTED] and [REDACTED] the Hong Kong Stock Exchange
[REDACTED]	[REDACTED]
"HKFRS"	Hong Kong Financial Reporting Standard
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Hong Kong", "HK" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars," "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	[REDACTED]

DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Huasheng Additives Factory"	Zhangjiagang Huasheng Additives Factory (張家港市華盛紡織助劑廠), a shareholding cooperative enterprise (股份合作制企業) established in PRC on August 4, 1997, being the predecessor of our Group
"Huasheng Lianying"	Jiangsu Huasheng Lianying New Energy Materials Co., Ltd. (江蘇華盛聯贏新能源材料有限公司), a limited liability company established in the PRC on December 21, 2022, being a subsidiary of our Company
"Huasheng Limited"	Zhangjiagang Huasheng Textile Auxiliaries Co., LTD. (張家港市華盛紡織助劑有限公司), a limited company established in the PRC from the conversion of Huasheng Additives Factory
"Huaying II LP"	Zhangjiagang Bonded Zone Huaying No.2 Management Consulting Partnership Enterprise (Limited Partnership) (張家港保稅區華贏二號管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC on September 19, 2019, being one of our Controlling Shareholders
"Huaying III LP"	Zhangjiagang Bonded Zone Huaying No.3 Management Consulting Partnership Enterprise (Limited Partnership) (張家港保稅區華贏三號管理諮詢合夥企業(有限合夥)), a limited liability partnership established in the PRC on September 26, 2019, being one of our Controlling Shareholders
"Huaying New Energy"	Wuxi Huaying Sitai New Energy Materials Technology Co., Ltd. (無錫華贏硅泰新能源材料科技有限公司) (previously known as Suzhou Huaying Sitai New Energy Materials Technology Co., Ltd. (蘇州華贏新能源材料科技有限公司)), a limited liability company established in the PRC on December 18, 2019, being a subsidiary of our Company
"Huizhang Venture Capital"	Suzhou Huizhang Venture Capital Partnership (Limited Partnership) (蘇州匯璋創業投資合夥企業(有限合夥)), a limited liability partnership established in the PRC on September 30, 2018, being one of our Shareholders
"IASB"	International Accounting Standards Board
"IFRS"	the International Financial Reporting Standards as issued by the IASB, which comprise the IFRS Accounting Standards, International Accounting Standards, Interpretations developed by the IFRS Interpretations Committee or its predecessor body, the Standing Interpretations Committee

DEFINITIONS

"Independent Third Party(ies)"	an individual or a company which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Jin Nonglian"	Zhangjiagang Jinnonglian Industrial Co., Ltd. (張家港金農聯實業有限公司), a limited company established in the PRC on May 3, 2017, being one of our Shareholders
"Jin Nonglian Entities"	collectively, Jin Nonglian and Dong Jin
"Latest Practicable Date"	April 7, 2026, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
[REDACTED]	[REDACTED]
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
[REDACTED]	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部) (formerly known as the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部))
"Mr. Shen"	Mr. Shen Jinliang (沈錦良), our founder, Chairman, executive Director and one of our Controlling Shareholders

"Nanyuan Fund"	Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership) (蘇州華盛南園敦行創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on July 5, 2023
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[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》) released by the CSRC on February 17, 2023 and took effect on March 31, 2023
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Potential Share Reduction Plan"	The potential share reduction plan announced by our Company on April 3, 2026, with details set out in "History, Development and Corporate Structure — Our Voting Rights Structure — Potential Share Reduction Plan"
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Legal Advisors"	Grandall Law Firm (Nanjing), the legal advisors to our Company as to the laws of the PRC
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as enacted by the 6th meeting of the 9th Standing Committee of the NPC on December 29, 1998, and became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange" or "SSE"	the Shanghai Stock Exchange (上海證券交易所)
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, [REDACTED] and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Share Repurchase Plans"	three phases of share repurchase plans approved by our Board as further described in "History, Development and Corporate Structure — Corporate Development and Major Shareholding Changes — Share Repurchase Plans" in this document
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, [REDACTED] and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen

"Shengmei Lithium Battery"	Zhejiang Shengmei Lithium Battery Materials Co., Ltd. (浙江盛美鋰電材料有限公司), a limited liability company established in the PRC on March 25, 2020, being a subsidiary of our Company
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Sole Sponsor"	has the meaning given to it in the Listing Rules and, unless the context requires otherwise, refers to the sole sponsor named in "Directors and Parties Involved in the [REDACTED]" in this document
[REDACTED]	[REDACTED]
"STA"	State Taxation Administration (中華人民共和國國家稅務總局)
"STAR Market" or "STAR"	The Sci-tech Innovation Board of the Shanghai Stock Exchange
"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, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Strategy Committee"	the strategy committee of the Board
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Taixing Huasheng"	Taixing Huasheng Fine Chemical Co., Ltd. (泰興華盛精細化工有限公司), a limited liability company established in the PRC on March 23, 2015, being a subsidiary of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three years ended December 31, 2023, 2024 and 2025
"Treasury A Shares"	A Share repurchased by our Company pursuant to the Share Repurchase Plans and held by our Company as treasury shares

DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"United States," "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars," "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. persons"	the U.S. persons as defined in Regulation S under the Securities Act
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	value added tax
"Voting Trust Agreements"	voting trust agreements entered into in December 2021, with details set out in "History, Development and Corporate Structure — Our Voting Rights Structure — Voting Trust Agreements" in this document
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Xianghe New Energy"	Hubei Huasheng Xianghe New Energy Materials Co., Ltd. (湖北華盛祥和新能源材料有限公司), a limited liability company established in the PRC on December 24, 2021, being a subsidiary of our Company
"Yangshe ECS"	Economic Cooperative Society of Nonglian Village Yangshe Town, Zhangjiagang City (張家港市楊舍鎮農聯村股份經濟合作社), being a Collective Economic Organization (集體經濟組織) under the laws of the PRC, being an indirect Shareholder of our Company
"%"	per cent

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

In this document the terms "associate(s)," "close associate(s)," "connected person(s)," "core connected person(s)," "connected transaction(s)," and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

Unless otherwise stated, the Treasury A Shares held by the Company as of the Latest Practicable Date have been included in the total number of issued shares of the Company immediately before and after completion of the [REDACTED].

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.

"AI"	Artificial Intelligence
"AR/VR"	Augmented Reality/Virtual Reality
"CAGR"	compound annual growth rate
"CEC"	chloroethylene carbonate
"CEI"	cathode electrolyte interphase, is a passivation layer that develops on the surface of the cathode in lithium-ion batteries
"CNT"	carbon nanotube
"COD"	chemical oxygen demand
"CVD"	chemical vapor deposition
"DMC"	dimethyl carbonate
"DTD"	1, 3, 2-dioxathiolane-2, 2-dioxide
"EC"	ethylene carbonate
"EHS"	environment, health and safety
"electrolyte"	electrolyte for lithium-ion batteries
"electrolyte supplier(s)"	electrolyte supplier(s) whose primary business objective is external sales of electrolyte products
"energy density"	the amount of energy that can be stored within a given volume or given mass
"ERP"	enterprise resource planning
"ESS"	energy storage system
"EV"	electric vehicle, a type of vehicle powered fully or partially by battery, including battery electric vehicles and plug-in hybrid electric vehicles
"eVTOLs"	electric vertical take-off and landing aircraft
"FEC"	fluoroethylene carbonate
"GFA"	gross floor area
"GHG"	greenhouse gas
"GWh"	gigawatt-hour, a unit of energy that represents one billion Wh
"HF"	hydrofluoric acid
"IATF"	International Automotive Task Force
"IATF 16949"	international technical specification of automotive industry quality management system, which was prepared by International Automotive Task Force (IATF) and ISO

"ICE"	initial coulombic efficiency
"IPTS"	isocyanatopropyltriethoxy silane
"ISO"	the International Organization for Standardization, an independent, non-governmental organization that develops and publishes international standards
"ISO 14001"	an internationally recognized standard for environmental management system published by the ISO
"ISO 27001"	an internationally recognized standard for information security management system published by the ISO
"ISO 45001"	an internationally recognized standard for Occupational Health and Safety Management Systems published by the ISO
"ISO 9001"	an internationally recognized standard for Quality Management Systems published by the ISO
"KF"	potassium fluoride
"kilotonne"	a unit of mass equal to 1,000 metric tonnes
"LFP"	lithium iron phosphate
"LiBOB"	lithium bis(oxalato)borate
"LiDFOB"	lithium difluoro(oxalato)borate
"LiF"	lithium fluoride
"LiFSI"	lithium bis(fluorosulfonyl)imide
"LiPF6"	lithium hexafluorophosphate
"liquid-state battery"	a type of rechargeable lithium-ion batteries that use liquid state electrolyte
"LiTFSI"	lithium bis(trifluoromethanesulfonyl)imide
"lithium-ion battery"	batteries that utilize lithium-ions as conductive ions that move between the anode and cathode, and charge and discharge through the mutual conversion of chemical energy and electrical energy
"LMO"	lithium manganese oxide
"M&A"	mergers and acquisitions
"mAh/g"	milliampere-hour per gram
"MMDS"	methylene methanedisulfonate
"MVR"	mechanical vapor recompression
"NCM"	Ni-Co-Mn
"NEV"	new energy vehicles, including EV, hydrogen and other new type of fuel cell vehicles

"OA"	office automation system, a software solution that facilitates the management, automation, and streamlining of routine office tasks and workflows, such as document management, communication, scheduling, and information sharing, enhancing organizational efficiency and collaboration
"PAA"	polyacrylic acid
"power battery"	rechargeable battery that provides energy for electric drive systems in transportations such as EVs, vessels and eVTOLs
"PVA"	polyvinyl alcohol
"R&D"	research and development
"SEI"	solid electrolyte interphase, is a passivation layer that forms on the surface of the anode in lithium-ion batteries
"Si-C"	silicon carbide
"sodium-ion battery"	batteries that utilize sodium ions as conductive ions that move between the anode and cathode, and charge and discharge through the mutual conversion of chemical energy and electrical energy
"solid-state battery"	a type of rechargeable lithium-ion batteries that use solid state electrolyte
"solvation"	the process by which solvent molecules surround and interact with dissolved ions or molecules
"SRM"	supplier relationship management system, a specialized platform designed to manage, evaluate, and optimize interactions with suppliers, focusing on procurement processes, supplier performance, contract management and risk mitigation to strengthen supply chain relationships and value
"SSE"	a solid material that conducts ions between the anode and cathode in a battery
"SWCNTs"	single-walled carbon nanotubes
"tCO_2e"	tons of carbon dioxide equivalent, standardized unit measuring greenhouse gas emissions impact as CO_2
"TEA"	triethylamine
"TESPI"	triethoxysilylpropyl isocyanate
"TFE"	thin-film evaporators
"tonne"	one tonne equals 1,000 kilograms
"TWh"	terawatt-hours, a unit of electric energy, 1 TWh = 1 billion kWh
"TWS"	True Wireless Stereo
"VC"	vinylene carbonate
"VOC"	volatile organic compounds
"Wh"	Watt-hour, a unit of electric energy

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 forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedules", and the negative of these words and other similar expressions, as they relate to us 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 risk factors as described in this document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationships with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in our industry;
- our ability to maintain the market leading positions;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our ability to attract and retain qualified personnel;
- our proposed [REDACTED];
- rapid developments in technology and our ability to successfully keep up with technological advancement;
- changes in currency exchange rates;
- relevant government policies and regulations in the PRC;
- certain statements in this document with respect to trends in prices, operations, margins, overall market trends, and risk management;
- volatilities in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- various uncertainties described in the "Risk Factors;" and
- other statements in this document that are not historical facts.

FORWARD-LOOKING STATEMENTS

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

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 as well as the risks and uncertainties discussed in "Risk Factors".

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

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-looking Statements".

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to the PRC; and (iii) risks relating to the [REDACTED].

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We recorded net losses during the Track Record Period, and had net cash outflows in operating and investing activities. Our profit margins will further be adversely affected as the average selling prices of our products may face downward pressure.

We had net losses of RMB33.9 million, RMB188.6 million and RMB2.6 million, respectively, in 2023, 2024 and 2025. During the Track Record Period, we recorded gross profit of RMB34.6 million in 2023 and RMB84.0 million in 2025, while gross loss of RMB115.8 million in 2024. We recorded gross profit margin of 6.6% in 2023 and 9.7% in 2025, while gross loss margin of 22.9% in 2024. The fluctuation in our gross profit/loss and gross margin positions were consistent with the fluctuations of the average selling prices of our VC and FEC products during the Track Record Period. See "Financial Information — Description of Selected Items of Our Consolidated Statements of Comprehensive Income". The average selling price of our products is influenced by a variety of factors beyond our control, including but not limited to market trends, competitor pricing, raw material cost and labor costs. During the Track Record Period, our product prices have experienced fluctuations. The average selling prices of VC and FEC decreased from RMB60.9 thousand per tonne and RMB57.4 thousand per tonne, respectively, in 2023 to RMB42.6 thousand per tonne and RMB31.8 thousand per tonne, respectively, in 2024, and the average selling price of VC increased to RMB46.5 thousand per tonne in 2025, while the average selling price of FEC further decreased to RMB29.8 thousand per tonne in 2025. The average selling prices of our VC products decreased from 2023 to 2024, primarily due to the intensified industry competition and the corresponding overcapacity in 2024, while slightly recovered from 2024 to 2025, primarily due to the phase out of overcapacity and the increased market demand in the ESS and NEV industries. The average selling prices of our FEC products reached an extremely low position in 2024 in line with industry trend, primarily due to the intensified industry competition and the corresponding overcapacity. FEC's selling prices continued to decrease in the first half of 2025 and started to recover in the second half of 2025, which result in a slight decrease in the average selling prices in 2025. This recovery in FEC's selling prices was primarily as a result of the phase out of overcapacity within the industry and the strong market demand in the ESS and NEV industries. As downstream demand continues to grow, together with the gradual reduction in excess supply-side capacity, the selling prices of VC and FEC are expected to enter an upward cycle starting from 2026, according to CIC. However, we cannot accurately predict the future trend 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 business, financial condition and results of operations.

In addition, we recorded net cash outflows in operating and investment activities. We recorded net cash outflow used in operating activities of RMB134.9 million, RMB110.7 million, and RMB257.5 million in 2023, 2024 and 2025, respectively. We recorded net cash outflows used in investing activities of RMB466.4 million, RMB1,154.2 million, and RMB216.4 million in 2023, 2024 and 2025, respectively. See "Financial Information — Description of Selected Items of Our Consolidated Statements of Comprehensive Income" and "Business — Business Sustainability". There can be no assurance we can achieve or sustain profitability in the future. We plan to continue to invest significant resources to further expand our production capacity. As a result, we anticipate incurring considerable operating costs and expenses in the foreseeable future, which may adversely affect our overall financial position. We may also face increased compliance costs associated with growth. Our efforts to grow our business may be costlier than we expect, or the rate of our revenue growth may be lower than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses.

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

Our trade and notes receivables primarily include amounts due from our customers for products in the ordinary course of business. As of December 31, 2023, 2024 and 2025, our trade and notes receivables amounted to RMB167.8 million, RMB310.6 million and RMB592.8 million, respectively. The credit period granted to our customers was generally within 30 days to 120 days. See "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Trade and Notes Receivables".

We cannot assure you that we will be able to collect all or any of our trade and notes receivables on time, or at all. Our customers may face unexpected circumstances. Our trade receivables turnover days increased from 127 days in 2023 to 173 days in 2024, and further increased to 190 days in 2025, in line with the levels at our trade and notes receivables. We may not be able to receive such customers' payment of uncollected debts in full, or at all, and may be exposed to credit risk. The occurrence of such event would materially and adversely affect our business, financial condition and results of operations.

If we are unable to effectively adjust our products to adapt to market needs and development in a timely manner, our business, financial condition and results of operations will be materially and adversely affected.

We offer primarily lithium-ion battery materials comprising (i) lithium-ion battery electrolyte additives, including VC and FEC; and (ii) other products, including anode materials, LiBOB, MMDS and specialty silicones. Different lithium-ion battery electrolyte formulas require different types of lithium-ion electrolyte additives with different ratios. As a result, demand for our lithium-ion battery electrolyte additives is based on the various lithium-ion battery electrolyte formulas adopted by lithium-ion battery electrolyte manufacturers as designed by themselves or designated by battery manufacturers. If the lithium-ion battery electrolyte formulas are adjusted, based on their customized demands in relation to the specific lithium-ion battery electrolyte formulas and out of consideration for supply chain stability, our end-customers or industry chain participants may request electrolyte manufactures to procure products from our competitors instead. This would consequently result in decreasing demand for our products, which would materially and adversely affect our business, financial conditions and results of operations.

Furthermore, the performance requirements for lithium-ion battery are increasingly stringent in the industry. For example, end-customers currently look for longer life-span, higher energy density and enhanced safety from lithium-ion battery. As a result, novel lithium-ion battery electrolyte additives such as LiDFOB and MMDS are developed for lithium-ion battery to satisfy the afore-mentioned performance requirements. At present, a number of domestic lithium-ion battery electrolyte manufacturers have achieved technological developments in the industrialization of these novel lithium-ion battery electrolyte additives and have already commissioned industrial-scale production lines.

If downstream lithium-ion battery manufacturers shift their technical roadmaps, the industrial application of lithium-ion battery electrolyte additives may change. Consequently, if we fail to keep pace with the technological progress in the industry, resulting in our products not being able to meet the performance requirements of novel batteries, our products might be substituted by other similar products. In addition, if our competitors develop superior products, such as high-performance novel lithium-ion battery electrolyte additives, which are optimized for high temperature environments, the lithium-ion battery electrolyte manufactures or our customers might choose our competitors' products over ours.

Therefore, if we are unable to effectively make the necessary adjustments, modifications or innovations in relation to our products to suit our customers' needs or satisfy ever-revolving lithium-ion battery performance requirements in a timely manner, our business, financial condition and results of operations will be materially and adversely affected.

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

One of our essential products is lithium-ion battery electrolyte additives which are the key materials for the production and manufacture of lithium-ion battery electrolyte. In general, additives are 2%–10% of the total mass and 10%–30% of the total costs of lithium-ion battery electrolyte. For example, VC is usually added to lithium-ion battery electrolyte at the ratio of 1%–3% in terms of the electrolyte's total mass. This ratio increases in lithium-ion battery electrolyte with LFP formula. On the other hand, FEC is usually added at the ratio of 2%–10%. Along with technological development in the industry, new and alternative technological paths, including production and application of hydrogen fuel cell and solid-state battery, are emerging and, if they gain increasing market shares compared to liquid-state lithium-ion batteries, would directly affect the liquid-state lithium-ion battery supply chain. Demand for our key products, such as VC and FEC, which are mainly added to liquid-state lithium-ion battery, might decrease.

Furthermore, from a macro-economic perspective, demand for lithium-ion battery electrolyte, to which our main lithium-ion battery electrolyte additives, VC and FEC, are added, is closely tied to the market demand for their end applications, including batteries used in energy storage systems ("ESS"), new energy vehicles ("NEVs") and consumer electronics. ESS batteries are widely adopted in both front-of-the-meter and behind-the-meter applications. The demand for ESS batteries in these applications is affected by various factors, including but not limited to global power demand, global penetration rate of renewable energy sources such as wind and solar, demand for grid stability, technological improvement in relevant areas (such as safety and cycle life), as well as cost efficiency. The demand for batteries, center to ESS, NEVs and consumer electronics batteries is affected by various factors beyond our control. Power batteries are primarily used in electronic 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 electronics batteries are primarily used in portable devices such as smartphones, laptops, tablets, wearable devices, and other personal electronic products. The demand for consumer electronics 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.

As a result, changes of technological paths in our industry and in the above-mentioned factors may affect the demand in the end applications of lithium-ion battery electrolyte that our products are added to. If we are unable to promptly adapt to these changes or strategically transform our business lines, our business, financial condition and operating results may be materially and adversely affected.

We face intense competition in our industry.

We compete with a number of companies producing lithium-ion battery electrolyse additives, including those with extensive marketing and sales networks and strong industry experience. Driven by a series of governmental support and incentive policies around the globe for the NEV industry since September 2020 and the consequent robust market demand for NEVs, the entire lithium-ion battery value chain has experienced a surge in growth. Accordingly, in 2021 and 2022, the lithium-ion battery electrolyte additive market experienced shortage in supply and was not able to meet the strong demand in the downstream industries. In response to such supply shortage, downstream electrolyte manufacturers started to expand their electrolyte raw materials production line and production capacity in order to increase their internal supply of key electrolyte raw materials, including lithium-ion battery electrolyte additives. Such self-sufficient strategy would decrease their demand for our products, which would directly and adversely impact our business, financial condition and results of operations.

Both new and existing competitors strive to increase their market share with increased investment intensity, continued R&D efforts, optimized production processes and enlarged production capacity. According to CIC, the global lithium-ion battery electrolyte additive industry was relatively concentrated in 2025, with the sales volume of top five market participants accounting for 47.3% of the global market of 135.4 kilotonnes. As the world's largest lithium-ion battery electrolyte additive supplier in terms of sales volume in 2025, we are comparable in size to such market leaders and therefore anticipate intense competition from them. See "Industry Overview — Overview of the Global and China's Lithium-ion Battery Anode Material Industry — Competitive Landscape of the Lithium-ion Battery Electrolyte Additive Industry".

Competition could have a material and adverse impact on the customers' demand for, and product pricing of, our products, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to maintain or enlarge our market share, which would have a material adverse effect on our businesses, financial condition and results of operations.

We 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 for our continued growth. The lithium-ion battery material industry is technology-intensive and is constantly undergoing rapid technological change. There are new materials and technologies continuously emerging, which places increasingly high demands on our product R&D capabilities. As expectations for lithium-ion battery performance and safety increase, our downstream electrolyte manufacturers may constantly adjust their lithium-ion battery electrolyte formulas to suit such needs. Consequently, their demand for our products would fluctuate. They might also require completely different alternative lithium-ion battery electrolyte additives which is the product of technological development. In order to maintain and expand our competitive advantage, we may devote more R&D resources in the future. However, R&D activities are inherently uncertain. We may not always be able to achieve the desired benefits from R&D investments, reach the industry's technological frontier, or respond promptly to changes in industry technical standards. 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. Even if commercialized, there is no guarantee that new products will meet anticipated sales targets or profitability levels.

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 technical standards. 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.

In addition, technological advancements and development of novel lithium-ion battery electrolyte additives could significantly affect demand for our products, and could cause our customers to reduce the volume of their orders. 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 lithium-ion batteries in certain application scenarios. As these alternative technologies become more technologically and economically viable, especially for specific sectors or end uses, reliance on lithium-ion batteries could decrease. This trend may lead to reduced demand for our products in those segments. In addition, alternatives to our products may become more economically attractive as global commodity prices shift in the future. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

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.

For certain key raw materials used in the production of our lithium-ion battery materials, such as EC and TEA, we rely on third-party suppliers for the supply. See "Business — Procurement". Any increase in the prices of these key raw materials, especially EC, may have a material and adverse effect on our business performance and financial results. For instance, the EC market experienced significant price fluctuations in recent years, with a particularly sharp increase at the end of 2021, followed by a decrease throughout the year of 2022. Such volatility in EC prices directly impacts our production costs.

For the years ended December 31, 2023, 2024 and 2025, our raw material costs accounted for 35.8%, 39.7% and 46.4%, 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, extreme weather and changes in the broader supply and demand environment. We may not be able to offset increases in input prices by raising the prices of our products, which could result in a reduction in profit margins and, consequently, a material adverse impact on our business, financial condition and results of operations. Furthermore, significant increases in the prices of our products may erode our competitive advantage, potentially leading to a loss of sales and customer attrition. Accordingly, our business, financial condition and results of operations may be materially and adversely affected.

In addition, any unexpected shortages, delivery delays or substandard quality in key raw materials 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.

We are subject to risks relating to product concentration and our product development efforts may not be successful.

Our business is principally focused on lithium-ion battery materials, which may lead to a certain amount of product concentration risk. We generated revenue from VC and FEC products in each year during the Track Record Period of RMB481.2 million, RMB455.0 million and RMB818.1 million, accounting for 91.7%, 90.1% and 94.1%, respectively, of our total revenue in the same periods. Market acceptance of our lithium-ion battery electrolyte additives is critical to our future success. Any negative changes in the demand for, or prices of, our lithium-ion battery electrolyte additives could materially and adversely affect our business, financial condition and results of operations.

We may seek to expand our product portfolio over time. Other than VC and FEC, the proportion of revenue from our other products accounted for 8.3%, 9.9% and 5.9%, respectively, of our total revenue in 2023, 2024 and 2025. In addition, we have pursued further product development initiatives. For example, our work on certain of our anode material and solid-state battery material products, such as silicon-carbon anode materials and lithium sulfide, is currently at the pilot stage, not yet achieving large-scale commercialization. However, there can be no assurance that any new products we develop will achieve market acceptance. The market for these products is highly competitive, with many active participants, which further increases uncertainty around the future success of our development efforts. Failure to successfully develop, launch, and market new products could prevent us from recovering our investments, which in turn may materially and adversely affect our business, financial condition and results of operations.

We are subject to the risk of concentration of customers.

During the Track Record Period, a majority of our products were sold to our top 10 customers, and we expect our customer concentration to remain at a relatively high level in the near future. The revenue contributed by our top five customers in each year during the Track Record Period accounted for 79.0%, 80.3% and 79.6%, respectively, of our total revenue in the same periods. Revenue from our largest customer in each year during the Track Record Period amounted to RMB166.3 million, RMB174.3 million and RMB330.5 million, respectively, accounting for 31.7%, 34.5% and 38.0%, respectively, of our total revenue in the same periods. Revenue from our second largest customer in each year during the Track Record Period amounted to RMB107.1 million, RMB165.5 million and RMB245.2 million, respectively, accounting for 20.4%, 32.8% and 28.2%, respectively, of our total revenue in the same periods. Our customer concentration is consistent with the current market scene in the downstream lithium-ion battery electrolyte industry where the key players are relatively concentrated.

Despite our efforts to mitigate the concentration of customers, 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 or secure new customers in the future. 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, or at all. We also cannot assure you that our major customers would not experience decline in sales due to intense competition in the downstream lithium-ion battery electrolyte industry, which would lead to a reduction in their demand for our products. Should any of our major customer reduce substantially its 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, our sales to these major customers may decrease accordingly. In addition, if any of our major customers experiences liquidity issues, this may result in delayed payments or defaults, which could negatively impact our cash flows and financial condition. Also, we may be required to suspend or terminate our business with our customers due to regulatory restrictions or other factors beyond our control. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our business is susceptible to policy changes affecting chemical production as well as the end market of our products.

There are various domestic regulatory policies in relation to chemical production, which we must comply with during our production process. For example, we need to have our investment plan reviewed, obtain environmental protection administrative permit, adhere to industrial technology requirements and safety standards. As China tightens requirements for safety production and environmental protection, the relevant domestic regulatory policies face potential changes. If any such policies change, we cannot assure you that we are able to meet all new standards in an effective and timely manner. If we are unable to adapt to the new regulatory policies efficiently, our production would be affected and, as a result, our business, financial condition and results of operations would be materially and adversely affected.

In addition, globally, to address global climate change challenges, countries and regions worldwide are increasingly emphasizing green and low-carbon, and sustainable development, and implementing supportive policies for green and low-carbon development and energy transition. Our products are key performance-enhancing materials for lithium-ion battery electrolyte production and the following product manufacture in the ESS and NEV industry, which plays a pivotal role in energy transitioning and low-carbon society. Demand for our products is closely tied to the market demand for their end applications, and the policy and regulatory environment, both in China and overseas, has a direct and material impact on these markets. As such, our business, financial condition, results of operations and prospects are sensitive to policy shifts affecting these sectors. New policy for lithium-ion battery electrolyte composition or changes in the regulatory requirements concerning the end markets for lithium-ion battery may affect our business, financial condition, results of operations and prospects.

Over the past few years, supportive policies in China has caused increased demand for lithium-ion batteries and, consequently, lithium-ion battery electrolyte additives. As a result, our business has benefited indirectly from such increased demand. These policies include subsidies for NEV purchases and measures to promote ESS development. See "Regulatory Overview". However, these policies are subject to certain limits, and we cannot assure you that any new legislations or regulatory requirements, if any, would be favorable to our business or financial condition. Reductions or discontinuations of subsidies, or the introduction of more stringent industry standards, can decrease demand for our products and negatively affect our operations.

Similarly, outside China, the other regions in which we sell our products into, such as Asia, Europe and North America, maintain distinct legal frameworks and evolving governmental policies. Changes in these overseas regulations or policy priorities may encourage or suppress demand for the end products which use our products, and could require us to adjust our business focus.

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.

The current tensions in international trade and rising political tensions may adversely impact our business, financial condition, and results of operations.

The global economic, political and social conditions are evolving rapidly and are subject to uncertainties. Geopolitical tension and conflicts, energy crisis, inflation risk, interest rate increases and instability in the financial system impose new challenges and uncertainties on the global economy. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Furthermore, sanctions and export control measures are unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures may have a significant impact on our targeted countries and markets. Chinese companies may be affected by such sanctions or export control measures. We may also be exposed to risks in dealing with business partners subject to sanctions or export controls. As a result, we could be required to incur additional costs to comply with these complicated regulations and measures and could face penalties for any violation, even if inadvertent.

Our customers' sales of products such as lithium-ion batteries materials and lithium-ion batteries may become subject to trade restrictions and tariffs, which could materially and adversely impact their sales volume and in turn their procurement from us for our products. For example, the U.S. had raised or adjusted tariffs on lithium-ion batteries made in China for several times during the Track Record Period. There are also various sanctions and export controls related to the trade of advanced lithium-ion batteries, there is no assurance that our downstream customers, including lithium-ion batteries electrolyte manufacturers, can continue to trade their lithium-ion batteries electrolytes with, or export their lithium-ion batteries electrolytes to, their targeted countries and market, which could have an adverse effect on their demand for our lithium-ion battery materials and in turn materially and adversely affect our business, financial conditions and results of operations.

In addition, our raw material costs may also be affected by geopolitical developments and regional instability. In particular, the recent conflict involving Iran and heightened tensions in the Middle East may contribute to volatility in energy and petrochemical prices and may increase transportation and logistics costs. To the extent such developments affect the market prices or supply of raw materials used in our operations, including petrochemicals or EC, our procurement costs may increase. If we are unable to pass on such increased costs to our customers in a timely manner, or at all, our gross profit margin and profitability may be adversely affected.

We may need to raise additional capital in the future in order to execute our business plan, which may not be available on acceptable terms, or at all.

We may need additional capital in the future to fund our continued operations, and we may be unable to raise additional funds, whether through equity or debt financing, when needed on favorable terms or at all. If we do raise additional capital through public or private [REDACTED], the ownership interest of our existing shareholders, including [REDACTED] in this [REDACTED], will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our shareholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

If we are unable to execute our growth strategies and operational expansion plans effectively, our business and prospects may be materially and adversely affected.

Our business, financial condition and results of operations depend in part on our ability to effectively implement our expansion strategies and operational expansion plans. With our rapid development, the scale of our capacity has continued to grow and is expected to further expand, which will increase the responsibilities of our management. To effectively manage the expected growth of our operations and personnel, we will need to continue to improve our technological, operational and financial systems, policies, procedures and controls. There is no assurance that we will be able to effectively manage our growth or to successfully implement all systems, procedures and control measures or that any or all our new business initiatives will be successful. If our management fails to properly manage the expansion of our business, or our organizational structure and management system do not improve in line with our expansion, our competitiveness may be weakened, and we may face management risks caused by rapid expansion.

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

Our production processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury. Although we have implemented stringent safety procedures to minimize these risks, accidents may still occur. The storage of these hazardous, toxic, flammable or explosive materials near our production facilities and the handling of these materials in the production process pose inherent risks. Any such incident relating to our production processes or the transportation, storage and treatment 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.

Failure to pay the social insurance premium and housing provident funds for and on behalf of our employees in accordance with applicable PRC laws and regulations may subject us to penalties.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. The requirement and implementation of employee benefit plans may vary considering the different levels of economic development in different locations in the PRC, and the relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments. Employers who fail to make adequate payments as required may be subject to late payment fees, fines and/or other penalties. See "Regulatory Overview — Laws and Regulations Regarding Labor, Social Insurance and Housing Provident Fund".

During the Track Record Period, we did not make social insurances and housing provident fund contributions for certain of our employees in full. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we have not received any administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. In addition, as advised by our PRC Legal Advisors, provided that there are no material changes to the prevailing policies, laws and regulations, the risk of us being required by the relevant PRC authorities to pay the shortfall and the related administrative penalties for failing to make social insurance and housing provident funds in full is relatively remote. There is no assurance that our practice with respect to the contribution of social insurance plans and housing provident funds will at all times satisfy the relevant regulatory requirements mainly due to the evolving interpretation and implementation of the relevant laws and regulations. Accordingly, in the event of any non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in the PRC, we may be exposed to penalties or be required to compensate employees.

Any delay, termination or cancellation of our existing business projects due to failure in obtaining administrative procedures, governmental approvals or regulatory registrations or unsuccessful customization, adjustment or modification of our equipment will materially and adversely affect our business, financial condition and results of operations.

Our existing business projects requires continuous administrative procedures, governmental approvals or regulatory registrations. We cannot assure you that we will be able to obtain all necessary procedures, approvals or registrations for any or all of our business projects in our pipeline. Any delay in obtaining such procedures, approvals or registrations would result in disruptions of our project timetables or even termination or cancellation of the projects. As a result, we may face severe delay or termination consequences, such as break fees, penalties or adverse impact on our reputation.

In addition, in executing any business projects, we might need to customize, adjust or modify our equipment or appliances. Any expected delay or failure in executing such customization, adjustment or modification would create delays, termination or cancellation of our business projects. Similarly, any delay, termination or cancellation of our existing business projects may materially and adversely affect our business, financial condition and results of operations.

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 and other intellectual properties as critical to our success. We seek to protect our intellectual properties and proprietary rights primarily through a combination of utility model patents, design patents and other forms of intellectual property protection in China and other countries. See "Business — Intellectual Property".

We have made advanced progress and attained a large number of R&D achievements since our incorporation. We have successfully applied for patents for most of our technologies. However, some of our R&D is still in the process of patent applications. We may face risks that our applications may be rejected. Furthermore, even where patents have been granted, third parties may challenge, circumvent, or invalidate our patents, which could limit or eliminate their protective value.

In addition, although we enter into employment agreements with non-competition covenants, and confidentiality and intellectual property ownership clauses with our employees, consultants and advisors, we cannot assure you that these agreements will not be breached, that we will have adequate remedies to prevent any breach in time or at all. Furthermore, our business partners or any other third-parties may not always comply with our contract terms prohibiting the unauthorized use of our intellectual property rights. The agreements may not effectively prevent disclosure of our core technology and confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of our core technology and confidential information. Any such disclosure may harm our competitive advantage and profitability.

Implementation of intellectual property laws in China has been growing. Monitoring the unauthorized use of our 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 face risks of sharing relevant research and development results with our collaboration partners. Failure to prevent our partners from misappropriating confidential information could potentially impair our technological differentiation and competitive position.

During the Track Record Period and up to the Latest Practicable Date, we established strategic research and development collaborations with our major customers such as globally leading battery manufacturers and automotive makers, as well as renowned universities and scientific institutions in China, which could expedite our research and development progress and strengthen our competitive edge through innovation. See "Business — Research and Development". Our agreements in relation to these collaborations may require us to share relevant research and development results with these partners. There is no assurance that our relevant counterparties would not advertently or in advertently misuse the results that we collaboratively form, or advertently or inadvertently misappropriate the results owned solely by us and that are incidentally shared during our collaboration with them. Our business, financial condition and results of operations may be adversely impacted if any of the aforementioned incidents happen.

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

As of the Latest Practicable Date, we had established a robust production network, including five production bases, consisting of eight facilities across Jiangsu Province (four facilities in Zhangjiagang City, one in Taixing City and one in Jiangyin City), Hubei Province (one facility in Yunmeng County) and Zhejiang Province (one facility in Wuyi County), achieving an annual production capacity of 20,500 tonnes in total for VC and FEC products. In addition, we constructed a production facility for anode materials in 2025 with a preliminary designed capacity of 50,000 tonnes, as part of our 200,000-tonne high-performance anode material production project. However, as we just started our anode material business, we were not able to make full use of our production capacity. There is no assurance that we will be able to secure sufficient orders to fully utilize our production capacity in the future. As we plan to further scale our business, we have a robust pipeline of construction projects for various products. See "Business — Our Strategies — Capacity Expansion and Technology Upgrades to Bolster Cost-Efficiency and Market Leadership". Such expansion of our production capacity will involve substantial upfront capital expenditure, draining our capital resources adversely affecting our cash flows. The construction of these new production facilities will also generate a significant increase in our depreciation adversely affecting our results of operations.

We intend to continue maintaining a high level of production capacity and will actively seek opportunities to expand our capacity. However, there is no assurance that such plan 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.

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 production utilization rate, overproduction, increased fixed costs, and reduced margins. If any of the foregoing events occur, our business, financial condition and results of operations could be materially and adversely affected.

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

The success of our business depends on our ability to consistently deliver products with high quality and reliability. We have implemented stringent quality control measures throughout our production process. See "Business — Quality Control". Although we have not been involved in any material product quality accident, product recalls or other similar events during the Track Record Period, there is no assurance that we will not be involved in those events in the future. As technologies continue to advance, the lithium-ion battery electrolyte produced and end-products manufactured by third parties that used our lithium-ion battery electrolyte additives are becoming increasingly complex, complicated and sophisticated. We cannot guarantee that there are no and will not be any quality issues with our products. Any quality issues with our products could compromise our product performance, lose customers and/or orders, and reduce our profitability. In addition, third parties who have suffered losses may bring product liability claims or legal proceedings against us, which could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate considerable negative publicity about our products and business, which would materially and adversely affect our brand, business, prospects and results of operations.

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

During the Track Record Period, a limited number of our customers settled their payments with us through third-party payors. In 2023, 2024 and 2025, our third-party payments had been less than 1% of our total revenue in the same periods. Nevertheless, we are subject to various risks relating to such third-party payment arrangements, including possible claims from third-party payers for the return of funds, and possible claims from liquidators of third-party payers. In the event of any claims from third-party payers or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we may have to expend financial and managerial resources to defend against such claims and legal proceedings, and our business, financial condition and results of operations may as a result be adversely affected.

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

We may be involved in legal proceedings, administrative proceedings and commercial or contractual disputes in the ordinary course of our business. We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to enquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may have a material adverse effect on our reputation and our financial condition, results of operations and prospects.

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

We collect and store business data and transaction data generated during or in connection with our business operations, including our business and transactions with our customers, suppliers and business partners. The secure maintenance of such data is critical. Despite our data security and protection measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power losses or telecommunication failures. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

Our insurance coverage may be inadequate to cover all significant risk exposures.

Our business is subject to a variety of operational risks, including but not limited to production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, as we may begin operations in overseas markets in the future, we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These aforementioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities.

During the Track Record Period, we had property insurance, product liability insurance and employee insurance for our business operations. There is no assurance that our insurance will be adequate to cover our exposure to the foregoing risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

We may also be subject to lawsuits of product liability claims, product recalls, or redesign efforts, all of which would be time consuming and expensive. During the Track Record Period and up to the Latest Practicable Date, we had been covered by certain product liability insurance policies. However, we cannot assure you that such insurance coverage would be sufficient. Any insufficient insurance coverage could make us unable to satisfy all potential product liability claims. If any of our products are found to have reliability, quality or compatibility problems, we will be required to accept returns, provide replacements, provide refunds, or pay damages. Moreover, a product liability claim could generate substantial negative publicity about our products and business, therefore, inhibit or prevent the commercialization of our future products, which would materially and adversely affect our brand, business, prospects, and results of operations.

Additionally, we may be subject to risks associated with dangerous chemicals and lithium-ion battery materials and we may not have adequate insurance to cover such claims. The lithium-ion batteries and electrolytes that our customers produce utilizing our lithium-ion battery electrolyte additives can cause damage on rare occasions. Accordingly, we face inherent risk of exposure to claims when our products malfunction resulting in property damage, personal injury, or death.

We employ an integrated quality management system and a full set of internal control policies to ensure safe manufacturing and delivery of our products. However, our products may still experience defects, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time-consuming and expensive. Product liability claims against us or our customers could require us to pay substantial monetary compensation.

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

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

In addition, our labor costs 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 conduct our business. In such circumstances, our profit margin may decrease and our business, financial condition and results of operations may be materially and adversely affected.

Our business may be negatively affected due to risks relating to the acts of our third-party distributors.

We engage a limited number of third-party distributors to facilitate our product logistics and local presence. Typically, we discuss product specifications and key commercial terms directly with our end customers, while our distributors arrange the sales procedure to assist with our transactions with such end customers.

However, our operational efficiency in certain regions may still be influenced by their performance and the reach of their logistics support. While we monitor our distributors through contractual agreements, there is no absolute assurance that we can pre-emptively identify every instance of non-compliance or misconduct. Any significant misconduct by our third-party distributors, such as unauthorized representations or regulatory non-compliance, could lead to administrative burdens or localized disruptions. While such incidents have not historically had a material adverse effect on our business, any resulting legal disputes or reputational concerns may adversely affect our business, financial condition and results of operations.

We are exposed to foreign currency exchange fluctuations.

Some of our business settles transactions in currencies such as US dollar. A small portion of our revenue is generated from overseas sales of our products. Our revenue generated overseas amounted to RMB83.4 million, RMB59.5 million and RMB38.8 million, respectively, in 2023, 2024 and 2025, accounting for 15.9%, 11.8% and 4.5% of our total revenue during the same periods. In addition, we recorded net foreign exchange gains of RMB1.6 million, RMB1.7 million, respectively, in 2023 and 2024 and a net foreign exchange loss of RMB2.7 million in 2025. Significantly fluctuations in the foreign exchange markets may adversely affect our financial condition and results of operations.

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

Our government grants and subsidies recorded as other income amounted to RMB7.3 million, RMB7.0 million and RMB22.4 million, respectively, in 2023, 2024 and 2025. Not all of those grants and subsidies are recurring in nature. In addition, certain of our companies were accredited as "High and New Technology Enterprise" under the Administrative Measures for Recognition of High and New-Technology Enterprises promulgated by the Ministry of Science and Technology of the PRC, 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 and subsidies 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 and subsidies in the future, or that they will be provided at the same levels as in past periods. If we are unable to obtain future government grants and subsidies or preferential tax treatment at comparable levels, or at all, our profitability for the period may be adversely affected.

We may need to devote additional efforts and resources to obtain and maintain the requisite licenses and approvals required.

Our operations require multiple licenses, permits, filings and approvals. See "Business — Licenses, Permits and Certificates". Certain licenses, permits or registrations we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current terms expire, or obtain such renewals in a timely manner, our operations could be disrupted or suspended, which could affect our ability to continue production and our overall business operations. In addition, given the government regulations governing our business is evolving, it might become increasingly onerous for us to comply with such changes in regulation, and any non-compliance may expose us to liability. In case of non-compliance, we may have to incur monetary expenses and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may adversely affect our business, financial condition and results of operations.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, and non-compliance with such laws could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws and regulations. The anti-corruption laws and regulations strictly prohibit bribery of government officials. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation. We have formulated internal policies and implemented measures with regards to the prevention and control, monitoring and response procedure as well as the establishment of risk prevention mechanism to ensure the compliance with the applicable anti-corruption, anti-bribery and anti-money laundering related laws and regulations. However, our policies and procedures may not be sufficient and our Directors, officers, employees, representatives, consultants, agents and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions laws could subject to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. In addition, changes in economic sanction laws in the future could adversely impact our business and investment in our shares.

We have not completed lease registration procedures with the relevant authorities for some of the properties we lease.

Under the relevant PRC law, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, one of our leased properties have not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisor, such non-registration will not affect the validity of the lease agreement, but the relevant local housing administrative authorities may require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000. See "Business — Properties."

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

We are subject to a number of environmental, health and safety laws and regulations, 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 lines can only be put into operation after the relevant administrative authorities in charge of environmental protection, health and safety have examined and approved the relevant facilities. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our ability to develop, manufacture and commercialize our products as planned. 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, potential monetary damages, or production suspensions in our business operations.

We are exposed to risks relating to the retention of our senior management.

The composition and continued commitment of our senior management team has been an important element of our success and our ability to operate effectively. Our future success is also 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 certain of our senior management members, our business, financial condition, results of operations and ability to grow may be materially and adversely affected.

Our business depends substantially on the continuous efforts of our talent pool comprising employees and technical talents 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 train a large number of qualified employees and retain existing key personnel including scientists and experts. In particular, we rely on our R&D team to develop technologies and our experienced sales personnel to maintain relationships with our customers. In order to compete for talent, we may need to offer higher compensation, better training, more attractive career opportunities and other benefits to our employees, which may be costly. We cannot assure you that we will be able to attract or retain the qualified workforce necessary to support our future growth. 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 business, financial condition and results of operations.

Our business and operations may be materially and adversely affected by natural disasters, epidemics and pandemics.

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 in relation 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.

RISKS RELATING TO THE PRC

Changes in political, economic and social policies, as well as the interpretation and enforcement of law, rules and regulations, may affect our business, financial condition and results of operations.

Our operations are based in the PRC, our business, financial condition, results of operations and prospects may be affected by political, economic, social and legal developments in the PRC. In recent years, the PRC government implemented a series of laws, regulations and policies with respect to, among other things, quality and safety control, and supervision and administration of companies in our industry. See "Regulatory Overview". Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, compliance to which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected.

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 [REDACTED].

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 licenses 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, financial condition and results of operations 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.

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. 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, the PRC government may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with the tax laws and regulations in China may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to tax laws and regulations in China and tax penalties or fines could affect our businesses, financial condition and results of operations.

If we fail to meet the extensive requirements relating to supervision of listed companies in the PRC, our business, financial condition and results of operations could be adversely affected.

As a listed company in the PRC, we are subject to extensive requirements relating to the supervision of listed companies in the PRC, which are designed to standardize the operation of listed companies, enhance the corporate governance of listed companies, protect the legal rights and interests of investors, promote the steady and healthy development of China's capital market and safeguard the social and economic order and social and public interests. These regulations often impose corresponding requirements on all aspects of listed companies, including, but not limited to, governance structure, trading practices and information disclosure. The PRC regulatory authorities, including, but not limited to, the CSRC and the Shanghai Stock Exchange, conduct periodic inspections, examinations and inquiries in respect of our compliance with such requirements. Despite our efforts to comply with applicable regulations, we cannot assure that we will be able to meet all the applicable regulatory requirements, or comply with all the applicable regulations and guidelines at all times. Failure to comply with such requirements could result in self-regulatory measures, disciplinary sanctions, rectification, warning or fines. In the event we are penalized, our business, financial condition and results of operations could be adversely affected.

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

We may, from time to time, undertake capital raising activities, including offerings of equity or debt securities in the PRC or overseas markets. In connection with such activities, we may become subject to approval, filing, registration or other regulatory requirements imposed by the CSRC or other relevant PRC governmental authorities, particularly in light of evolving regulatory frameworks governing offshore listings and securities offerings by PRC-related entities. Any failure or delay in obtaining the necessary approvals or completing the required filings could materially and adversely affect our ability to access capital markets in a timely manner or on commercially favorable terms, which may in turn impact our funding strategy, expansion plans and overall financial condition.

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 our 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 ("**HKSAR**") 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 ("**STA**") 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 STA, 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 [REDACTED] in our [REDACTED] may be materially affected.

You may experience difficulties in effecting service of legal process and enforcing judgments obtained outside of China against us, our Directors and senior management who reside in China.

We are a company incorporated under the PRC laws and our operations are based in China. As of the Latest Practicable Date, all of our executive Directors and senior management resided within China, and substantially all of our assets were located within China. Furthermore, the assets of our Directors and senior management may also be located within China. As a result, it may be complex for investors to effect service of process within China upon or to enforce judgments obtained outside of China against us, our Directors and senior management. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in China only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts of China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in China of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People's Court promulgated the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2008 Arrangement**"). Under the 2008 Arrangement, where any designated court of China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of China or Hong Kong court for recognition and enforcement of the judgment. The

2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 25, 2024, the Supreme People's Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2024 Arrangement**"), which became effective on January 29, 2024. The 2024 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2024 Arrangement.

RISKS RELATING TO THE [REDACTED]

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

As we are listed on the STAR Market of the Shanghai Stock Exchange in China 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.

Our A Shares are listed on the STAR Market of the Shanghai Stock Exchange. The characteristics of the A share and [REDACTED] markets may differ.

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

There has been no prior [REDACTED] for our [REDACTED], and an active [REDACTED] for our [REDACTED] may not develop or be sustained.

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

The liquidity, [REDACTED] and [REDACTED] of our [REDACTED] 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 [REDACTED] and [REDACTED] of our [REDACTED] 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 [REDACTED] of the shares of other companies engaging in similar business may affect the [REDACTED] and [REDACTED] of our [REDACTED]. In addition to market and industry factors, the [REDACTED] and [REDACTED] of our [REDACTED] 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 [REDACTED] in the past, and it is possible that our [REDACTED] 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.

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

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the [REDACTED] from the [REDACTED] for purposes including construction of new production facilities, industrialization of novel products and research and development activities. See "Future Plans and [REDACTED]". However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from the [REDACTED].

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 [REDACTED] 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 — Dividends".

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

As our A Shares are listed on the STAR Market of 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 [REDACTED] in our [REDACTED] should be reminded that, in making their [REDACTED] decisions as to whether to [REDACTED] our [REDACTED], they should rely only on the financial, operating and other information included in this document. By applying to [REDACTED] our [REDACTED] in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

You will incur immediate and substantial dilution, and may experience further dilution in the future.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per [REDACTED] immediately prior to the [REDACTED]. Therefore, purchasers of our [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. In order to expand our business, we may consider [REDACTED] and [REDACTED] additional Shares in the future. Purchasers of our [REDACTED] may experience dilution in the net tangible asset value per [REDACTED] of their H Shares if we [REDACTED] additional [REDACTED] in the future at a price which is lower than the net tangible asset value per [REDACTED] at that time. Furthermore, we may [REDACTED] Shares pursuant to any existing or future share [REDACTED], which would further dilute our Shareholders' interests in our Company.

Our Controlling Shareholders have a significant influence over us and its interests may not be aligned with the interests of our other Shareholders.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account of the effect of the Potential Share Reduction Plan), our Controlling Shareholders will hold approximately [REDACTED]% of our total issued share capital and remain our as our Controlling Shareholders. While our Controlling Shareholders will continue to have significant influence over the outcome of major corporate transactions that require shareholders' approval, including the election of Directors. This concentration of ownership may delay or prevent a change in control of us, discourage potential share acquisition transactions, which might derive other Shareholders of an opportunity to receive a premium for their Shares, or adversely affect the price of our H Shares due to the perception of such concentration of ownership. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Should there be any conflict of interest, our Controlling Shareholders may exercise its influence over us in a manner that may not be in the best interests of our Company or our other Shareholders.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would" or "will" and similar expressions. These statements are, by their nature, subject to significant risks and uncertainties. [REDACTED] are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the disclosure of forward-looking statements in this document should not be regarded as representations by our Company that the plans and objectives will be achieved, and [REDACTED] should not place undue reliance on such statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events, or otherwise. For details of these forward-looking statements including the associated risks, see "Forward-looking Statements".

You should read the entire [REDACTED] carefully and only rely on the information included in this document to make your [REDACTED] 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 [REDACTED] 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 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 [REDACTED] 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], any of 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 [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the Listing Rules.

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 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.

Since our Group's management headquarters, senior management, business operations and assets are based outside Hong Kong, our Directors consider that the appointment of executive directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. Therefore, our Company does not, and does not contemplate in the foreseeable future that we will, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 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. We will ensure that there is an effective channel of communication between the Stock Exchange and us by way of the following arrangements:

(i) **Authorized representatives**: both of our Company's authorized representatives, Mr. Shen Ming and Ms. Kwok Yan Ting Jennis, will act as our Company's principal channels of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile and/or email.

    Each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter.

(ii) **Directors**: each Director has provided their mobile phone number, office phone number, fax number, if any, and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, they will provide the phone number of the place of their accommodation to the authorized representatives.

    Each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time.

(iii) **Compliance advisor**: we have appointed Ignite Capital (Asia Pacific) Limited as our Compliance Advisor, in compliance with Rule 3A.19 of the Listing Rules, who will, among other things and in addition to the authorized representatives and our Directors, also act as an additional channel of communication with the Stock Exchange from the [REDACTED] 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 [REDACTED]. Pursuant to the Note of Rule 3A.23, the Compliance Advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, Directors and other officers will promptly provide such information and assistance as the Compliance Advisor may need or may reasonably require in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our

Company, our authorized representatives, our Directors, other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between the Stock Exchange and us.

Any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and/or our Compliance Advisor; and

(iv) **Legal advisors**: we will also retain legal advisors to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the [REDACTED].

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

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

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

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

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

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

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing the "relevant experience," the Stock Exchange will consider the individual's:

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

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the C(WUMP)O and the Takeovers Code;

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

(iv) professional qualifications in other jurisdictions.

We have appointed Mr. Huang Zhendong (黃振東), our Deputy General Manager and secretary of the Board ("**Mr. Huang**") as one of our joint company secretaries. Our Group's key operations and principal business activities are conducted outside of Hong Kong. We believe that the company secretary role requires a person to be deeply familiar with our operations and the specific industry context, and to be able to cultivate strong relationships with both the Board and the management. It would be in the best interests of our Company and our corporate governance to have as its joint company secretary a person such as Mr. Huang who has been with our Company since October 2022. As the Deputy General Manager and secretary of the Board of our Company, Mr. Huang is deeply familiar with our operations and is able to cultivate strong relationships with both the Board and the management. Our Directors believe that Mr. Huang's intimate knowledge of our Company and operations is essential for the performance of company secretary duties in the most effective and efficient manner. For biographical details of Mr. Huang, see "Directors and Senior Management."

Since Mr. Huang does not possess the qualifications stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under the Listing Rules. To support Mr. Huang in performing the duties of company secretary, we have appointed Ms. Kwok Yan Ting Jennis ("**Ms. Kwok**"), who is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom and meets the requirements under Rule 3.28 of the [REDACTED], as the other joint company secretary to provide assistance for a three-year period from the [REDACTED] so as to enable Mr. Huang to acquire the relevant experience as required under Note 2 to Rule 3.28 of the Listing Rules to duly discharge his duties.

Accordingly, our Company has applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Huang as our joint company secretary. Pursuant to Chapter 3.10 of the Listing Guide, such waiver [has been] granted on the conditions that: (i) Ms. Kwok is appointed as a joint company secretary to assist Mr. Huang in discharging his functions as a company secretary and gaining the relevant experience under Rule 3.28 of the Listing Rules; this waiver will be revoked immediately if and when Ms. Kwok ceases to provide such assistance during the three-year period; and (ii) this waiver is subject to revocation in the event of any material breaches of the Listing Rules by our Company.

In addition, Mr. Huang will comply with the annual professional training requirements under Rule 3.29 of the Listing Rules and enhance his understanding of the Listing Rules during the three-year period from the [REDACTED]. Our Company will further ensure that Mr. Huang has access to the relevant training and support to familiarize himself with the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Prior to the expiration of the three-year period, our Company will further evaluate the qualifications and experience of Mr. Huang to determine whether he has satisfied the requirements as stipulated under the Listing Rules and whether he needs further assistance. We will liaise with and assist the Stock Exchange in assessing whether Mr. Huang, having benefited from the assistance of Ms. Kwok for three years, has 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.

[REDACTED]

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Shen Jinliang (沈錦良)	No. 204–404 Commercial and Residential Building Renmin Road Zhangjiagang, Jiangsu Province PRC	Chinese
Mr. Shen Ming (沈鳴)	Room 403, Block 179 Jiyang Lake Garden Yangshe Town Zhangjiagang, Jiangsu Province PRC	Chinese
Mr. Li Weifeng (李偉鋒)	Room 702, Block 20 Zhonglian Huangguan Yangshe Town Zhangjiagang, Jiangsu Province PRC	Chinese
Mr. Lin Gang (林剛)	No. 20–505 Jinwan Zhangjiagang, Jiangsu Province PRC	Chinese
Non-executive Director		
Mr. Ma Yangguang (馬陽光)	Block 46, Heshan Garden No. 110, Dengwei Road High-tech Zone, Huqiu District Suzhou, Jiangsu Province PRC	Chinese
Ms. Kuang Yichun (匡怡純)	Room 501, Building 11 Tongpen New Village Zhangjiagang, Jiangsu Province PRC	Chinese
Independent Non-executive Directors		
Mr. Shi Haoming (史浩明)	No. 62, Lanting Garden Gusu District Suzhou, Jiangsu Province PRC	Chinese
Dr. Zhou Haoshen (周豪慎)	Room 301, No. 1, Block 76 No. 168, Xianlin Avenue Qixia District Nanjing, Jiangsu Province PRC	Chinese
Mr. Zhang Wei (張維)	Flat M4, 4/F, Block M Hing Wah Mansion 1 Babington Path Sai Ying Pun Hong Kong	Chinese (Hong Kong)

For further details regarding our Directors, please see "Directors and Senior Management."

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor, [REDACTED]	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
Legal Advisors to our Company	*as to Hong Kong laws:* **Eric Chow & Co.** **in Association with Commerce & Finance Law Offices** 3401, Alexandra House 18 Chater Road, Central, Hong Kong *as to PRC law:* **Grandall Law Firm (Nanjing)** 5/7/8/F, Block B No. 309 Hanzhongmen Street Gulou District Nanjing, PRC
Legal Advisors to the Sole Sponsor [REDACTED]	*as to Hong Kong law:* **DeHeng Law Offices (Hong Kong) LLP** 28/F, Henley Building 5 Queen's Road Central Hong Kong *as to PRC law:* **CM Law Firm** Room 2805, Plaza 66 Tower 2 1366 West Nanjing Road Shanghai, PRC
Reporting Accountant and Independent Auditor	**Rongcheng (Hong Kong) CPA Limited** *Certified Public Accountants* *Registered Public Interest Entity Auditor* Unit 4301–07, 43/F, Cosco Tower 183 Queen's Road Central Sheung Wan Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10th Floor, B Block, Jingan International Business Center, 88 Puji Road, Jingan District, Shanghai, PRC
Compliance Advisor	**Ignite Capital (Asia Pacific) Limited** Unit A, 15th Floor, CMA Building 64–66 Connaught Road Central Central, Hong Kong
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered Office, Head Office and Principal place of Business in the PRC	No. 1 Desheng Road Yangtze River International Chemical Industrial Park Zhangjiagang, Jiangsu Province PRC
Principal Place of Business in Hong Kong	46/F Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Company's Website	**www.sinohsc.com** *(Information contained in this website does not form part of this document)*
Joint Company Secretaries	**Mr. Huang Zhendong (黃振東)** No. 1 Desheng Road Yangtze River International Chemical Industrial Park Zhangjiagang, Jiangsu Province PRC **Ms. Kwok Yan Ting Jennis (郭恩廷)** 46/F Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	**Mr. Shen Ming (沈鳴)** Room 403, Block 179 Jiyang Lake Garden Yangshe Town Zhangjiagang, Jiangsu Province PRC **Ms. Kwok Yan Ting Jennis (郭恩廷)** 46/F Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Strategy Committee	Mr. Shen Jinliang *(Chairperson)* Mr. Shen Ming Dr. Zhou Haoshen
Audit Committee	Mr. Zhang Wei *(Chairperson)* Mr. Shi Haoming Ms. Kuang Yichun
Nomination Committee	Mr. Shi Haoming *(Chairperson)* Dr. Zhou Haoshen Ms. Kuang Yichun
Remuneration and Appraisal Committee	Dr. Zhou Haoshen *(Chairperson)* Mr. Zhang Wei Mr. Ma Yangguang

CORPORATE INFORMATION

[REDACTED]	[REDACTED]
Principal Bank(s)	**China CITIC Bank Corporation Limited,** **Zhangjiagang Free Trade Zone Sub-branch** No. 188, Zhonggang South Road Jingang Street Zhangjiagang, Jiangsu Province PRC
	Industrial Bank Co., Ltd., Zhangjiagang Sub-branch No. 133, 135, 137, Jiyanghu Avenue Yangshe Town Zhangjiagang, Jiangsu Province PRC

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 Sponsors, or any of our or their respective directors, supervisors, 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 AND CHINA'S LITHIUM-ION BATTERY INDUSTRY

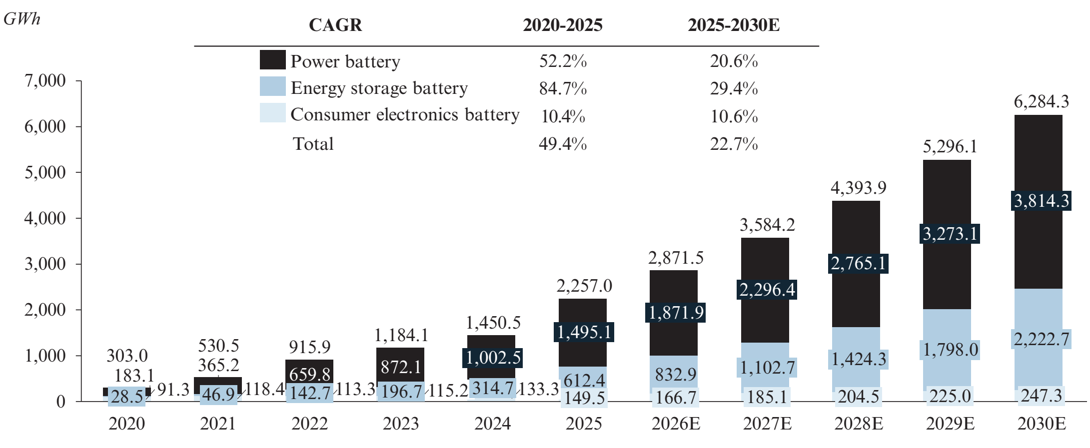
Overview of lithium-ion battery

Lithium-ion batteries are a type of rechargeable battery that operate through the repeated movement of lithium ions between the cathode and anode during charging and discharging. In terms of downstream applications, lithium-ion batteries can be divided into energy storage batteries, power batteries, and consumer electronic batteries. Energy storage batteries are mainly used in energy storage system; power batteries are primarily used in new energy vehicles; consumer batteries mainly include mobile phones, laptops, drones, small robots, wearable devices, and other new-type consumer electronic equipment.

Market size of lithium-ion battery industry

From 2020 to 2025, the global lithium-ion battery market experienced rapid growth, with its market size expanding from approximately 303.0 GWh in 2020 to 2,257.0 GWh in 2025, representing a CAGR of 49.4% over the period. The rapid expansion during this stage was mainly driven by a combination of factors, including the rising penetration rate of new energy vehicles, growing demand in the energy storage sector, as well as technological advancements and cost reductions in battery technologies. In the future, with the advancement of the global energy transition and the implementation of carbon neutrality targets, the global lithium-ion battery market size is expected to continue expanding, reaching approximately 6,284.3 GWh by 2030, with a CAGR of 22.7% from 2025 to 2030.

Market size[1] of lithium-ion battery by downstream application, Global, 2020–2030E



Notes:

1. Market size is calculated based on end-user demand.

Source: International Energy Agency, China Insights Consultancy

Market Drivers

- ***Rise of the energy storage market:*** In the energy storage battery sector, global electricity demand has continued to grow, driven by global economic development, population growth and accelerating electrification. According to CIC, 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 has been rising continuously, from approximately 10% in 2021 to 18% in 2025, and is expected to reach around 31% in 2030. With the widespread adoption of renewable energy, energy storage systems have become a key technology for balancing the mismatch between intermittent power generation and consumption, driving demand for long cycle life, high-energy-density lithium-ion batteries. Driven by policy support and grid demand-side management, large-scale energy storage projects have emerged gradually, further promoting the production and application of lithium-ion batteries. Global energy storage battery shipments amounted to approximately 0.6 TWh in 2025 and are expected to reach around 2.2 TWh by 2030. In addition, the development of artificial intelligence has also driven a surge in data centers' demand for computing power and electricity consumption. Global data center electricity consumption is expected to reach approximately 2,600 TWh by 2030, with shipments of energy storage batteries for data centers projected to reach around 0.4 TWh.

- ***Rapid expansion of the power battery market:*** In the power battery sector, the global demand for new energy vehicles has continued to grow, driving the rapid expansion of the power battery market. According to CIC, global sales of new energy passenger vehicles reached 23.5 million units in 2025, representing a year-on-year increase of 29.1%. Furthermore, with technological advancements and innovations, the application scope of power batteries has gradually expanded to emerging sectors further fueling the growth in power battery demand. Meanwhile, the continuous improvement of charging and swapping infrastructure has supported the growth of new energy vehicles. The number of public charging points worldwide exceeded 7 million in 2025, representing a more than threefold increase compared with 2021. The number of new energy passenger vehicle battery swapping stations globally surpassed 6,000 in 2025, representing a more than sixfold increase compared with 2021. Global power battery shipments are expected to reach approximately 3.8 TWh by 2030.

- ***Growth in demand for consumer electronics:*** In the consumer battery sector, consumer electronic products such as smartphones, tablet computers and laptops continue to be upgraded, and end-market demand for battery performance is constantly rising, which continuously drives the innovation of consumer battery technologies. Meanwhile, emerging intelligent terminals such as wearable devices including TWS wireless earphones and smart watches, as well as AR/VR devices, have gained rapid popularity, further expanded the scale of the consumer electronics market and brought sustained demand to the consumer battery industry. Global consumer battery shipments will reach approximately 0.2 TWh in 2030.

- ***Emerging application expansion:*** Emerging applications such as low-altitude flight and embodied robots are in a stage of rapid development and have become core incremental engines driving the growth of lithium-ion battery shipments. Among them, the low-altitude flight sector benefits from low-altitude opening policies, technological maturity and improved infrastructure, which has accelerated the commercialization of segmented scenarios including eVTOL and low-altitude logistics drones, while speeding up the mass production of end-use equipment and continuously releasing large-scale installation demand for lithium-ion batteries. Leveraging technological breakthroughs in AI, sensors and other related fields, embodied robots have entered a cycle of mass production and practical deployment, with steady advancement of pilot projects across multiple sectors; it is expected that the shipment volume of end-use equipment will achieve high-speed growth in the future. Both categories of applications take lithium batteries as their core power source. As the shipment volume and ownership of end-use equipment continue to rise, large-scale lithium-ion battery demand will be formed.

- ***Continuous upgrading of lithium-ion battery technology:*** Driven by the escalating demand for high energy density, extended range, and fast-charging performance, lithium-ion battery technology has achieved continuous breakthroughs across multiple dimensions. The application of new materials, such as silicon-based anode materials and the research and development of solid-state battery technologies, has significantly enhanced battery performance. The sustained advancement of lithium-ion battery technology not only elevates product competitiveness but also provides technical support for a broader spectrum of market demands, emerging as a key driver propelling the rapid growth of the global lithium-ion battery market.

Future trends

- ***Continuous improvement of lithium-ion battery performance:*** In the future, lithium-ion batteries will continue to evolve toward lightweight and high-capacity designs to meet the core demands of new energy vehicles, energy storage systems and consumer electronics for higher energy density and longer cycle life; systematic optimization of electrode materials, battery structures and manufacturing processes will significantly enhance energy density to support slim and lightweight end products. Anode materials will shift from conventional graphite to high-capacity options like silicon-based materials and lithium metal, improving specific capacity and suppressing volume expansion, while electrolytes will evolve toward high-voltage, high-safety features and gradually transition to solid electrolytes, all of which will drive the large-scale application of lithium-ion batteries in more emerging scenarios.

- ***R&D and application of new lithium-ion battery materials:*** The industry will continue to intensify R&D and industrial application of new lithium-ion battery materials, focusing on technological breakthroughs and mass production of key materials such as solid electrolytes and silicon-based anode materials. Supported by material system upgrades, core battery performance indicators including energy density, safety and cycle life will be continuously optimized, further meeting application requirements for high-end power, energy storage and emerging scenarios. This will become an important direction for technological iteration and high-quality development of the lithium-ion battery industry.

- ***Increased focus on lithium-ion battery recycling**:* As the scale of retired lithium-ion batteries expands, battery recycling's strategic value becomes more prominent and a major industry trend. Driven by resource security, policy regulation and ESG requirements, it has evolved from an auxiliary link to a critical part of the industrial chain, with formal recycling systems, related technologies and key metal recovery rates continuously improving. The industry is moving toward standardization and scale, with full-chain leading enterprises gaining advantages; battery recycling secures upstream resources, reduces cost volatility, enhances industrial chain sustainability and controllability, and supports the industry's long-term healthy development.

OVERVIEW OF THE GLOBAL AND CHINA'S LITHIUM-ION BATTERY ELECTROLYTE INDUSTRY

Overview of lithium-ion battery materials

Lithium-ion battery materials can be categorized into five major types based on their functions: cathode materials, anode materials, electrolytes, separators, and other auxiliary materials. Among these, the electrolyte serves as the critical medium for lithium-ion transport within the battery, and its performance directly affects the battery's safety, and life cycle.

Overview of lithium-ion battery electrolyte

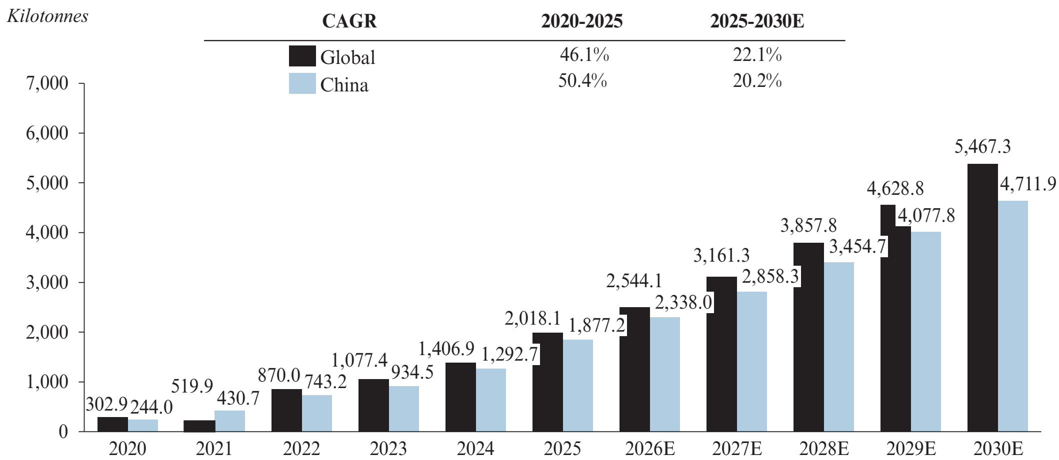
As the key medium for lithium-ion transport within the battery, the electrolyte is required to possess high ionic conductivity, low electronic conductivity, as well as strong chemical and thermal stability. Typical lithium-ion battery electrolytes are composed of three core components — solutes, solvents, and additives.

- ***Solute:*** provides support for lithium-ion transport between the cathode and anode during charging and discharging, ensuring conductivity and electrochemical performance.
- ***Solvent:*** serves as the medium for lithium-ion transport.
- ***Additives:*** play a critical role in enhancing electrolyte stability and overall battery performance, and represent a key differentiating factor for electrolyte and material manufacturers. Common additives include VC, FEC, DTD etc.

Shipment volume of lithium-ion battery electrolyte industry

As one of the four core materials of lithium-ion batteries, the electrolyte market has experienced rapid growth: global lithium-ion battery electrolyte shipments increased from 302.9 kilotonnes in 2020 to 2,018.1 kilotonnes in 2025, representing a CAGR of 46.1%. China is the world's largest producer of lithium-ion battery electrolytes, with shipments ranking first globally, rising from 244.0 kilotonnes in 2020 to 1,877.2 kilotonnes in 2025, at a CAGR of 50.4%. Industry growth has been mainly driven by the large-scale application of energy storage system, the rising penetration of new energy vehicles, and the iterative upgrading of consumer electronics. By 2030, global and China's lithium-ion battery electrolyte shipments are projected to reach 5,467.3 kilotonnes and 4,711.9 kilotonnes respectively, with CAGRs of 22.1% and 20.2% from 2025 to 2030.

Shipment volume of the lithium-ion battery electrolyte industry, Global and China, 2020–2030E



Source: China Battery Industry Association, China Insights Consultancy

OVERVIEW OF THE GLOBAL AND CHINA'S LITHIUM-ION BATTERY ELECTROLYTE ADDITIVE INDUSTRY

Overview of lithium-ion battery electrolyte additives

Lithium-ion battery electrolyte additives refer to substances added to electrolytes to improve their electrochemical performance. Their primary functions include forming a stable SEI film on the electrode surface to suppress side reactions, extend cycle life, enhance the thermal stability and safety of electrolytes, improve electrical conductivity, boost high and low-temperature performance as well as charge-discharge rates, reduce active material loss, and stabilize battery capacity.

Electrolyte additives play a critical role in the performance and cycle life of lithium-ion batteries and represent an indispensable core component of the electrolyte system. The rational selection and precise formulation of additives are crucial to the overall performance of batteries. Downstream electrolyte and battery enterprises have an increasing demand for highly customized formulations and special functional additives to meet the performance requirements of diverse scenarios such as new energy vehicles, energy storage systems, and consumer electronics. Meanwhile, the electrolyte industry features a high concentration ratio, with leading enterprises occupying the majority of the market share. In-depth collaboration between high-quality additive suppliers and core electrolyte manufacturers has become a key approach to enhancing product performance and market competitiveness.

Introduction of key lithium-ion battery electrolyte additives

Lithium-ion battery electrolyte additives come in a wide variety, with VC and FEC being the two most common types.

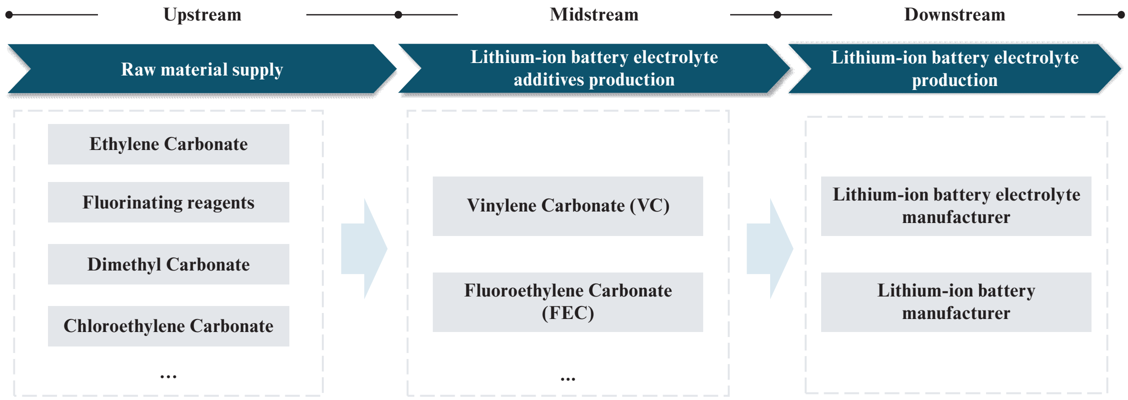
VC is a commonly used film-forming additive for lithium-ion battery electrolytes, whose primary function is to decompose preferentially on the anode surface and form a stable and dense SEI film, thereby improving the cycle life of the battery. VC can effectively inhibit electrolyte decomposition, and enhance the stability of the battery.

FEC is a Fluorine-containing electrolyte additive that decomposes on the anode surface to form a stable LiF-rich SEI film. It can significantly mitigate structural damage caused by anode volume expansion, enhance the cycle stability and low-temperature performance of the battery, and also improve interfacial stability.

Value chain of lithium-ion battery electrolyte additives

The lithium-ion battery electrolyte additive industry chain primarily consists of three segments: upstream raw material supply, midstream additive production, and downstream lithium-ion battery electrolyte manufacturing. The upstream segment mainly provides chemical raw materials for additives, whose purity and stability directly affect the performance and cost of midstream additives. Midstream companies process and blend these raw materials into functional additives and, through their R&D capabilities, offer customized solutions for different battery types. Downstream electrolyte manufacturers and lithium-ion battery producers select additive combinations based on application requirements to enhance battery safety, cycle life, and fast-charging performance.

Lithium-ion battery electrolyte additive value chain

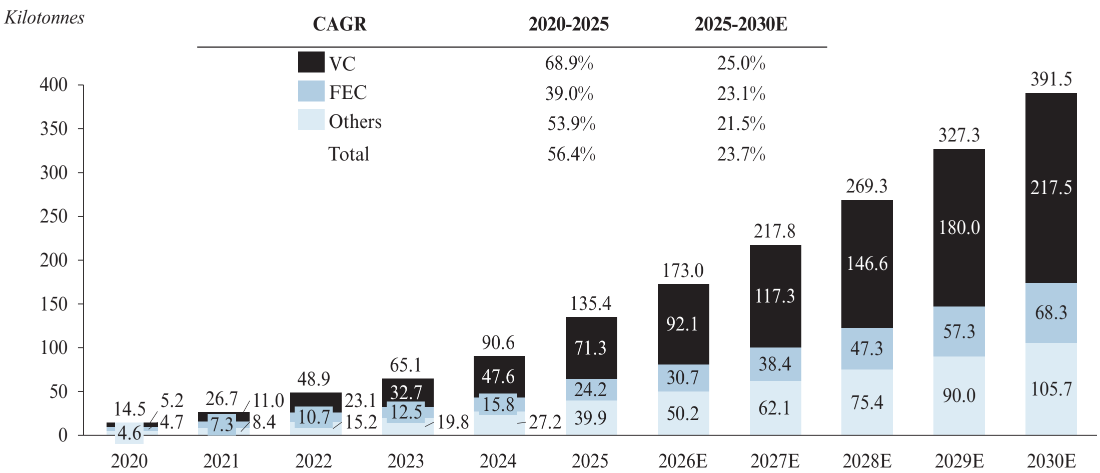


Source: China Insights Consultancy

Shipment volume of lithium-ion battery electrolyte additive industry

During 2020 to 2025, the global market for lithium-ion battery electrolyte additives entered a phase of rapid development. The market size surged from 14.5 kilotonnes to 135.4 kilotonnes, representing a CAGR of 56.4%, demonstrating explosive growth. Among these, VC and FEC served as the core drivers of industry expansion, with CAGRs of 68.9% and 39.0% respectively. The global lithium-ion battery electrolyte additives market is expected to continue expanding and is projected to reach 391.5 kilotonnes by 2030, with VC and FEC maintaining their dominant positions, at CAGRs of approximately 25.0% and 23.1% respectively.

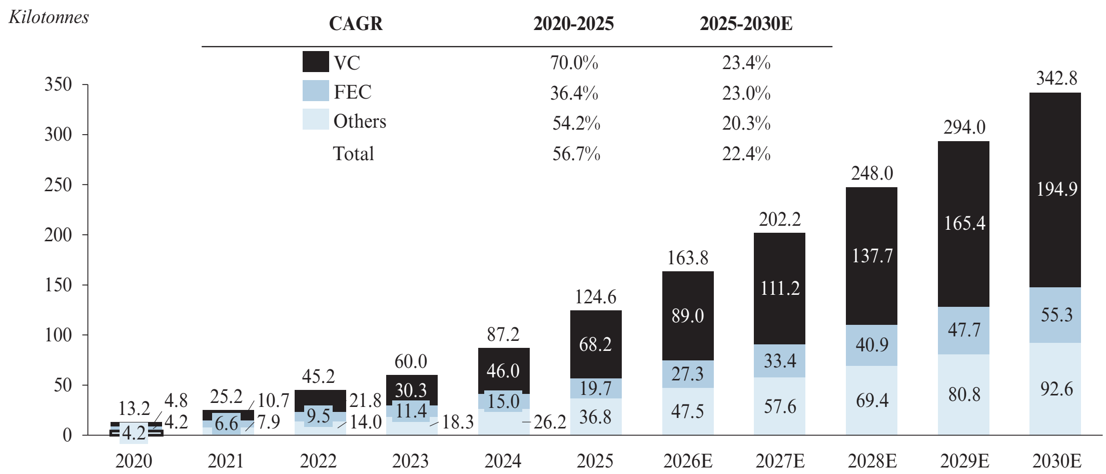
Shipment volume of the lithium-ion battery electrolyte additive industry, Global, 2020–2030E



Source: China Battery Industry Association, China Insights Consultancy

China is the world's largest market for lithium-ion battery electrolyte additives. Its market size grew from approximately 13.2 kilotonnes in 2020 to about 124.6 kilotonnes in 2025, representing a CAGR of 56.7% over the period. By 2030, China's lithium-ion battery electrolyte additives market is projected to reach 342.8 kilotonnes, with a CAGR of 22.4% from 2025 to 2030. VC and FEC will remain the dominant products, growing at CAGRs of 23.4% and 23.0% respectively. Their market sizes will reach 194.9 kilotonnes and 55.3 kilotonnes by 2030.

Shipment volume of the lithium-ion battery electrolyte additive industry, China, 2020–2030E



Source: China Battery Industry Association, China Insights Consultancy

Market Drivers

- ***Rapid development of the global lithium-ion battery electrolyte industry:*** Demand for lithium-ion electrolytes has maintained steady growth, which has directly driven the synchronous development of the electrolyte additive industry. With the continuous expansion of electrolyte application scenarios and market scale, the industry has put forward higher requirements for the comprehensive performance of electrolytes. The functional importance of lithium-ion battery electrolyte additives has become increasingly prominent. They are no longer auxiliary components in the electrolyte system, but key constituents that determine electrolyte performance and enhance product competitiveness. Consequently, the dosage ratio of additives in electrolytes has also shown a steady upward trend. The continuous increase in the additive ratio has further amplified the boosting effect of electrolyte demand growth on the additive industry, promoting the development of the lithium-ion battery electrolyte additives sector.

- ***Increasing technical performance requirements:*** The lithium-ion battery industry is evolving toward higher energy density, higher voltage, and a wider operating temperature range. Meanwhile, end-use applications are imposing increasingly stringent requirements on battery cycle life, charge-discharge rate, temperature adaptability, and safety stability. These demands have been transmitted to the electrolyte sector, directly driving continuous optimization of electrolyte systems and raising higher performance requirements for electrolyte additives. As a key component that tunes electrolyte performance, stabilizes electrode interfaces, and reduces side reactions, innovations in the functional design, formulation matching, and synthesis processes of electrolyte additives have become critical to breaking through the performance limitations of lithium-ion batteries.

Future trends

- ***Product Diversification:*** In the future, electrolyte additives will become more diversified, refined, and customized. As applications in power batteries and energy storage continue to segment, demand for higher energy density, longer cycle life, better safety, and wider temperature adaptability will drive the expansion of additive categories and functions. The industry will develop specialized additives for flame retardancy, overcharge protection, gas suppression, and low-temperature performance, while launching customized products for solid-state batteries, high-nickel ternary, silicon-based anode material, high-voltage cathodes, and sodium-ion batteries. Expanded product portfolios and optimized formulations will better support the upgrading of the battery industry.

- ***Deepened Industrial Chain Synergy:*** The electrolyte additive industry will further deepen industrial chain collaboration by pursuing a dual strategy of strengthening close cooperation with upstream key raw material suppliers and achieving independent production of critical core materials. Electrolyte additive enterprises will enhance strategic partnerships with upstream suppliers while increasing R&D investment in core raw material production technologies to realize self-sufficient and secure supply of key materials, thereby ensuring stable material provision. This model of integrating upstream supply chain cooperation and independent production of key materials enables effective control over product quality, mitigates supply chain risks, and lays a solid foundation for the high-quality and sustainable development of the electrolyte additive industry.

- ***Rising Industry Concentration:*** Driven by large-scale production and continuously improving performance requirements in the lithium-ion battery industry, customers have raised higher standards for the quality consistency, technical support, and supply stability of electrolytes and additives. Characterized by long validation cycles and high technical barriers, the industry enables leading enterprises with R&D, validation, and large-scale manufacturing capabilities to rapidly expand their market share, while small and medium-sized enterprises face pressures of elimination or integration. Industry concentration is expected to keep rising in the future. Leading enterprises will further consolidate their dominant market position by virtue of technological accumulation, customer resources, and industrial chain integration advantages, driving the industry toward high-quality and intensive development.

OVERVIEW OF THE GLOBAL AND CHINA'S LITHIUM-ION BATTERY ANODE MATERIAL INDUSTRY

Overview of lithium-ion battery anode material

Lithium-ion battery anode materials are responsible for the intercalation and deintercalation of lithium ions during battery charge and discharge. During charging, lithium ions migrate from the cathode to the anode and are inserted into the structure of the anode material; during discharging, these lithium ions are deintercalated from the anode and return to the cathode to complete the electrochemical reaction.

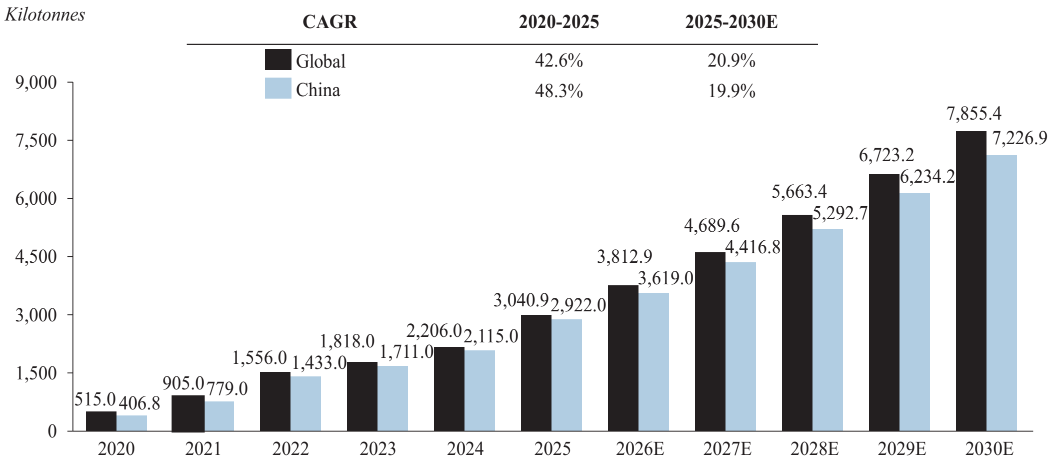
Anode materials mainly include artificial graphite anode materials, natural graphite anode materials, and silicon-based anode materials. Artificial graphite balances specific capacity, rate capability, and structural stability, making it the mainstream anode material in power batteries at present. Silicon-based anode materials such as silicon-carbon anode materials feature a much higher theoretical specific capacity than carbon-based materials and represent a key direction for achieving breakthroughs in high energy density for lithium-ion batteries. With technological iteration, they have been gradually applied in small batches in high-energy-density power batteries, becoming the core development direction for novel lithium-ion battery anode materials.

Shipment volume of lithium-ion battery anode material industry

The global lithium-ion battery anode materials market is in a phase of rapid expansion. The market size grew from 515.0 kilotonnes in 2020 to 3,040.9 kilotonnes in 2025, with a CAGR of 42.6% during 2020 to 2025. This explosive growth has been mainly driven by the rapid penetration of new energy vehicles and the energy storage industry, as well as the wider application of artificial graphite and the industrialization of silicon-based anode technologies. The market size is projected to exceed 7,855.4 kilotonnes by 2030, maintaining a CAGR of 20.9%.

China is the world's largest lithium-ion battery anode materials market, with a market size of 406.8 kilotonnes in 2020 and a CAGR of 48.3% during 2020 to 2025. Its market size is expected to reach 7,226.9 kilotonnes by 2030.

Shipment volume of the lithium-ion battery anode material industry, Global, 2020–2030E



Source: China Battery Industry Association, China Insights Consultancy

Competitive landscape of the lithium-ion battery electrolyte additive industry

Supported by a complete upstream industrial chain of fluorochemicals and lithium-ion battery materials, significant large-scale cost advantages, sustained technological R&D and product iteration capabilities, as well as in-depth collaboration with leading downstream enterprises, the global lithium-ion battery electrolyte additive market has formed a competitive landscape comprehensively dominated by China's enterprises.

The Company ranked as the world's largest supplier of electrolyte additives by sales volume in 2025, with total sales reaching 20.6 kilotonnes, accounting for 15.2% of the global market.

The top five electrolyte additives companies in terms of sales volume[1], Global, 2025

Ranking	Company	Sales volume, 2025, kilotonnes	Global market share, 2025
1.	The Company	20.6	15.2%
2.	Company A[2]	20.5	15.1%
3.	Company B[3]	8.6	6.4%
4.	Company C[4]	8.0	5.9%
5.	Company D[5]	6.4	4.7%
	CR5	64.0	47.3%
	Global Total	135.4	100.0%

Notes:

1. Refers to shipment volume of sales to external customers, excluding self-consumption.

2. Established in 2019, Company A is a non-listed company headquartered in Shandong Province, China, primarily engaged in the integrated research and development, manufacturing and sale of high-tech materials for the biotechnology sector and lithium-ion battery electrolytes.

3. Established in 2014, Company B is a non-listed company headquartered in Jiangsu Province, China, primarily engaged in the research and development, manufacturing, sale and provision of services of lithium-ion battery electrolyte additives, serving global lithium-ion battery electrolyte manufacturers.

4. Established in 2002, Company C is a listed company headquartered in Jiangxi Province, China, primarily engaged in the research and development, manufacturing and sale of anti-infective active pharmaceutical ingredients and intermediates, while actively expanding into lithium-ion battery electrolyte additives and synthetic biology-based microbial protein businesses.

5. Established in 1987, Company D is a listed company headquartered in Shandong Province, China, focusing on home textile products as its core business, while also operating in diversified sectors including global trading, chemicals, electric motors, thermal power and water utilities.

Source: China Insights Consultancy

Key success factors of the lithium-ion battery electrolyte additive industry

- ***Scale Production and Cost Control Capability:*** In the context of increasing customer concentration, companies with large-scale production capabilities can achieve cost advantages in raw material procurement, equipment utilization, energy consumption, and logistics. Large-scale production also ensures batch stability and supply continuity, meeting the centralized procurement needs of electrolyte and battery manufacturers. Leading companies with economies of scale therefore gain significant advantages in cost control, price competitiveness, and customer stickiness.

- ***Digitalized and Refined Production Management:*** Since electrolyte additives are highly sensitive to purity, impurity levels, and process stability, digitalized and automated production systems have become a key industry barrier. Through smart manufacturing systems, real-time quality monitoring, and data-driven process optimization, companies can achieve full-process quality traceability and dynamic control, significantly improving product consistency and production efficiency. Leading enterprises are accelerating the construction of digital factories to reduce human errors, shorten validation cycles, and enhance customer confidence in their quality systems.

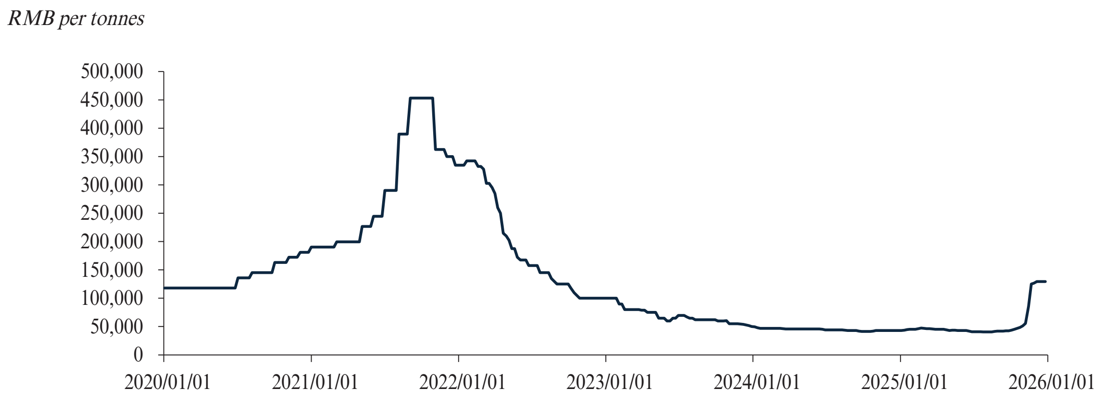
- ***Brand and Industry Leadership:*** In the high-tech and safety-sensitive lithium-ion battery supply chain, customers tend to prefer well-qualified and reliable leading companies. Enterprises with global supply capabilities, mature quality systems, and long-term customer relationships often gain priority in new project introductions. Industry leaders, leveraging brand influence and financial strength, can continue investing in cutting-edge technologies and new system layouts, thereby consolidating their advantages and widening the gap with competitors.

- ***R&D and Product System Synergy:*** As battery systems evolve toward higher voltage, higher energy density, electrolyte systems are constantly iterating, placing higher demands on the composite functions and synergistic effects of additives. Companies with sustained R&D investment and experience in additive formulation can respond more quickly to changes in electrolyte recipes and provide customized solutions. Leading enterprises typically establish collaborative R&D systems covering both electrolytes and additives, enhancing the systematic design and performance optimization of formulations, thereby gaining a proactive position in technical validation.

PRICE ANALYSIS

From early 2020 to mid-2021, prices remained stable at around 130 thousand RMB per tonne, with a relatively balanced supply and demand. From mid-2021 to early 2022, driven by the explosive growth of new energy vehicle demand and lagged capacity expansion, prices rapidly surged to a historical peak. After early 2022, with the concentrated release of new production capacity, the supply-demand structure reversed, leading to a continuous decline in prices that stabilized at a low level of around 50 thousand RMB per tonne from 2024 to the first half of 2025. Starting from the second half of 2025, prices rebounded significantly amid the clearance of outdated capacity and marginal improvement in downstream demand.

Daily average price of electrolyte additive for lithium-ion batteries, China, 2020–2025

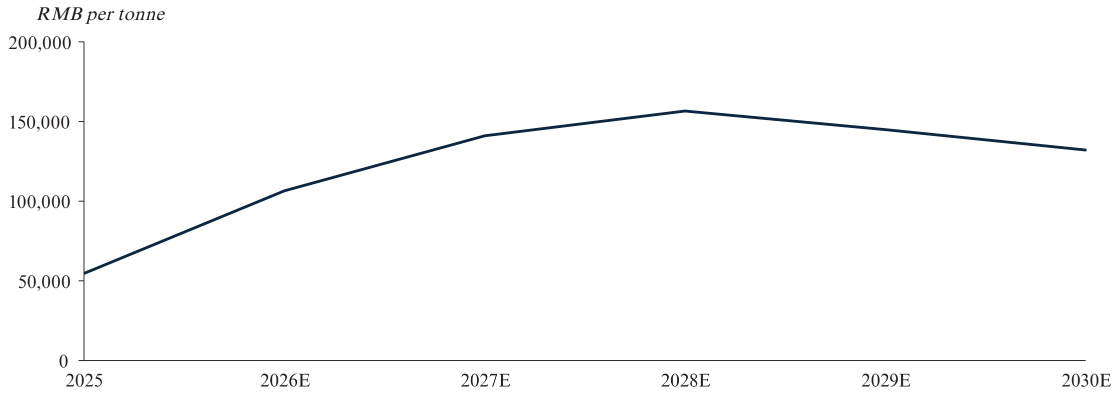


Note: The price represents the average price of VC and FEC.

Source: China Insights Consultancy

In 2025, the price of electrolyte additives for lithium-ion batteries in China was at approximately 50 thousand RMB per tonne. Driven by growing downstream demand and supply constraints, the price will continue to climb and peak at around 160 thousand RMB per tonne in 2028. After 2028, with the gradual release of production capacity and continuous technological maturity, the price will enter a moderate decline phase, falling back to about 130 thousand RMB per tonne by 2030.

Forecast price of electrolyte additive for lithium-ion batteries, China

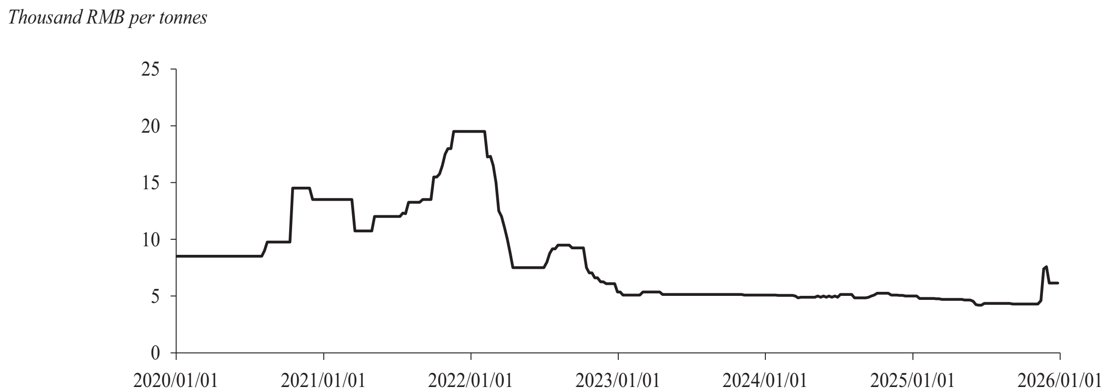


Note: The price represents the average price of VC and FEC.

Source: China Insights Consultancy

The daily average price of EC in China started at approximately 8.5 thousand RMB per tonne in 2020, the price trended upward, experiencing notable fluctuations with a sharp peak emerging around early 2022, surpassing the 20 thousand RMB per tonne. Following the 2022 peak, the market entered a steep decline, with the price plummeting to the 7–8 thousand RMB per tonne range by late 2022 and early 2023. Thereafter, the price stabilized at a relatively low level, hovering mostly between 5–7 thousand RMB per tonne through 2025.

Daily average price of EC, China, 2020–2025



Source: China Insights Consultancy

DATA SOURCES AND RESEARCH METHODOLOGY

We have commissioned CIC to conduct an analysis and report on the global lithium-ion battery electrolyte additives 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 RMB480,000 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.

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.

INDUSTRIAL POLICIES FOR NEW ENERGY INDUSTRY

According to the Opinions on Completely, Accurately and Comprehensively Implementing New Development Concepts and Achieving Peak Carbon Neutrality promulgated by the Central Committee of the Communist Party of China and the State Council on September 22, 2021, the development of strategic emerging industries such as new energy, new materials, new energy vehicles, and green environmental protection shall be accelerated. We should also implement renewable energy replacement actions, vigorously develop wind power, solar energy, biomass energy, ocean energy, geothermal energy, etc., and continuously increase the consumption proportion of non-fossil energy. We should also accelerate the large- scale application of pumped storage and new energy storage. The development of new energy and clean energy vehicles and vessels shall be accelerated, and intelligent transportation shall be promoted. The construction of a convenient, efficient and moderately advanced battery charging and swapping network system shall be accelerated.

According to the Guiding Opinions on Promoting the Development of Energy Electronics Industry jointly promulgated by six authorities including the Ministry of Industry and Information Technology and the National Energy Administration on January 3, 2023, efforts should be made to overcome technical difficulties in the industrialization of new energy storage batteries and promote the large-scale application of advanced energy storage technologies and products. We should research into breakthroughs in key technologies in systems of ultra-long life and high security batteries, large-scale, large-capacity and efficient energy storage, energy storage for the movement of transport tools, and accelerate the research and development of solid batteries, sodium-ion batteries, hydrogen storage/fuel batteries and other new types of batteries. We should promote intelligent production technology and equipment, advanced integration and manufacturing techniques, performance testing and evaluation techniques. The capacity to guarantee key resources such as lithium, nickel, cobalt and platinum shall be improved, and the development and application of alternative materials shall be strengthened. We should promote hybrid energy storage systems based on complementary power-type and energy-type electrochemical energy storage technologies. We support the establishment of whole-lifecycle traceability management platforms for lithium-ion batteries and other devices, carry out research on accounting standards and methods for battery carbon footprint, and explore the establishment of a carbon emission management system for battery products.

According to the Opinions of the Central Committee of the Communist Party of China and the State Council on Accelerating the Comprehensive Green Transformation of Economic and Social Development jointly promulgated by the Central Committee of the Communist Party of China and the State Council on July 31, 2024 with effect on the same day, low-carbon transportation tools shall be promoted. We should vigorously promote new energy vehicles and promote electrification and replacement of urban public service vehicles. We should promote ships, aircraft, and non-road mobile machinery to use clean power, accelerate the elimination of old means of transport, and promote zero-emission freight transport. We should strengthen the research and development and application of sustainable aviation fuel, and encourage the research and development, production and application of net zero-emission marine fuel. By 2030, the carbon emission intensity of operating vehicles per converted turnover shall have decreased by about 9.5% from that in 2020. By 2035, new energy vehicles shall have become the mainstream of newly sold vehicles.

INDUSTRIAL POLICIES FOR SPECIALIZED CHEMICALS

The National People's Congress promulgated the Fifteenth Five-Year Plan for National Economic and Social Development of the People's Republic of China on March 13, 2026, which sets forth the objective of developing and expanding emerging industries and accelerating the growth of strategic emerging industries, including novel information technology, new energy, new materials, intelligent connected new energy vehicles, robotics, biomedicine, high-end equipment, and aerospace. In the emerging battery sector, the Plan emphasizes accelerating the development of key materials such as high-capacity electrode materials, high-conductivity electrolyte materials, and composite current collectors; advancing research and development of high-end manufacturing equipment and processes such as high-precision coating and high-speed stacking; and expanding the application of high-safety, high-energy-density batteries in areas such as new intelligent terminals, new energy storage, and electric transportation vehicles.

COMPANY LAW

According to the Company Law of the People's Republic of China (the "**Company Law**") last revised on December 29, 2023 and effective as of July 1, 2024 by the Standing Committee of the National People's Congress (the "**NPC Standing Committee**") of the People's Republic of China, both limited liability companies and joint stock limited companies established in the People's Republic of China have legal person status. Shareholders of a limited liability company are liable to the company to the extent of their respective capital contributions; shareholders of a joint stock limited company are liable to the company to the extent of their respective subscribed shares. The Company Law also applies to foreign investment enterprises. Where there are special provisions in foreign investment laws, such provisions shall prevail.

LAWS AND REGULATIONS RELATING TO WORK SAFETY, CHEMICALS, ENVIRONMENTAL PROTECTION AND ENERGY CONSERVATION REVIEW

Work Safety

According to the Work Safety Law of the People's Republic of China last revised on June 10, 2021 and effective on September 1, 2021 by the NPC Standing Committee, entities engaging in production and operation activities within the territory of China shall meet the work safety conditions stipulated in the Work Safety Law of the People's Republic of China and other relevant laws, administrative regulations, national standards, and industry standards; those that do not meet the work safety conditions are not allowed to engage in production and operation activities. Production and operation entities shall strengthen work safety management, establish and improve an all-staff work safety responsibility system and rules and regulations on work safety, increase investment and guarantee of work safety funds, materials, technology, and personnel, improve work safety conditions, strengthen work safety standardization and information construction, establish a dual prevention mechanism of safety risk grading control and hidden danger troubleshooting and addressing, improve the risk prevention and resolution mechanism, and improve the level of work safety to ensure work safety.

According to the Regulations on Work Safety Licenses last amended on July 29, 2014 by the State Council and effective on the same day, the State implements a work safety licensing system for mining enterprises, construction enterprises, and enterprises producing hazardous chemicals, fireworks and civil explosives. Without a work safety license, such enterprises are not allowed to engage in production activities. After obtaining a work safety license, an enterprise may not lower its work safety conditions, and shall strengthen its routine work safety management and be subject to the supervision and inspection of the administrative department from which the license is issued.

According to the Regulations on Emergency Responses to Work Safety Accidents promulgated on February 17, 2019 by the State Council and effective on April 1, 2019, production and operation entities shall strengthen emergency responses to work safety accidents and establish and improve the work safety accident emergency responsibility system, and the person chiefly in charge of such entities shall be fully responsible for the entity's emergency responses to work safety accidents.

Chemicals

Hazardous Chemicals

According to the Regulations on the Safety Administration of Hazardous Chemicals last amended on December 7, 2013 and effective on the same day by the State Council, the Regulations are applicable to the safety administration of the production, storage, use, operation and transportation of hazardous chemicals. Hazardous chemicals refer to hyper- toxic chemicals and other chemicals with the nature of toxicity, corrosion, explosion, flammability and combustion supporting, which are harmful to human body, facilities and environment. The Catalogue of Hazardous Chemicals shall be determined and announced by the work safety supervision and administration department of the State Council in conjunction with the administrative departments of the State Council in charge of industry and information technology, public security, environmental protection, health, quality supervision, inspection and quarantine, transportation, railway, civil aviation, and agriculture. No entity or individual may produce, operate or use hazardous chemicals whose production, operation and use are prohibited by the State. Where the State has any restrictive provisions on the use of hazardous chemicals, no entity or individual may use such chemicals in violation of such restrictive provisions.

According to the Measures for the Safety Supervision and Administration of Construction Projects of Hazardous Chemicals, last amended on May 27, 2015 and effective on July 1, 2015 by the Ministry of Emergency Management (the former State Administration of Work Safety), the new construction, reconstruction and expansion projects of production and storage of hazardous chemicals and the chemical construction projects with the generation of hazardous chemicals within the territory of the People's Republic of China are subject to safety review. Without the safety review and the acceptance of safety facilities upon completion, the construction project shall not start construction or be put into production (use).

According to the Measures for the Administration of Registration of Hazardous Chemicals, promulgated on July 1, 2012 and effective on August 1, 2012 by the Ministry of Emergency Management (the former State Administration of Work Safety), the State adopts a registration system for hazardous chemicals. A newly established producer shall go through the hazardous chemical registration prior to the completion and acceptance thereof. An importer shall go through the hazardous chemical registration prior to its first import. The original and duplicate of the hazardous chemical registration certificate shall indicate the serial number of the certificate, the name, registered address and nature of the enterprise, the registered type of hazardous chemical, the term of validity, issuing authority and date of issuance, etc. The nature of the enterprise shall be indicated if it is a producer, importer or producer (importer) of hazardous chemicals.

Environmental Protection

According to the Environmental Protection Law of the People's Republic of China, last amended on April 24, 2014 and effective on January 1, 2015 by the NPC Standing Committee, any entity which discharges or is about to discharge pollutants in its operation or other activities must adopt effective environmental protection measures to control and properly dispose of waste gas, wastewater, waste residue, dust, malodorous gas, radioactive substances, noise, vibration, electromagnetic radiation and other hazardous substances generated from the relevant activities. The State implements a pollutant discharge licensing management system according to the law.

Pollutant Discharge Licensing

According to the Administrative Regulations on Pollutant Discharge Licensing which was promulgated on January 24, 2021 and was effect on March 1, 2021 by the State Council, enterprises, public institutions and other producers and operators that are subject to pollutant discharge licensing management shall discharge pollutants in accordance with the Regulations, and shall not discharge pollutants without a pollutant discharge license. Competent environmental protection authorities shall impose administrative penalties on individuals and enterprises that violate the Environmental Protection Law of the People's Republic of China, such as fines, orders to make corrections, restrictions on production, production suspension for rectification, orders to cease business, etc.

According to the Administrative Measures on Pollutant Discharge Licensing promulgated on April 1, 2024 by the Ministry of Ecology and Environment of People's Republic of China (the "**MEE**") and effective on July 1, 2024, enterprises, public institutions and other producers and operators that are subject to pollutant discharge licensing management in accordance with the law shall apply for a pollutant discharge license in accordance with the law and discharge pollutants in accordance with the provisions of the pollutant discharge license; no pollutant discharge is allowed without a pollutant discharge license. Enterprises, public institutions and other producers and operators that are required to fill in a pollutant discharge registration form in accordance with the law shall conduct pollutant discharge registration on the national pollutant discharge license information management platform.

According to the Catalog of Classified Management of Pollutant Discharge Licenses for Stationary Pollution Sources (2019 Edition) promulgated by the MEE on December 20, 2019 and effective on the same day, pollutant discharge entities shall be subject to key management, simplified management and registration-based management of pollutant discharge licensing based on the quantity of pollutants generated and discharged, degree of environmental impact and other factors. Pollutant discharge entities with a relatively large quantity of pollutants generated or discharged or a relatively large degree of environmental impact shall be subject to key management of pollutant discharge licensing; Pollutant discharge entities with a relatively small quantity of pollutants generated or discharged or a relatively small degree of environmental impact shall be subject to simplified management of pollutant discharge licensing. Pollutant discharge entities with a very small quantity of pollutants generated or discharged or a very small degree of environmental impact shall be subject to the registration management of pollutant discharge licensing. Pollutant discharge entities subject to registration management are not required to apply for a pollutant discharge license; instead, they shall fill in pollutant discharge registration forms on the national pollutant discharge license information management platform, registering their basic information, whereabouts of pollutants discharged, pollutant discharge standards implemented, pollution prevention and control measures adopted, etc.

Solid Wastes

According to the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, which was last revised on April 29, 2020 and entered into force on September 1, 2020 by the NPC Standing Committee, any entity or individual generating or collecting, storing, transporting, utilizing or disposing of solid wastes shall adopt measures to prevent or reduce environmental pollution by solid wastes and shall assume liability for any resulting environmental pollution. If there are hazardous wastes among solid wastes, such wastes shall be managed as hazardous wastes.

Fire Control

According to the Fire Control Law of the People's Republic of China which was last revised on April 29, 2021 by the NPC Standing Committee and entered into force on the same day, the emergency management department under the State Council and the emergency management departments of local people's governments at or above the county level shall supervise and administer the fire control work. The fire control design and construction of a construction project must conform to the national fire control technology standards for construction of projects.

According to the Interim Administrative Provisions on the Examination and Acceptance of Fire Control Design for Construction Projects which was last revised on August 21, 2023 by the Ministry of Housing and Urban-Rural Development and implemented on October 30, 2023, special construction projects prescribed in Article 14 of the Interim Administrative Provisions on the Examination and Acceptance of Fire Control Design for Construction Projects shall be subject to the fire control design examination and fire control acceptance. Construction projects other than special construction projects which require fire control design in accordance with the national fire control technology standards for construction of projects shall be subject to filing and random check for fire control acceptance.

Energy Conservation Review

According to the Energy Conservation Law of the People's Republic of China which was last revised on October 26, 2018 by the Standing Committee of the National People's Congress and entered into force on the same day, the State implements the energy conservation assessment and review system for fixed asset investment projects. For projects that do not meet the mandatory energy conservation standards, the developer shall not commence construction; and if such projects have been completed, they shall not be put into production or use.

According to the Measures for Energy Conservation Examination and Carbon Emission Assessment of Fixed-Asset Investment Projects which was adopted by the National Development and Reform Commission on July 9, 2025 and entered into force on September 1, 2025, the opinions on the energy conservation review of fixed asset investment projects are an important basis for the commencement of construction, completion acceptance and operation management of projects. For government-invested projects, the developer shall obtain the opinions on energy conservation review issued by the energy conservation review authority before submitting the project feasibility study report. For enterprise invested projects, the developer shall obtain the opinions on energy conservation review before the commencement of construction. For projects which have not undergone or failed to pass the energy conservation review, the developer shall not commence construction and the projects which have been completed shall not be put into production or use.

LAWS AND REGULATIONS RELEVANT TO PRODUCT QUALITY

According to the Product Quality Law of the People's Republic of China which was last revised on December 29, 2018 and entered into force on the same day by the NPC Standing Committee, the market supervision and administration department under the State Council is in charge of national supervision of product quality. Producers are prohibited from producing or selling products that do not meet the standards and requirements for protection of human health and personal and property safety. The products shall not contain any unreasonable dangers which endanger personal and property safety. If personal injury or damage to the property of others is caused due to the defects of products, the victims may claim compensation against producers or sellers of such products. Producers and sellers of unqualified products may be ordered to cease production or sales and may face confiscation of products and/or fines; if there are illegal gains, such gains shall be confiscated concurrently; if the circumstance is serious, the business license may be revoked.

According to the Civil Code of the People's Republic of China which was promulgated by the National People's Congress on May 28, 2020 and entered into force on January 1, 2021, producers shall bear tortious liability for damages caused to others due to the defects of their products. The injured party may seek compensation from either the producer or the seller of such products for damages caused to others due to the defects of such products. If the product defect is caused by the producer, the seller shall have the right to recover the same from the producer after paying compensation. If the product defect is caused by the seller, the producer shall have the right to recover the same from the seller after paying compensation. If the product defect endangers the personal or property safety of others, the injured party shall have the right to request producers and sellers to bear tortious liability such as cessation of infringement, removal of obstruction, elimination of danger, etc.

LAWS AND REGULATIONS RELEVANT TO IMPORT AND EXPORT

According to the Customs Law of the People's Republic of China which was last revised on April 29, 2021 and entered into force on the same day by the NPC Standing Committee, the customs is the supervisory and administrative agency for entry and exit of customs territory, and has the power, in accordance with the relevant laws and administrative regulations, to supervise and control the means of transport, goods, luggage, postal items and other articles entering or leaving the territory, to collect customs duties and other taxes and fees, to uncover and suppress smuggling, to compile customs statistics and to handle other customs operations. A customs declaration agent refers to a consignor or a consignee of exported or imported goods or a customs declaration enterprise which is filed for record with the customs. A consignor or a consignee of exported or imported goods may complete customs declaration formalities by itself or entrust a customs declaration agency to do so.

LAWS AND REGULATIONS REGARDING FOREIGN TRADE AND TECHNOLOGY EXPORT

According to the Foreign Trade Law of the People's Republic of China, which was last revised on December 27, 2025 and entered into force on March 1, 2026 by the NPC Standing Committee, the State may restrict or prohibit the import or export of relevant goods or technologies for the following reasons: (i) it is necessary to restrict or prohibit the import or export of goods or technologies to maintain national security, social public interests or public morality; (ii) it is necessary to restrict or prohibit the import or export of goods or technologies to protect human health or safety, the life or health of animals and plants, or the environment; (iii) it is necessary to restrict or prohibit the import or export of gold or silver because of implementation of measures relating to import or export of gold or silver; (iv) it is necessary to restrict or prohibit the export of natural resources that are in short supply at home or to effectively protect natural resources that might be exhausted; (v) it is necessary to restrict the export of goods due to limited market capacity in the importing country or region; (vi) it is necessary to restrict the export of goods due to serious disruptions in the order of export operations; (vii) it is necessary to restrict the import of goods in order to establish or speed up establishing specific industries at home; (viii) it is necessary to restrict the import of agricultural, animal husbandry or fishery products in any form; (ix) it is necessary to restrict the import of goods or technologies in order to maintain the State's international financial status and international balance of payments; (x) it is necessary to restrict or prohibit the import or export of goods due to other circumstances in accordance with laws and administrative regulations; (xi) it is necessary to restrict or prohibit the import or export of goods according to the provisions of international treaties or agreements to which China is a contracting party or a party.

According to the Regulations of the People's Republic of China on the Administration of the Import and Export of Technology last revised on November 29, 2020 by the State Council and implemented on the same day, the term "import and export of technology" refers to the act of transferring technology from outside the territory of the People's Republic of China to inside the territory of the People's Republic of China or from inside the territory of the People's Republic of China to outside the territory of the People's Republic of China by way of trade, investment or economic and technical cooperation, including the transfer of patent right, the transfer of patent application right, the licensing of patent implementation, the transfer of technical secrets, the technical services and other forms of technology transfer. The competent foreign trade department under the State Council shall, in conjunction with other relevant departments under the State Council, formulate, regulate and publish a list of technologies that are prohibited from being exported or where export is restricted. Technologies prohibited from being exported shall not be exported. Technologies restricted from being exported shall be subject to licensing administration; and shall not be exported without licensing.

LAWS AND REGULATIONS RELEVANT TO INTELLECTUAL PROPERTY RIGHTS

Patents

According to the Patent Law of the People's Republic of China which was last revised on October 17, 2020 and entered into force on June 1, 2021 by the NPC Standing Committee, the patent administrative department of the State Council is responsible for administration of patent work nationwide, accepts and examines patent applications in a unified manner, and grants patent rights pursuant to the law. The patent administrative department of the people's government of a province, an autonomous region or a municipality directly under the central government is responsible for patent administration work within its administrative region. Any invention or utility model for which a patent right may be granted must possess novelty, inventiveness and practical applicability. Patents are classified into three categories, namely, patents for inventions, patents for utility models, and patents for industrial designs. The duration of a patent right for an invention shall be twenty years, that for a utility model ten years, and that for a design fifteen years, all commencing from the date of filing. After the grant of a patent right for an invention, utility model or design, except where otherwise provided for in the Patent Law of the People's Republic of China, no entity or individual may exploit the patent without the authorization of the patentee.

Trademarks

According to the Trademark Law of the People's Republic of China which was last revised on April 23, 2019 and entered into force on November 1, 2019 by the NPC Standing Committee and the Implementing Regulations of the Trademark Law of the People's Republic of China which was last revised on April 29, 2014 and entered into force on May 1, 2014 by the State Council, the trademarks registered with the Trademark Office of China National Intellectual Property Administration are registered trademarks, including commodity trademarks, service trademarks, collective trademarks and certification trademarks. The validity period of a registered trademark shall be 10 years, commencing from the date of registration. Where a trademark registrant intends to continue using the registered trademark upon expiry of the validity period, it shall complete renewal formalities pursuant to the provisions within the 12-month period prior to expiry of the validity period. A trademark registrant may execute a trademark licensing contract to license the use of its registered trademark to others. Without licensing by the trademark registrant, using a trademark similar to a registered trademark on the same type of commodities, or using a trademark identical or similar to the registered trademark on similar commodities, which easily causes confusion, shall be deemed as infringement upon the exclusive right to use a registered trademark. In the case of infringement upon the exclusive right to use a registered trademark, the infringer shall cease the infringement, confiscate and destroy the infringing commodities and the tools mainly used for manufacturing the infringing commodities and forging the logo of the registered trademark.

Trade Secrets

According to the Anti-unfair Competition Law of the People's Republic of China (the "**Anti-Unfair Competition Law**") last revised on June 27, 2025 by the NPC Standing Committee and entered into force on October 15, 2025, trade secrets refer to business information, such as technical and business information, which is unknown to the public, has commercial value, and for which the right holder has adopted corresponding measures for confidentiality. Business operators shall not engage in any of the following infringements upon trade secrets: (1) obtaining a right holder's trade secrets by theft, bribery, fraud, coercion, electronic intrusion or other improper means; (2) disclosing, using, or allowing others to use a right holder's trade secrets obtained by the means mentioned in the preceding paragraph; (3) disclosing, using, or allowing others to use a right holder's trade secrets in violation of confidentiality obligations or a right holder's requirements on keeping such trade secrets confidential; and (4) instigating, inducing or assisting others to violate confidentiality obligations or a right holder's requirements on keeping such trade secrets so as to obtain, disclose, use, or allow others to use a right holder's trade secrets. Any natural person, legal person or unincorporated organization other than a business operator that engages in any of the illegal activities listed in the preceding paragraph shall be deemed to have infringed upon trade secrets. Where a third party knows or should know that an employee, former employee of a right holder of trade secrets, or any other entity or individual, has engaged in any of the illegal activities mentioned in the preceding paragraph, but still obtains, discloses, uses or allows others to use such trade secrets, such practice shall be deemed to have infringed upon the trade secrets. Where a business operator or any other natural person, legal person or unincorporated organization infringes upon a trade secret in violation of regulations, the supervision and inspection authorities shall order it to cease the illegal act, confiscate illegal income and impose a fine against it.

LAWS AND REGULATIONS REGARDING LABOR, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor Law; labor contract

According to the Labor Law of the People's Republic of China last amended by the NPC Standing Committee on December 29, 2018 and entered into force on the same day, the Labor Contract Law of the People's Republic of China last amended by the Standing Committee of the National People's Congress on December 28, 2012 and entered into force on July 1, 2013, and the Regulations on the Implementation of the Labor Contract Law of the People's Republic of China promulgated by the State Council on September 18, 2008 and entered into force on the same day, a written labor contract shall be concluded for the establishment of labor relationship between an employer and an employee. The labor contract concluded according to law shall be legally binding, and the obligations stipulated therein shall be performed by the employer and the employee. Employers shall establish and improve labor rules and regulations according to law to ensure that employees enjoy labor rights and perform labor obligations. Employers shall strictly comply with the labor quota standard, and shall not force or in a disguised form force any employee to work overtime. Employers that require employees to work overtime shall pay overtime wages to employees in accordance with the relevant regulations of the State. In addition, the salary of an employee shall not be lower than the local minimum wage standard and shall be paid to the employee in a timely manner.

Social Insurance

According to the Social Insurance Law of the People's Republic of China last amended by the NPC Standing Committee on December 29, 2018 and entered into force on the same day and other laws and regulations, employers in the PRC shall provide their employees with social insurance covering basic pension insurance, basic medical insurance, work-related injury insurance, maternity insurance, unemployment insurance. If an employer fails to pay the aforesaid social insurance in accordance with the relevant provisions, it may be ordered to pay or complement the social insurance within a time limit, and if it fails to pay the social insurance within the prescribed time limit, the employer may be imposed a fine.

Housing Fund

According to the Regulation on the Administration of the Housing Fund last amended by the State Council on March 24, 2019 and entered into force on the same day, housing fund refers to the long-term housing savings contributed by employers and their in-service employees. Employers in the PRC shall pay housing fund for their employees in accordance with the relevant provisions. In case of failure to pay housing fund contributions within a time limit or underpayment of housing fund contributions, an employer may be ordered by the housing fund management center to pay the outstanding housing fund contributions within a time limit, and if it fails to pay the outstanding housing fund contributions within the time limit, the employer may apply to the people's court for enforcement.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE AND OUTBOUND INVESTMENT

Foreign Exchange

According to the Administrative Regulations on Foreign Exchange of the People's Republic of China last amended on August 5, 2008 and implemented on the same day by the State Council, foreign exchange under current account items (refer to transactions involving goods, services, income and current transfers, etc. in international balance of payments) can be converted into other currencies. With respect to capital account items (refer to capital transfers, direct investments, securities investments, derivatives and loans, etc.), domestic direct investments by foreign institutions and individuals shall be subject to registration with foreign exchange administrative authorities upon the approval of relevant competent authorities. Domestic institutions and individuals making overseas direct investments or engaging in overseas issuance and trading of negotiable securities and derivatives shall make the appropriate registrations in accordance with the provisions of the State Council foreign exchange administrative department.

According to Notice of the People's Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Administration of Funds Raised by Domestic Enterprises Listed Overseas promulgated on December 24, 2025 by People's Bank of China and State Administration of Foreign Exchange and entered into force on April 1, 2026, a domestic company shall, within 15 working days upon the completion of its overseas listing issuance, carry out overseas listing registration with the local SAFE office on the strength of relevant materials. The funds raised by a domestic company through overseas listing may be repatriated back to the PRC or deposited overseas, and the use of such funds shall be consistent with the contents as listed in the document or the corporate bond prospectus, circular to shareholders, resolution of the board of directors or the shareholders' general meeting, and other publicly disclosed documents.

According to the Circular of the People's Bank of China on Further Improving Policies of Renminbi Cross-border Business to Promote Trade and Investment Facilitation, promulgated and implemented by the People's Bank of China on January 5, 2018, funds raised by a domestic company through issuance of Renminbi bond abroad may be repatriated to the PRC according to the actual needs. The funds raised by a domestic company through overseas stock issuance in RMB may be repatriated to the PRC according to the actual needs.

According to the Circular of the State Administration of Foreign Exchange on Further Deepening the Reform to Promote Cross-border Trade and Investment Facilitation, promulgated and implemented by the State Administration of Foreign Exchange on December 4, 2023, the capital of non-financial enterprises, foreign exchange receipts under foreign debts, and Renminbi funds obtained from foreign exchange settlement thereof shall be used in accordance with the principles of authenticity and self-use, and shall not be directly or indirectly used for expenditures prohibited by national laws and regulations; except as otherwise expressly provided, shall not be directly or indirectly used for securities investment or other investment and wealth management (excluding wealth management products and structured deposits with risk rating results of no higher than Grade II); shall not be used for granting loans to non-affiliated enterprises (excluding four areas, namely, Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone, Guangzhou Nansha New Area of China (Guangdong) Pilot Free Trade Zone, Yangpu Economic Development Zone of China (Hainan) Pilot Free Trade Port, and Beilun District of Ningbo, Zhejiang Province); and shall not be used for purchasing non-self-use residential real estate (excluding enterprises engaged in real estate development or leasing).

LAWS AND REGULATIONS REGARDING SUPERVISION OF FOREIGN INVESTMENT

According to the Foreign Investment Law of the People's Republic of China promulgated by the National People's Congress on March 15, 2019, effective as of January 1, 2020, and the Implementing Regulations of the Foreign Investment Law of the People's Republic of China promulgated by the State Council on December 26, 2019, effective as of January 1, 2020, China adopts a pre-entry national treatment plus negative list management system for foreign investment. Foreign investors are not allowed to invest in sectors prohibited by the negative list, while foreign investors are allowed to invest in sectors restricted by the negative list if investment by foreign investors meets the investment conditions stipulated under the negative list. For sectors not mentioned in the negative list, management shall be conducted in accordance with the principle of consistency of domestic and foreign investment. Meanwhile, as needed for national economic and social development, the State develops the Catalogue of Encouraged Industries for Foreign Investment, specifying the specific industries, sectors and regions to encourage and guide investments by foreign investors.

The current industry access regulations for foreign investors to carry out investment activities in China are set out in two Catalogues: the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2024) jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce on September 6, 2024 and effective as of November 1, 2024, and Catalogue of Industries Encouraged for Foreign Investment (2025 Edition) jointly promulgated by National Development and Reform Commission and Ministry of Commerce on December 15, 2025 and entered into force on February 1, 2026. Under the Catalogue, foreign investment businesses are divided into three categories, namely, the encouraged business, the restricted business and the prohibited business. Industries not listed in the above three categories are permitted for foreign investment, unless specially restricted by other laws and regulations in China.

LAWS AND REGULATIONS ON OVERSEAS ISSUANCE AND LISTING OF SECURITIES BY DOMESTIC ENTERPRISES

The Securities Law of the People's Republic of China, last revised by the NPC Standing Committee on December 28, 2019 and effective on March 1, 2020, has conducted a comprehensive supervision on the securities market activities in China, including the issuance and trading of securities, the acquisition of listed companies, stock exchanges and securities companies, and the duties of securities regulatory authorities. The Securities Law of the People's Republic of China further stipulates that domestic enterprises which issue securities overseas directly or indirectly or list securities overseas shall comply with the relevant provisions of the State Council, and the specific measures for subscription, purchase and sale of shares of domestic companies in China in foreign currencies shall be separately formulated by the State Council. The China Securities Regulatory Commission ("**CSRC**") is the securities regulatory authority established by the State Council and responsible for regulating the securities market in accordance with the law, maintaining market order and ensuring the lawful operation of the market. Currently, the issuance and trading of H shares are mainly subject to the rules and regulations promulgated by the State Council and the CSRC.

According to the Trial Measures for Overseas Listing promulgated on February 17, 2023 and effective as of March 31, 2023 by the CSRC, a domestic enterprise that intends to launch an overseas initial public offering or listing shall file the application with the CSRC within three working days after the submission of the offering and listing overseas.

According to the Provisions on Strengthening the Confidentiality and Archives Management of Overseas Issuance and Listing of Securities by Domestic Enterprises, last revised on February 24, 2023 and effective on March 31, 2023 by the China Securities Regulatory Commission, the Ministry of Finance, the State Secrecy Bureau and the State Archives Administration, during the activities of overseas issuance and listing of shares by domestic enterprises, the securities companies and securities service institutions providing corresponding services for such domestic enterprises shall strictly comply with the relevant laws and regulations of China as well as the requirements thereof, strengthen the legal awareness of protecting state secrets and strengthening archives management, establish and improve the confidentiality and archives system, adopt necessary measures to implement the responsibilities of confidentiality and archives management, and shall not disclose state secrets or work secrets of government agencies or harm national and public interests. Where a domestic enterprise provides or publicly discloses any document or material involving state secrets or work secrets of government agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses such document or material through its overseas listing subjects, the domestic enterprise shall report the same to the competent authority for examination and approval for approval and file the same with the secrecy administrative department at the same level for record.

OVERVIEW

We are a globally leading lithium-ion battery materials supplier, engaging in the R&D, production and sales of lithium-ion battery electrolyte additives, including VC and FEC, and other lithium-ion battery materials. According to CIC, we have been the largest global lithium-ion battery electrolyte additive supplier in most of the years since 2005 in terms of sales volume. The history of our Group can be traced back to the establishment of our predecessor, Huasheng Additives Factory (張家港市華盛紡織助劑廠) in August 1997. In August 2000, Huasheng Additives Factory converted into Huasheng Limited. After over 20 years of development, we became a leading supplier for lithium-ion battery materials. In July 2019, our Company was incorporated as a joint stock company through the conversion of Huasheng Limited and was further listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688353) in July 2022. See "— Corporate Development and Major Shareholding Changes — Conversion into a Joint Stock Company and Listing on the STAR Market of the Shanghai Stock Exchange" below for details.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Business Development Milestones
1997	• The predecessor of our Company, Huasheng Additives Factory, was established in August
2000	• Huasheng Additives Factory converted into Huasheng Limited
2003	• We initiated the development of our VC products
2005	• We achieved the mass production of our VC products with annual production capacity of 60 tonnes • Our VC products received the recognition as High-tech Product of Jiangsu Province (江蘇省高新技術產品)
2006	• Our VC products entered into the Japan market • Our VC products were selected into the National Torch Program (國家火炬計劃項目) by the Ministry of Science and Technology of the PRC (中華人民共和國科學技術部) • We initiated the development of our FEC products
2008	• We successfully developed the production method of FEC products through halogen displacement process method • Our VC products entered into the Korean market
2009	• We achieved the mass production of our FEC products • Our FEC products entered into the Korean market
2012	• The core innovative technology of our FEC products was awarded as the First Prize of the Science and Technology Invention Award (科學技術發明獎一等獎) by China National Light Industry Council (中國輕工業聯合會)
2013	• The core innovative technology of our FEC products was awarded as the Second Prize of the National Technological Invention Award (國家技術發明獎二等獎) by the State Council of the PRC (中華人民共和國國務院)

Year	Business Development Milestones
2015	• We shifted our downstream market focus to the NEV industry
2017	• Our production base located in Taixing, Jiangsu Province and our second phase production base located in Zhangjiagang, Jiangsu Province commenced pilot production with annual production capacity of 5,800 tonnes, accounted for over 50% of the world's market demand of lithium-ion battery electrolyte additives at the time
2019	• Our Company was incorporated as a joint stock company by conversion from Huasheng Limited
2022	• Our Company successfully listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688353)
2023	• Our third phase production base located in Zhangjiagang, Jiangsu Province with an annual production capacity of 9,000 tonnes commenced production
2024	• Our anode materials production base commenced construction
2025	• Our VC production base with annual production capacity of 60,000 tonnes completed project filing procedure

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

Establishment and Early Development

On August 4, 1997, our predecessor, Huasheng Additives Factory (張家港市華盛紡織助劑廠) was established in the PRC as a shareholding cooperative enterprise (股份合作制企業) by Mr. Shen and 22 individuals, all of whom were employees of Huasheng Additives Factory.

On September 1, 2000, Huasheng Limited was established under the corporate name of Zhangjiagang Huasheng Textile Auxiliaries Co., Ltd. (張家港市華盛紡織助劑有限公司) through the conversion from Huasheng Additives Factory. At the time of establishment, the initial registered capital of Huasheng Limited amounted to RMB1,060,000, owned by Mr. Shen and his relatives, an early-stage investor and 15 employees of Huasheng Limited, with details tabulated as following:

Name of Shareholder	Amount of registered capital	Approximate shareholding percentage in Huasheng Limited
Mr. Shen	RMB370,000	34.9%
Ms. Xu Meilan (徐美蘭)(1)	RMB150,000	14.2%
Mr. Shen Yinliang (沈銀良)(2)	RMB130,000	12.3%
Ms. Zhang Xuemei (張雪梅)(3)	RMB100,000	9.4%
Mr. Shen Qiang (沈強)(4)	RMB10,000	0.9%
Mr. Li Weifeng (李偉鋒)(5).	RMB10,000	0.9%
Mr. Yuan Xuan (袁玄)(6)	RMB5,000	0.5%
15 employees of Huasheng Limited(7)	RMB285,000	26.9%
Total	**RMB1,060,000**	**100.0%**

Notes:

(1) Ms. Xu Meilan was an early-stage investor of Huasheng Limited, who had no other connected relationship with Huasheng Limited other than her interest as mentioned above.

(2) Mr. Shen Yinliang is the elder brother of Mr. Shen.

(3) Ms. Zhang Xuemei is the spouse of Mr. Shen.

(4) Mr. Shen Qiang is a relative of Mr. Shen.

(5) Mr. Li Weifeng currently acts our executive Director and Deputy General Manager.

(6) Mr. Yuan Xuan is the son of Ms. Zhang Xuemei.

(7) None of these employees held 10.0% or more of the equity interest of Huasheng Limited.

Conversion into a Joint Stock Company and Listing on the STAR Market of the Shanghai Stock Exchange

In preparation of our A Share Listing, on July 30, 2019, Huasheng Limited completed all procedures and obtained all approvals required to convert from a limited liability company to a joint stock company under the corporate name of Jiangsu HSC New Energy Materials Co., Ltd. (江蘇華盛鋰電材料股份有限公司).

In July 2022, we successfully completed the A Share Listing. In the A Shares Listing, we issued an aggregate of 28,000,000 A Shares, accounting for approximately 25.5% of our Company's total share capital immediately following the A Share Listing. The total issued share capital of our Company upon the A Share Listing amounted to RMB110,000,000, consisting of 110,000,000 A Shares at a par value of RMB1.00 each. The shareholding of our top ten Shareholders immediately upon the A Share Listing is tabulated as following:

No.	Name of Shareholder	Number of Shares	Approximate shareholding percentage
1. . .	Jin Nonglian[(1)]	16,234,150	14.8%
2. . .	Mr. Shen	11,979,900	10.9%
3. . .	Dunxing II LP[(1)]	8,085,544	7.4%
4. . .	Dunxing III LP[(1)]	8,035,981	7.3%
5. . .	Huizhang Venture Capital[(2)]	4,716,300	4.3%
6. . .	Mr. Shen Ming	4,033,950	3.7%
7. . .	Huaying II LP[(3)]	3,860,000	3.5%
8. . .	Dunxing Value[(1)]	3,566,700	3.2%
9. . .	Changzhou Zhongding Tiansheng Venture Capital Partnership (Limited Partnership) (常州中鼎天盛創業投資合夥企業(有限合夥))	3,043,025	2.8%
10. .	Dong Jin[(1)]	2,460,000	2.2%

Notes:

(1) Jin Nonglian Entities (i.e., Jin Nonglian and Dong Jin) and Dunxing Entities (i.e., Dunxing II LP, Dunxing III LP and Dunxing Value) invested in our Company prior to our A Share Listing. To consolidate the voting rights and for the benefit of our long-term development, voting rights underlying the Shares held by Jin Nonglian Entities and Dunxing Entities have been irrevocably entrusted to Mr. Shen pursuant to the Voting Trust Agreements. See "Our Voting Rights Structure" below for details.

(2) Huizhang Venture Capital invested in our Company prior to our A Share Listing.

(3) Huaying II LP was our employee shareholding platform with Mr. Shen Ming acted as its general partner, and with our employees (none of them held 10.0% or more of its partnership interest) acted as its limited partners.

Issuance of Bonus Shares in 2023

On April 13, 2023, our Shareholders resolved, among others, an issuance of bonus Shares to all registered Shareholders on a basis of 0.45 new A Shares for each existing A Share (the "**Issuance of Bonus Shares**"). Upon the completion of the Issuance of Bonus Shares on May 9, 2023, the total issued share capital of our Company increased from RMB110,000,000 to RMB159,500,000, consisting of 159,500,000 Shares at a par value of RMB1.0 each.

Share Repurchase Plans

In August 2023, October 2024 and March 2025, our Board approved three phases of Share Repurchase Plans to repurchase a portion of our issued A Shares using self-owned funds and specialized bank loans through centralized bidding or other methods permitted by laws and regulations. Pursuant to the Share Repurchase Plans, the repurchased A Shares are intended to be used for employee equity incentive schemes or other equity incentive schemes at an appropriate time in the future. In the event that any of the repurchased A Shares are not used within three years after the disclosure of the share repurchase implementation results and shareholding changes announcement underlying the Share Repurchase Plans, such unused repurchased A Shares shall be cancelled in accordance with the relevant procedures.

As of the Latest Practicable Date, the amount of A Shares repurchased through the Share Repurchase Plans amounted to 4,780,934 A Shares, representing approximately 3.0% of our Company's total share capital. Such repurchased A Shares were held by our Company in the dedicated securities account as Treasury A Shares. All Treasury A Shares do not carry voting rights at general meetings, rights to profit distribution, capitalization of capital reserves, subscription to new shares or convertible bonds, pledge, lending, or other related rights.

OUR VOTING RIGHTS STRUCTURE

To consolidate the voting rights and for the benefit of our long-term development, certain Shareholders entered into the Concert Party Agreement and the Voting Trust Agreements, details are set out as following:

Concert Party Agreement

In March 2019, (i) Mr. Shen and Mr. Shen Ming, (ii) the Concert Parties including (a) the relatives of Mr. Shen, namely, Ms. Zhang Xuemei (the spouse of Mr. Shen), Mr. Shen Gang (沈剛, the son of Mr. Shen), Mr. Yuan Xuan (the son of Ms. Zhang Xuemei) and Mr. Yuan Yang (the grandson of Ms. Zhang Xuemei); and (b) two executive Directors, namely, Mr. Li Weifeng and Mr. Lin Gang, as well as (iii) Mr. Zhang Xianlin (張先林), an employee of our Group who held 394,800 Shares, represented approximately 0.5% of the total issued share capital of our Company at the time, entered into the Concert Party Agreement.

Pursuant to the Concert Party Agreement, Mr. Shen, Mr. Shen Ming, the Concert Parties and Mr. Zhang Xianlin agreed that they shall act in concert with respect to, *inter alia*, the right to propose resolutions at general meetings, voting rights and other matters which are subject to the approval in general meetings of our Company, for a three-year period from the date of our A Share Listing. In particular, Mr. Shen, Mr. Shen Ming, the Concert Parties and Mr. Zhang Xianlin agreed that (i) they shall reach consensus before voting unanimously at the general meetings and Board meetings of our Company; and (ii) in the event that consensus cannot be reached among the parties, the parties shall follow the instruction of Mr. Shen.

Upon the expiry of the Concert Party Agreement in July 2025, Mr. Zhang Xianlin agreed not to renew and ceased to be a party to the Concert Party Agreement for personal reasons. At the relevant time, Mr. Zhang Xianlin held 581,060 A Shares, represented approximately 0.4% of the total issued share capital of our Company. In light of the above, on July 11, 2025, Mr. Shen, Mr. Shen Ming and the Concert Parties renewed the Concert Party Agreement to reflect the abovementioned change.

Despite Mr. Zhang Xianlin ceased to be a party to the Concert Party Agreement, there has not been any change in influence on the ownership continuity and control of our Company during the Track Record Period and up to the Latest Practicable Date as (i) Mr. Zhang Xianlin only held approximately 0.4% of the total issued share capital of our Company, which was significantly lower than that controlled by Mr. Shen and Mr. Shen Ming; (ii) pursuant to the terms of the Concert Party Agreement, Mr. Shen shall be the only person who is entitled to make the final decision in the event that consensus cannot be reached among the parties. Such final decision-making power granted to Mr. Shen remained unchanged after Mr. Zhang Xianli ceased to be a party to the Concert Party Agreement; and (iii) Mr. Zhang Xianlin did not hold any directorship within our Company, and the composition of our Board remained unchanged after Mr. Zhang Xianlin ceased to be a party of the Concert Party Agreement. As confirmed by our PRC Legal Advisors, the above change in the parties to the Concert Party Agreement did not change the scope of controlling shareholders and de facto controllers of our Company under A share listing rules and the relevant PRC laws and regulations. The de facto controllers and controlling shareholders of the Company remained to be Mr. Shen and Mr. Shen Ming for the purpose of the applicable A shares listing rules.

Voting Trust Agreements

With the mutual intention and understanding that Mr. Shen would be primarily responsible for the overall strategic planning and development of our Group, Jin Nonglian Entities and Dunxing Entities have agreed to consolidate and entrust Mr. Shen to exercise the voting rights underlying the Shares held by them. As such, in December 2021, Jin Nonglian Entities and Dunxing Entities entered into the Voting Trust Agreements with Mr. Shen, pursuant to which Jin Nonglian Entities and Dunxing Entities irrevocably entrusted to Mr. Shen, and Mr. Shen shall be entitled, to exercise the voting rights underlying all Shares held by Jin Nonglian Entities and Dunxing Entities at his sole discretion, for a period from the respective dates of the Voting Trust Agreements until Jin Nonglian Entities and Dunxing Entities cease to hold our Shares.

By virtue of the Concert Party Agreement and Voting Trust Agreements, as of the Latest Practicable Date, Mr. Shen, Mr. Shen Ming, Huaying II LP (being a limited partnership controlled by Mr. Shen Ming), Huaying III LP (being a limited partnership controlled by Mr. Shen) and the Concert Parties were entitled to exercise the voting rights underlying 93,123,401 A Shares, representing approximately 60.2% of the total issued share capital of our Company (excluding Treasury A Shares), and were considered as our Controlling Shareholders. See "Relationship with our Controlling Shareholders" for details.

Potential Share Reduction Plan

Pursuant to the A share announcement published by our Company on April 3, 2026, six Controlling Shareholders including Mr. Shen Gang, Mr. Yuan Yang, Mr. Yuan Xuan, Ms. Zhang Xuemei, Huaying II LP and Huaying III LP planned to dispose, collectively, no more than 1,595,000 Shares, representing approximately 1.0% of the total issued share capital of our Company, through centralized bidding (the "**Potential Share Reduction Plan**"). The Potential Share Reduction Plan is expected to be implemented during the period from April 27, 2026 to July 24, 2026 and subject to market conditions. It is expected that the Potential Share Reduction Plan, even implemented in full, will not affect the ownership continuity of our Company as the Shareholders constituting the Controlling Shareholders group will not change, and there will not be any material change to the voting interests held by each member within the Controlling Shareholders group.

OUR SUBSIDIARIES

As of the Latest Practicable Date, we carried out our business operations through our Company and our five subsidiaries in the PRC. Details of our subsidiaries are tabulated as below:

Name of subsidiary	Date of establishment	Place of establishment	Equity interest held by our Company	Principal business activities
Taixing Huasheng	March 23, 2015	PRC	100.0%	Manufacturing and sales of lithium-ion battery electrolyte additives
Huaying New Energy . .	December 18, 2019	PRC	70.0%(1)	Research and development of lithium-ion battery electrolyte additives and lithium-ion battery materials
Shengmei Lithium Battery	March 25, 2020	PRC	51.0%(2)	Research and development, production and sales of fluorine-containing additives
Xianghe New Energy . .	December 24, 2021	PRC	95.4%(3)	Research and development, production and sales of chloroethylene carbonate
Huasheng Lianying . . .	December 21, 2022	PRC	70.0%(4)	Research and development, production and sales of anode materials

Notes:

(1) The remaining 30.0% equity interest of Huaying New Energy was owned by Zheng Honghe (鄭洪河), an individual investor who had no other connected relationship with our Group other than his interest in Huaying New Energy.

(2) The remaining 49.0% equity interest of Shengmei Lithium Battery was owned by Zhejiang Sanmei Chemical Industry Co., Ltd. (浙江三美化工股份有限公司) ("**Sanmei Chemical Industry**"), a joint stock company incorporated in the PRC, whose shares are listed on Shanghai Stock Exchange (Stock Code: 603379).

(3) The remaining 4.6% equity interest of Xianghe New Energy was owned by Yunmeng Liankai Investment Center (Limited Partnership) (雲夢聯凱投資中心(有限合夥), "**Yunmeng Liankai**"), a limited partnership established in the PRC, whose partnership interests were owned by six individuals who were Independent Third Parties (save as their indirect interest in Xianghe New Energy).

(4) The remaining 30% equity interest of Huasheng Lianying was owned by Huaying New Energy.

The Company established Nanyuan Fund in July 2023, initially holding approximately 47.1% of its partnership interests, with Dunxing Investment acted as its general partner. Nanyuan Fund has been engaged in industrial and equity investments since its establishment. According to the cooperation agreement between the Company and Dunxing Investment with respect to the establishment of Nanyuan Fund, Mr. Shen Ming, our General Manager and executive Director, was nominated by our Company and appointed as a member of the investment decision-making committee of Nanyuan Fund (the "**Investment Committee**"), with the power to approve the major investment decision of Nanyuan Fund (the "**Major Decision Power**"). As a result of the abovementioned arrangement, the Company has included Nanyuan Fund in the scope of its consolidated financial statements in 2023 and 2024.

In September 2025, the Company transferred out 2.0% partnership interest in Nanyuan Fund. Meanwhile, Mr. Shen was no longer granted with the Major Decision Power. As a result, we have excluded Nanyuan Fund from our consolidated financial statements (the "**De-consolidation of Nanyuan Fund**"). Following the Deconsolidation of Nanyuan Fund, our investment in Nanyuan Fund has been accounted for as an investment in associate. See "Financial Information — Year to Year Comparison of Results of Operations — Year Ended December 31, 2025 Compared with Year Ended December 31, 2024 — Other Gains and Losses, Net" and Note 18 to the Accountants' Report in Appendix I to this document for details of the financial impact of the De-consolidation of Nanyuan Fund. Taking into account of the business nature of Nanyuan Fund (i.e., industrial and equity investments) and the financial impact of the De-consolidation of Nanyuan Fund, we consider that the De-consolidation of Nanyuan Fund had no material impact on our business operation and financial performance.

ACQUISITIONS, DISPOSALS AND MERGERS

Our Company had not carried out any acquisitions, disposals or mergers that we consider material to us during the Track Record Period and up to the Latest Practicable Date.

OUR LISTING ON THE STAR MARKET OF THE SHANGHAI STOCK EXCHANGE AND REASONS FOR THE [REDACTED] ON THE STOCK EXCHANGE

Since July 2022, our Company has been listed on the STAR Market of the Shanghai Stock Exchange. Since our listing on the STAR Market of the Shanghai Stock Exchange and as of the Latest Practicable Date, we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC in any material respects, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the [REDACTED] attention in relation to our compliance record on the Shanghai Exchange. Our PRC Legal Advisor are of the view that the confirmation of our Directors above with regard to our compliance records is accurate and reasonable. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to the Sole Sponsor's attention that would cause them to disagree with the Directors' confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange.

We seek to be [REDACTED] on the Stock Exchange to further enhance our capital strength and overall competitiveness, boost our international brand profile and image, satisfy our international business development needs, and continue advancing our global strategy. See "Business — Our Strategies" and "Future Plans and [REDACTED]" of this document for more details.

[REDACTED]

Under Rule 19A.13A(2) of the Listing Rules, the H shares for which the Listing is sought that are held by the public, at the time of listing, must (a) represent at least 10% of the PRC issuer's total number of issued shares in the class to which H shares belong (excluding treasury shares); or (b) have an expected market value of not less than HK$3 billion. Further, Rule 19A.28B(2) of the Listing Rules requires that, for a PRC issuer with other listed shares, a portion of H shares listed on the Stock Exchange and held by the public must, at all times: (a) have a market value of at least HK$1 billion; or (b) represent at least 5% of the PRC issuer's total number of issued shares in the class to which H shares belong (excluding treasury shares).

So far as our Directors are aware, immediately following the completion of the [REDACTED] and without taking into account of the effect of the Potential Share Reduction Plan, the 4,780,934 Treasury A Shares, as well as the Shares held by our core connected persons with details set out as below, will not be counted towards the [REDACTED] for the purpose of Rule 19A.13A(2) of the Listing Rules:

(i) Mr. Shen, our Chairman and executive Director, is a core connected person of our Company holding 17,440,726 A Shares;

(ii) Mr. Shen Ming, our General Manager and executive Director, is a core connected person of our Company holding 5,901,228 A Shares;

(iii) Huaying II LP, being a limited partnership controlled by Mr. Shen Ming, is a core connected person of our Company holding 5,597,000 A Shares;

(iv) Huaying III LP, being a limited partnership controlled by Mr. Shen, is a core connected person of our Company holding 3,103,000 A Shares;

(v) the Concert Parties, including (a) the relatives of Mr. Shen, namely, Ms. Zhang Xuemei, Mr. Shen Gang, Mr. Yuan Xuan and Mr. Yuan Yang; and (b) two executive Directors, namely, Mr. Li Weifeng and Mr. Lin Gang, are core connected persons of our Company holding an aggregate of 8,012,003 A Shares.

Immediately following the completion of the [REDACTED] and assuming the [REDACTED] is not exercised, our Company will have [REDACTED] issued Shares (excluding the Treasury A Shares). So far as our Directors are aware, all [REDACTED] [REDACTED] to be issued pursuant to the [REDACTED], representing approximately [REDACTED]% of our total issued share capital immediately upon [REDACTED] (excluding the Treasury A Shares), are expected to be held by the public, which is higher than the prescribed percentage of H Shares required to be held in public hands of 10% under Rule 19A.13A(2)(a) of the Listing Rules. Therefore, our Company will satisfy the [REDACTED] requirements at the time of [REDACTED].

FREE FLOAT

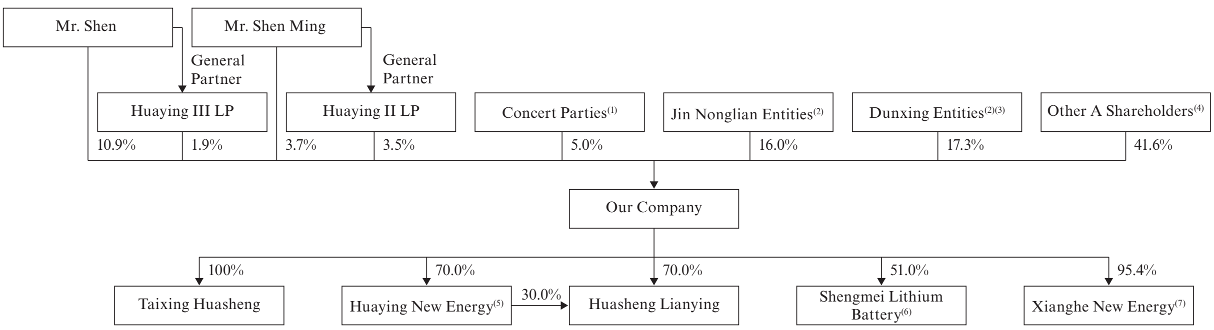
Rule 19A.13C of the Listing Rules provides that, where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 5% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding the Treasury A Shares), with an expected market value at the time of listing of not less than HK$50 million; or (b) have an expected market value at the time of listing of not less than HK$600 million.

Under the [REDACTED] of HK$[REDACTED], the expected market value of freely tradable H Shares shall be approximately HK$[REDACTED] billion, which exceeds the minimum prescribed requirement under Rule 19A.13C(2)(b) of the Listing Rules, and therefore our Company will satisfy the free float requirement at the time of [REDACTED].

CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately prior to the [REDACTED]

The chart below sets out the shareholding structure of our Group immediately prior to the completion of the [REDACTED] (without taking into account of the effect of the Potential Share Reduction Plan and assuming that no changes are made to the total issued share capital of our Company between the Latest Practicable Date and the [REDACTED]):



Notes:

(1) Including Ms. Zhang Xuemei, Mr. Shen Gang, Mr. Yuan Xuan, Mr. Yuan Yang, Mr. Li Weifeng and Mr. Lin Gang, each holding approximately 0.3%, 0.8%, 0.8%, 0.9%, 1.3% and 0.9% in our total issued share capital immediately prior to the completion of the [REDACTED].

(2) Pursuant to the Voting Trust Agreements, the exercise of voting rights underlying the Shares held by Jin Nonglian Entities and Dunxing Entities shall be subject to the discretion of Mr. Shen. See "— Our Voting Rights Structure — Voting Trust Agreements" for details.

(3) Mr. Shen, our Chairman, executive Director and one of our Controlling Shareholders, held approximately 5.0% partnership interest in Dunxing Value in his capacity as limited partner; Mr. Li Weifeng, our Deputy General Manager, executive Director and one of our Controlling Shareholders, held approximately 5.0% partnership interest in Dunxing Value in his capacity as limited partner; and Mr. Shen Gang, one of our Controlling Shareholders, held approximately 4.1% partnership interest in Dunxing II LP in his capacity as limited partner.

(4) Including the 4,780,934 Treasury A Shares.

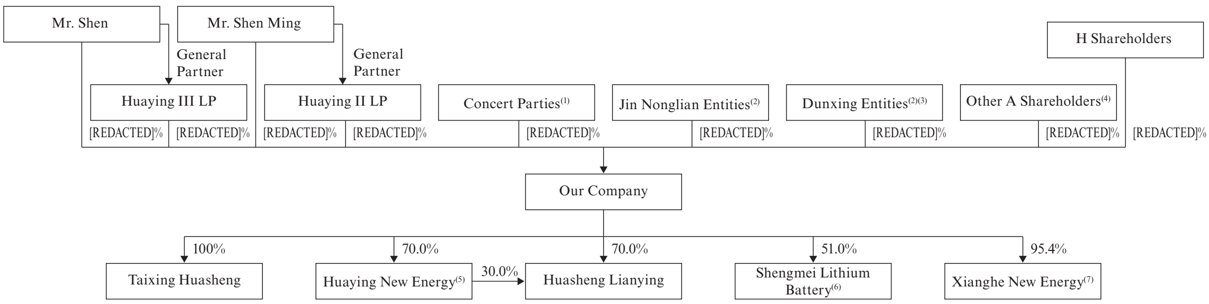
(5) The remaining 30.0% equity interest of Huaying New Energy was owned by Zheng Honghe.

(6) The remaining 49.0% equity interest of Shengmei Lithium Battery was owned by Sanmei Chemical Industry.

(7) The remaining 4.6% equity interest of Xianghe New Energy was owned by Yunmeng Liankai.

Shareholding and Corporate Structure upon the completion of the [REDACTED]

The chart below sets out the shareholding structure of our Group immediately upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, no changes are made to the total issued share capital of the Company between the Latest Practicable Date and the [REDACTED] and without taking into account of the effect of the Potential Share Reduction Plan):



Notes (1) to (7): see "— Shareholding and Corporate Structure Immediately prior to the [REDACTED]" above for details.

OVERVIEW

Who We Are

We are a globally leading lithium-ion battery materials supplier, engaging in the R&D, production and sales of lithium-ion battery electrolyte additives, including vinylene carbonate ("**VC**") and fluoroethylene carbonate ("**FEC**"), and other lithium-ion battery materials. According to CIC, we have been the largest global lithium-ion battery electrolyte additive supplier in most of the years since 2005 in terms of sales volume. Specifically, we are the world's largest lithium-ion battery electrolyte additive supplier in terms of sales volume in 2025, with a market share of 15.2%, according to the same source. As the first Chinese player to enter into the global lithium-ion battery electrolyte additive market and achieve mass production of lithium-ion battery electrolyte additives, we are committed to maintaining our market recognition as the most reliable supplier in the global lithium-ion battery materials industry through continuous technological innovations and timely adaptions to the evolving market.

As a indispensable component of the lithium-ion battery, which is in turn important to the new energy industry, lithium-ion battery electrolyte additives play a critical and foundational role in ensuring battery safety, enhancing battery performance and promoting efficient development of the lithium-ion battery industry. We primarily focus on lithium-ion battery electrolyte additives and are expanding into the high-value anode material market. At the same time, we are proactively exploring materials for novel batteries such as solid-state and sodium-ion batteries. We sell both domestically and internationally, covering Asia, Europe and North America, achieving extensive global coverage.

The following table summarizes our key achievements that solidify our industry-leading position:

Well-established Market Position	Leading & Capability	Blue-chip Customers	Strong Product Delivery Capability
• The **first** Chinese player to enter into the global lithium-ion battery electrolyte additive market and achieve mass production of lithium-ion battery electrolyte additives.[1]	• **Lead drafter** of **the national standard** for **VC** products and the **industrial standard** for **FEC** products.	• Serving all of the global **top ten** lithium-ion battery electrolyte manufacturers.[2]	• Annual production capacity of VC and FEC products **achieving 20,500 tonnes**.
• In 2025, we are the world's **largest** lithium-ion battery electrolyte additive supplier in terms of sales volume, with a market share of **15.2**%.[1]	• Industry-leading awards, such as the first prize of **the Scientific and Technological Invention Award** and the second prize of **the National Technological Invention Award**.	• Our products covering **all** major global battery manufacturers.[2]	• Purity level of VC products consistently maintained at **99.9999% (6N-grade)**, and quality of FEC products consistently remained at industry-leading position.

Note:

(1) According to CIC.

(2) In 2025, according to CIC.

Our Business and Products

Our core business revolves around lithium-ion battery materials. We have established a comprehensive product portfolio, primarily centering around lithium-ion battery electrolyte additives, mainly including VC and FEC, and other lithium-ion battery materials, including graphite anode materials and novel silicon-carbon anode materials.

As a leading supplier of mainstream lithium-ion battery electrolyte additives such as VC and FEC, our products are popularly utilized in downstream markets including energy storage systems ("**ESS**"), new energy vehicles ("**NEVs**"), consumer electronics, humanoid robotics and low-altitude economy. For anode materials, we focus on novel silicon-carbon material synthesis. Through continuous research and development ("**R&D**") efforts, we have resolved industry pain points such as graphite surface modification and volume expansion of silicon-based anodes. We are also exploring new technologies for novel batteries such as solid-state and sodium-ion batteries.

Our Market Opportunities

According to CIC, the surging demand from new economy industries such as ESS, NEVs, consumer electronics, humanoid robotics and low-altitude economy are driving rapid growth for the lithium-ion battery industry. As one of the most critical components of lithium-ion batteries, the market of lithium-ion battery electrolyte additives is expected to grow rapidly in the future. According to CIC, the size of the global lithium-ion battery electrolyte additive market increased from 14.5 kilotonnes in 2020 to 135.4 kilotonnes in 2025 at a CAGR of 56.4%, and is expected to further increase to 391.5 kilotonnes in 2030 at a CAGR of 23.7%. As a global leader in the lithium-ion battery electrolyte additive market, we believe that we will be well-positioned to capture the opportunities to further grow our business.

On the other hand, anode material, as another primary raw material of lithium-ion batteries, is also in a period of strong growth, supported by the rise of the ESS and NEV industries. Such development trends are creating sustained, high-volume demand for high capacity level and stable anode materials. The size of the global anode material market increased from 515.0 kilotonnes in 2020 to 3,040.9 kilotonnes in 2025 at a CAGR of 42.6%, and is expected to further increase to 7,855.4 kilotonnes in 2030 at a CAGR of 20.9%. New applications such as humanoid robotics and advanced consumer electronics are creating additional demand for novel silicon-carbon anode materials with ultra-high capacity level and stability, which aligns with our development efforts. We believe we are well-positioned to benefit from these growing market opportunities.

Our Technology and R&D

We have been focusing on the R&D, production and sales of lithium-ion battery materials, including mainstream lithium-ion battery electrolyte additives and novel lithium salts. We value our product development and technological capabilities as our core competitive strength for business growth. As of the Latest Practicable Date, we had obtained 138 patents, including 87 invention patents, 49 utility model patents and 2 design patents, covering our key technologies such as electrode interface treatment, product structure design, and synthesis processes.

Through consistent technology iteration, we have accumulated substantial experience and technological achievements. For instance, we are the lead drafter of the national standard for VC products and the industrial standard for FEC products. Our VC products are market benchmarks in terms of quality and production techniques and were included in the National Torch Program ("**國家火炬計劃項目**").

In the emerging sectors of the lithium-ion battery industry, we actively pursue technological innovation and have independently developed multiple technologies. Specifically, we have mastered various production routes for key emerging materials including the "one-step" synthesis for lithium difluoro(oxalato)borate ("**LiDFOB**"), the high-efficiency purification process for lithium bis(oxalato)borate ("**LiBOB**"), the continuous refining process for lithium bis(fluorosulfonyl) imide ("**LiFSI**") and the "one-step" high-efficiency synthesis for methylene methanedisulfonate ("**MMDS**") products. For solid-state battery materials, we have validated the technical route for the mass production of high-purity lithium sulfide. For the novel lithium-ion battery materials, we have validated the novel industrialized production of single-walled carbon nanotubes ("**SWCNTs**"), through molecular grafting technology. For novel binders, we have achieved molecular-level control through cross-linking technology.

In the anode material sector, leveraging our proprietary organic molecule grafting and controlled fluidized bed chemical vapor deposition ("**CVD**") technologies, we have developed high-performance silicon-carbon anode materials. These materials are engineered to mitigate the volumetric expansion of silicon while harnessing its high energy density, thereby significantly extending cycle life and enhancing the overall performance of lithium-ion batteries.

Our R&D strategy integrates internal expertise with external collaboration. Currently, we host a national postdoctoral workstation and four other provincial-level research platforms. We maintain long-term partnerships with leading academic institutions, such as Nanjing University, the Institute of Chemistry of CAS, Soochow University, North China Electric Power University, and Yantai University, to stay at the forefront of lithium-ion battery technology. This integrated R&D system facilitates transition from laboratory-scale theoretical findings to practical industrial applications. See "Business — Research and Development — Our R&D Collaboration".

Our Financial Performance

Our total revenue was RMB525.0 million, RMB504.9 million and RMB869.5 million in 2023, 2024 and 2025, respectively, representing an increase of 65.6% from 2023 to 2025. We recorded net loss of RMB33.9 million, RMB188.6 million and RMB2.6 million in 2023, 2024 and 2025, respectively. According to CIC, in line with the general performance of the lithium-ion battery material companies, we experienced fluctuations in our financial performance during the Track Record Period.

OUR COMPETITIVE STRENGTHS

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

Exceptional Product Excellence and a Multi-Dimensional Product Matrix Defining Industry Standards.

High product quality and a robust product portfolio are the dual pillars of our growth. We implement stricter-than-industry production standards and offer a reliable material supply with high quality for global customers. Our extensive product portfolio covers the entire lithium-ion battery material value chain, including high-performance lithium-ion battery electrolyte additives and novel silicon-carbon and solid-state battery materials. By serving the diverse end-markets such as ESS and NEVs globally, we have established an international platform that can support our further global expansion.

Our emphasis on quality control enables us to have products with exceptionally high quality that distinguish us in the lithium-ion battery electrolyte additive market. Our products are recognized for their superior purity, enhanced storage life, and high-degree stability and consistency. We have implemented a sophisticated, full-process quality control system that spans the entire production and operational lifecycle to consistently achieve 99.9999% (6N-grade) purity for our key products. We also provide products with extended storage life. In addition, by utilizing our automated distillation production line and batch-to-batch quality control system, we are able to deliver products with high batch consistency. Through multi-stage film-forming and in-situ moisture/acid removal process, our products can achieve high-degree stability at varied temperatures. The characteristics of our products work together to provide our downstream customers with enhanced supply chain reliability, increased product reproducibility and large-scale production efficiency, and seamless operational continuity.

Our product portfolio is comprehensive in catering to both current market demands and future technological shifts. This includes a robust foundation in mainstream lithium-ion battery electrolyte additives including VC and FEC, complemented by forward-looking product development in novel lithium-ion battery materials. This two-pronged approach allows us to consolidate our market share and diversify our revenue streams across the lithium-ion battery material value chain. Our key product portfolio features mainstream lithium-ion battery electrolyte additives, including VC and FEC. Simultaneously, we have continuously intensified our R&D and production of novel lithium-ion battery electrolyte additives, including LiDFOB and MMDS, novel lithium salt materials, anode materials, solid-state battery materials. For novel lithium-ion battery electrolyte additives, we can produce LiDFOB through "one-step" liquid-phase synthesis and MMDS through liquid-phase synthesis. As of the Latest Practicable Date, our LiDFOB and MMDS products had passed our customers' sample tests. For novel lithium salt materials, we have established an annual production capacity of 3,000 tonnes of LiFSI (in solid-state). For anode materials, we have invested substantial R&D efforts in novel silicon-carbon materials, for which we have obtained solutions in relation to graphite surface modification and volumetric expansion of silicon-based anodes. As of the Latest Practicable Date, we were entering into the mass production phase for novel anode materials, with an expected annual production capacity of 1,000 tonnes in 2027. For solid-state battery materials, we have validated the technical route for the mass production of high-purity lithium sulfide. At the same time, our R&D has expanded into emerging functional materials, including SWCNTs and advanced polyacrylic acid ("**PAA**") binder. See "— Our Product Offerings" for details.

Our high product quality, comprehensive product portfolio and strong R&D capabilities work together to assist us in establishing long-term, stable business relationship with blue-chip customers both domestically and overseas, which in turn further consolidate our market position in the global lithium-ion battery material industry.

Market Leadership and Industry-leading R&D and Technical Capabilities.

As the first Chinese player to enter into the global lithium-ion battery electrolyte additive market, we have consistently positioned R&D and technical development as our strategic focus. Our R&D and technical capability is recognized by our designation as a National High-tech Enterprise (國家高新技術企業) and National Specialized and New Key "Little Giant" Enterprise (國家級專精特新「小巨人」企業) by the Ministry of Industry and Information Technology.

Our R&D and technical strength is reflected by our industry-recognized lithium-ion battery electrolyte additive products, various novel anode material products as well as our efforts in the novel solid-state battery material sector:

- In the lithium-ion battery electrolyte additive sector, our technical strength is reflected by a sophisticated R&D framework and a robust intellectual property portfolio, ensuring our continued delivery of high-barrier products that set industry benchmarks. For example, we contributed to the development of the lithium-ion battery electrolyte additive industry by being the lead drafter of the national standard for VC products and the industrial standard for FEC products. This ensures that our key products, VC and FEC, remain the industrial standard for quality and reliability. Our technological establishment is built on decades of R&D efforts. Before 2004, we led the industrial development of VC production techniques and managed to improve the quality of VC products significantly. Our VC production technology obtained the High-Tech Product of Jiangsu Province (江蘇省高新技術產品) recognition in 2005 and the National Torch Program (國家火炬計劃項目) designation in 2006. For FEC, we were the first in the world to develop a proprietary halogen exchange process, an innovation that garnered significant national support with a first prize of the Scientific and Technological Invention Award from the China National Light Industry Council (中國輕工業聯合會科學技術發明獎) in 2013 and a second prize of the National Technological Invention Award (國家技術發明獎) in 2013. See "— Awards and Recognitions" for details. Beyond traditional lithium-ion battery electrolyte additives, we continue to focus on the R&D and production of novel materials including LiDFOB and MMDS. As of the Latest Practicable Date, our novel additives had addressed critical industry challenges by significantly enhancing battery cycle life and battery cycling stabling. See "— Our Products Offerings — Lithium-ion Battery Materials — Lithium-ion Battery Electrolyte Additives". These innovations, supported by our mature liquid-state lithium-ion battery technology, reinforce our status as a premier supplier of high-performance lithium-ion battery electrolyte additive solutions that meet the evolving demands of the global lithium-ion battery electrolyte additive market.

- In the anode material sector, our technologies allow us to deliver high-performance, cost-efficient anode products that are capable of enhancing overall lithium-ion battery energy density and safety. We have independently developed an organic molecule grafting technology that constructs a functional interface film on graphite surfaces, effectively suppressing side reactions and bolstering structural stability. Furthermore, we utilized controlled fluidized bed CVD technology to engineer novel silicon-carbon anodes. This process encapsulates nano-silicon with molten salt-activated carbon, which can preserve silicon's high energy density while suppressing its inherent volume expansion and enhancing cycle life. See "— Our Products Offerings — Lithium-ion Battery Materials — Other Products".

- In the solid-state battery material sector, diverging from the industry's mainstream production routes, our proprietary liquid-phase synthesis for high-purity lithium sulfide allows us to utilize our existing liquid-state battery infrastructure for new products. Our laboratory trials have already yielded high-performance product samples of solid-state compatible materials, including semi-solid electrolyte additives, lithium bis(trifluoromethanesulfonyl)imide ("**LiTFSI**"), high-purity lithium sulfide and SWCNT conductive agents. See "— Our Products Offerings — Lithium-ion Battery Materials — Future Products". Our technical readiness provides a robust foundation for the future industrialization of our new products and reinforces our market position in novel lithium-ion battery materials.

During the Track Record Period, we consistently increased our R&D investment, with cumulative R&D expenses of RMB140.3 million. This financial commitment is powered by a high-caliber R&D team that anticipates industry shifts and provides R&D innovations to stay ahead of evolving market demands. As of December 31, 2025, our R&D and technical team comprised 147 professionals. See "— Research and Development — Our R&D Capabilities".

Supply Chain Synergy and Process-driven Technical Innovation Leading to High-capacity Manufacturing Excellence.

Scale and cost control are critical competitive factors in the lithium-ion battery material industry. We have been able to achieve high product quality and reliability with efficient cost control through our supply chain integration efforts. As of the Latest Practicable Date, we had established a robust production network, including five production bases consisting of eight facilities across Jiangsu Province (four facilities in Zhangjiagang City, one in Taixing City and one in Jiangyin City), Hubei Province (in Yunmeng County) and Zhejiang Province (in Wuyi County), achieving an annual production capacity of 20,500 tonnes in total for VC and FEC products. See "— Production — Production Facilities".

We have expanded into the upstream of the lithium-ion battery electrolyte additive industry to achieve supply chain synergies. For our VC products, we produce one of the key raw materials, chloroethylene carbonate ("**CEC**"), independently, with an annual capacity of 40,000 tonnes. For our FEC products, we secure a stable supply of fluorine-based raw materials through a major fluorine-based raw material supplier, which is our long-term business counterparty. Such vertical supply chain integration is further optimized by logistics co-operated by us with third-party service providers at our production base in Hubei Province, which partially reduces our transportation costs and enables rapid operational response. This end-to-end integration guarantees our production and delivery stability and technical reliability, helping us to maintain close relationships with a global customer base.

In terms of process-driven technical innovations, we have achieved production and cost efficiency through the continuous development of our core production technologies, including:

- *Photocatalytic efficiency enhancement*: through a self-developed UV-emitting system with optimized intensity and voltage parameters, we managed to significantly boost the reaction efficiency of the photocatalytic chlorination process while effectively suppressing side reactions.

- *Thermal sensitivity management*: addressing the thermal sensitivity of the products, we engineered custom thin-film evaporators ("**TFE**") and continuous rectification processes. These creations minimize heat exposure duration, preventing product decomposition and polymerization during refining, which ensures superior purity and batch-to-batch consistency for power battery applications.

- *Stability and global logistics*: to overcome the inherent instability of VC, we have developed specialized methods to inhibit discoloration. This has extended product shelf life and broadened the allowable storage temperature range, making long-distance delivery feasible.

- *Short-Process Halogen Exchange*: for our FEC products, we have transitioned to a "one-step" short-process method. By triggering a targeted reaction between CEC and fluorinating agents, we have significantly shortened the production cycle, resulting in enhanced yield rates, fortified safety protocols and a structurally lower cost base.

- *Resource Recycling & Solvent Recovery*: we have industrialized the recovery of triethylamine ("**TEA**") from TEA hydrochloride, reducing total consumption by over 85%. Combined with our solvent recovery units which decrease consumption by over 75%, this proprietary closed-loop process achieves both resource recycling and cost reduction.

- *Novel VC Synthesis*: our VC production workflow substantially minimizes the consumption of Class A solvents and acid-binding agents. By circumventing the redundant recovery and waste-treatment stages inherent in traditional methods, we have enhanced the end-to-end operational efficiency of our VC products.

- *Advanced Silicon-carbon Engineering*: the controlled fluidized bed CVD technology enables deposition of nano-silicon within molten salt-activated carbon. This continuous and controlled process ensures high batch-to-batch consistency. It also preserves silicon's high energy density, suppresses volume expansion and becomes suitable for mass production. It is the core technology route for the industrialization of silicon-carbon anode materials.

See "— Production — Production Technologies".

Global Blue-chip Customers Base and Strong Brand Influence through Strategic Collaborations.

We have established a global customer base encompassing the lithium-ion battery value chain across Asia, Europe and North America. As of the Latest Practicable Date, we had served all of the world's top ten lithium-ion battery electrolyte manufacturers in 2025, demonstrating our dominant market position and strong R&D capabilities. We have maintained business relationships with two of them for over 20 years. Such long-lasting relationship has allowed us to participate in the early-stage R&D of downstream products and deeply understand our customers' evolving needs, enabling us to align our technology development and capacity expansion with our customers roadmaps and secure product orders on an ongoing basis.

Our established position within the downstream supply chain is protected by rigorous, ongoing supplier-selection standards. Leading lithium-ion battery electrolyte manufacturers apply stringent criteria for supplier selection, evaluating various factors including supply capacity. Consistently passing these annual audits and maintaining a high market share among the top industry players is a testament to our product excellence and comprehensive service capabilities, both of which have garnered widespread market recognition. These long-term relationships foster a collaborative R&D environment where we customize high-performance lithium-ion battery electrolyte additive products to meet the precise and evolving requirements of leading lithium-ion battery electrolyte manufacturers. This also helps us to transform our technical capabilities into customer loyalty that solidifies our role as an indispensable partner to the top industry players.

Leveraging this global blue-chip customer base, we evaluate our production capacity from time to time to meet surging demand in the downstream application of the lithium-ion battery value chain, such as the ESS and NEV sectors. We have built a resilient business model capable of navigating industry cycles through establishing relationships with renowned manufacturers. Our established brand influence ensures we are well positioned to identify and address shifting market demands. This further assists us to capture incremental market share and achieve sustainable long-term growth.

ESG Competitiveness and Operational Excellence.

We have integrated environmental, social and governance ("**ESG**") commitments into our operational standards by implementing sustainable manufacturing and rigorous safety protocols. This has yielded a track record of zero material safety accidents since our incorporation, reinforcing our operational resilience through energy efficiency, emission control, resource recycling and operational safety management.

- *Full-process environmental governance:* we operate a robust environmental indicator control system, supported by "three-wastes" (waste gas, waste water and solid waste) treatment facilities and an automated waste disposal mechanism. This systematic approach ensures environmental compliance and secures our production continuity amidst an increasingly stringent regulatory landscape.

- *Pioneering transition to clean production:* we have superseded high-pollution traditional methods with our proprietary "non-phosgene" process for the production of isocyanate silanes. Coupled with independently developed recycling technologies, we have substantially elevated raw material utilization and reduced material consumption intensity through the conversion of by-products.

- *Safety empowerment through digital and smart infrastructure:* our commitment to operational safety is attested to by our Smart Production Model Factories (示範智能車間). See "— Awards and Recognitions". We have smart and automated manufacturing facilities supporting our production lines. Leveraging smart and automated manufacturing and digitalized operations, these facilities maximize process precision human-related risk. Consequently, this digital empowerment significantly enhances both overall production efficiency and operational safety.

The combination of clean production processes and recycling technologies has resulted in reduction in energy and material consumption. By aligning our safety management with international ESG standards, we have built a production barrier that not only ensures zero material accident operational stability but also strengthen our relationship with global blue-chip customers.

Experienced Management Team with Strategic Market Insight and Business Acumen.

We are led by an experienced and visionary management team and have established talent incentive mechanisms to drive sustained development.

Our management team has profound expertise in the lithium-ion battery material industry, and in particular, our founding team has an average of over 20 years of experience in the lithium-ion battery materials industry. Our founding team averages over 20 years of experience in the lithium-ion battery materials industry, providing deep technical roots and strategic stability. Our Chairman, Mr. Shen Jinliang, a pioneer in China's lithium-ion battery electrolyte industry, leveraged his chemical background to strategically enter into the lithium-ion battery electrolyte additive market in 2003. Led by Mr. Shen and supported by General Manager Mr. Shen Ming, Deputy General Managers Mr. Li Weifeng and Mr. Lin Gang and Chief of our R&D institute Mr. Zhang Xianlin, our leadership team commands significant industry influence and a track record of navigating market cycles through continuous technology development. See "Directors and Senior Management — Executive Directors".

Our R&D team is led by nationally recognized experts including Mr. Zhang Xianlin, Chief of our R&D institute, who has spearheaded multiple scientific innovation projects including the Jiangsu Province Technology-Based SME Innovation Fund Project (江蘇省科技型中小企業創新資金項目), the Technology-Based SME Technology Innovation Fund Project (科技型中小企業技術創新基金項目) and the Jiangsu Province Science and Technology Support Project (江蘇省科技支撐項目) and was awarded the second prize of the State Technological Invention Award by the State Council of the PRC, the first prize of the Scientific and Technological Invention Award (科學技術發明獎) by China National Light Industry Council (中國輕工業聯合會) and the second prize of the Jiangsu Province Science and Technology Progress Award (江蘇省科技進步獎) by the People's Government of Jiangsu Province for his technical contributions. In addition, Mr. Zheng Honghe, a pre-eminent figure in China's electrochemical sector and a distinguished professor and doctoral supervisor at Soochow University's College of Energy. His leadership in high-performance lithium-ion and sodium-ion battery research bridges the gap between fundamental electrochemistry and industrial application, assisting us to be well positioned in the novel battery material sectors. See "Directors and Senior Management — Senior Management".

We prioritize the development of a high-caliber talent pool through multidimensional mechanisms including equity incentives and performance assessment. We implement equity incentives for key positions, aligning the interests of core personnel with our long-term corporate growth. We also have a rigorous internal performance assessment system and clearly defined promotion tracks designed to recognize and reward technical achievements. These mechanisms ensure the stability of our R&D team and sustain our R&D momentum, bolstering our competitiveness in global talent market.

OUR STRATEGIES

Our key objective is to consolidate and strengthen our market-leading position in the global lithium-ion battery material industry. In line with this objective, we intend to leverage our competitive strengths and implement the following strategies:

Capacity Expansion and Technology Upgrades to Bolster Cost-Efficiency and Market Leadership.

We aim to strengthen our market position and enhance profitability by combining large-scale capacity expansion with systematic technology upgrades. This dual-pronged strategy is designed to achieve economies of scale and enhance cost control. Through maximizing resource efficiency, our production capacity is able to meet the escalating global demand for high-performance lithium-ion battery materials.

Our capacity expansion is anchored by a robust pipeline of industrialization projects across key material sectors. Notably, as of the Latest Practicable Date, our 80,000-tonne CEC annual production project had commenced mass production. We had also completed the construction of production facilities with designed annual production capacities of 200,000 tonnes of high-performance anode materials, 2,000 tonnes of MMDS and 500 tonnes of LiDFOB, all of which had commenced pilot production as at the Latest Practicable Date. We will further continue to expand our production capacity through the establishment of production facilities with designed annual production capacity of 60,000 tonnes of VC and 3,000 tonnes of LiFSI (in solid-state), both of which are expected to commence industrialization production in 2026. As of the Latest Practicable Date, we had also completed the construction of further production lines, including the production facilities with designed annual production capacities of 200,000 tonnes high-performance anode materials, 3,000 tonnes of LiFSI (in solid-state), 2,000 tonnes of MMDS and 500 tonnes of LiDFOB. These production capabilities enable us to provide customized, high-purity products that address the sophisticated requirements of global blue-chip customers.

To complement our physical scaling, we are implementing systematic technology upgrades across our existing production lines by leveraging automated manufacturing and digital operations. We aim to maximize throughput and significantly reduce per-unit operational costs with purified proprietary processes and enhanced automation. This continuous modernization transforms our manufacturing capabilities to increased production capacity and enhanced cost efficiency, which drive long-term business expansion and market share growth.

Accelerate Industrialization of Novel Materials to Drive New Market Growth.

Driven by evolving market demand, we are prioritizing the commercialization of novel, silicon-carbon anode materials, functional lithium-ion battery electrolyte additives and solid-state lithium-ion battery materials to cultivate new growth drivers.

To meet the escalating demand for higher energy density of lithium-ion batteries, we are also accelerating the industrialization of silicon-carbon anode materials. We are currently overcoming technical barriers to ensure its commercial viability of large-scale manufacturing, with mass production preparations expected to conclude by mid-2026. This business expansion into the anode material sector will allow us to diversify our revenue streams and provide a comprehensive set of lithium-ion battery materials product to our global customer base.

Our expansion also extends to functional lithium-ion battery electrolytes as well as electrolyte additives, where we leverage our extensive industrial expertise and market resources to broaden our high-margin portfolio. Following the successful industrialization of the novel lithium-ion battery electrolyte additives, MMDS and LiDFOB, we are commencing the small-scale pilot production of sodium salts and cathode film-forming additive. We aim to consolidate our market share and industry influence through our proprietary production processes of these functional lithium-ion battery electrolytes additives.

In the solid-state lithium-ion battery material sector, we are increasing R&D investment to ensure our sustained technological advantage and market leadership amidst industry trends.

Advance R&D and Pursue Innovations in Emerging Sectors

Leveraging our robust R&D platform, we are accelerating the development of novel lithium-ion battery materials, with a focus on solid-state battery technologies and high-performance functional additives. Solid-state lithium-ion batteries represent a pivotal shift in the global lithium-ion battery industry due to their superior energy density and safety profiles. We are exploring into sulfide-based solid-state electrolytes and their key material, lithium sulfide. We have validated the technical route for the mass production of high-purity lithium sulfide, a critical material for sulfide-based solid-state electrolytes. As of the Latest Practicable Date, we had completed initial small-scale pilot production of high-purity lithium sulfide. We are currently further optimizing product purity and particle size to transition toward large-scale industrialization so as to secure our early-mover advantage in the solid-state battery material sector.

Simultaneously, we are directing our R&D efforts towards novel silicon-carbon anode materials with high capacity, novel lithium-ion and sodium-ion battery electrolyte materials and high-performance novel functional materials, with a focus on SWCNTs and advanced binders. In relation to novel silicon-carbon anode materials, we are researching into porous carbon materials. We are exploring the molecular size-control technology to precisely regulate the porosity and pore size of the carbon framework, optimizing pore architectures tailored for silicon deposition. For novel lithium-ion and sodium-ion battery electrolyte materials, we intend to carry out interface mechanism study to develop novel lithium-ion and sodium-ion battery electrolyte core materials. For SWCNTs, our research is centered on the stable synthesis of CNT arrays and the optimization of growth conditions to enhance product quality. In the binder sector, we are developing silicon-based functional binders (acrylic acid and PAA-based), aiming to secure superior domestic market position in PAA graft modification. By integrating these new products into our portfolio, we are able to provide market solutions that push the performance boundaries of existing lithium-ion battery systems and consequently maintain our market leadership in the evolving lithium-ion battery material market.

Explore Strategic Mergers and Acquisitions Opportunities to Amplify Value Chain Integration.

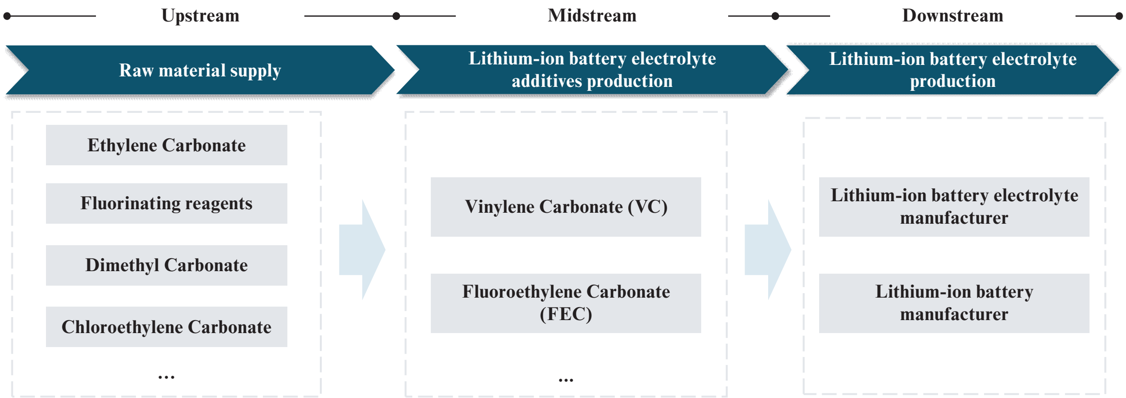
We aim to reinforce our global market position by consolidating industrial resources through diversified business opportunities. We utilize mergers and acquisitions ("**M&A**") as a vital catalyst, proactively targeting entities with proprietary technological strengths, unique resource endowments or high growth potential. This approach enables us to integrate high-value assets that supplement our business operations and accelerates our transition into an integrated lithium-ion battery material platform.

We are executing a bi-directional value chain acquisition strategy. Our acquisition follows both horizontal and vertical trajectories to maximize synergistic value and profitability. Horizontally, we are diversifying into emerging sectors of lithium-ion battery materials to broaden our revenue streams and leverage our existing customer base. Vertically, we are further integrating into the lithium-ion battery value chain by extending upstream into critical raw materials, including lithium salts, to fortify our supply chain resilience. Simultaneously, we are deepening ties with downstream industry leaders to optimize supply-demand synchronization. These initiatives collectively enhance our operational efficiency and reinforce our risk resilience against market volatility.

Furthermore, we are exploring diversified collaboration models to foster industrial synergy, including strategic joint ventures, joint R&D and technology licensing. These partnerships complement our M&A initiatives, creating an ecosystem that facilitates value chain integration. By mastering critical nodes along the industrial chain and reinforcing our proprietary technological barriers, we are positioned to sustain long-term growth and maintain a strong market position in the global lithium-ion battery market.

OUR VALUE PROPOSITION IN THE LITHIUM-ION BATTERY VALUE CHAIN

Lithium-ion battery electrolyte, anode materials, cathode materials and separators constitute the four primary raw materials of a lithium-ion battery. As a market leader in the lithium-ion battery electrolyte additive market, which produces both lithium-ion battery electrolyte additive and anode materials, we occupy a strategically important position in the lithium-ion battery industry value chain, with chemical raw material manufacturers as our upstream suppliers and lithium-ion battery electrolyte and battery manufacturers as our downstream customers. Particularly, we serve our downstream market demand in a wide array of industries, including ESS, NEVs, consumer electronics, humanoid robotics and low-altitude economy, among others.



Battery manufacturers require good-quality and high-performance lithium-ion battery materials such as lithium-ion battery electrolyte. As lithium-ion battery electrolyte additives play a critical role to enhance the performance of lithium-ion battery electrolyte, downstream electrolyte manufacturers attach significant importance to the selection of their additive suppliers. Since we produced lithium-ion battery electrolyte additives for lithium-ion batteries in 2005, we have always been focusing on technological innovation to obtain more advanced products. We produce high-quality lithium-ion battery electrolyte additives with electronic-grade purity, thermal stability and high purification characteristics. Lithium-ion battery electrolyte additives with such nature can enable lithium-ion battery electrolyte to have higher ionic conductivity and thermal stability as well as lower hydrofluoric acid ("**HF**") and moisture level and interfacial impedance, which would ultimately enhance battery performance. Thus, our additives have been well recognized in the industry enabling us to have established long-term and stable business relationships with a wide range of leading domestic and international lithium-ion battery value chain participants.

OUR BUSINESS MODEL

We offer primarily lithium-ion battery materials comprising (i) lithium-ion battery electrolyte additives, including VC and FEC; and (ii) other materials, including anode materials, LiBOB, MMDS and specialty silicones. In addition, we are actively seeking to expand our product portfolio in anticipation of new market demands, such as novel lithium salt and solid-state lithium-ion battery materials. During the Track Record Period, we generated a substantial portion of our revenue from the sales of our VC and FEC products.

The table below sets out our total revenue by products for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
VC	328,108	62.5	343,489	68.0	580,899	66.8
FEC	153,124	29.2	111,469	22.1	237,177	27.3
Other Products	43,799	8.3	49,941	9.9	51,413	5.9
Total	**525,031**	**100.0%**	**504,899**	**100.0%**	**869,489**	**100.0%**

Note:

(1) Other products included primarily anode materials, LiBOB, MMDS and specialty silicones.

See "Financial Information — Description of Selected Items of Our Consolidated Statements of Comprehensive Income — Revenue" for details regarding the fluctuations of our revenue during the Track Record Period.

OUR PRODUCT OFFERINGS

Lithium-ion Battery Electrolyte Additives

Lithium-ion battery electrolyte additive is one of the critical components of lithium-ion battery electrolytes. During the Track Record Period, we produced lithium-ion battery electrolyte additive products, including VC and FEC, which are utilized for different batteries, and offered customized solutions related to lithium-ion battery electrolyte additives for lithium-ion battery electrolyte suppliers and battery manufacturers. Different lithium-ion battery electrolyte additives are added to lithium-ion battery electrolytes in order to obtain tailored optimization of different characteristics of lithium-ion battery electrolytes, such as ionic conductivity, flame resistance, overcharge protection and rate capability. The performance of lithium-ion battery electrolyte additives is primarily determined by key indicators such as purity, color, and moisture content. Purity measures the level of primary active ingredient inside the additive. Higher purity indicates fewer organic impurities, which is critical for preventing degradation of the battery's cycle life. Color reflects the presence of chromogenic impurities, mainly residual heavy metal ions, such as iron, chromium and copper, and anions such as chloride and sulfate. These are considered harmful impurities in lithium-ion batteries as they can easily trigger performance deterioration. Moisture content measures residual water. Even traceable amounts of moisture can cause the decomposition of the lithium-ion battery electrolyte salt, such as lithium hexafluorophosphate ("**$LiPF_6$**"), producing harmful by-products, such as HF, that damages battery performance. Therefore, the performance of lithium-ion battery electrolyte additives is defined by higher purity and lower levels of color and moisture. Our VC products have achieved a purity of 99.9999%, with their color value and moisture levels at industry-leading standard according to CIC.

Lithium-ion battery electrolyte additives are popularly utilized in mainstream application sectors including ESS, NEVs, consumer electronics, humanoid robotics and low-altitude economy. In particular, VC serves as a critical solid electrolyte interphase ("**SEI**") forming agent, creating a dense protective layer on graphite anodes. It is helpful in improving battery capacity and extending cycle life. In practice, it is heavily utilized to significantly extend the cycle life of NEV power batteries and ESS. Meanwhile, FEC has become indispensable for premium smartphones and foldable devices, where it stabilizes silicon-based anodes against volume expansion to enable higher energy densities and faster charging. Furthermore, in cutting-edge applications such as electric vertical take-off and landing aircraft ("**eVTOLs**") and industrial drones, the synergistic effect of these additives enhances thermal stability, ensuring reliable power output under extreme discharge rates.

VC

VC is a core film-forming additive in lithium-ion battery electrolyte. It can undergo electrochemical reactions on the surface of the anode in the lithium-ion battery electrolyte during the initial charging and discharging of lithium-ion batteries to form a SEI. When added as an SEI-forming additive, VC undergoes polymerization on the anode surface in the lithium-ion battery electrolyte to create a dense SEI film, thereby suppressing further reductive decomposition of the lithium-ion battery electrolyte. The SEI separates the electrode material from the lithium-ion battery electrolyte, allowing lithium ions to be transported into the electrode surface for embedding or detachment operations. On the other hand, the SEI can block the passage of solvent molecules in the lithium-ion battery electrolyte so as to effectively prevent co-embedding of solvent molecules or damages caused to the electrode material by such co-embedding. One of the SEI's electrochemical properties, stability, inhibits the embedding of solvent molecules in the lithium-ion battery electrolyte.

Our VC production utilizes EC as the primary raw material. The process begins with chlorination to produce CEC. Using dimethyl carbonate ("**DMC**") as the solvent and TEA as the acid-binding agent, VC is synthesized under refluxed conditions. Industrial-grade VC is then obtained through purification. To meet the stringent requirements of the energy sector, we apply a series of proprietary purification methods to further purify the industrial-grade material into electronic-grade VC.

Driven by the rapid expansion of China's lithium-ion battery industry since 2000, the demand for battery materials has surged. VC remains one of the most critical lithium-ion battery electrolyte additive in the lithium-ion battery industry. According to CIC, VC constituted the single largest component of the global lithium-ion battery electrolyte additive market, accounting for approximately 52.7% of the entire lithium-ion battery electrolyte additive market in terms of shipment volume in 2025.

Through independent R&D, we established a VC production line with an annual capacity of 60 tonnes in 2004. In 2005, our VC product was recognized as a high-tech product of Jiangsu Province. In 2006, our VC product was recognized as part of the National Torch Program. Since 2022, VC has been our key product and our single largest revenue contributor. Our revenue generated from VC amounted to RMB328.1 million, RMB343.5 million and RMB580.9 million in 2023, 2024 and 2025, respectively, accounting for 62.5%, 68.0% and 66.8%, respectively, of our total revenue in the same periods.

FEC

FEC is a crucial lithium-ion battery electrolyte additive in lithium-ion batteries. Its core function lies in preferentially undergoing reductive decomposition on the electrode surface, particularly the anode, ahead of the main lithium-ion battery electrolyte solvents, forming a thin, dense SEI film rich in LiF. This SEI film exhibits good mechanical toughness and ionic conductivity, effectively suppressing continuous lithium-ion battery electrolyte decomposition and reducing internal battery resistance, thereby significantly enhancing cycle life, initial Coulombic efficiency, and high-rate performance. The resulting SEI film structure is robust and possesses self-healing properties, enabling it to accommodate volume changes in the electrode during charge/discharge cycles. The most typical application scenario for FEC is significantly mitigating issues associated with the substantial volume expansion (up to 300%) of silicon-based anodes, such as silicon carbon composites, during lithiation, which otherwise causes repeated SEI film rupture and electrode pulverization. By adding FEC to the lithium-ion battery electrolyte, it forms a flexible SEI film on silicon particles, acting as a "buffer layer" that encapsulates and binds the particles. This effectively buffers volumetric stress, prevents detachment of active material from the current collector, and substantially improves the cycling stability of silicon carbon anodes. Consequently, FEC has become an indispensable key additive for enabling the commercial application of high-energy-density silicon-based anode batteries. Currently, lithium-ion batteries enhanced with FEC are primarily utilized in the automotive sector for hybrid and battery electric vehicles, with significant potential for future deployment in ESS for renewable sources such as solar and wind power, representing robust and expansive market prospects.

Due to the significant technical barriers in FEC synthesis and purification, it was not until around 2005 that Japanese and South Korean companies commenced large-scale industrialization of FEC by using direct fluorination of EC. However, this process involves the use of highly toxic and explosive fluorine gas, necessitating specialized tail gas recovery systems, and suffers from low reaction selectivity due to the high reactivity of fluorine gas. To solve these issues, through independent R&D, we pioneered a distinct halogen exchange process in China in 2006, diverging from the mainstream international direct fluorination route. Our proprietary process utilizes EC as the raw material to produce CEC through chlorination, which is then converted into FEC via potassium fluoride ("**KF**") reaction and purified into industrial-grade FEC. Subsequently, our self-developed series of advanced purification methods further purify the industrial-grade product into electronic-grade FEC. This halogen exchange route features mild and controllable reaction conditions and eliminates the use of fluorine gas, ensuring a higher safety profile. Furthermore, the process achieves a high yield with minimal by-products, resulting in superior selectivity for the target product and high overall yield.

Case Study — Development and further purification of HSI003

Background and Challenges

As the industry pivots toward higher energy density, higher rate capacity and longer cycle life, lithium-ion battery electrolytes often struggle with interfacial instability and parasitic side reactions at the cathode. This critical gap has intensified the demand for specialized cathode film-forming additives, leading to our development of innovative solutions designed to enhance interfacial integrity and extend cycle life.

Our customer, a lithium-ion battery manufacturer, supplies high-voltage NCM batteries. To ensure that their lithium-ion battery electrolyte work well under high-voltage conditions, they impose strict requirements for our novel additives and specifically identified the issue of batteries' storage capacity degradation under high temperature, rate capacity and cycling under low temperature for our further solution.

Development Process

Our R&D is centered around our customer's application scenarios and the related technical needs. By continuously delivering samples and collecting feedback, we established a "data feedback to development optimization" closed loop to guide precise iterative improvements and process consolidation, enabling mass production and stable supply of our products.

Stage	Tasks	Solutions
I	Requirement analysis	Key targets: to optimize materials that can be added to lithium-ion battery electrolyte to resolve batteries' storage capacity degradation under high temperature and gas evolution, as well as capacity reduction and gas generation during battery cycling. Solutions and measures: to explore alternative compounds to improve battery capacity and reduce gas generation.
II . . .	Laboratory sample development	We rapidly reacted to the customer difficulties to improve batteries' performance in terms of battery capacity enhancement and gas generation reduction. We timely offered optimized alternative and performed tests on it to validate its functionalities.
III. . .	Pilot production and validation	Sample improvement: synthesize new batch samples to resolve the performance bottleneck and facilitate the next-round customer testing. Validation: joint validation process that prove the property of the novel compound.
IV. . .	Production	We have finished the R&D on HSI003 and completed laboratory trials.

Conclusion

We successfully optimized HSI003 and completed laboratory trials. This novel additive has assisted to resolve the issues of reduced storage capacity under high temperature, poor cycling performance and gas generation. This collaborative development project demonstrates our ability to provide high-end solutions beyond a traditional lithium-ion battery electrolyte additive supplier, and our capability to provide high-performance lithium-ion battery electrolyte additives.

Key Development Focus

In addition to our established lithium-ion battery electrolyte additives portfolio, we are advancing the development of novel additives to serve the industry needs in ESS and NEV sectors. Our R&D focus are primarily on novel lithium-ion battery electrolyte additive materials to enhance lithium-ion batteries' high-rate cycle performance. Key ongoing projects include the novel S1521 and S1522.

Other Products

Other than offering main lithium-ion battery electrolyte additives, VC and FEC, we also engage in the R&D, production and sales of other lithium-ion battery materials, including anode materials, LiBOB, MMDS and specialty silicones, among others.

Anode Materials

Anode materials represent one of the most critical raw material components of lithium-ion batteries. They are the negative electrode components in a battery that store lithium ions during charging and release them during discharge. Graphite is expected to remain the mainstream anode material over the next few years due to its technological maturity, cost-effectiveness, and established supporting infrastructure, playing a vital role in battery performance and safety. Graphite is determinative for batteries' energy density, cycle life, rate capability and safety. However, processes such as high-temperature graphitization during production involve high energy consumption and costs. Reducing energy consumption and production costs is therefore a key development trend and requirement for the future of anode materials.

We have independently developed an organic molecule grafting technology. This technology constructs a functional molecular interface film on the surface of graphite, which effectively suppresses side reactions during the charging and discharging processes and enhances the stability of the graphite anode. It has been verified that this technology can effectively improve the initial coulombic efficiency ("**ICE**") of graphite, extend battery cycle life, reduce self-discharge, and enhance overall stability and safety. Through multiple batches of pilot production and laboratory evaluations, our new anode materials have demonstrated high specific capacity, high initial efficiency, and long cycle life, pioneering the industry for evolving market demand. In addition, we have addressed key industry demand with our silicon-carbon anode materials, utilizing controlled fluidized bed CVD technology to suppress volumetric expansion of silicon while utilizing its high energy density to improve cycle life of lithium-ion batteries. As of the Latest Practicable Date, we had completed the pilot production of this technology and is preparing for mass production of advanced anode material products.

LiBOB

LiBOB is a chelated borate-based salt widely utilized as a multifunctional lithium-ion battery electrolyte additive in high-performance lithium-ion batteries. In cathode lithium manganese oxide ("**LMO**"), LiBOB undergoes preferential oxidation to form a robust, chemically stable cathode electrolyte interphase ("**CEI**"). This protective film acts as a kinetic barrier that effectively suppresses side reactions between the highly reactive electrode surface and the organic lithium-ion battery electrolyte. Furthermore, LiBOB is instrumental in mitigating the dissolution of transition metal ions, specifically preventing the "Jahn-Teller" distortion and subsequent manganese leaching. Beyond its surface-protective qualities, LiBOB significantly enhances high-temperature performance and thermal stability, preventing capacity fade under strenuous operating conditions. Consequently, it is an essential component in the development of long-life power batteries for two wheelers and power tools.

MMDS

MMDS is a versatile lithium-ion battery electrolyte additive widely deployed in lithium iron phosphate ("**LFP**") and NCM battery systems to enhance interfacial stability. MMDS significantly improves safety and thermal stability in LFP cells by inhibiting iron ion dissolution, while in high-voltage ternary systems, it forms a dense, nanometer-scale protective layer that suppresses transition metal leaching and reduces internal resistance. These mechanisms collectively optimize the cycle life and kinetic performance of energy storage and EV batteries. Our MMDS products are currently extensively utilized in LFP energy storage and power battery systems, as well as in select ternary power battery systems.

Specialty Silicones

Our specialty organosilicon products consist of isocyanate silanes, such as 3-isocyanatopropyltriethoxy silane ("**IPTS**") and triethoxysilylpropyl isocyanate ("**TESPI**"). Isocyanatopropyl silane is a novel, highly reactive specialty silane coupling agent that significantly enhances the thermal resistance, weatherability and UV resistance of coupled organic polymers. Containing highly reactive isocyanate functional groups, it can couple with various high polymers such as polycarbonate and polyurethane. Our specialty silanes, including primarily IPTS and TESPI, are widely utilized in high-end polyurethane materials (coatings, sealants and stoving paints) and organic resins (acrylic resins, polyvinyl alcohol ("**PVA**") and polyesters) as a structural modifier. It enhances the adhesion of polymers to substrates such as metal matrices and polyolefin materials, while improving the aging resistance of the resins.

Future Products

Since 2025, we have been strategically pursuing opportunities in the emerging sectors in the lithium-ion battery material industry. We have proactively engaged R&D efforts and made progress in novel lithium salt and solid-state battery materials.

LiFSI

LiFSI is lithium salt that significantly enhances battery cycle life and stability. In the lithium-ion battery industry, it is currently mass produced and marketed for utilization in power batteries and holds immense market potential. We expect to enter into the mass production phase for LiFSI products in the second quarter of 2026.

Solid-State Battery Materials

For the solid-state battery sector, we placed a specific focus on high-purity lithium sulfide, which is the core raw material for sulfide-based solid-state electrolytes used in solid-state batteries. Utilizing a proprietary liquid-phase synthesis method, we have succeeded in producing high-purity lithium sulfide under mild reaction conditions. According to CIC, the purity level of our lithium sulfide products is higher than the industry average. Through optimization of the synthesis route, we have achieved mass production capability for high-purity lithium sulfide. As of the Latest Practicable Date, we had completed initial small-scale validation of the lithium sulfide production process, which produced qualified samples and were in the pilot phase for industrialization.

RESEARCH AND DEVELOPMENT

We believe our strong R&D capabilities and integrated R&D platform give us a significant competitive advantage, enabling us to be at the forefront in the development of novel products and securing us a market leadership position. Our integrated R&D platform, coupled with our rapid iterative engineering capabilities, has enabled us to rapidly and efficiently translate technical innovation into large-scale commercial production and maintain industry leadership in the lithium-ion battery materials sector.

Our R&D Capabilities

We are committed to R&D development and continuous innovation. Over years of accumulation, we have established a high-caliber and professional R&D team capable of meeting evolving industry standards and internal technical requirements. As of the Latest Practicable Date, we held a number of core technologies in the field of lithium-ion battery materials. As of the Latest Practicable Date, we had a total of 138 patents, including 87 invention patents, 49 utility model patents and 2 design patents. As of December 31, 2025, our R&D and technical team comprised 147 employees, accounting for 12.1% of our total workforce.

Our R&D efforts focus on continuous independent research and product innovation. We have several distinct functions within our R&D team. One key focus is on designing and developing high-quality products. At the same time, we carry out market analysis to inform the direction of our R&D efforts. This includes assessing production cost efficiency and understanding customer sensitivities relating to pricing, required functionalities, and product specifications. We continue to recruit talents globally to strengthen our R&D competitiveness.

As of December 31, 2025, we have two main R&D centers, focusing on lithium-ion battery materials, anode materials (including silicon-carbon anode materials) and novel materials. Each of our subsidiary has one R&D department, focusing on technology iteration and process-upgrade of its respective products.

Our R&D Collaboration

In addition to independent R&D, we collaborate with our customers, i.e. lithium-ion battery electrolyte suppliers and battery manufacturers and research institutes. By leveraging our close relationships with customers and our deep understanding of their needs, we apply our technical expertise and experience to develop new products that align closely with customer requirements and market demands. We adopt a customer-centric approach in developing various lithium-ion battery materials, working hand-in-hand with customers to tailor solutions that meet their specific performance requirements. This collaborative model strengthens long-term customer relationships and increases customer retention, as our product development is driven by customer engagement rather than standardized offerings.

We also initiate collaborative R&D projects with research institutes in anticipation of market development to produce innovative products to suit future market needs. For instance, in strategic partnership with Wuhan University, we have pioneered a comprehensive industrial chain for high-specific-energy silicon-carbon (Si-C) materials. This proprietary system integrates three core technologies: molten-salt activated porous carbon preparation, CVD, and advanced surface modification. Leveraging precise pore-structure control and innovative CVD scaling techniques, our Si-C products deliver exceptional performance with capacities of 1,600–2,000 mAh/g and ICE of 92%–96%. The technology is entering into the industrialization phase with an expected annual capacity reaching 1,000 tonnes in 2026. Our solutions, spanning biomass and resin-based substrates, have already achieved hundred-kilogram-scale shipments and are utilized in high-specific-energy batteries in drones and power tools.

The following sets out the salient terms of a typical collaborative research and development agreement with our customers or research institutes:

- ***Objective:*** the R&D objectives are specified in the research and development agreements.
- ***Costs and resources:*** we provide funding for R&D, along with raw materials for development and composition data for solutions, while our partners provide technical guidance and support, helping us address challenges during pilot-scale testing and facilitating the transition to mass production.

- ***Intellectual property rights:*** the ownership of intellectual property rights are specified in the cooperation agreements. The ownership is either solely owned by us or jointly owned. If not solely owned by us, we always reserve the exclusive right of use in relation to the intellectual property.
- ***Confidentiality:*** both parties shall maintain confidentiality of related documents and commercial secrets, and should not disclose any information to third parties without written consent.
- ***Term and termination:*** two years since the signing of the agreement.

By working closely with industry development and customer needs, we are capable of producing customized products across various specifications to meet the diverse and high-performance requirements of our existing and potential customers. We will continue to enhance our technology through our R&D efforts. For our lithium-ion battery electrolyte additives, we aim to suppress decomposition, reduce impedance, increase temperature stability, enhance anti-gassing and safety features in the lithium-ion battery electrolyte and thereby increase battery cycle life and battery performance. In addition, we are entering the solid-state lithium-ion battery market by making R&D progress in the sulfide-based solid-state electrolytes ("**SSE**").

The following table presents some of our notable R&D projects that were initiated during the Track Record Period.

Project	Key Targets	Progress
R&D on high-performance binders for lithium-ion batteries	Product performance aligns with industry standards	Small-scale trial
Industrialization of LiDFOB .	Enhance product purity and reduce residual levels of acidity, moisture, and metal ions	Pilot production
R&D on high-performance binders for lithium-ion batteries	Ensure product performance meets industry requirements	Small-scale trial/Small-batch pilot production
Refining process of VC	Achieve product purity of over 99.99% and improve refining production efficiency	Pilot production, project completed
Refining process of FEC	Achieve product purity of over 99.9% and improve refining production efficiency	Pilot production

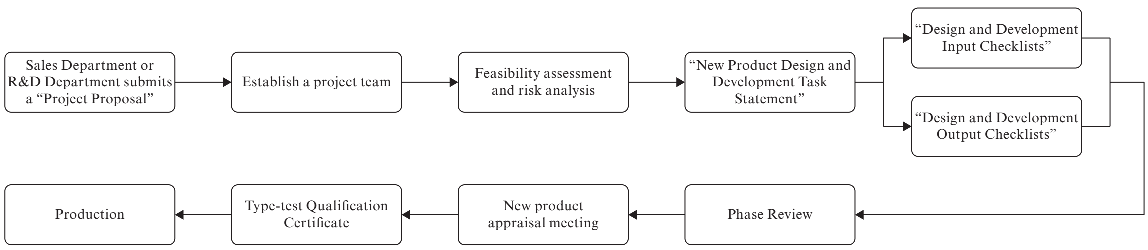
We have made significant investments in R&D to diversify our product portfolio, enhance the performance, efficiency and safety of our products, and to develop expertise in the production of our key products. We conduct most of our R&D activities in-house and do not rely on collaborators with third parties. We intend to continue to invest in R&D to maintain our technological advantages. Our R&D expenses amounted to RMB47.5 million, RMB41.0 million and RMB51.8 million in 2023, 2024 and 2025, respectively.

As a testament to our excellent R&D capability, we have won numerous national awards in China. See "— Awards and Recognitions" in this section.

Our R&D Process

Our R&D initiatives are primarily driven by two channels: (i) market-oriented proposals, where the sales department submits a "Project Proposal" based on market research or customer feedback; and (ii) technological-innovation proposals, where the R&D department initiates projects following insights from industry exhibitions or academic seminars. Once a project is approved at the general manager level, a dedicated project team comprising cross-functional members is established. This team conducts comprehensive feasibility assessments and risk analyses, integrating product requirements with technical viability to formulate a "New Product Design and Development Task Statement", which defines technical specifications, quality targets, production costs, EHS (Environment, Health, and Safety) standards, and project milestones.

Throughout the R&D phase, all information flows are documented by "Design and Development Input/Output Checklists". To ensure the outcomes meet pre-defined requirements, the R&D team organizes periodic reviews and verifications with relevant functional departments. Upon approval from all functional departments, a new product appraisal meeting may be convened with participants including industry experts and key customers. Only after successful customer trials and the receipt of a formal test report from a nationally accredited laboratory, the R&D phase is officially concluded. Thereafter, the product transitions to the mass production stage. The figure below sets out the entire R&D process.



Our Integrated R&D Platform

Our integrated R&D lifecycle encompasses the entire value chain, from initial material design and cell fabrication to performance evaluation, mechanistic studies and final downstream application testing. This closed-loop approach ensures that our innovations are not only scientifically rigorous but also commercially optimized for our customers' specific requirements.

Our R&D platform also spans the entire lifecycle from laboratory innovation to mass production, representing full-spectrum in-house capabilities ranging from basic research on chemical compounds and polymers to materials synthesis, and further to the design and optimization of equipment for industrial application. Our end-to-end capability ensures continuous improvement across production technologies and processes, supporting a seamless progression from early-stage experimentation to full-scale commercialization.

This robust R&D ecosystem is bolstered by our elite research platforms, including a national postdoctoral programme, provincial enterprise technology center and provincial engineering research center. Furthermore, our joint laboratory with Nanjing University serves as a hub for cutting-edge academic collaboration, allowing us to translate frontier research into high-value industrial milestones. Our track record of leading national and provincial-level science and technology projects, coupled with numerous prestigious awards, underscores our technical leadership in the industry.

Through accumulated expertise in laboratory testing, synthesis, purification, and process control, we have developed a robust suite of pilot-scale and commercial technologies. This systemic integration ensures the perfect alignment of our manufacturing capability with ongoing R&D advances, allowing us to bring novel products to market more quickly, with higher quality, and at a lower cost per iteration.

PRODUCTION

Production Facilities

As of the Latest Practicable Date, we operated five production bases, consisting of eight facilities across Jiangsu Province (four facilities in Zhangjiagang City, one in Taixing City and one in Jiangyin City), Hubei Province (one facility in Yunmeng County) and Zhejiang Province (one facility in Wuyi County), achieving an annual production capacity of 20,500 tonnes in total for VC and FEC products. Our production bases are automated and operate with advanced equipment applying the latest production technologies, enabling us to produce products of high quality and reliability, while ensuring cost efficiency.

The table below sets out the breakdown of our annual production volume and production capacity for VC and FEC for the years indicated:

	Years ended December 31,								
	2023			2024			2025		
	Production capacity(1)	Production volume	Utilization rate(2)	Production capacity(1)	Production volume	Utilization rate(2)	Production capacity(1)	Production volume	Utilization rate(2)
	(tonnes/ year)	*(tonnes)*	*(%)*	*(tonnes/ year)*	*(tonnes)*	*(%)*	*(tonnes/ year)*	*(tonnes)*	*(%)*
VC	13,000.0	5,281.8	40.6(3)	13,000.0	8,241.2	63.4	13,000.0	12,348.1	95.0
FEC.	4,500.0	2,820.6	62.7	7,500	3,275.7	43.7(4)	7,500	7,692.8	102.6

Notes:

1. Production capacity is stipulated in the government approval for the product facility.

2. Utilization rate is calculated by dividing production volume by the production capacity for the same period.

3. In 2023, we commissioned new production facilities and gradually scaled up our production, resulting in a relatively low production utilization rate.

4. We temporarily shutdown our certain production facilities for technology upgrades in 2024.

Production Technologies

We have adopted various industry-leading technologies in produce our main products, include VC and FEC. See "— Major Products Production Process" in this section. The industrialization of such technologies has substantially optimized our overall cost structure, establishing a robust cost-competitive advantage and a strong technological barrier in the lithium-ion battery electrolyte additive market. Our technological mastery significantly assists us to diversify our product portfolio and strengthen our overall profitability.

In addition, we have also developed a comprehensive suite of proprietary control technologies that ensure a formidable competitive edge across product quality, cost efficiency, and EHS performance. These technological pillars include:

- *Photocatalytic efficiency enhancement*: through a self-developed UV-emitting system with optimized intensity and voltage parameters, we managed to significantly boost the reaction efficiency of the photocatalytic chlorination process while effectively suppressing side reactions.

- *Thermal sensitivity management*: addressing the thermal sensitivity of the products, we engineered custom TFE and continuous rectification processes. These innovations minimize heat exposure duration, preventing product decomposition and polymerization during refining, which ensures superior purity and batch-to-batch consistency for power battery applications.

- *Stability and global logistics*: to overcome the inherent instability of VC, we have developed specialized methods to inhibit discoloration and degradation. This has extended product shelf life and broadened the allowable storage temperature range, ensuring reliable global delivery.

- *Short-Process Halogen Exchange*: for our FEC products, we transitioned to an innovative "one-step" short-process method. By triggering a targeted reaction between CEC and fluorinating agents, we have drastically streamlined the production cycle, resulting in enhanced yield rates, fortified safety protocols and a structurally lower cost base.

- *Resource Recycling & Solvent Recovery*: we have successfully industrialized the recovery of TEA from TEA hydrochloride, reducing total consumption by over 85%. Combined with our solvent recovery units which decrease consumption by over 75%, this proprietary closed-loop process achieves a dual breakthrough in resource recycling and cost reduction.

- *Novel VC Synthesis*: our advanced VC production workflow substantially minimizes the consumption of Class A solvents and acid-binding agents. By circumventing the redundant recovery and waste-treatment stages inherent in traditional methods, we have enhanced the end-to-end operational competitiveness of our VC products.

- *Advanced Silicon-carbon Engineering*: the controlled fluidized bed CVD technology enables deposition of nano-silicon within molten salt-activated carbon. This continuous and controlled process ensures high batch-to-batch stability. It also preserves silicon's high energy density, suppresses volume expansion and becomes suitable for mass production. It is the core technology route for the industrialization of silicon-carbon anode materials.

These integrated technological advancements demonstrate our transition from traditional chemical manufacturing to high-precision, green, and data-driven material synthesis, strengthening our position as a premium supplier in the global lithium-ion battery material supply chain.

Production Process

Circular Economy Model

With our proprietary processing technologies, we operate an integrated circular economy model featuring raw material consumption and by-products re-usage. In particular, we are able to recover TEA from TEA hydrochloride, which assists us to reduce our total consumption of TEA by over 85%. Simultaneously, our newly established full-process solvent recovery system is able to assist us to reduce solvent consumption by over 75%. These technologies significantly enhance our resource efficiency and overall production cost-effectiveness.

In addition, the hydrochloric acid generated during our product process is internally recycled and efficiently reused, establishing a closed-loop operational ecosystem. Such system not only enhances resource efficiency and production continuity but also strengthens our supply chain stability and quality control. Accordingly, we are able to have consistent product supply, respond rapidly to global market needs, and guarantee on-time delivery.

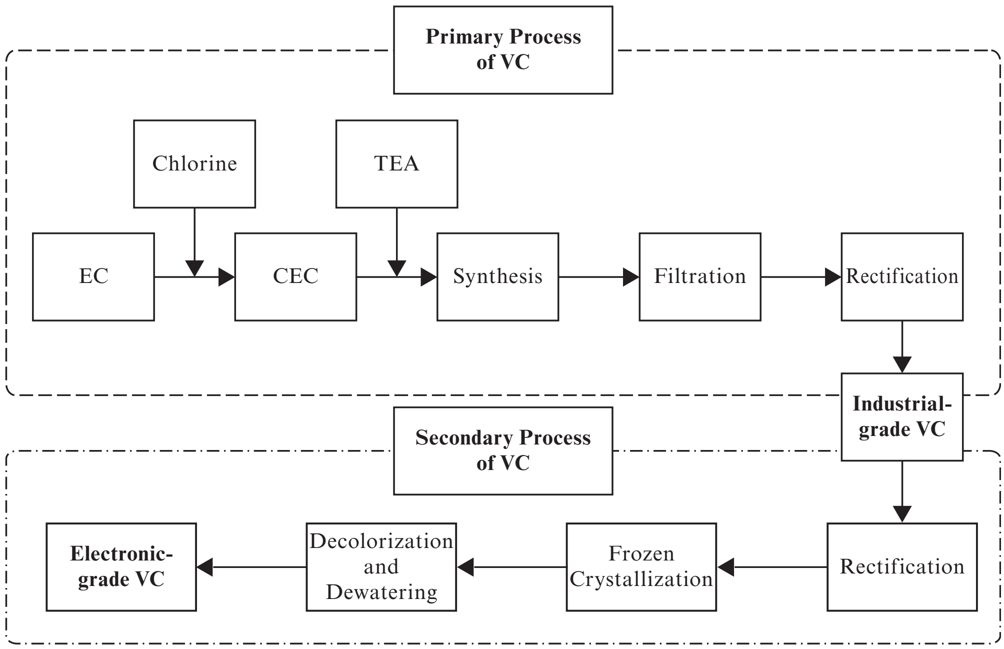
Customized Production Capability

Our automated and digitalized production process, powered by innovative technology, enables flexible product customization to meet specific requirements or deliver unique functionalities requested by our customers. For instance, our VC solutions can be customized and optimized with diverse lithium-ion battery electrolyte additives to suit specific lithium-ion battery chemistries. Furthermore, our R&D team excels in targeted development, engineering bespoke formulations that align precisely with our customers' technical roadmaps.

Major Products Production Process

VC

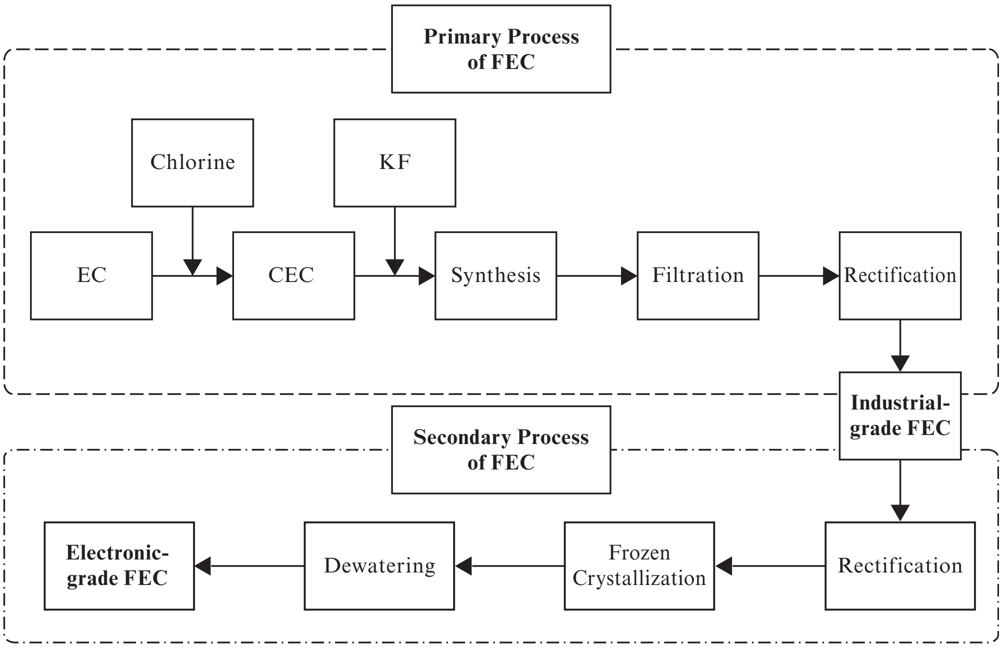
For our VC products, we adopt a two-step manufacturing process to enhance VC purity and product quality. In particular, we first utilize the continuous flow reaction technology and then our proprietary purification process. We use EC as the primary raw material, which undergoes photocatalytic chlorination to produce CEC. This intermediate then undergoes an elimination reaction under reflux, using DMC as the solvent and TEA as the acid-binding agent, to yield VC. To meet the stringent requirements of the power battery industry, we apply a series of independently developed purification methods to purify industrial-grade VC into high-purity electronic-grade VC. The manufacturing process flowchart of VC is shown as below:



By implementing continuous flow reaction technology, we have achieved highly integrated and automated production, shortening the process flow by over 50% and significantly enhancing production efficiency and intrinsic safety. Furthermore, while maintaining premium product stability and consistency, we have reduced raw material consumption by 10%.

FEC

We have established a highly sophisticated and proprietary process route for the production of FEC. The raw material for FEC is EC. The synthesis begins with chlorination of EC to produce CEC, which subsequently undergoes a fluorination reaction with KF to synthesize FEC. Through such initial purification, we obtain industrial-grade FEC. To satisfy FEC's high purity requirements in lithium-ion batteries, we utilize a secondary purification process to achieve electronic-grade FEC. By leveraging our proprietary purification methodologies, the initial product is further processed to eliminate traces of impurities and moisture for the production of electronic-grade FEC. We have optimized the fluorine-substitution process to ensure high purity and low residual impurities. These advancements provided essential material support for the development of high-energy-density lithium-ion batteries, particularly in enhancing the stability of silicon-based anode systems. The manufacturing process flowchart of FEC is shown as below:



SALES AND MARKETING

Overview

As of December 31, 2025, we had a sales and marketing team of 17 personnel, focusing on business development and customer service. Our sales and marketing personnel possess extensive industry knowledge, enabling them to effectively understand customer technical requirements and provide professional service.

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

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

- *Industry conferences and exhibitions*: we actively participate in major industry conferences and trade shows, including China International Battery Fair, to showcase our latest product innovations, enhance brand visibility and establish connections with potential customers. These platforms enable us to demonstrate our technical capabilities and engage with industry participants.

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

In 2023, 2024 and 2025, we derived a substantial portion of our revenue from direct sales, accounting for 96.0%, 95.6% and 98.6%, respectively, of our total revenue in the same periods. To a lesser extent, we utilized distributors to serve our overseas customers in Japan and Korea. In 2023, 2024 and 2025, our revenue generated from distribution accounted for 4.0%, 4.4% and 1.4% respectively, of our total revenue in the same periods.

Direct Sales

We primarily use a direct sales model to serve high-value end customers, including leading lithium-ion battery electrolyte suppliers and battery manufacturers. These customers typically have large procurement volumes, significant strategic importance or specific requirements for customized products. We supply products directly to such customers who use them as essential raw materials in their manufacturing process.

Sales Agreement

We generally enter into framework sales agreements with our major customers, pursuant to which the customers will place specific purchase orders with us. The purchase orders typically specify the volume and parameters of our products as well as their respective unit price. Our framework sales agreements with our major customers typically contain the following salient terms:

- ***Duration:*** the term of the agreement is typically around three years.
- ***Scope of terms:*** we supply products according to the specifications outlined in purchase orders issued by our customer from time to time.
- ***Pricing and Payment:*** the price is determined on a monthly basis. The price of our products for the following calendar month will be determined by us based on market price within the last five days of the current calendar month. Payment is made on a monthly basis. We typically grant a credit term of 30 to 120 days to our customers.
- ***Quality Control:*** we typically provide warranty period of one year commencing from the date that the end-product is registered by the terminal customer.
- ***Minimum Purchase Commitment:*** minimum purchase commitment is typically set out in the framework sales agreement with mutually agreed fluctuation allowances.

Distribution

In addition to direct sales, we sell products through a network of distributors to customers in Japan and Korea. These distributors typically have extensive sales network and good relationships with local companies, which can help us enhance our market penetration in the relevant regions. According to CIC, it is common for lithium-ion battery electrolytic additive suppliers to engage distributors to sell products in Japan and Korea.

The table below sets forth the movement of the number of our distributors for the years indicated:

	Year ended December 31,		
	2023	2024	2025
At the beginning of the year	7	3	2
Increase	—	1	1
Decrease	4	2	—
At the end of the year	3	2	3

We and our distributors have a buyer-seller relationship, and they maintain their own inventories. Typically, we discuss product specifications and key commercial terms directly with our end customers, while our distributors arrange the sales procedure to assist with our transactions with such end customers. We control channel stuffing risks through our internal management policies for distributors, including keeping track of the information of end customers and regularly monitoring shipments of distributors. In general, our distributors are required to record the end customer information, including sales information and shipping addresses of end customers. We require our distributors to provide proof of product shipment, enabling us to track actual sales and logistics of products sold by distributors and thereby mitigating risks associated with channel stuffing. We can monitor our products' usage utilizing information and feedback provided by our distributors on regular basis and adjust our supply to prevent channel stuffing accordingly. We prohibit any distributor from approaching our direct sales customers and end customers by constantly tracking their orders and end-customer identities. We generally do not allow product returns for reasons other than product quality issues.

We carry out evaluation on our distributors annually, assessing a range of criteria including sales performance, inventory, technical support, key customer assistance, payment and compliance status, among others. To prevent kickbacks or bribery to distributors, we formulated the Employee Commercial Conduct Manual to regulate employee interactions with customers and distributors, provide training and review expense reimbursements. We require our distributors' compliance with our anti-corruption policies as part of our annual evaluation process, reinforcing our commitment to ethical business conduct throughout our distribution network. In addition, we generally provide recommended price range as well as support on sales and marketing to our distributors. Distributors are typically required to ensure that any quotations provided to end customers adhere to the price ranges stipulated by us. Should we discover any prohibited behavior by our distributors, we will impose punitive measures, or, in severe instances, terminate the distributorship.

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

- ***Scope of terms:*** we supply products according to the specifications outlined in the distribution agreement.
- ***Pricing and Payment:*** the price is pre-determined in the distribution agreement. In terms of payment, we generally grant a credit period to our distributors of around 20 to 70 days from the date of delivery.
- ***Warranty:*** we provide product warranty for our products for 60 to 270 days since the acceptance of goods by our distributors.
- ***Termination:*** parties' contractual obligations end upon delivery of our products and payment to us by our distributors.

Different from the conventional distribution model, our distribution agreements do not contain the typical distribution terms, such as sales targets, designated sales territories, exclusivity, or sub-distribution restrictions.

To the best knowledge of our Directors, all of our distributors during the Track Record Period and up to the Latest Practicable Date were Independent Third Parties, and none were controlled by our current or former employees. None of our Directors or their respective associates or any shareholder of our Company who, to the knowledge of our Directors, owns more than 5.0% of the issued share capital of our Company, have any interest in any of these distributors, and none of our Directors or their respective associates and our Controlling Shareholders have any present or past relationship (other than their relationship through our Group) with any of these distributors. Additionally, to our best knowledge, except for being our distributors, there was no past or present relationship or arrangement, including family, business, financing, guarantee or otherwise, between us and our distributors during the Track Record Period.

Pricing Strategies

We price our products using the market-oriented strategy. While we use the market prices of products similar to ours as a benchmark, we also take into consideration other factors such as market supply and demand, our technological advantages, raw materials and other costs, and specific customer requirements, among others.

After-Sales Service

We have established an efficient and responsive customer service mechanism, acknowledging feedback and providing solutions swiftly, forming a complete closed loop of feedback, resolution, improvement and verification.

We typically enter into quality assurance agreements with our customers to formalize our quality commitments and service standards. Internally, we have established a comprehensive Non-Conforming Output Management Procedure (不合格輸出管理程序) to systematically handle product replacements and returns. When customer feedback identifies defective products, our sales department records the details and requirements, then promptly informs the quality department. The quality team investigates to determine responsibility. For issues confirmed as our fault, we perform root cause analysis, implement corrective actions, and provide investigation and improvement reports to customers in line with their requirements and timelines. Confirmed non-conforming products are reviewed by our material review board, comprising quality, R&D, and relevant departments, which decides on appropriate disposition methods. Throughout the process, we maintain full traceability and record all quality issues in our knowledge management system to drive continuous improvement.

During the Track Record Period and up to the Latest Practicable Date, (i) we were not subject to any material administrative or other penalties from any governmental authority in connection with product quality; (ii) we were not ordered to undertake any mandatory product recalls as required by any government authorities, which could have a material adverse effect on our business, financial condition and results of operations; (iii) we did not experience any incidents related to material product liability exposure; and (iv) we did not receive any material complaints from customers in connection with product quality.

CUSTOMERS

Our Major Customers

Our customer base consisted primarily of industry-leading lithium-ion battery and lithium-ion battery electrolyte manufactures. Our revenue from our five largest customers in each year during the Track Record Period amounted to RMB414.2 million, RMB405.6 million and RMB692.6 million, respectively, accounting for 79.0%, 80.3% and 79.6% of our total revenue in the same periods, respectively. Our revenue from our largest customer in each year during the Track Record Period amounted to RMB166.3 million, RMB174.3 million and RMB330.5 million, respectively, accounting for 31.7%, 34.5% and 38.0% of our total revenue in the same periods, respectively.

The following tables set out certain information of our five largest customers during each period of the Track Record Period, including their identities, background information and transaction details with us.

Year ended December 31, 2023

Customer	Background	Products sold by us	Revenue	As a percentage of our total revenue	Credit terms and settlement information	Commencement of business relationship
			RMB'000	*%*		
Customer A . . .	A company specialized in the R&D, production and sales of lithium-ion battery materials and daily chemical materials.	VC/FEC	166,328.0	31.7	Bank acceptance notes within 120 days from the month of sale	2006
Customer B . . .	A company specialized in the R&D, production and sales of rechargeable batteries, NEV and electronic components.	VC/FEC	107,087.0	20.4	Bank acceptance notes within 30 days upon receipt of invoice	2006
Customer C . . .	A company specialized in the R&D production, and sales of lithium-ion battery electrolytes and silane coupling agents.	VC/FEC	62,825.4	12.0	Bank acceptance notes within 100 days from the month of sale	2006
Customer D . . .	A company specialized in the R&D, production and sales of high-performance lithium-ion battery electrolytes	VC/FEC	44,018.5	8.4	Bank transfer within 60 days upon issuance of bill of lading	2015
Customer E . . .	A company specialized in the R&D, production and sales of lithium-ion battery electrolytes.	VC/FEC	33,915.7	6.5	Bank acceptance notes within 90 days from the month of sale	2006
Total			**414,174.6**	**79.0%**		

Year ended December 31, 2024

Customer	Background	Products sold by us	Revenue	As a percentage of our total revenue	Credit terms and settlement information	Commencement of business relationship
			RMB'000	*%*		
Customer A . . .	A company specialized in the R&D, production and sales of lithium-ion battery materials and daily chemical materials.	VC/FEC	174,306.1	34.5	Bank acceptance notes within 120 days from the month of sale	2006
Customer B . . .	A company specialized in the R&D, production and sales of rechargeable batteries, NEV and electronic components.	VC/FEC	165,505.0	32.8	Bank acceptance notes within 30 days upon receipt of invoice	2006
Customer F . . .	A company specialized in the R&D, production and sales of lithium-ion battery electrolytes and additives	VC/FEC	26,379.5	5.2	Bank transfer within 120 days upon issuance of bill of lading	2006
Customer C . . .	A company specialized in the R&D, production and sales of lithium-ion battery electrolytes and silane coupling agents.	VC/FEC	21,723.4	4.3	Bank acceptance notes within 100 days from the month of sale	2006
Customer D . . .	A company specialized in the R&D, production and sales of high-performance lithium-ion battery electrolytes	VC/FEC	17,644.5	3.5	Bank transfer within 60 days upon issuance of bill of lading	2006
Total			**405,558.5**	**80.3%**		

Year ended December 31, 2025

Customer	Background	Products sold by us	Revenue	As a percentage of our total revenue	Credit terms and settlement information	Commencement of Business relationship
			RMB'000	*%*		
Customer A . . .	A company specialized in the R&D, production and sales of lithium-ion battery materials and daily chemical materials.	VC/FEC	330,500.6	38.0	Bank acceptance notes within 120 days from the month of sale	2006
Customer B . . .	A company specialized in the R&D, production and sales of rechargeable batteries, NEV and electronic components.	VC/FEC	245,152.1	28.2	Bank acceptance notes within 30 days upon receipt of invoice	2006
Customer F . . .	A company specialized in the R&D, production and sales of lithium-ion battery electrolytes and additives	VC/FEC	46,373.1	5.3	Bank transfer within 60 days upon issuance of bill of lading	2014
Customer E . . .	A company specialized in the R&D, production and sales of high-performance lithium-ion battery electrolytes	VC/FEC	40,953.8	4.7	Bank acceptance notes within 90 days from the month of sale	2006
Customer G . . .	A company specialized in the R&D, production and sales of lithium-ion battery electrolytes.	VC/FEC	29,579.7	3.4	Bank acceptance notes within 90 days from the month of sale	2007
Total			**692,559.3**	**79.6%**		

To the best knowledge of our Directors, each of our five largest customers for each period during the Track Record Period is an Independent Third Party. Additionally, to the best knowledge of our Directors, except for being our customers, there was no past or present relationships (including financing, trust or otherwise) between us and each of our five largest customers, their respective substantial shareholders, directors or senior management, or any of their respective associates during the Track Record Period. None of our Directors, their close associates, or any Shareholder, which to the best knowledge of our Directors owns more than 5% of the total number of issued Shares, had any interest in any of our five largest customers for each period during the Track Record Period.

Our Relationship with Customer A and Customer B

Customer A and Customer B were our single largest and second largest customer in 2023, 2024 and 2025, respectively. Our revenue from Customer A accounted for 31.7%, 34.5% and 38.0% of our total revenue in 2023, 2024 and 2025, respectively, and our revenue from Customer B accounted for 20.4%, 32.8% and 28.2% of our total revenue in 2023, 2024 and 2025, respectively. Our Directors consider that, although the revenue from either Customer A or Customer B was relatively concentrated during the Track Record Period, our business model is still sustainable, because (i) we currently expect our relationship with Customer A or Customer B to remain stable; and (ii) with the rapid expansion of our production capacity, we are continuously exploring new opportunities to further diversify our customer composition. Concurrent with our successful engagement of new customers, our Directors believe that it is unlikely that there will be a material adverse change in or termination of our relationship with Customer A or Customer B for the following reasons:

Customer A's and Customer B's Dominant Market Leadership

Our business model is characterized by strategic, long-term partnerships with leading industry players, a well-established norm in the lithium-ion battery industry. The close cooperation between lithium-ion battery electrolyte additive suppliers and major electrolyte and lithium-ion battery material manufacturers, where parties commit to stable supply relationships, represents standard industry paradigm. According to CIC, such pattern of customer concentration is consistently observed across the industry, reflecting the concentration nature and the stringent qualification requirements of downstream customers.

Specifically, Customer A and Customer B has been the world's largest and second largest, respectively, lithium-ion battery electrolyte supplier for multiple consecutive years, according to CIC. According to the same source, the market share of Customer A and Customer B in the global lithium-ion battery electrolyte industry in 2024 was 35.7% and 15.6%, respectively. As a result, it is inevitable for lithium-ion battery electrolyte additive supplier, like us, to have significant transactions with Customer A and Customer B if we desire to improve or maintain our market share in the lithium-ion battery electrolyte additive sector. This in turn demonstrates our market leadership and industry recognition, and serves as a testament for our cooperation with other customers.

Mutual Benefits with Customer B

The mutual benefits derived from our relationship with Customer B extend beyond commercial transactions to encompass shared technological advancement and joint market development, creating a sustainable competitive advantage for both companies in the rapidly evolving new energy landscape. For example, we had entered into joint R&D with Customer B in relation to exploring functional lithium-ion battery electrolyte additive that could enhance lithium-ion batteries' storage capacity under high temperature and reduce resistance during cycle life. Such collaboration assists us to maintain as a competent lithium-ion battery electrolyte additive supplier for Customer B, as well as gives us priority to participate in certain of Customer B's new product development initiative and opportunities to continuous supply our products to Customer B.

Customer Diversification and Ability to Develop New Customers

Our demonstrated capability to consistently develop and deliver high-purity lithium-ion battery electrolyte additives has been validated through our successful, long-term partnerships with established key customers. Building upon these foundational relationships, we have expanded our customer portfolio by cultivating new customer relationships across diverse market segments. During the Track Record Period, we secured significant supply agreements with multiple prominent lithium-ion battery value chain players, representing crucial milestones in our market penetration strategy. As we have scaled our production capacity, we believe that we will be able to serve more customers. We had 7, 5 and 9 new customers, respectively, in 2023, 2024 and 2025.

Costs and Barriers for Replacing Lithium-ion Battery Electrolyte Additive Suppliers

Lithium-ion battery electrolyte additives serve as a critical component in lithium-ion battery electrolytes, which are key to lithium-ion batteries, influencing batteries' capacity, initial efficiency, and cycling performance. The specialized nature of producing high-purity lithium-ion battery electrolyte additives creates significant barriers to supplier substitution, fostering generally stable relationships between lithium-ion battery electrolyte additive suppliers and their customers for several compelling reasons:

Technical Integration and Qualification Requirements

We, as an lithium-ion battery electrolyte additive supplier, engage in extensive collaborative R&D development with our customers to tailor specific additive products to suit each individual customer's needs. The supplier qualification process typically involves a lengthy process. We have passed high threshold supplier validation requirements of both Customer A and Customer B, jointly developed electrochemical materials with them, and supplied a scale, stable supplies of lithium-ion battery electrolyte additive products to both Customer A and Customer B, forming a robust solidarity and making us not easily replaceable in their supply chain. To transition to an alternative lithium-ion battery electrolyte additive supplier, lithium-ion battery electrolyte manufacturers must replicate this entire qualification process, engaging multiple departments, and obtain battery manufacturers' customers' approvals. The substantial investment of time, resources, and engineering effort required represents a significant switching cost that naturally discourages frequent supplier changes.

Market Concentration and Production Capability

The high-purity lithium-ion battery electrolyte additive market features concentrated supply, with a limited number of manufacturers possessing the technical capability and production scale to meet the requirements of leading lithium-ion battery electrolyte manufacturers. Specifications for advanced lithium-ion battery electrolyte additive products like electronic-grade purity, thermal stability and high purification further limit the pool of qualified suppliers. Our demonstrated production capability positions us among the few suppliers capable of supporting the massive scale requirements of major battery manufacturers.

Performance and Safety Considerations

Lithium-ion battery electrolyte additive's quality directly impacts the performance of lithium-ion battery electrolyte in terms of stability and cycle life. Any impurity in lithium-ion battery electrolyte additives would lead to lowered performance of lithium-ion battery electrolytes, which impact the quality of lithium-ion batteries. This sensitivity makes lithium-ion battery electrolyte manufacturers exceptionally cautious in their supplier selection. Our proven track record in the industry, International Automotive Task Force ("**IATF**") 16949 certification, and numerous customer quality awards demonstrate our ability to meet the most demanding standards. This established reliability makes customers unlikely to risk transitioning to unproven suppliers.

PROCUREMENT AND SUPPLIERS

Our operations involve substantial amounts of upstream key chemical raw materials and auxiliary raw materials. For chemical raw materials, we mainly require various chemicals, including EC, and DMC. For auxiliary raw materials, we procure TEA, steel barrels and activated carbon to support our production. By leveraging a multi-vendor network with a diverse pool of qualified vendors, we ensure a steady supply of our core chemical inputs and auxiliary materials. While the supplies of our raw materials have remained stable, market prices have experienced fluctuations driven by national supply-side structural reforms and increasingly stringent environmental regulations.

Major Suppliers

Our suppliers comprised primarily manufacturers of chemical raw materials and auxiliary raw materials, including EC, DMC and TEA. Purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB133.7 million, RMB137.6 million and RMB212.5 million, respectively, accounting for 36.6%, 38.9% and 37.4% of our total purchases in the same periods, respectively. Purchases from our single largest supplier in each year during the Track Record Period amounted to RMB47.2 million, RMB55.4 million and RMB72.8 million, respectively, accounting for 12.9%, 15.7% and 12.8% of our total purchases in the same periods, respectively. The following tables set out certain information of our five largest suppliers during the Track Record Period.

Year ended December 31, 2023

Supplier	Background	Major products purchased by us	Amount of purchases	As a percentage of our total purchases	Credit terms and settlement information	Commencement of business relationship
			RMB'000	*%*		
Supplier A	A company mainly engaging in the construction and operation of power grids and the supply of electricity.	Electricity	47,163.6	12.9	Advance payment by bank transfer	1997
Supplier B	A company mainly engaging in the R&D, production and sales of ethylene oxide derivatives and high-performance fine chemical products.	EC	26,198.8	7.2	Bank acceptance notes within 60 days from the month of purchase	2020
Supplier C	A company mainly engaging in the production and sales of chlor-alkali products, styrenes and other basic chemical raw materials.	Liquid chlorine and liquid caustic soda	21,654.0	5.9	Bank acceptance notes within 10 days from the month of purchase	2017
Supplier D	A company mainly engaging in the R&D and sales of new energy technology, battery materials and related technical services.	EC	21,343.1	5.8	Bank acceptance notes within 30 days from the month of purchase	2020
Supplier E	A company mainly engaging in the production and distribution of thermal power, steam and electricity.	Steam	17,374.6	4.8	Bank transfer within 15 days from the month of purchase	2008
Total			**133,734.1**	**36.6%**		

Year ended December 31, 2024

Supplier	Background	Major products purchased by us	Amount of purchases	As a percentage of our total purchases	Credit terms and settlement information	Commencement of business relationship
			RMB'000	*%*		
Supplier A	A company mainly engaging in the construction and operation of power grids and the supply of electricity.	Electricity	55,384.8	15.7	Advance payment by bank transfer	1997
Supplier B	A company mainly engaging in the R&D, production and sales of ethylene oxide derivatives and high-performance fine chemical products.	EC	23,421.5	6.6	Bank acceptance notes within 60 days from the month of purchase	2020
Supplier C	A company mainly engaging in the production and sales of chlor-alkali products, styrenes and other basic chemical raw materials.	Liquid chlorine and liquid caustic soda	22,140.9	6.3	Bank acceptance notes within 10 days from the month of purchase	2017
Supplier E	A company mainly engaging in the production and distribution of thermal power, steam and electricity.	Steam	20,100.8	5.7	Bank transfer within 15 days from the month of purchase	1997
Supplier F	A company mainly engaging in the R&D, production and sales of high-performance fine chemical materials and lithium-ion battery additives.	EC	16,584.7	4.7	Bank acceptance notes within 75 days from the month of purchase	2024
Total			**137,632.7**	**38.9%**		

Year ended December 31, 2025

Supplier	Background	Major products purchased by us	Amount of purchases	As a percentage of our total purchases	Credit terms and settlement information	Commencement of business relationship
			RMB'000	*%*		
Supplier A	A company mainly engaging in the construction and operation of power grids and the supply of electricity.	Electricity	72,837.0	12.8	Advance payment by bank transfer	1997
Supplier G	A company mainly engaging in the R&D, production and sales of carbonate solvents and lithium-ion battery electrolytes	EC	52,676.7	9.3	Bank acceptance notes within 60 days from the month of purchase	2008
Supplier F	A company mainly engaging in the R&D, production and sales of high-performance fine chemical materials and lithium-ion battery additives.	EC	32,208.6	5.7	Bank acceptance notes within 75 days from the month of purchase	2024
Supplier E	A company mainly engaging in the production and distribution of thermal power, steam and electricity.	Steam	29,354.0	5.2	Bank transfer within 15 days from the month of purchase	1997
Supplier C	A company mainly engaging in the production and sales of chlor-alkali products, styrenes and other basic chemical raw materials.	Liquid chlorine and liquid caustic soda	25,442.3	4.4	Bank acceptance notes within 10 days from the month of purchase	2017
Total			**212,518.6**	**37.4%**		

To the best knowledge of our Directors, each of our five largest suppliers for each period during the Track Record Period is an Independent Third Party. Additionally, to the best knowledge of our Directors, except for being our suppliers, there was no past or present relationships (including financing, trust or otherwise) between us and each of our five largest suppliers, their respective substantial shareholders, directors or senior management, or any of their respective associates during the Track Record Period. None of our Directors, their close associates, or any Shareholder, which to the best knowledge of our Directors owns more than 5% of the total number of issued Shares, had any interest in any of our five largest suppliers for each period during the Track Record Period.

Procurement

Raw materials, including chemical raw materials, such as EC and DMC, and auxiliary raw materials, such as TEA, steel barrel and activated carbon, constitute the primary component of operational costs as we consistently require chemical raw materials and auxiliary raw materials from external sources for production. The key raw materials we require are purchased centrally through our procurement department. We have formulated internal policies to ensure that our costs of sales are continuously monitored and controlled. To enhance cost control, we employ a dynamic procurement strategy. As a leading manufacturer of lithium-ion battery electrolyte additives, we leverage long-term strategic partnerships with key upstream suppliers to secure stable supply at preferential rates. To ensure competitive pricing and supply chain resilience, we maintain a diverse portfolio of qualified vendors, utilizing a multi-source bidding and negotiation process for purchases. In addition, we select our qualified suppliers strictly in accordance with our internal guidelines, after conducting extensive market research and due diligence on the suppliers. We also regularly review and re-evaluate our suppliers and their product and service qualities to ensure they continue to meet our quality standards and requirements.

The majority of our key raw materials are sourced from large, well-established suppliers based in the PRC. Over the years, we have developed stable, long-term partnerships with these suppliers, which contributes to a reliable and consistent supply of raw materials for our operations.

Procurement Agreement

We generally enter into framework procurement agreements with our major raw materials suppliers. The salient terms of such agreements typically include:

- ***Product:*** the product to be supplied, the specifications and initial quantities are included in the framework procurement agreement, while the other details are specified in the individual purchase order.

- ***Duration:*** the term of the agreement is typically one year.

- ***Pricing and Payment:*** determined in each purchase order on a monthly basis based on the benchmark price stipulated in the framework procurement agreement. We typically settle payments on a monthly basis. We are usually granted a credit term of around 10 to 75 days by our raw material suppliers.

- ***Delivery:*** unless specified in the purchase order, all products are delivered to our designated locations, and the suppliers bear all risks and costs regarding transportation, insurance and packaging until acceptance.

- ***Packaging:*** packaging must meet our specifications, as well as national and industry standard to ensure safety. Strict labelling requirements apply, including product name, batch number and warning signs.

- ***Quality control:*** products are only accepted in accordance with our specifications, as well as national, local and industry standards. We typically require a one-year warranty period. Should any quality issues arise during the warranty period, the suppliers are responsible for replacement or repairs.

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, some of our customers were also our suppliers of raw materials. According to CIC, due to the nature of the lithium-ion battery industry, where procurement, production and sales activities are closely interconnected and many market participants operate in more than one segment of the value chain, it is not uncommon for an industry participant to transact with us on both sides of the supply chain. The number of our overlapping customers and suppliers which were among either our five largest customers or five largest suppliers was 2, 1 and 2 in 2023, 2024 and 2025, respectively. Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other.

Customer C, one of our five largest customers in 2023 and 2024, was also our supplier in 2023, 2024 and 2025. During the Track Record Period, we sold VC and FEC to Customer C. We procured high-purity solvents and liquid-state battery electrolyte from it in 2023 and 2024, and liquid-state battery electrolyte in 2025. Revenue generated from Customer C amounted to RMB62.8 million, RMB21.7 million in 2023 and 2024, respectively, accounting for 12.0%, 4.3%, respectively, of our total revenue in the same periods. Our purchases from Customer C amounted to RMB2.8 thousand, RMB1.8 thousand and RMB4.7 thousand, respectively, in 2023, 2024 and 2025, accounting for less than 0.1% of our total purchases in each of those same years.

Customer E, one of our five largest customers in 2023 and 2025, was also our supplier in 2024 and 2025. During the Track Record Period, we sold VC and FEC to Customer E. We procured product samples from it in 2024 and liquid-state battery electrolyte in 2025. Revenue generated from Customer E amounted to RMB33.9 million and RMB41.0 million, respectively, in 2023 and 2025, accounting for 6.5% and 4.7%, respectively, of our total revenue in the same periods. Our purchases from Customer E amounted to RMB1.1 thousand and RMB11.3 thousand, respectively, in 2024 and 2025, accounting for less than 0.1% of our total purchases in each of those same years. We did not make procurements from Customer E in 2023.

Supplier G, one of our five largest suppliers in 2025, was also a customer of ours in 2023, 2024 and 2025. We procured EC from it in 2025, and we sold VC and FEC to it during the Track Record Period. Our purchases from Supplier G amounted to RMB52.7 million in 2025, accounting for 9.3% of our total purchases in the year, while our revenue generated from Supplier G accounted for 0.5%, 0.9% and 2.1%, respectively, of our total revenue in the same periods.

Our Directors confirmed that all of our sales to and purchases from these overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. Salient terms of our transactions with our overlapping customers and suppliers are generally similar to those of our other customers and suppliers, and we do not have special arrangement with overlapping customers and suppliers that is materially different from other normal transactions.

BUSINESS SUSTAINABILITY

Our Historical Loss

Our financial performace is subject to industry cyclicality. During the Track Record Period, the lithium-ion battery electrolytic additive industry underwent cyclical adjustments, which materially affected our financial performance. See "Financial Information — Key Factors Affecting Our Results of Operations." According to CIC, as an increasing number of market participants entered into the lithium-ion battery industry in 2022, the selling prices of our products gradually declined. Market competition intensified significantly in 2024 with substantial industry-wide over-capacity, resulting in a further sharp decrease in the selling prices of our products. Driven by the strong market demand from ESS and NEV industries and the phase out of overcapacity in 2025, the market price of our VC and FEC products has started to increase in the third quarter of 2025 and increased significantly in the fourth quarter of 2025. See "Financial Information — Description of Selected Items of Our Consolidated Statements of Comprehensive Income — Revenue" for details regarding the fluctuations of average selling prices. As a result, we recorded net loss of RMB33.9 million, RMB188.6 million and RMB2.6 million in 2023, 2024 and 2025, respectively. According to CIC, most of the global lithium-ion battery electrolyte additive suppliers was loss-making 2023 to 2025. See "Industry Overview — Competitive landscape of the lithium-ion battery electrolyte additive industry". As a result, our pricing is adversely influenced by competitive dynamics within the industry.

Our Path to Sustainable Profitability

Notwithstanding the industry challenge in 2024, our financial performance had a recovery trajectory in 2025 primarily driven by: (i) the growing industry landscape and favorable policy support enhancing our bargaining power; (ii) cost and expenses control and economics of scales; and (iii) product diversification.

Growing Industry Landscape and Favorable Policy Support

We operate in an industry with substantial long-term growth potential supported by the global transition to clean energy and electrification. According to CIC, it is expected that the shipment volume of lithium-ion battery electrolyte additives in China will exceed 342.8 kilotonnes by 2030, representing a CAGR of 22.4% from 2025 to 2030. In addition, driven by the fast-paced and continued development in ESS, NEVs, consumer electronics, humanoid robotics and low-altitude economy, the global lithium-ion battery electrolyte additive shipments are expected to reach 391.5 kilotonnes by 2030, representing a CAGR of 23.7% from 2025 to 2030. This substantial market expansion is underpinned by strong growth of shipment volume in VC (expected CAGR of 25.0% from 2025 to 2030) and FEC (expected CAGR of 23.1% from 2025 to 2030). Further, in 2025, the price of lithium-ion battery electrolyte additives in China was RMB50 thousand per tonne. Driven by growing downstream demand and supply constraints, the price will continue to climb and peak at around RMB160 thousand per tonne in 2028.

In addition, the lithium-ion battery industry in general benefits from favorable government policies and regulatory support. Supported by the "Opinions of the CPC Central Committee and the State Council on Accelerating the Comprehensive Green Transformation of Economic and Social Development" (《中共中央、國務院關於加快經濟社會發展全面綠色轉型的意見》), policy frameworks have clearly emphasized accelerated progress in high energy density, long cycle life and high safety battery technologies, while continuing to advance the electrification of the NEV sector. The "Development Plan for the New Energy Vehicle Industry (2021–2035)"(《新能源汽车產業發展規劃(2021–2035年)》) explicitly outlines and promotes the implementation initiatives for development of cathode and anode materials and battery electrolytes. The "Work Plan for Stabilizing Growth in the Automotive Industry (2025–2026)" (《汽车行業穩增長工作方案(2025–2026年)》) also offers strong policy support for technology breakthroughs in various sectors, including solid-state batteries. In Europe, "Regulation (EU) 2019/631" and its subsequent amendments have progressively tightened vehicle-level carbon emission standards, reinforcing the central role of power batteries within the vehicle architecture.

We believe that the combination of a growing industry landscape with robust demand growth across key application sectors and favorable policy support positions us well to enhance our bargaining power, thereby further improving our profitability.

Cost and Expenses Control and Economies of Scale

Our future profitability depends significantly on our ability to control costs and operating expenses, which are affected by a number of factors, such as costs of raw materials, manufacturing costs, and operational efficiency.

We place a strong emphasis on cost control and supply-chain efficiency. To this end, we have developed proprietary core technologies for key raw materials recycling. For example, in the production of VC, we have successfully industrialized the recovery of TEA from TEA hydrochloride, reducing total consumption by over 85%. In addition, our solvent recovery units are able to decrease consumption by over 75%. Such production process greatly assists us in resource recycling and cost reduction. Our cost control had been effective as evidenced by the improvement of our costs-to-revenue ratio from 122.9% in 2024 to 90.3% in 2025, leading to a successful transition from gross loss to gross profit. The total of our research and development expenses, administrative and other operating expenses and selling expenses, as a percentage of our total revenue, also decreased from 29.4% in 2024 to 19.6% in 2025.

In addition, we expect to achieve effective reductions in unit production costs as we continue to expand our production capacity and improve overall utilization rates, which is expected to achieve further economies of scale. As production volumes increase, our fixed manufacturing costs per tonne are expected to decline due to improved economies of scale, thereby enhancing cost competitiveness. Our expanded scale is also expected to strengthen our bargaining power with suppliers, which is expected to effectively control our costs of raw materials. We believe that our success in cost and expenses control and our further economies of scale will enhance our ability to improve profitability.

Product Diversification

We are continuing to expand and enhance our product portfolio to capture future growth opportunities and address evolving industry trends. For example, we were in the process of developing solid-state battery materials technologies and high-performance functional additives as of the Latest Practicable Date. By providing more advanced products with high technology, we expect to charge satisfactory prices to improve our profitability.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

Our inventories comprise raw materials, spare parts, semi-finished goods, work-in-progress (WIP), finished goods, goods dispatched (or goods out on consignment), and materials in outsourced processing. To better control and manage our inventories, we have implemented an inventory management system whereby incoming and outgoing materials and supplies are documented and monitored on a regular basis to ensure an optimal inventory level to satisfy the needs of our customers and to minimize any wastage on inventory and to avoid obsolete inventory.

We engage qualified third-party logistics service providers for the delivery of all finished goods from our warehouse and packaging and testing facilities to locations specified by our customers. We select logistics service providers based on their reputation, scale of operations, track record and price. We set strict standards for the transportation of our products and conduct regular evaluations to ensure compliance and efficient delivery. In addition, our strategic supply system offers comprehensive coverage throughout China and our key overseas markets. This extensive network enables us to provide focused services to key domestic customers located within a 200-kilometer radius ensuring delivery within one to two days.

QUALITY CONTROL

Guided by a customer-centric philosophy, we are committed to the continuous improvement of our quality control standards. To ensure the highest standards of operational integrity, we have implemented a comprehensive total quality control (TQC) framework in strict accordance with international management system standards. Our quality control system focuses on the following key pillars:

- **Rigorous supply chain management**: we enforce a stringent supplier qualification system. Beyond initial entry barriers, we conduct periodic performance reviews of existing vendors to guarantee the long-term stability and reliability of raw material supply.

- **Audit-driven optimization**: through a combination of internal quality audits and external customer-led inspections, we identify opportunities for systemic improvement. We employ a closed-loop corrective action mechanism to ensure that all identified issues are resolved and prevented from recurring.

- **Continuous improvement initiatives**: we systematically conduct management reviews and quality audits with different focuses. These initiatives facilitate the ongoing purification of our quality management architecture and foster a culture of technical excellence.

In recognition of our quality control measures, have received ISO9001 certifications illustrating our ability to consistently provide quality products and/or services that meet our customers' needs and regulatory requirements.

During the Track Record Period and up to the Latest Practice Date, we did not experience any material product recall that adversely impacted our reputation, business operations or financial condition, and were not subject to any material product liability claim.

INTELLECTUAL PROPERTY

We possess extensive intellectual property rights and a robust patent portfolio. As of the Latest Practicable Date, we had obtained a total of 138 patents, including 87 invention patents, 49 utility model patents and 2 design patents. The details of the intellectual property rights owned by our Group are set out in "Appendix VI — Statutory and General Information — Further information about our Business — B. Intellectual Property Rights".

We have established a robust intellectual property protection system to safeguard our core technological innovations and R&D investments, including (i) filing for patent and other intellectual properties protection; (ii) regularly review patent notices; (iii) timely file motions and answers when our patents are being infringed upon; (iv) pay annual fees for our patents; (v) entering into strict confidentiality agreements with technical personnel; and (vi) encrypting our advanced data. We also monitor changes in intellectual property laws to ensure our projects and latest technology are protected. In addition, by actively participating in the formulation of industry and group standards, we strive to promote sectoral standardization and demonstrate our technical leadership.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual property rights. It is difficult to monitor unauthorized use of technology or know-how. Furthermore, any IP infringement by upstream suppliers could affect us by involving us in secondary disputes regarding the downstream product sales. Any such misappropriation or legal conflict could result in costly litigation, distract management or lead to claims for damages, which may ultimately have a material adverse effect on our business, financial condition and results of operations.

PROPERTIES

We own and lease certain properties primarily to be used as production facilities, R&D centers, warehouses, offices and other ancillary purposes.

Owned Properties

As of December 31, 2025, we had 12 properties in the PRC with a total gross floor area ("**GFA**") of 511,912.8 square meters, which is mainly used for production, research and development, warehousing, office and other supporting purposes. We had obtained the ownership certificates for all of our land as of the Latest Practicable Date.

Leased Properties

As of the Latest Practicable Date, we leased four properties in the PRC with an aggregate GFA of 1,106.6 sq.m. Our leased properties are primarily used as dormitories. As of the Latest Practicable Date, one of our leased properties had not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisor, such non-registration will not affect the validity of the lease agreement, but the relevant local housing administrative authorities may require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000. Our Directors believe that such registration defect does not and will not materially impact our ability to use the properties, as the leases remain valid, and sufficient alternative premises are available in the market should relocation become necessary. We will continue to liaise with the respective lessors to complete the registrations where feasible.

COMPETITION

As the world's largest supplier of lithium-ion battery electrolyte additives with a 15.2% global market share in 2025, we compete primarily with major domestic and international chemical manufacturers, yet maintain a distinct leadership position through our pioneering R&D platform and advanced purification technologies. While the industry faces consolidation, our competitive edge is rooted in our ability to consistently deliver electronic-grade purity and superior thermal stability, meeting the stringent requirements of leading battery manufacturers. By leveraging our integrated production model and established long-term strategic partnerships, we achieve greater cost efficiencies and supply chain resilience compared to smaller-scale peers, positioning us to capture the high-end market as the industry transitions toward a phase of supply-demand tightness and optimized restructuring. We believe we are well-positioned to maintain our leadership position and capture future opportunities in the lithium-ion battery industry. See "Industry Overview".

EMPLOYEES

As of December 31, 2025, we had a total of 1,211 employees. The table below sets out the number of employees in each of our business functions as of December 31, 2025.

Function	Number of employees	Percentage of total employees
		(%)
Production	805	66.5
R&D and technical	147	12.1
Sales and marketing	17	1.4
Financial	15	1.2
Administration	227	18.8
Total	**1,211**	**100.0%**

Our workforce comprises highly trained workers and professionals from various fields and academic backgrounds, many of which have extensive knowledge and experience in the lithium-ion battery industry. In particular, our management team possesses profound industry insight and extensive practical experience, with founding members averaging over 20 years of tenure in the lithium-ion battery materials sector. This deep expertise allows us to seize market opportunities at suitable timings and drive exponential growth, solidifying our leading position in the industry.

In addition, we recognize human capital as our cornerstone of innovation. We offer competitive remuneration and benefits, with opportunities for career development in order to attract the best talent. We have established a multi-dimensional incentive framework, comprising equity incentives and specialized awards, to ensure the long-term stability and growth of our R&D and management teams. Our employees' remuneration is determined based on functions, performance appraisals and market practices. For critical positions, we implement performance-oriented equity incentive schemes to align core personnel interests with our long-term development. Our compensation and reward scheme aim to cultivate a skilled team of research and development who form the pillar to our continued growth and success. We are constantly growing our team of junior- and middle-level managers with technical expertise and experience, cultivating them to be our future leaders.

As required by the PRC laws and regulations, we participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, maternity insurance, work-related injury insurance and the housing provident fund and pay social insurance premiums and housing provident fund contributions in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees.

We believe we maintain good relationships with our employees. Our employees are represented by a labor union through elected representatives. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes or labor disputes with our employees which have had or are likely to have a material effect on our business.

INSURANCE

As of December 31, 2025, we had property insurance, product liability insurance, work safety liability insurance and group accident insurance. Most of our insurance policies are subject to standard deductions, exclusions and limitations. We believe that these insurance policies cover the major risks in our day-to-day operations. During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies. According to CIC, our insurance coverage during the Track Record Period and up to the Latest Practicable Date was in line with industry practices. However, the risks related to our business and operations may not be fully covered by insurance. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate to cover all significant risk exposures".

LICENSES, PERMITS AND CERTIFICATES

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite material licenses, permits and approvals from relevant authorities for our operations. We are required to renew some of such licenses, permits and approvals from time to time, and we currently do not expect any material difficulties in or legal impediment to such renewals.

The following table sets out a list of material licenses, permits and approvals held by us (apart from those pertaining to general business requirements, such as business licenses) as of the Latest Practicable Date:

License/Permit	Holder	Authority	Granting Date	Expiration Date
Safety production license	Company	Emergency Management Department of Jiangsu Province	October 25, 2025	May 22, 2028
Safety production license	Taixing Huasheng	Emergency Management Department of Jiangsu Province	November 15, 2024	December 27, 2027
Safety production license	Xianghe New Energy	Emergency Management Department of Hubei Province	December 11, 2025	December 10, 2028
Pollutant discharge permit	Company	Suzhou Municipal Ecology and Environment Bureau	February 27, 2024 June 20, 2024 April 16, 2025	February 26, 2029 June 19, 2029 April 15, 2030
Pollutant discharge permit	Taixing Huasheng	Taizhou Municipal Ecology and Environment Bureau	December 9, 2024	December 8, 2029
Pollutant discharge permit	Xianghe New Energy	Xiaogan Municipal Ecology and Environment Bureau	September 9, 2024	September 8, 2029

We have also obtained various ISO management system certifications for our operations, such as Certificate of Environmental Management System (環境管理體系認證證書) (ISO 14001), Certificate of Quality Management System (質量管理體系認證證書) (ISO 9001) and Certificate of Occupational Health and Safety Management System (職業健康安全管理認證證書) (ISO 45001).

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a robust risk management and internal control system which we continually enhance to ensure the compliance of our business operations. Our internal control mechanisms are regularly reviewed and updated to maintain their effectiveness and adequacy. Additionally, we conduct periodic assessments of our risk management policies and internal control measures to ensure they align with our operational needs and regulatory requirements.

Financial Management

Our financial management covers accounting, budgeting, financial reporting and internal controls over cash and asset management. To foster accountability and operational efficiency, we maintain a clear segregation of duties within the finance team by assigning distinct roles and responsibilities. All financial activities are subject to rigorous approval procedures, with regular financial and variance analysis conducted to uphold accuracy, transparency and sound decision-making. Comprehensive policies guide our budgeting, forecasting, investment and cash management practices, while ongoing training and development for finance personnel ensure excellence, professionalism and compliance in all aspects of our financial operations.

Compliance Management

Our compliance management framework is structured to proactively monitor and address changes in laws and regulations, upholding the highest standards of integrity through strong anti-fraud, anti-bribery, anti-money laundering and anti-economic sanctions controls. Regular compliance training equips our staff with the knowledge needed to foster a culture of accountability and awareness. Robust systems are in place to identify, report and resolve non-compliance issues, supported by well-established procedures for managing compliance matters and legal disputes. Designated personnel continuously track regulatory developments to ensure our policies and procedures remain up to date.

Intellectual Property Management

We take a systematic approach to intellectual property management by developing clear policies for the application, registration, maintenance, renewal and protection of patents and copyrights. Our intellectual property assets are routinely audited and recorded in dedicated registers to ensure proper oversight. Procedures are in place to identify and address potential infringements, and employees and partners are generally required to sign confidentiality and intellectual property protection agreements. To reinforce compliance, we conduct regular training and awareness programs to ensure that all staff understand the importance of safeguarding intellectual property.

Human Resource Management

We have implemented clear policies covering recruitment, onboarding, performance appraisal, compensation, benefits and disciplinary actions. Strict measures are in place to manage personnel files, control access and maintain the confidentiality of employee information. Employees receive regular training and development opportunities, including orientation, compliance and professional development programs. We have established channels for employee feedback and complaints, with safeguards to protect those who raise concerns. Additionally, we are dedicated to promoting diversity, equity and inclusion while ensuring full compliance with all applicable labor laws and regulations in all material respects.

To ensure the effectiveness of our risk management policies, we have established an audit committee to oversee our financial reporting and internal control systems. The committee reviews the effectiveness of these systems and addresses any identified weaknesses, reporting significant issues to the Board of Directors in a timely manner.

INFORMATION TECHNOLOGY

Our information technology systems are critical to our operations, including contract management, safety and quality control, documentation management, engineering management, human resources and accounting and finance. From time to time, we procure or develop new or upgrade existing information technology systems based on our business needs. We ensure the integrity and security of operational data through strict network security protocols and access control mechanisms. During the Track Record Period, we did not suffer any major information technology system failures or related losses.

The information technology systems we use in our business operations include, among others: (i) an enterprise resource planning (ERP) system, covering financial management, supply chain and cost management, enabling integrated business and financial management; (ii) a supplier relationship management (SRM) system, covering supplier onboarding, qualification review, sourcing and quotation, order synchronization, delivery management, performance evaluation, reconciliation and settlement and e-invoicing; (iii) an office automation (OA) system, covering workflow approval, document management, knowledge management and schedule management; (iv) a human resource management (HR) system, covering full-lifecycle of employee management and shift scheduling; (v) an identity and access management (IAM) system, enabling centralized identity management and access control services for all information systems and ensuring security and credibility of user identities and compliance with information security regulatory requirements; and (vi) a data encryption (DES) system, providing high-strength encryption protection and audit for our core business data, documents and storage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We attach great importance to environmental, social and governance ("**ESG**") matters, actively advocate the low-carbon environmental protection concept, and are committed to improving the relevant working mechanisms. We integrate the ESG concept into all business links of the company, guide and coordinate the subordinate companies to fulfill social responsibilities, create favorable social and environmental benefits, and facilitate the long-term sustainable development of the company.

ESG Governance

We have formulated a series of policies and procedures to promote the management of the company's environmental, social and corporate governance matters. Going forward, our objective is to proactively identify and assess the actual and potential ESG risks that may affect our business, strategy and financial performance, comply with the recommendations set out in the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Listing Rules, and incorporate the consideration of ESG issues into our business, strategic and financial planning.

We are committed to building a sound ESG supervision system, deeply integrating environmental, social and corporate governance elements into the entire business process, and strictly abiding by the relevant laws and regulations on environmental protection. We will systematically identify potential ESG-related risks and opportunities, and proactively address various ESG issues through conducting environmental impact assessment and management. While actively exploring risk mitigation measures, we focus on the coordination and unification of economic benefits and sustainable development. We will adopt a phased promotion strategy and formulate clear, quantifiable ESG goals and timetables to ensure the effective implementation of tasks at each stage. In addition, we strive to foster a full-staff compliance culture and ensure that all employees fully understand and effectively fulfill ESG-related laws, regulations and internal requirements by establishing an inter-departmental coordination mechanism.

The company's board of directors fully performs the supervisory duties of ESG compliance, and the management reports the progress and effectiveness of work to the board of directors on a regular basis, thereby building a normalized supervision closed loop and continuously improving the quality and efficiency of ESG compliance management.

Environment

Climate Change

Against the backdrop of the national strategic goals of "carbon peaking and carbon neutrality", we have systematically carried out greenhouse gas emission reduction and control work in production and operation, and continuously reduced carbon emission intensity through measures such as implementing lean workshop operation management, conducting targeted technological transformation in production links, and purchasing and applying high-efficiency equipment. The table below sets out the details of the company's greenhouse gas emissions during the track record period.

		As of 31 December		
Indicator	**Unit**	**2023**	**2024**	**2025**
Total (Scope 1 + 2) GHG emissions	tCO_2e	48,301.97	61,000.03	67,336.92
Scope 1 GHG emissions	tCO_2e	2,644.33	3,793.35	3,281.43
Scope 2 GHG emissions	tCO_2e	45,657.64	57,206.68	64,055.49

Notes: (1) The company's total greenhouse gas emissions include Scope 1 and Scope 2 greenhouse gas emissions. (2) Scope 1 greenhouse gas emissions cover emissions generated by the company's consumption of fossil energy in production; Scope 2 greenhouse gas emissions cover emissions from purchased electricity consumed by the company in production. (3) At present, Scope 3 emissions are not statistically disclosed due to difficulties in obtaining value chain data.

Environmental and Resource Management

We strictly abide by the Environmental Protection Law of the People's Republic of China and other relevant environmental laws, regulations and standards, and attach importance to improving the corporate environmental governance system. The company's environmental governance work implements the legal person responsibility system, with the general manager assuming overall management responsibility for the company's environmental protection work. Meanwhile, we have established an Internal Environmental Management System covering all production bases, and promoted the standardization of the system relying on the ISO14001 Environmental Management System certification to achieve the coverage of the management system and certification scope. We are committed to minimizing the impact of operations on the ecology and natural resources, and have obtained the Green Factory certification and Cleaner Production certification, all of which are in valid existence. All the company's plants strictly implement the daily environmental management requirements to ensure that production and operation comply with environmental protection laws, regulations and internal control norms, and achieve compliance of environmental performance. In addition, the company has established a sound emergency management system for sudden environmental incidents and organizes emergency drills every year to ensure rapid response and efficient disposal capabilities in emergency situations. No environmental pollution accidents occurred during the track record period.

Water Resource Management

In terms of water resource management, each subsidiary strictly abides by the relevant laws, regulations and standards on water resource management in the place of operation, and purifies the whole-process water use control measures to ensure the compliance and controllability of water use. All water used in the company's production and operation is sourced from municipal tap water. For water resource conservation, we adhere to the principle of water conservation first and continuously promote water-saving technological transformation. We have steadily improved the utilization level of industrial circulating water and the efficiency of water resource utilization by investing in the construction of water-saving facilities such as reclaimed water reuse and cooling tower recycling.

Packaging Material Management

The company deeply recognizes the environmental impact of packaging materials and incorporates the recycling of packaging into daily operation management. For plastic pallets and steel ton barrels, we have established a recycling mechanism to achieve an efficient closed-loop management through standardized recycling, cleaning and re-input processes.

Emission Management

Upholding the concept of green development, we strictly follow the Air Pollution Prevention and Control Law of the People's Republic of China, the Solid Waste Pollution Prevention and Control Law of the People's Republic of China and various environmental protection laws, regulations and standards applicable to the company's places of operation and target markets to ensure that all types of pollutant emissions always meet the limit requirements stipulated by the state and local governments. The company has established internal management systems such as the Waste Management System, continuously improved the pollution prevention and control system, strengthened the operation management of environmental protection facilities, improved environmental performance, and minimized the impact of business activities on the ecological environment.

Waste Gas Management

The company has built supporting treatment facilities such as RTO regenerative thermal oxidation and activated carbon adsorption for production waste gas to conduct comprehensive collection and effective treatment of waste gas; online monitoring systems are installed at all exhaust outlets to realize dynamic control of the whole emission process and ensure the stable up-to-standard discharge of waste gas.

		As of 31 December		
Indicator	**Unit**	**2023**	**2024**	**2025**
Particulate matter	ton(s)	0.30	0.19	0.94
VOC emissions	ton(s)	4.43	2.82	1.99

Wastewater Management

All the company's plants strictly implement the sewage and clean water diversion system, and have built supporting special sewage treatment stations and reclaimed water reuse systems to realize the classified collection and standardized disposal of wastewater.

		As of 31 December		
Indicator	**Unit**	**2023**	**2024**	**2025**
Total wastewater discharge	m^3	62,359.18	73,570.47	51,987.76
Chemical Oxygen Demand (COD)	ton(s)	2.41	4.62	1.51
Suspended solids	ton(s)	0.98	0.83	0.24
Ammonia nitrogen	ton(s)	0.12	0.27	0.05

Waste Management

The company has set up full-time positions responsible for waste management and established a sound classified storage and account registration control system. General solid waste is entrusted to qualified third-party units for harmless or resource-based disposal; hazardous waste is disposed of in a classified manner. The company co-processes part of the hazardous waste through its own incineration facilities and strictly controls the up-to-standard discharge of incineration tail gas; the remaining hazardous waste is disposed of in a standardized manner by qualified third parties. All hazardous waste disposal processes comply with the requirements of environmental protection laws and regulations.

		As of 31 December		
Indicator	**Unit**	**2023**	**2024**	**2025**
General solid waste.	ton(s)	30	40	30
Hazardous waste	ton(s)	6,801.46	8,567.08	12,489.96

Energy Management

We attach great importance to the effective utilization of energy, have established internal systems such as the Energy Management System, and continuously promote energy-saving technological transformation, clean energy substitution and digital control.

We have actively promoted a series of measures such as production line transformation and equipment optimization to effectively reduce energy consumption. By optimizing the forced circulation pump in the MVR workshop, the company has improved the unit processing efficiency compared with the previous year, and the power consumption per ton of brine treatment has been significantly reduced. Meanwhile, the company has promoted the replacement of transportation vehicles with new energy sources. At present, electric forklifts are fully used in the plants, and new energy buses are adopted for employee commuter shuttles, which effectively boosts the company's low-carbon transformation. In addition, the company has built a dedicated energy monitoring platform to collect real-time energy consumption data of all links, accurately identify abnormal energy consumption through intelligent analysis and visual display, and provide data support for the scientific formulation of energy-saving strategies.

Social

Supply Chain Management

We are actively building a low-carbon and efficient supply chain system, strengthening the whole-process management of the supply chain, and striving to integrate ESG elements into the supply chain management system. The company strictly implements the Supplier Procurement Control Procedure and maintains close cooperation with supply chain partners relying on a standardized access process; key raw material suppliers must pass sample testing and trial use before being included in the Qualified Supplier List to ensure the quality control of suppliers from the source. Meanwhile, we implement a hierarchical management system for suppliers and conduct dynamic adjustments based on performance.

Product Quality and Customer Service

The company regards product quality and safety as the core criteria for business development. In accordance with the Product Quality Law of the People's Republic of China, the Metrology Law of the People's Republic of China and other laws and regulations, we have formulated and implemented the Quality Management System, building a full-process quality management system covering raw material procurement, production control and finished product delivery, and realizing the standardization and traceability of key links.

To improve the accuracy and reliability of testing data, the company implements standardized management of various testing instruments and conducts regular metrological calibration. At the same time, the Quality Inspection Department improves employees' quality management level through regular training to ensure the effective improvement of relevant personnel's quality awareness and operational skills.

In terms of customer service management, we have established a customer feedback handling mechanism, with the Quality Inspection Department being uniformly responsible for the response to customer complaints and product return incidents. For the problems reflected by customers, the Quality Inspection Department, in conjunction with relevant departments, conducts an in-depth analysis of the root causes, promotes the improvement and implementation of internal measures, and improves the quality management system while solving problems, effectively enhancing customer satisfaction.

R&D Innovation and Intellectual Property

We strive to enhance our innovation capability and continuously improve the internal intellectual property management. The Group Research Institute is responsible for the overall management of intellectual property, taking the lead in carrying out matters such as project application, confidentiality agreement and non-compete restriction control to effectively protect the company's legitimate rights and interests. As of the Latest Practicable Date, the total number of authorized patents of the company reached 138, including 87 invention patents.

Focusing on core fields such as lithium-ion battery additives and solid-state battery electrolytes, the company has built an R&D innovation system with the headquarters research institute as the core and multi-professional departments operating in coordination, and set up a technical committee and an evaluation committee to ensure the standardized and efficient development of R&D work. In addition, the company actively deepens the industry-university-research collaborative innovation and has established industry-university-research cooperation with the Institute of Chemistry of the Chinese Academy of Sciences, Soochow University and other institutions to provide strong support for continuous innovation.

Data Security and Privacy Protection

In accordance with the Cyber Security Law of the People's Republic of China, the Data Security Law of the People's Republic of China, the Personal Information Protection Law of the People's Republic of China and other laws and regulations, the company has built an information security management system covering the entire cycle life of data with reference to the ISO/IEC 27001 standard and obtained the ISO27001 Information Security System certification.

We have formulated and implemented the Information Security Management System, clearly requiring employees to fulfill the confidentiality obligation for sensitive information such as the company's technical data, business data and customer information. Meanwhile, the company further uses technical means such as unified identity authentication and data encryption to continuously improve the information security protection system and effectively safeguard the security of information systems and data.

In daily operation and control, the company implements purified control around the whole process of information security: on the one hand, it carries out regular work such as cross-border information control, phishing email prevention and cyber security protection; on the other hand, it adopts a dual backup mechanism of local and network storage, and formulates a sound disaster recovery emergency plan to comprehensively improve the information security risk prevention and control and emergency disposal capabilities.

No major information security risk incidents occurred during the track record period, nor did any losses occur due to the disclosure of customer privacy.

Employee Employment and Rights Interests

We strictly abide by the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China and other laws and regulations, sign employment contracts with employees, and formulate internal management systems such as the Employee Handbook. We follow the employment principles of legality, fairness, equality, free will and good faith, actively practice the concept of employee diversity, and strictly prohibit the use of child labor, forced labor and any form of infringement of employees' rights and interests.

The company attaches great importance to employees' opinions and feedback and has built an open, transparent and unobstructed channel. To further listen to employees' voices and understand their needs, we conduct an employee satisfaction survey oriented to promoting growth for all employees every year, and promote problem rectification and management optimization based on the survey results to continuously improve employees' sense of happiness and satisfaction.

Talent Training and Development

We attach great importance to employees' growth and career development, and have established a multi-level career development system covering management, functions, production, technology, R&D, sales and other fields, providing employees with clear promotion paths and diversified development platforms. The company has formulated supporting systems such as the Management System for Promotion, Job Transfer and Demotion, improved an open, transparent, fair and impartial promotion mechanism, and systematically supported employees to achieve continuous growth in different sequences to realize the common development of individuals and enterprises.

Centering on the sustainable development and talent development strategy, the company has formulated and implemented internal systems such as the Training Management System and the Internal Trainer Management System, building a multi-level training system that combines off-the-job training with on-the-job training, theory with practice, and internal training with external training. Each business department plans training topics based on annual business needs, adopts a mixed teaching model combining centralized teaching and online learning, and carries out systematic training relying on internal and external teachers to effectively promote the transformation of learning results into work performance and continuously improve employees' professional capabilities and comprehensive quality.

Meanwhile, the company encourages eligible employees to join the internal trainer team, and improves the internal talent training and knowledge inheritance mechanism through diversified incentive measures such as providing personal growth opportunities, external training, post subsidies and course rewards, so as to provide solid talent support for the sustainable and healthy development of the company.

Remuneration and Benefits

The company's Employee Handbook clearly stipulates the remuneration management system. On the basis of paying the "five social insurances and one housing fund" in full and in accordance with the law, the company also purchases work safety liability insurance for employees, and provides diversified benefits and care consolations such as health check-ups, festival benefits, high-temperature subsidies, children's further education subsidies and senior employee rewards to fully care for employees' well-being. To stimulate employees' enthusiasm and sense of belonging, the company has established a long-term incentive and restraint mechanism and implemented the Equity Incentive Plan, allowing core employees to participate in corporate governance and share development results as shareholders. In addition, the company focuses on creating a positive workplace atmosphere and regularly organizes a variety of activities such as fun sports meets, single friendship events and team building trips to enhance team cohesion and employees' sense of happiness.

Occupational Health and Safety

We strictly abide by the Work Safety Law of the People's Republic of China and the Occupational Disease Prevention and Control Law of the People's Republic of China, formulate and implement relevant systems such as the Integrated Management Manual, and comprehensively protect the occupational health and safety of employees in high-risk positions. At present, the company's major subsidiaries and branches have obtained the ISO 45001 Occupational Health and Safety Management System certification, and carry out regular safety education and training, organize emergency drills, identify risk sources regularly and formulate emergency plans. Meanwhile, the implementation of various safety measures is incorporated into daily performance appraisal to ensure that responsibilities are assigned to individuals and implemented in place.

In addition, the company has deployed and operated a "five-in-one" coordination system, equipped with intelligent facilities such as personnel positioning and intelligent positioning cards, and implemented the whole-process online monitoring of key process and safety parameters such as major hazard sources, temperature and pressure. It strengthens the whole-process and whole-chain safety control by virtue of digital means, and effectively builds a strong defense line for production safety.

Community Communication

We actively assume corporate social responsibilities and contribute corporate warmth to public welfare fields such as education assistance, people's livelihood security and community care. In recent years, the company has continuously donated money to public welfare organizations such as the Charity Foundation of Zhangjiagang Free Trade Zone, and the Charity Association of Deji Street to pass on love. As of 31 December 2025, our cumulative donations reached RMB490,000.

Corporate Governance

Anti-Commercial Bribery

We always adhere to the core principles of honest operation and integrity and self-discipline, adopt a zero-tolerance attitude towards any form of bribery, corruption and improper commercial practices, and resolutely safeguard a fair, just and transparent business order to effectively protect the legitimate rights and interests of the company, shareholders and all stakeholders.

The company fully integrates business ethics and anti-corruption compliance requirements into the corporate governance system. The Audit Committee of the Board of Directors regularly organizes special ethical compliance audits to systematically investigate potential risks in business operations, identify problems in a timely manner and urge rectification and implementation, so as to continuously improve the company's overall risk prevention and control capabilities.

Meanwhile, we have established an unobstructed, safe and efficient reporting channel, supporting both real-name and anonymous reports, and formulated a strict whistleblower protection mechanism to strictly prohibit any form of retaliation. We keep the reported information strictly confidential, conduct independent and impartial investigations and verifications on the reported matters, and make every effort to build a sunny, credible and fair business ecosystem.

IMPACT OF GEOPOLITICAL TENSIONS

Since early 2025, the U.S. administration has implemented a series of tariff increases on Chinese imports, with rates fluctuating significantly throughout the year. On October 10, 2025, the U.S. announced its intention to impose new tariffs of 100% on imports from China starting November 1, 2025.

Our revenue generated from overseas markets accounted for 15.9%, 11.8% and 4.5% in 2023, 2024 and 2025 of our total revenue, respectively. We do not rely on any U.S.-originated technologies or raw materials for our operations. Our raw materials are sourced entirely within China. Given our limited export activities in connection with the U.S. during the Track Record Period, our Directors believe that the recent tariffs have had no material or immediate direct impact on our supply chain, production, operations and financial performance during the Track Record Period and up to the Latest Practicable Date. Additionally, as we currently do not target nor plan to shift our strategic focus to the U.S. market and the U.S. market is not expected to account for a significant portion of our revenue, our Directors are of the view that the recent tariffs will not have any material adverse impact, directly or indirectly, on our operations and financial performance in the near to mid-term.

COMPLIANCE AND LEGAL PROCEEDINGS

We are committed to maintain high standards of compliance with the laws and regulations applicable to our business. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any non-compliance incidents that are systemic or have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that could have a material and adverse effect on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, our Directors were not involved in any actual or threatened material claims or litigation. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. For the potential impact of legal or administrative proceedings on us, see "Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal proceedings, administrative proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition".

AWARDS AND RECOGNITIONS

During the Track Record Period, we have received various awards recognizing our achievements and capabilities in innovation, R&D, manufacturing and corporate responsibility. The table below sets out a summary of significant awards and recognitions that we have received during the Track Record Period and up to the Latest Practicable Date.

Year	Award	Awarding Body
2025	Provincial Green Factory (省級綠色工廠)	Department of Industry and Information Technology of Jiangsu Province (江蘇省工業和信息化廳)
2025	Provincial Smart Factory (省級智能工廠)	Department of Industry and Information Technology of Jiangsu Province (江蘇省工業和信息化廳)
2024	National Post-doctoral Research Station (國家級博士後科研工作站)	Office of National Post-Doctoral Regulatory Commission (全國博士後管理委員會辦公室)
2023	Suzhou Headquarters Enterprise (蘇州市總部企業)	Office of the Suzhou Leading Group for Headquarters Economic Development (蘇州市總部經濟發展領導小組辦公室)
2013	Second Prize of the National Technological Invention Award (國家技術發明二等獎)	State Council of the PRC (中華人民共和國國務院)
2013	First Prize of the Scientific and Technological Invention Award (科學技術發明一等獎)	China National Light Industry Council (中國輕工業聯合會)
2006	National Torch Program (國家火炬計劃項目)	Ministry of Science and Technology of the PRC (中華人民共和國科學技術部)
2005	High-Tech Product of Jiangsu Province (江蘇省高新技術產品)	Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳)

OUR CONTROLLING SHAREHOLDERS

Our voting rights structure as of the Latest Practicable Date is set out as following:

(i) Mr. Shen, our Chairman and executive Director, directly held 17,440,726 A Shares, representing approximately 11.3% of the total issued share capital of our Company;

(ii) Mr. Shen Ming, our General Manager and executive Director, as well as the son of Mr. Shen, directly held 5,901,228 A Shares, representing approximately 3.8% of the total issued share capital of our Company;

(iii) Mr. Shen acted as the general partner of Huaying III LP and controlled the voting rights underlying 3,103,000 A Shares held by Huaying III LP, representing approximately 2.0% of the total issued share capital of our Company;

(iv) Mr. Shen Ming acted as the general partner of Huaying II LP and controlled the voting rights underlying 5,597,000 A Shares held by Huaying II LP, representing approximately 3.6% of the total issued share capital of our Company;

(v) by virtue of the Concert Party Agreement, Mr. Shen and Mr. Shen Ming are deemed to control the voting rights underlying the 8,012,003 A Shares held by the Concert Parties, representing approximately 5.2% of the total issued share capital of our Company; and

(vi) by virtue of the Voting Trust Agreements, Mr. Shen controlled the exercise of the voting rights of an additional 53,069,444 A Shares held by Jinonglian Entities and Dunxing Entities, representing approximately 34.3% of the total issued share capital of our Company.

The calculation of the above shareholding percentages excludes the Treasury A Shares. In light of the above, as of the Latest Practicable Date, Mr. Shen, Mr. Shen Ming, Huaying II LP, Huaying III LP and the Concert Parties are deemed to be entitled to exercise the voting rights underlying 93,123,401 A Shares, representing approximately 60.2% of the total issued share capital of our Company (excluding the Treasury A Shares), and were considered as our Controlling Shareholders.

Immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, that no changes are made to the total issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and without taking into account of the effect of the Potential Share Reduction Plan), Mr. Shen, Mr. Shen Ming, Huaying II LP, Huaying III LP and the Concert Parties will remain as our Controlling Shareholders and shall be deemed to be entitled to exercise the voting rights underlying approximately [REDACTED]% of the total issued share capital of our Company (excluding the Treasury A Shares).

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Each member of the Controlling Shareholders confirmed that, as of the date of this document, he/she/it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the [REDACTED].

Management independence

We are able to carry on our business independently from the Controlling Shareholders from a management perspective. Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

(i) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;

(ii) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed "Directors and Senior Management" in this document;

(iii) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum presenting at the relevant Board meeting; and

(v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance Measures" below in this section.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, are able to perform the managerial role in our Group independently and capable of managing our business independently from the Controlling Shareholders and their respective close associates after the [REDACTED].

Operational independence

Our Directors consider that our operations do not rely on our Controlling Shareholders and their respective close associates for the following reasons:

(i) our Group possesses sufficient capital, property, equipment, technology and human resources to operate its business independently, and holds all the relevant material licenses, qualifications, intellectual properties and permits required that are necessary for conducting our business;

(ii) our Group has an established and complete organizational structure, comprising various separate departments each charged with specific responsibilities;

(iii) our Group also has independent access to, among others, customers, suppliers and other resources required for our Group's business, and we operate our business independently, with independent rights to make and implement our operational decisions;

(iv) we maintain a set of internal control procedures to facilitate the effective operation of our business. See "Business — Risk Management and Internal Control" for details; and

(v) we have adopted a set of corporate governance practices and manuals, such as rules with respect to the shareholders' meeting, the board meeting, the board committees' meeting and the conduct of connected transactions, pursuant to relevant laws and regulations, to facilitate the effective operation of our business.

Financial independence

We have established our own finance department with a team of independent financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, independent from our Controlling Shareholders. We can make financial decisions independently according to our business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders who do not intervene with our use of funds. We have also established an independent and sound audit system, a standardized financial and accounting system and a complete financial management system. We have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. We expect that we will not rely on our Controlling Shareholders and their respective close associates for financing after the [REDACTED] and we will have sufficient working capital to operate our business independently.

As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or provided to, any member within our Controlling Shareholders, or their respective associates.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently from, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We have adopted the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders and their respective close associates upon [REDACTED]:

(i) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(ii) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with any member within the Controlling Shareholders or any of his/her/its associates, our Company will comply with the applicable Listing Rules;

(iii) our independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and the Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iv) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(v) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

(vi) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(vii) we have appointed Ignite Capital (Asia Pacific) Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders, and to protect minority Shareholders' interests after the [REDACTED].

BOARD OF DIRECTORS

Our Board comprises nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors are elected and appointed by the Shareholders for a term of three years and are eligible for re-election upon expiry of their terms of office. According to the relevant PRC laws and regulations, an independent non-executive Director shall not serve for more than six consecutive years.

The following table sets forth the key information about our Directors as of the Latest Practicable Date.

Name	Age	Positions	Roles and responsibilities	Time of first joining our Group	Time of first appointment as a Director	Relationship with other Directors or senior management
Executive Directors						
Mr. Shen Jinliang (沈錦良)	73	Chairman and executive Director	Overall management, strategic planning and major decision-making our Group	August 1997	August 1997	Father of Mr. Shen Ming; a party to the Concert Party Agreement
Mr. Shen Ming (沈鳴).	44	Executive Director and General Manager	Management and business development of our Group	January 2010	July 2019	Son of Mr. Shen Jinliang; a party to the Concert Party Agreement
Mr. Li Weifeng (李偉鋒)	49	Executive Director and Deputy General Manager	Assisting in the management and business development of our Group	August 1997	July 2019	A party to the Concert Party Agreement
Mr. Lin Gang (林剛).	47	Executive Director and Deputy General Manager	Assisting in the management and business development of our Group	September 1997	July 2019	A party to the Concert Party Agreement
Non-executive Directors						
Mr. Ma Yangguang (馬陽光)	48	Non-executive Director	Providing guidance and advice on the corporate and business strategies of our Group	March 2019[(1)]	March 2019[(1)]	N/A
Ms. Kuang Yichun (匡怡純)	33	Non-executive Director	Providing guidance and advice on the corporate and business strategies of our Group	September 2025	September 2025	N/A
Independent non-executive Directors						
Mr. Shi Haoming (史浩明)	62	Independent non-executive Director	Supervising and providing independent opinion and judgment to the Board	September 2025	September 2025	N/A
Dr. Zhou Haoshen (周豪慎)	61	Independent non-executive Director	Supervising and providing independent opinion and judgment to the Board	September 2025	September 2025	N/A
Mr. Zhang Wei (張維).	39	Independent non-executive Director	Supervising and providing independent opinion and judgment to the Board	March 2026	March 2026	N/A

Note:

(1) Mr. Ma was first appointed as our Director in March 2019 and ceased to be our Director in May 2020 due to his other working arrangements. He was reappointed and has continued to act as our Director since August 2022.

Executive Directors

Mr. Shen Jinliang (沈錦良), aged 73, is our founder, Chairman and executive Director. Mr. Shen is primarily responsible for the overall management, strategic planning and major decision-making of our Group. Mr. Shen is the father of Mr. Shen Ming, our General Manager and executive Director.

Mr. Shen founded our Group in August 1997. He successively served as our Chairman from August 1997 to November 2014, the vice chairman of our Board from November 2014 to February 2019, and our Chairman since February 2019. Mr. Shen was re-designated as an executive Director in March 2026. Mr. Shen also acts as the director of Huaying New Energy.

From February 1999 to March 2002 and from April 2002 to May 2003, he successively served as chairman of the board and vice chairman of the board of Zhangjiagang Guotai Huarong New Chemical Materials Co., Ltd. (張家港市國泰華榮化工新材料有限公司) (previously known as Zhangjiagang Huarong Chemical New Material Co., Ltd (張家港市華榮化工新材料有限公司).

Mr. Shen was a director, general manager, legal representative and/or supervisor of the following companies which were established in the PRC and subsequently deregistered during his tenure:

Name of company	Position	Nature of business	Reason of deregistration	Date of deregistration
Zhangjiagang Bonded Zone Dongde Enterprise Management Co., Ltd. (張家港保税區東德企業管理有限公司).	Supervisor	Provision of corporate management services	Voluntary dissolved due to cease of business operations	April 21, 2020
Zhangjiagang Chuanneng Technology Co., Ltd. (張家港市創能科技有限公司)	Executive director, general manager and legal representative	Manufacturing and sales of plastic microporous membrane	Voluntary dissolved due to cease of business operations	July 13, 2011
Zhangjiagang Bonded Zone Lushun Trading Co., Ltd. (張家港保税區露順貿易有限公司) .	Executive director and legal representative	Trading of chemical raw materials and chemical products	Dissolved by revocation of business license	March 6, 2020
Zhangjiagang Huarong Dyeing & Finishing Auxiliary Co., Ltd. (張家港華榮染整助劑有限公司)	Chairman of the board of directors, general manager and legal representative	Production and sales of printing and dyeing auxiliaries and related products	Dissolved by revocation of business license	December 3, 2009
Zhangjiagang Free Trade Zone Huarong Trade Co., Ltd. (張家港保税區華榮貿易有限公司) .	Executive director, general manager and legal representative	Trading of goods	Voluntary dissolved due to cease of business operations	May 17, 2010

Mr. Shen confirmed that (i) the above companies were solvent and had not involved any material non-compliances prior to the deregistration; (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration of the above companies; and (iii) there was no wrongful act on his part leading to the deregistration of the above companies.

Mr. Shen Ming (沈鳴), aged 44, is our executive Director and General Manager. Mr. Shen Ming is primarily responsible for the management and business development of our Group. Mr. Shen Ming is the son of Mr. Shen, our Chairman and executive Director.

Mr. Shen Ming joined our Group in January 2010. He served as the assistant to the Chairman from January 2010 to July 2011, and has been acting as our General Manager since August 2011. Mr. Shen Ming has been acting as our Director since July 2019 and was re-designated as an executive Director in March 2026. Mr. Shen Ming also acts as the director of Taixing Huasheng, Huaying New Energy, Shengmei Lithium Battery, Xianghe New Energy and Huasheng Lianying.

Prior to joining our Group, from April 2008 to December 2009, Mr. Shen Ming served as a sales manager at Morita Chemical Industries Co., Ltd.

Mr. Shen Ming obtained his Bachelor's degree in business from Kansai University in Osaka Japan in March 2008 and was granted with the professional qualification of Senior engineer by Jiangsu Human Resources and Social Security Bureau (江蘇省人力資源和社會保障廳) in December 2022. Mr. Shen Ming was granted with the first award of the "China National Light Industry Council Scientific and Technological Invention Award (中國輕工業聯合會科學技術發明獎)" by the China National Light Industry Council (中國輕工業聯合會) in February 2013; and the second award of the "Jiangsu Provincial Science and Technology Award of 2015 (2015年度江蘇省科學技術獎)" by The People's Government of Jiangsu Province in February 2016.

Mr. Li Weifeng (李偉鋒), aged 49, is our executive Director and Deputy General Manager. Mr. Li is primarily responsible for assisting in the management and business development of our Group.

Mr. Li joined our Group in August 1997. From August 1997 to May 2000, Mr. Li served as a procurement and sales assistant. From June 2000 to March 2005, Mr. Li served as the assistant to the general manager of the operations department. He has been acting as our Deputy General Manager since April 2005. Mr. Li has been acting as our Director since July 2019 and was re-designated as an executive Director in March 2026. Mr. Li also acts as a director of Xianghe New Energy.

Mr. Li obtained his Bachelor's degree, majoring in economic and administration management from Nanjing Political College of the People's Liberation Army of China (中國人民解放軍南京政治學院) in Nanjing, the PRC in June 2014 and was granted with the professional qualification of Intermediate Engineer by Suzhou Human Resources and Social Security Bureau (蘇州市人力資源和社會保障局) in October 2023.

Mr. Li was a director and/or supervisor of the following companies which were established in the PRC and subsequently deregistered during his tenure:

Name of company	Position	Nature of business	Reason of deregistration	Date of deregistration
Jiangyin Hongqi Machinery Manufacturing Co., Ltd. (江陰市宏綺機械製造有限公司).	Supervisor	Manufacturing of chemical machinery	Voluntary dissolved due to cease of business operations	December 29, 2025
Zhangjiagang Huarong Dyeing & Finishing Auxiliary Co., Ltd. (張家港華榮染整助劑有限公司)	Director	Production and sales of printing and dyeing auxiliaries and related products	Dissolved by revocation of business license	December 3, 2009

Mr. Li confirmed that (i) the above companies were solvent and had not involved any material non-compliances prior to the deregistration; (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration of the above companies; and (iii) there was no wrongful act on his part leading to the deregistration of the above companies.

Mr. Lin Gang (林剛), aged 47, is our executive Director and Deputy General Manager. Mr. Lin is primarily responsible for assisting in the management and business development of our Group.

Mr. Lin joined our Group in September 1997. He successively served as the manager of the production department of the Company from September 1997 to July 2016 and has been acting as our Deputy General Manager since August 2022. Mr. Lin has been acting as our Director since July 2019 and was re-designated as an executive Director in March 2026. Mr. Lin also acts as the general manager of Taixing Huasheng.

Mr. Lin obtained his Bachelor’s degree, majoring in economic and administration management from Nanjing Political College of the People’s Liberation Army of China (中國人民解放軍南京政治學院) in Nanjing, the PRC in December 2014 and was granted with the professional qualification of Fine Chemical Engineer (工程師(精細化工)) by Taizhou Human Resources and Social Security Bureau (泰州市人力資源和社會保障局) in December 2021.

Non-executive Directors

Mr. Ma Yangguang (馬陽光), aged 48, is our non-executive Director. Mr. Ma is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group.

Mr. Ma joined our Group in March 2019. He was first appointed as our Director in March 2019 and ceased to be our Director in May 2020 due to his other working arrangements. He was reappointed as our Director in August 2022 and was re-designated as our non-executive Director in March 2026.

From August 2009 to December 2009, Mr. Ma successively served as investment manager and senior investment manager at Govtor Venture Capital Management Co., Ltd. (江蘇高投創業投資管理有限公司). From January 2010 to March 2017, he served as senior investment manager at Suzhou Govtor Venture Capital Management Co., Ltd. (蘇州高投創業投資管理有限公司). From 2014 to 2015, he served as deputy director of the Development and Reform Bureau of Gusu District, Suzhou City, Jiangsu province (江蘇省蘇州市姑蘇區發展和改革局). He has been serving as chairman of the board of Suzhou Dunxing Investment Management Co., Ltd. (蘇州敦行投資管理有限公司) since March 2017. In addition, he has been serving as director of Jiangsu Huayang Pharmaceutical Co., Ltd. (江蘇華陽製藥有限公司) since March 2018, of Suzhou Ximei Micro-nano System Co., Ltd. (蘇州希美微納系統有限公司) since March 2021 and of Suzhou Bangqi Biotechnology Co., Ltd. (蘇州邦器生物技術有限公司) since November 2024.

Mr. Ma obtained his Master’s degrees in Business Administration from Nanjing University (南京大學) in Nanjing, the PRC in June 2009, from Jilin University (吉林大學) in Jilin, the PRC in June 2019 and from Peking University (北京大學) in Beijing, the PRC in July 2023. He was granted with the professional qualification of Senior Economist by the Industry and Information Technology Department of Jiangsu (江蘇省工業和資訊化廳) and the Department of Human Resources and Social Security of Jiangsu Province (江蘇省人力資源和社會保障廳) in November 2024.

Ms. Kuang Yichun (匡怡純), aged 33, is our non-executive Director. Ms. Kuang is primarily responsible for providing guidance and advice on the corporate and business strategies of our Group.

Ms. Kuang joined our Group and has been acting as a Director since in September 2025. She was re-designated as a non-executive Director in March 2026.

From June 2014 to March 2016, Ms. Kuang served as an audit specialist at Zhangjiagang Furui Special Equipment Co., Ltd (張家港富瑞特種裝備股份有限公司) (previously known as Zhangjiagang Furui Boiler & Vessel Manufacturing Co., Ltd. (張家港市富瑞鍋爐容器製造有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 300228). From May 2016 to May 2017, Ms. Kuang served as a financial assistant at Jiangsu Jinfan Electric Group Co., Ltd (江蘇金帆電氣集團有限公司). She has been serving as the chief accountant of Zhangjiagang Jin Nonglian Industrial Co., Ltd. (張家港金農聯實業有限公司) and the finance manager of Suzhou Xinlianke Capital Co., Ltd. (蘇州新聯科創業投資有限公司) since June 2017, and the supervisor of Shanghai Qingyang Technology Co., Ltd. (上海氫洋科技有限公司) since February 2023. In addition, she has been serving as the chief accountant of Suzhou Jin Nonglian Entrepreneurship Investment Co., Ltd. (蘇州金農聯創業投資有限公司) since June 2017 and as the director of the company since August 2024.

Ms. Kuang obtained her Bachelor's degree, majoring in auditing from Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院) in Shanghai, PRC in July 2014.

Ms. Kuang was a supervisor of the following company which was established in the PRC and subsequently deregistered during her tenure:

Name of company	Position	Nature of business	Reason of deregistration	Date of deregistration
Zhangjiagang Yongguan Outdoor Products Co., Ltd. (張家港市永冠戶外用品有限公司)	Supervisor	Sales of outdoor products	Voluntary dissolved due to cease of business operations	April 29, 2021

Ms. Kuang confirmed that (i) the above company was solvent and had not involved any material non-compliances prior to the deregistration; (ii) she is not aware of any actual or potential claim which has been or could potentially be made against her as a result of the deregistration of the above company; and (iii) there was no wrongful act on her part leading to the deregistration of the above company.

Independent Non-executive Directors

Mr. Shi Haoming (史浩明), aged 62, has been acting as our independent non-executive Director since September 2025.

From December 1994 to January 2024, Mr. Shi served as an associate professor at Wang Jian Law School of Soochow University (蘇州大學王健法學院) in Suzhou, the PRC. From January 2010 to August 2023, Mr. Shi served as the vice president of the Civil Law Research Society of the Jiangsu Law Society (江蘇省法學會民法學研究會). From March 2021 to December 2024, he served as an independent director of Suzhou Futai Information Technology Co., Ltd. (蘇州市伏泰信息科技股份有限公司). Mr. Shi has been acting as a lawyer at Jiangsu Century's Dongwu Law Firm (江蘇百年東吳律師事務所) since August 1992. He has been acting as an independent director of Der Future Science and Technology Holding Group Co., Ltd. (德爾未來科技控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002631) since May 2023; and has been acting as an arbitrator for the Suzhou Arbitration Commissions (蘇州仲裁委員會) since November 1996.

Mr. Shi obtained his Bachelor's degree, majoring in law from Soochow University (蘇州大學) in Suzhou, the PRC in July 1986.

Dr. Zhou Haoshen (周豪慎), aged 61, has been acting as our independent non-executive Director since September 2025.

Dr. Zhou has been acting as a professor at the College of Engineering and Applied Sciences, Nanjing University (南京大學現代工程與應用科學學院) in Nanjing, the PRC since October 2012. From April 1997 to July 2021, Dr. Zhou successively served as a senior researcher, group leader and prime senior researcher at the National Institute of Advanced Industrial Science and Technology (AIST) in Japan.

Dr. Zhou obtained his Doctoral degree in engineering from The University of Tokyo in Tokyo, Japan in March 1994.

Dr. Zhou was a director of the following company which was established in the PRC and subsequently deregistered during his tenure:

Name of company	Position	Nature of business	Reason of deregistration	Date of deregistration
Nanjing Disifu New Energy Technology Research Institute Co., Ltd. (南京迪思伏新能源技術研究院有限公司)	Director	Research and development of new energy technology	Voluntary dissolved due to cease of business operations	January 16, 2023

Dr. Zhou confirmed that (i) the above company was solvent and had not involved any material non-compliances prior to the deregistration; (ii) he is not aware of any actual or potential claim which has been or could potentially be made against him as a result of the deregistration of the above company; and (iii) there was no wrongful act on his part leading to the deregistration of the above company.

Mr. Zhang Wei (張維), aged 39, has been acting as our independent non-executive Director since March 2026.

Mr. Zhang has extensive experience in corporate financing, fund management and auditing. From September 2008 to September 2011, Mr. Zhang served as an auditor at Deloitte & Touche LLP. From October 2011 to December 2015, he worked at KPMG with his last position as an audit manager. Mr. Zhang has previously worked as a finance manager at CMC Capital Partners HK Limited since December 2015, and he has also served as a senior finance manager at Asia-Germany Industrial Promotion Limited since June 2017, as the senior vice president at Lunar Capital Management Limited since April 2020, as the director of fund services at ICS Corporate Services since June 2021, and as the current managing director and member of ICS CPA Limited. Mr. Zhang has been acting as independent non-executive directors of Anhui Sinomags Technology Co., Ltd. (安徽希磁科技有限公司), Crealights Technology Co., Ltd. (北京海光芯正科技股份有限公司), and Harbin Yuyantang Traditional Chinese Medicine Outpatient Group Co., Ltd. (哈爾濱譽研堂中醫門診集團股份有限公司) since August 2025, October 2025 and January 2026, respectively.

Mr. Zhang has been registered as a certified public accountant with the Board of Accountancy of the Department of Professional and Financial Regulation Office of Professional and Occupational Regulation of the State of Maine in the United States since October 2020 and has also been registered as a certified public accountant with the Hong Kong Institute of Certified Public Accountants since March 2021. Mr. Zhang is a certified anti-money laundering specialist, the certification of which was awarded by the Association of Certified Anti-Money Laundering Specialist in March 2020. Mr. Zhang obtained a Bachelor's degree of science in business administration and accounting and corporate finance from San Francisco State University in San Francisco, the United States in May 2008.

Senior Management

Our senior management is responsible for the day-to-day management of our business. Our senior management team comprises all of our executive Directors as well as Mr. Huang Zhendong and Mr. Ren Guoping. See "Executive Directors" above for biographical information of our executive Directors.

Mr. Huang Zhendong (黃振東), aged 44, is our Deputy General Manager, secretary of the Board and one of our joint company secretaries. Mr. Huang is primarily responsible for Board related matters, capital market matters and corporate governance of our Group.

Mr. Huang joined our Group in October 2022. He has been acting as our Deputy General Manager since October 2022 and as our secretary of the Board since January 2023. Mr. Huang also acts as the supervisor of Xianghe New Energy and Huasheng Lianying.

From July 2008 to August 2010, he served as a finance manager at Fengli Group (Australia) Pty Ltd. From April 2011 to June 2017, Mr. Huang worked at the Financial Affairs Office of the Zhangjiagang Municipal People's Government (張家港市人民政府金融工作辦公室). From July 2017 to August 2022, he served as the general manager of the Guolian Minsheng Securities Co., Ltd. Zhangjiagang Nanyuan East Road Securities Office (國聯民生證券股份有限公司張家港南苑東路證券營業部). Mr. Huang has been acting as an independent director of Jiangsu Shagang Co., Ltd. (江蘇沙鋼股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002075) since May 2023; as an independent director of Suzhou And Science & Technology Development Corporation (蘇州愛得科技發展股份有限公司), a company listed on Beijing Stock Exchange (stock code: 920180) since March 2024; and as a director of Jiangsu Purestar EP Technology Co., Ltd. (江蘇浦士達環保科技股份有限公司) since May 2025.

Mr. Huang obtained his degree of Master of Professional Accounting from the University of Wollongong in New South Wales, Australia in December 2008.

Mr. Ren Guoping (任國平), aged 51, has been acting as our financial controller since June 2011. Mr. Ren is primarily responsible for the overall financial matters of our Group.

Prior to joining our Group, Mr. Ren worked in Jiangsu Shagang Group Co., Ltd. (江蘇沙鋼集團有限公司) from January 1999 to March 2003. From November 2007 to May 2011, he successively served as deputy manager and manager of the finance department of Zhangjiagang Hengye Special Resin Co., Ltd. (張家港衡業特種樹脂有限公司).

Mr. Ren obtained his Bachelor's degree majoring in statistics from Anhui University of Technology (安徽工業大學) in July 1998 and was granted with the professional qualification of senior accountant by Jiangsu Human Resources and Social Security Bureau (江蘇省人力資源和社會保障廳) in August 2015.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, none of our Directors and senior management held any directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document.

Save as disclosed above, none of our Directors and senior management is related to other Directors and senior management.

Save as disclosed above, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there are no material matters relating to their appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Huang Zhendong (黃振東) was appointed as one of the joint company secretaries of our Company with effect from March 11, 2026. For details of his biography, see "— Senior Management" above.

Ms. Kwok Yan Ting Jennis (郭恩廷) was appointed as one of the joint company secretaries of our Company with effect from March 11, 2026. Ms. Kwok has over 12 years of extensive experience in corporate governance, company secretarial practice and regulatory compliance. She is currently senior manager, Entity Solutions of [REDACTED].

Ms. Kwok holds a degree of Bachelor of Business Administration from Hong Kong Shue Yan University. She is a fellow member of both The Hong Kong Chartered Governance Institute (the "**HKCGI**") and The Chartered Governance Institute in the United Kingdom, and she is also a holder of the practitioner's endorsement of HKCGI. In addition, Ms. Kwok is a Certified Environmental, Social and Governance Analyst (CESGA®) accredited by The European Federation of Financial Analysts Societies (EFFAS) and a Certified ESG Planner (CEP®) awarded by the International Chamber of Sustainable Development (ICSD). She also holds the Sustainability and Climate Risk (SCR®) Certificate issued by the Global Association of Risk Professionals (GARP®).

BOARD COMMITTEES

Our Company has established four committees under the Board in accordance with the relevant laws and regulations in the PRC, the Articles of Association and the Corporate Governance Code under the Listing Rules, including the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

Strategy Committee

We have established the Strategy Committee in compliance with the Articles of Association. The primary duties of the Strategy Committee are to review our Company's long-term development strategies and major investment decisions, and to make recommendations to our Board. The Strategy Committee comprises three Directors, namely, Mr. Shen, Mr. Shen Ming and Dr. Zhou Haoshen, with Mr. Shen acting as the chairperson of the Strategy Committee.

Audit Committee

We have established the Audit Committee 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 our Company's financial information and its disclosure, supervise and evaluate internal and external audit work and internal control, and to provide our Board with professional advice. The Audit Committee comprises three Directors, namely, Mr. Zhang Wei, Mr. Shi Haoming and Ms. Kuang Yichun, with Mr. Zhang Wei, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules acting as the chairperson.

Nomination Committee

We have established the Nomination Committee in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to assess the candidates and review selection criteria and procedures for Directors and senior management, and to make recommendations to the Board. The Nomination Committee comprises three Directors, namely, Mr. Shi Haoming, Dr. Zhou Haoshen and Ms. Kuang Yichun, with Mr. Shi Haoming acting as the chairperson of the Nomination Committee.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee 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 formulate the appraisal standards for Directors and senior management, conduct appraisal, and formulate and review the remuneration policies and proposals for Directors and senior management. The Remuneration and Appraisal Committee comprises three Directors, namely, Dr. Zhou Haoshen, Mr. Zhang Wei and Mr. Ma Yangguang, with Dr. Zhou Haoshen acting as the chairperson of the Remuneration and Appraisal Committee.

CORPORATE GOVERNANCE CODE

We recognize the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. Our Company has adopted and is expected to comply with the code provisions in the Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

To accomplish the high standards of corporate governance, we will comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules and the associated Listing Rules after the [REDACTED].

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since the principal business operations of our Group are conducted outside of Hong Kong, our Company does not and for the foreseeable future will not have a sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange has granted us, a waiver from compliance with Rules 8.12 and 19A.15 of the Listing Rules. For details, see "Waivers from Strict Compliance with the Listing Rules — Waiver in respect of Management Presence in Hong Kong" in this document.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. We recognize and embrace the benefits of having a diverse Board and see increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the Nomination Committee will consider a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. In particular, our Company currently has one female Director in the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have three independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board diversity policy. Pursuant to the board diversity policy, after the [REDACTED], 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 formal adoption.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The Directors and senior management who receive remuneration from our Company are paid in forms of fees, salaries, allowances, discretionary bonuses, benefits in kind, retirement scheme contributions and share-based compensation. When reviewing and determining the specific remuneration packages for our Directors and senior management, the Shareholders' meetings and the Board of Directors take into account factors such as salaries paid by comparable companies, time commitment, level of responsibilities, employment elsewhere in our Group and desirability of performance-based remuneration. As required by the relevant PRC laws and regulations, our Company also participates in various defined contribution plans organized by relevant provincial and municipal government authorities and welfare schemes for employees of our Company, including medical insurance, injury insurance, unemployment insurance, pension insurance, maternity insurance and housing provident fund.

For the three years ended December 31, 2025, the total amount of remuneration paid to our Directors were RMB6.3 million, RMB6.2 million and RMB7.5 million, respectively.

For the three years ended December 31, 2025, the total emoluments paid to the five highest paid individuals (excluding four, four and four Directors) by us amounted to RMB1.5 million, RMB1.5 million and RMB1.7 million, respectively.

Pursuant to the arrangements currently in force, the aggregate amount of remuneration (excluding discretionary bonus) payable to and the benefits in kind receivable by our Directors for the year ending December 31, 2026, is estimated to be approximately RMB4.0 million.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors waived any remuneration. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to our Directors or the five highest paid individuals.

For more details on remuneration paid to our Directors and senior management and, on an aggregate basis, the five highest paid individuals of our Group during the Track Record Period, see Note 9 to the Accountants' Report as set out in Appendix I to this document.

CONFIRMATIONS FROM OUR DIRECTORS

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 26, 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 or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she had no past or present financial or other interest in the business of our 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 or her independence at the time of his or her appointments.

Rule 8.10 of the Listing Rules

Each of our Directors (excluding our independent non-executive Directors) confirms that as of the date of this document, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Ignite Capital (Asia Pacific) Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

(i) before the publication of any regulatory announcement, circular, or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases; and

(iii) where we propose to [REDACTED] 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 [REDACTED] of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the [REDACTED] and continue until the longer of (i) the date on which our Company complies with the requirements under Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately following the [REDACTED], or (ii) the appointment of an independent non-executive Director who will be ordinarily resident in Hong Kong has been confirmed and approved.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]; and (iii) without taking into account of the effect of the Potential Share Reduction Plan), each of the following persons will have an interest and/or short position in Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED]		
Name of shareholder	Nature of interest	Description of Shares	Number of Shares(1)	Approximately percentage of shareholding in the issued share capital of our Company	Number of Shares(1)	Approximate percentage of shareholding in the A Shares	Approximate percentage of shareholding in the total issued share capital of our Company
Mr. Shen	Beneficial Owner	A Shares	17,440,726	10.9%	17,440,726	10.9%	[REDACTED]
	Beneficial Owner(2)	A Shares	105,000	0.1%	105,000	0.1%	[REDACTED]
	Interest in controlled Corporation(3)	A Shares	3,103,000	2.0%	3,103,000	2.0%	[REDACTED]
	Interest controlled together with other persons(4)	A Shares	72,579,675	45.5%	72,579,675	45.5%	[REDACTED]
	Interest of spouse(5)	A Shares	580,793	0.4%	580,793	0.4%	[REDACTED]
Mr. Shen Ming	Beneficial Owner	A Shares	5,901,228	3.7%	5,901,228	3.7%	[REDACTED]
	Beneficial Owner(6)	A Shares	70,000	0.04%	70,000	0.04%	[REDACTED]
	Interest in controlled Corporation(7)	A Shares	5,597,000	3.5%	5,597,000	3.5%	[REDACTED]
	Interest controlled together with other persons(8)	A Shares	81,625,173	51.2%	81,625,173	51.2%	[REDACTED]
Jin Nonglian	Beneficial Owner	A Shares	23,539,518	14.8%	23,539,518	14.8%	[REDACTED]
Yangshe ECS	Interest in controlled Corporation(9)	A Shares	25,521,518	16.0%	25,521,518	16.0%	[REDACTED]
Dunxing II LP	Beneficial Owner	A Shares	11,724,039	7.4%	11,724,039	7.4%	[REDACTED]
Dunxing III LP	Beneficial Owner	A Shares	11,652,172	7.3%	11,652,172	7.3%	[REDACTED]
Dunxing Investment	Interest in Controlled Corporation(10)	A Shares	27,547,926	17.3%	27,547,926	17.3%	[REDACTED]
Dunxing Management	Interest in Controlled Corporation(10)	A Shares	27,547,926	17.3%	27,547,926	17.3%	[REDACTED]
Mr. Ma Yangguang	Interest in Controlled Corporation(10)	A Shares	27,547,926	17.3%	27,547,926	17.3%	[REDACTED]
Ms. Zhang Xuemei	Beneficial Owner	A Shares	550,793	0.3%	550,793	0.3%	[REDACTED]
	Beneficial Owner(11)	A Shares	21,000	0.01%	21,000	0.01%	[REDACTED]
	Interest controlled together with other persons(12)	A Shares	92,572,068	58.0%	92,572,068	58.0%	[REDACTED]
	Interest of spouse(13)	A Shares	20,648,726	12.9%	20,648,726	12.9%	[REDACTED]
Mr. Shen Gang	Beneficial Owner	A Shares	1,296,728	0.8%	1,296,728	0.8%	[REDACTED]
	Beneficial Owner(14)	A Shares	35,000	0.02%	35,000	0.02%	[REDACTED]
	Interest controlled together with other persons(15)	A Shares	91,802,673	57.6%	91,802,673	57.6%	[REDACTED]
Mr. Yuan Xuan	Beneficial Owner	A Shares	1,281,727	0.8%	1,281,727	0.8%	[REDACTED]
	Interest controlled together with other persons(16)	A Shares	91,841,674	57.6%	91,841,674	57.6%	[REDACTED]
Mr. Yuan Yang	Beneficial Owner	A Shares	1,426,728	0.9%	1,426,728	0.9%	[REDACTED]
	Interest controlled together with other persons(17)	A Shares	91,696,673	57.5%	91,696,673	57.5%	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED]		
Name of shareholder	Nature of interest	Description of Shares	Number of Shares(1)	Approximately percentage of shareholding in the issued share capital of our Company	Number of Shares(1)	Approximate percentage of shareholding in the A Shares	Approximate percentage of shareholding in the total issued share capital of our Company
Mr. Li Weifeng.	Beneficial Owner	A Shares	2,008,070	1.3%	2,008,070	1.3%	[REDACTED]
	Beneficial Owner(18)	A Shares	35,000	0.02%	35,000	0.02%	[REDACTED]
	Interest controlled together with other persons(19)	A Shares	91,115,331	57.1%	91,115,331	57.1%	[REDACTED]
Mr. Lin Gang	Beneficial Owner	A Shares	1,447,957	0.9%	1,447,957	0.9%	[REDACTED]
	Beneficial Owner(20)	A Shares	35,000	0.02%	35,000	0.02%	[REDACTED]
	Interest controlled together with other persons(21)	A Shares	91,675,444	57.5%	91,675,444	57.5%	[REDACTED]

Notes:

(1) All interests stated are long positions.

(2) Pursuant to the 2024 Restricted Share Incentive Plan, Mr. Shen had been granted with 150,000 second-class restricted A Shares, 105,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "Statutory and General Information — 4. Share Incentive Scheme" in Appendix VI to this document for details.

(3) As of the Latest Practicable Date, Mr. Shen acted as the general partner of Huaying III LP. Accordingly, Mr. Shen was deemed to be interested in such number of Shares held by Huaying III LP.

(4) As of the Latest Practicable Date, Mr. Shen was deemed to be interested in 72,579,675 A Shares by virtue of the Concert Party Agreements and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" in this document for details.

(5) Mr. Shen is the spouse of Ms. Zhang Xuemei. Accordingly, Mr. Shen is deemed to be interested in such number of Shares beneficially owned by Ms. Zhang Xuemei and the outstanding second-class restricted A Shares granted to Ms. Zhang Xuemei under the SFO.

(6) Pursuant to the 2024 Restricted Share Incentive Plan, Mr. Shen Ming had been granted with 100,000 second-class restricted A Shares, 70,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "Statutory and General Information — 4. Share Incentive Scheme" in Appendix VI to this document for details.

(7) As of the Latest Practicable Date, Mr. Shen Ming acted as the general partner of Huaying II LP. Accordingly, Mr. Shen Ming was deemed to be interested in such number of Shares held by Huaying II LP.

(8) As of the Latest Practicable Date, Mr. Shen Ming was deemed to be interested in 81,625,173 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

(9) As of the Latest Practicable Date, Yangshe ECS held approximately 51.0% of the equity interest of Jin Nonglian, and approximate 67.0% of the equity interest of Dong Jin. Accordingly, Yangshe ECS was deemed to be interested in such number of Shares held by Jin Nonglian and Dong Jin.

(10) As of the Latest Practicable Date, Dunxing Investment acted as the general partner of Dunxing Entities, including Dunxing II LP (holding 11,724,039 A Shares), Dunxing III LP (holding 11,652,172 A Shares) and Dunxing Venture (holding 4,171,715 A Shares). Dunxing Investment was owned by Dunxing Management as to approximately 85.0%, which in-turn wholly-owned by Mr. Ma Yangguang. Accordingly, Dunxing Investment, Dunxing Management and Mr. Ma Yangguang were deemed to be interest in such number of Shares owned by Dunxing Entities.

(11) Pursuant to the 2024 Restricted Share Incentive Plan, Ms. Zhang Xuemei had been granted with 30,000 second-class restricted A Shares, 21,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "Statutory and General Information — 4. Share Incentive Scheme" in Appendix VI to this document for details.

(12) As of the Latest Practicable Date, Ms. Zhang Xuemei was deemed to be interested in 92,572,068 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

(13) Ms. Zhang Xuemei is the spouse of Mr. Shen. Accordingly, Ms. Zhang Xuemei is deemed to be interested in such number of Shares beneficially owned by Mr. Shen and controlled by Mr. Shen through controlled corporation, as well as the outstanding second-class restricted A Shares granted to Mr. Shen under the SFO.

(14) Pursuant to the 2024 Restricted Share Incentive Plan, Mr. Shen Gang had been granted with 50,000 second-class restricted A Shares, 35,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "Statutory and General Information — 4. Share Incentive Scheme" in Appendix VI to this document for details.

(15) As of the Latest Practicable Date, Mr. Shen Gang was deemed to be interested in 91,826,673 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

(16) As of the Latest Practicable Date, Mr. Yuan Xuan was deemed to be interested in 91,841,674 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

(17) As of the Latest Practicable Date, Mr. Yuan Yang was deemed to be interested in 91,696,673 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

(18) Pursuant to the 2024 Restricted Share Incentive Plan, Mr. Li Weifeng had been granted with 50,000 second-class restricted A Shares, 35,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "Statutory and General Information — 4. Share Incentive Scheme" in Appendix VI to this document for details.

(19) As of the Latest Practicable Date, Mr. Li Weifeng was deemed to be interested in 91,115,331 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

(20) Pursuant to the 2024 Restricted Share Incentive Plan, Mr. Lin Gang had been granted with 50,000 second-class restricted A Shares, 35,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "Statutory and General Information — 4. Share Incentive Scheme" in Appendix VI to this document for details.

(21) As of the Latest Practicable Date, Mr. Lin Gang was deemed to be interested in 91,675,444 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

Save as disclosed above, our Directors are not aware of any persons who will, immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), have an interest and/or short positions in Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was 159,500,000 A Shares of nominal value of RMB1.00 each, which are all listed on the STAR Market of the Shanghai Stock Exchange.

Description of Shares	Number of Shares	Approximate percentage of issued share capital
A Shares in issue	159,500,000	100%
Total	**159,500,000**	**100%**

UPON COMPLETION OF THE [REDACTED]

Immediately following the completion of the [REDACTED], assuming that the [REDACTED] is not exercised and that no changes are made to our total issued share capital between the Latest Practicable Date and the [REDACTED], the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of issued share capital
A Shares in issue	159,500,000	[REDACTED]
H Shares to be [REDACTED] pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	**[REDACTED]**	**100%**

Immediately following the completion of the [REDACTED], assuming that the [REDACTED] is fully exercised and that no changes are made to our total issued share capital between the Latest Practicable Date and the [REDACTED], the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate percentage of issued share capital
A Shares in issue	159,500,000	[REDACTED]
H Shares to be [REDACTED] pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	**[REDACTED]**	**100%**

OUR SHARES

Our H Shares in issue upon completion of the [REDACTED], and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between the PRC and Hong Kong. However, apart from certain qualified domestic institutional investors in the PRC, the qualified investors in the PRC under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (if our [REDACTED] are eligible securities for that purpose) and other persons who are entitled to hold our [REDACTED] pursuant to relevant PRC law or upon approvals of any competent authorities, [REDACTED] generally cannot be subscribed for by, or traded by, legal or natural persons in the PRC.

Our A Shares can be subscribed for and traded by PRC investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in RMB. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas [REDACTED] pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. Our [REDACTED] can be [REDACTED] or [REDACTED] by Hong Kong and other overseas [REDACTED] and qualified domestic institutional [REDACTED]. If our [REDACTED] are eligible securities under the Southbound Trading Link, they can also be [REDACTED] and [REDACTED] by PRC [REDACTED] in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. Holders of our H Shares will receive share dividends in the form of 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 [REDACTED] AND [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the [REDACTED] of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《(H股公司境內未上市股份申請「全流通」業務指引》) announced by the CSRC are not applicable to companies dual listed in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for [REDACTED] and [REDACTED] on the 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 [REDACTED] 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 26, 2026 and is subject to the following conditions:

(i) Size of the [REDACTED]. The proposed number of H Shares to be [REDACTED] shall not exceed [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 [REDACTED] and a [REDACTED] for [REDACTED] in Hong Kong.

(iii) Target [REDACTED]. The H Shares shall be [REDACTED] to public [REDACTED] in Hong Kong under the [REDACTED] and international [REDACTED], qualified domestic institutional [REDACTED] in the PRC and other [REDACTED] who are approved by PRC regulatory bodies to [REDACTED] abroad in [REDACTED].

(iv) [REDACTED] basis. The [REDACTED] of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, acceptance of [REDACTED] and the risks related to the [REDACTED], according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(v) Validity period. The [REDACTED] of H Shares and [REDACTED] of H Shares on the Hong Kong Stock Exchange shall be completed within 24 months from the date when the shareholders' meeting was held on March 26, 2026.

There are no other approved [REDACTED] plans for our Shares except the [REDACTED].

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstance under which our shareholders' general meeting is required, see "Summary of the Articles of Association — Shareholders and Shareholders' Meeting" in Appendix V to this document.

SHARE INCENTIVE SCHEME

On July 16, 2024, our Company adopted the 2024 Restricted Share Incentive Plan. For details, please refer to "Statutory and General Information — 4. Share Incentive Scheme" in Appendix VI to this document.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2023, 2024 and 2025 included in the Accountants' Report set out in Appendix I to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

We are a globally leading lithium-ion battery materials supplier, engaging in the R&D, production and sales of lithium-ion battery electrolyte additives, including vinylene carbonate ("**VC**") and fluoroethylene carbonate ("**FEC**"), and other lithium-ion battery materials. According to CIC, we have been the largest global lithium-ion battery electrolyte additive supplier in most of the years since 2005 in terms of sales volume. Specifically, in 2025, we are the world's largest lithium-ion battery electrolyte additive supplier in terms of sales volume, with a market share of 15.2%, according to the same source. As the first Chinese player to enter into the global lithium-ion battery electrolyte additive market, we are committed to maintaining our market recognition as the most reliable supplier in the global lithium-ion battery materials industry through continuous technological innovations and timely adaptions to the evolving market.

In 2023, 2024 and 2025, our total revenue was RMB525.0 million, RMB504.9 million and RMB869.5 million, respectively, representing an increase of 65.6% from 2023 to 2025. We recorded net loss of RMB33.9 million, RMB188.6 million and RMB2.6 million, respectively in 2023, 2024 and 2025.

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (**"IFRS Accounting Standards**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB")**. Our historical financial information was prepared on a historical cost basis except for certain financial assets and liabilities measured at fair value. For the purpose of preparing our historical financial information, we have adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for certain amendments to the IFRS Accounting Standards that are not yet effective for the Track Record Period. The new standards and interpretations that are not yet adopted are set out in note 3.1 to the Accountants' Report set out in Appendix I to this Document.

The preparation of the historical financial information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying our Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to our historical financial information are disclosed in note 4 to the Accountants' Report set out in Appendix I to this Document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The growth and future success of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose challenges that we must successfully address in order to sustain our growth and improve our results of operations.

General Factors

- overall economic growth and conditions;
- development and market dynamics of the lithium-ion battery industry;
- conditions of the downstream markets of the lithium-ion battery industry and the resulting fluctuations in customer demand;
- technology development and competition in lithium-ion battery materials; and
- relevant laws and regulations, government policies and initiatives.

Company-specific Factors

Our business, results of operations and financial performance are principally affected by the following company-specific factors:

Our financial performance is subject to downstream market conditions

Downstream market conditions can affect our sales volume, average selling prices, and profitability.

During the Track Record Period, we offered a comprehensive product portfolio of lithium-ion battery materials, primarily comprising (i) lithium-ion battery electrolyte additives, including VC and FEC; and (ii) other materials, including anode materials, LiBOB, MMDS and specialty silicones. Among our comprehensive product portfolio, the sales of VC products constitute a substantial part of our revenue. In 2023, 2024 and 2025, our revenue generated from our VC products was RMB328.1 million, RMB343.5 million and RMB580.9 million, respectively, accounting for 62.5%, 68.0% and 66.8% of our total revenue in the same periods, respectively. Therefore, downstream market demands for our VC products have a material impact on our overall financial performance. During the Track Record Period, we primarily sold our VC products to lithium-ion battery electrolyte manufacturers and battery manufacturers, which are used in a wide variety of end markets, including primarily ESS, NEVs and consumer electronics. According to CIC, driven by the strong demand from ESS and NEV industries for lithium-ion batteries, the global lithium-ion battery market experienced rapid growth, with its market size expanding from approximately 303.0 GWh in 2020 to 2,257.0 GWh in 2025, representing a CAGR of 49.4%.

However, 2021, the lithium-ion battery industry experienced explosive growth and accordingly the market faced a severe shortage of supply for lithium-ion battery electrolyte additives. This market shortage attracted many new suppliers to enter into the lithium-ion battery electrolyte additive sector. At the same time, existing lithium-ion battery electrolyte additive suppliers aggressively expanded their production capacity. By 2023, production capacity of lithium-ion battery electrolyte additives increased significantly due to the completion of new production facilities and their commencement of mass production. As a result, there was intensified competition arising from overcapacity of lithium-ion battery electrolyte additives, which materially and adversely affected the price of lithium-ion battery electrolytic additives. The average market price of lithium-ion battery electrolyte additives declined significantly from RMB200 thousand–RMB500 thousand per tonne in 2022 to RMB55 thousand per tonne in 2024 and early 2025, according to CIC. Starting from 2025, as the phase out of overcapacity and the strong downstream market demand from ESS and NEV industries, the prices of lithium-ion battery electrolytic additives slowly recovered. According to CIC, the fluctuations in our financial performance during the Track Record Period were consistent with prevailing industry trends and price ranges.

The global lithium-ion battery market size is expected to continue expanding, reaching approximately 6,284.3 GWh by 2030, with a CAGR of 22.7% from 2025 to 2030. Given continued growth in downstream demand for ESS and NEVs, the market price of our VC and FEC products has started to increase in the third quarter of 2025 and increased significantly in the fourth quarter of 2025, according to CIC. It is estimated that the average price for VC and FEC will increase to RMB106.4 thousand per tonne in 2026, according to the same source.

Our production capacity and processes

Stable and scalable production capacity is key to our success. The steady expansion of our production capacity as well as our continual upgrades of production processes underpinned our rapid growth during the Track Record Period. As of the Latest Practicable Date, we had established a robust production network, including five production bases consisting of eight factories, achieving an annual production capacity of 20,500 tonnes in total for VC and FEC products. See "Business — Production".

We plan to prudently and efficiently expand our production capacity to sustain our market leading position so that we are poised to meet the escalating market demand for lithium-ion battery materials to further grow our revenue and realize economies of scale while maintaining optimal cost structure. The successful upgrade and expansion of our production capability require the ability to formulate and execute upgrade and expansion plans, expand and construct new facilities and maintain and purchase production equipment in cost-effective and efficient manners. As we continue to expand our production capacity, we expect to continue to incur substantial capital expenditures, which may be adjusted according to our development plans or in light of the market conditions of the lithium-ion battery industry and the related downstream markets, as well as other factors we believe to be appropriate.

Our ability to control costs

Our ability to control costs has a material impact on our profitability and margins. We had several upgrades of proprietary processing technologies to effectively and efficiently control our costs during the Track Record Period. These technologies include primarily (i) in VC production, increasing reaction efficiency of the photocatalytic chlorination process and inhibiting discoloration; (ii) in FEC production, the "one-step" short-process method and resource recycling and solvent recovery; and (iii) in silicon-carbon anode material production, the controlled fluidized bed CVD technology. See "Business — Production — Production Technologies". As a result, we have been able to effectively control our costs. Our cost of sales to revenue ratio decreased from 122.9% in 2024 to 90.3% in 2025, contributing to a successful transition from gross loss to gross profit. We expect to further upgrade our production technologies and cost control measures to improve our profitability.

Fluctuation in raw material prices

During the Track Record Period, the cost of raw materials, such as EC, accounted for a significant portion of our cost of sales. In 2023, 2024 and 2025, our raw material costs were RMB175.5 million, RMB246.3 million and RMB364.4 million, respectively, accounting for 35.8%, 39.7% and 46.4% of our total cost of sales in the same year, respectively. Therefore, the prices of raw materials, such as EC, used for our products, have a significant impact on our results of operations. According to CIC, in 2022, the sharp surge in EC prices drove a synchronous increase in the prices of lithium-ion battery electrolyte additives. Since the second half of 2022, EC prices have continued to decline and remained at a low level, which has reduced the costs of lithium-ion battery electrolyte additives. The prices of raw materials are determined principally by market forces, as well as our bargaining power with our suppliers. We have implemented comprehensive supply chain management measures and maintain a diversified base of suppliers, which we believe will continue to enable us to maintain a stable supply chain to mitigate the risk of material adverse price fluctuations of key raw materials. To the extent we cannot manage material adverse fluctuations in raw material prices, our profit margin would be affected.

Our relationships with industry-leading customers

As many of our customers are well-known companies with a significant market share in their respective end markets, having direct connections with them enables us to precisely understand and respond to their requirements, which helps us offer products and services that keep up with our customers' specific and evolving needs. By engaging early in the product introduction phase to collaborate with customers and understand their needs and market dynamics, we aim to improve product quality, enhance batch consistency, boost orders, shipments and maintain and improve customer retention. We gain our customers primarily by capitalizing on our brand reputation and substantial industry influence established through sustained, comprehensive and in-depth collaboration with leading market players across the industry chain.

Some of our customers have market dominance, and thus a significant portion of our revenue may come from such industry-leading customers. As a result, maintaining good relationships with such customers and developing new relationships with other industry-leading customers are critical to our business. We plan to attract new customers across the lithium-ion battery industry by continually developing novel materials and launching new products and deepen collaborations with existing customers by exploring new areas of cooperation with our novel and enhanced product solutions. Through stable and lasting collaboration with customers, we have acquired advance knowledge in their product demands and industry needs. We continually iterate our products to focus not only on functionality but also on industrialization feasibility, reliability and performance, with a view to cater for our customers' needs. A loyal and growing customer base will help us increase our sales volume, thereby improving our revenue and gross margins, consolidating our market leadership.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the historical financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Our critical accounting policies and significant estimates, assumptions and judgment are set forth in details in Notes 3.2 and 4 to the Accountants' Report in Appendix I to this Document.

DESCRIPTION OF SELECTED ITEMS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets out a summary of our consolidated statements of comprehensive income for the years indicated:

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	525,031	504,899	869,489
Cost of sales	(490,411)	(620,672)	(785,478)
Gross profit/(loss)	**34,620**	**(115,773)**	**84,011**
Other income	31,924	19,261	29,706
Other gains and losses, net	42,618	35,637	84,627
Research and development expenses	(47,459)	(41,024)	(51,795)
Administrative and other operating expenses	(91,930)	(101,588)	(109,704)
Selling expenses	(7,356)	(5,744)	(9,062)
Provision for impairment losses on financial assets	(509)	(7,023)	(13,359)
Finance costs	(1,121)	(2,184)	(2,719)
Share of results of associates, net	—	(1,224)	(17,949)
Loss before income tax	**(39,213)**	**(219,662)**	**(6,244)**
Income tax credited	5,271	31,111	3,680
Loss for the year	**(33,942)**	**(188,551)**	**(2,564)**
(Loss)/profit for the year attributable to:			
Owners of the Company	(23,912)	(174,675)	13,257
Non-controlling interests	(10,030)	(13,876)	(15,821)
	(33,942)	**(188,551)**	**(2,564)**

Revenue

During the Track Record Period, our revenue was primarily generated through the sales of our VC and FEC products.

The table below sets out a breakdown of our total revenue by product for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
VC	328,108	62.5	343,489	68.0	580,899	66.8
FEC	153,124	29.2	111,469	22.1	237,177	27.3
Other products[1]	43,799	8.3	49,941	9.9	51,413	5.9
Total	**525,031**	**100.0%**	**504,899**	**100.0%**	**869,489**	**100.0%**

Note:

(1) Other products included primarily anode materials, LiBOB, MMDS and specialty silicones.

During the Track Record Period, VC and FEC together contributed to most of our revenue. Specifically, VC was our single largest revenue contributor during the Track Record Period. Our revenue generated from the sales of VC products accounted for 62.5%, 68.0% and 66.8% of our total revenue in 2023, 2024 and 2025, respectively, and our revenue generated from the sales of FEC products accounted for 29.2%, 22.1% and 27.3% of our total revenue in the same years, respectively. Sales of our VC and other products recorded an increasing trend during the Track Record Period, primarily due to the increased sales volume as a result of strong market demand from the ESS and NEV industries. Sales of our FEC products decreased in 2024, primarily due to the decreased average selling price, which was influenced by intense market competition and the corresponding overcapacity within the industry. In 2025, the revenue generated from FEC products increased due to a significant increase of sales volume as a result of the strong market demand from the ESS and NEV industries.

The table below sets out the average selling price and sales volume of our VC and FEC products for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	Average selling price RMB'000/ tonne	*Sales volume tonne*	*Average selling price RMB'000/ tonne*	*Sales volume tonne*	*Average selling price RMB'000/ tonne*	*Sales volume tonne*
VC	60.9	5,390.4	42.6	8,065.8	46.5	12,486.9
FEC	57.4	2,669.0	31.8	3,501.0	29.8	7,952.1

During the Track Record Period, the average selling prices of our VC and FEC products were highly correlated with the market demands and industry competition. Sales volume of our VC and FEC products increased during the Track Record Period, primarily as a result of the expanding market demand driven by the ESS and NEV industries. The average selling prices of our VC products decreased from 2023 to 2024, primarily due to the intensified industry competition and the corresponding overcapacity in 2024, while slightly recovered from 2024 to 2025, primarily due to the phase out of overcapacity and the increased market demand in the ESS and NEV industries. The average selling prices of our FEC products reached an extremely low position in 2024 in line with industry trend, primarily due to the intensified industry competition and the corresponding overcapacity. FEC's selling prices continued to decrease in the first half of 2025 and started to recover in the second half of 2025, which result in a slight decrease in the average selling prices in 2025. This recovery in FEC's selling prices was primarily as a result of the phase out of overcapacity within the industry and the strong market demand in the ESS and NEV industries. As downstream demand continues to grow, together with the gradual reduction in excess supply-side capacity, the selling prices of VC and FEC are expected to enter an upward cycle starting from 2026, according to CIC.

The fluctuations in the selling prices of our VC and FEC products during the Track Record Period were consistent with the industry trend, according to CIC.

Cost of Sales

During the Track Record Period, our cost of sales consisted primarily of (i) raw material costs, mainly relating to chemical raw materials and auxiliary raw materials; (ii) manufacturing costs; (iii) employee benefit expenses comprising salaries, bonus, equity incentives, social insurance premiums and housing provident fund contributions for our production staff; and (iv) logistics fees. The following table sets out the breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw material costs	175,542	35.8	246,349	39.7	364,395	46.4
Manufacturing costs	247,569	50.5	295,764	47.7	335,669	42.7
Employee benefit expenses	58,292	11.9	63,909	10.3	71,487	9.1
Logistics fees	9,008	1.8	14,650	2.3	13,927	1.8
Total	**490,411**	**100.0%**	**620,672**	**100.0%**	**785,478**	**100.0%**

Our cost of sales increased during the Track Record Period, primarily due to the increased sales volume of our VC and FEC products.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

Our gross profit/(loss) represents our revenue less our cost of sales. Our gross profit/(loss) margin represents our gross profit/(loss) divided by our revenue, expressed as a percentage. The following table sets out the breakdown of our gross profit/(loss) and gross profit/(loss) margin by product for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
VC	28,594	8.7	(34,932)	(10.2)	105,943	18.2
FEC	3,841	2.5	(59,409)	(53.3)	(9,771)	(4.1)
Other products[(1)]	2,185	5.0	(21,431)	(42.9)	(12,161)	(23.7)
Total	**34,620**	**6.6%**	**(115,773)**	**(22.9)%**	**84,011**	**9.7%**

Note:

(1) Other products included primarily anode materials, LiBOB, MMDS and specialty silicones.

We recorded gross profit of RMB34.6 million in 2023 and RMB84.0 million in 2025, while gross loss of RMB115.8 million in 2024. We recorded gross profit margin of 6.6% in 2023 and 9.7% in 2025, while gross loss margin of 22.9% in 2024. The fluctuations in our gross profit/loss and gross margin positions were consistent with the fluctuations of the average selling prices of our VC and FEC products during the Track Record Period. For details of the fluctuations of the sales volume and average selling prices of our VC and FEC products, see "Financial Information — Description of Selected Items of Our Consolidated Statements of Comprehensive Income — Revenue".

To a lesser extent, our improved profitability and margin in 2025 was also the effect of the outpace of our revenue over our cost of sales, primarily due to the declined raw material prices and improved cost structure achieved through technology upgrade and economies of scale. Specifically, our cost-to-revenue ratio decreased from 122.9% in 2024 to 90.3% in 2025.

See "Industry Overview — Price Analysis" regarding the fluctuations of the price of our raw materials.

Other Income

Our other income mainly consisted of (i) interest income; and (ii) government grants primarily in relation to additional deductions of input VAT for purchase of raw materials and equipment. Government grants were provided by the governments on a one-off basis and at the discretion of the governments. Certain of our government grants are amortized in accordance with the milestones of our construction projects. The following table sets out a breakdown of our other income for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest income	24,542	12,069	7,228
Government grants and additional deduction of input VAT	7,270	7,039	22,402
Others[1]	112	153	76
Total	**31,924**	**19,261**	**29,706**

Note:

(1) Others included primarily return of handling fees for withholding income tax.

Other Gains and Losses, Net

Our other gains and losses, net, consisted of (i) investment income from financial assets at fair value through profit or loss ("**FVTPL**"), primarily wealth management products we purchased from reputable licensed commercial banks in China and our investment in Nanyuan Fund; (ii) fair value gains/(losses) on financial assets at FVTPL in relation to our wealth management products; (iii) foreign exchange gains/(losses); (iv) losses on disposal of property, plant and equipment and other assets; (v) capital markets incentives granted by local government in relation to our A-share Listing; and (vi) impairment losses of property, plant and equipment. The following table sets out a breakdown of our other gains and losses, net for the years indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investment income from financial assets at FVTPL	41,387	35,363	92,933
Fair value gains on financial assets at FVTPL	—	598	3,054
Foreign exchange gains (loss)	2,068	1,974	(2,853)
Losses on disposal of property, plant and equipment and other assets	(2,504)	(1,845)	(6,248)
Capital market incentives	2,700	—	—
Impairment losses of property, plant and equipment	—	—	(1,990)
Others[1]	(1,033)	(453)	(269)
Total	**42,618**	**35,637**	**84,627**

Note:

(1) Others included primarily donations for public welfare.

Research and Development Expenses

Our research and development costs primarily consisted of (i) employee benefit expenses comprising salaries, bonus, equity incentives, social insurance premiums and housing provident fund contributions for our research and development employees; (ii) R&D materials consumed for conducting our research and development projects; (iii) depreciation and amortization of our R&D equipment as a result of our new R&D departments; and (iv) outsourced R&D fees to service providers to assist with our R&D projects. The following table sets out the breakdown of our research and development costs by nature for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	18,965	40.0	17,207	41.9	19,145	37.0
R&D materials consumed	21,781	45.9	14,290	34.8	15,791	30.5
Depreciation and amortization	5,000	10.5	6,498	15.8	7,392	14.3
Outsourced R&D fees	867	1.8	2,059	5.0	4,659	9.0
Others[(1)]	846	1.8	970	2.5	4,808	9.2
Total	**47,459**	**100.0%**	**41,024**	**100.0%**	**51,795**	**100.0%**

Note:

(1) Others included primarily consulting fee in relation to R&D projects and patent fee.

Our research and development expenses decreased from 2023 to 2024, primarily due to a decrease in R&D materials consumed in 2024. This was because we consumed a large amount of R&D materials in relation to several R&D projects to improve our technologies in manufacturing VC and FEC products in 2023. Our research and development expenses increased from 2024 to 2025, primarily due to an increase in the number of our R&D employees, the establishment of our new R&D departments, and our increased R&D collaborations with R&D service providers.

Administrative and Other Operating Expenses

Our administrative and other operating expenses primarily consisted of (i) employee benefit expenses comprising salaries, bonus, equity incentives, social insurance premiums and housing provident fund contributions for our administrative staff, (ii) depreciation and amortization of our offices and buildings used for administrative purpose, (iii) business development expenses, (iv) office expenses and travelling costs, (v) professional service fees in relation to auditing, legal, consulting and other fees in the ordinary course of our business, and (vi) tax and surcharges primarily in relation to land, properties and education imposed by local government. The following table sets out the breakdown of our administrative and other operating expenses by nature for the years indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	58,503	63.6	59,217	58.3	65,187	59.4
Depreciation and amortization	9,530	10.4	16,879	16.6	19,221	17.5
Business development expenses	2,883	3.1	3,028	3.0	2,891	2.6
Office expenses and travelling costs	3,303	3.6	3,023	3.0	3,479	3.2
Professional service fees	3,313	3.6	4,612	4.5	3,139	2.9
Tax and surcharges	6,993	7.6	9,052	8.9	9,415	8.6
Others[(1)]	7,405	8.1	5,777	5.7	6,372	5.8
Total	**91,930**	**100.0%**	**101,588**	**100.0%**	**109,704**	**100.0%**

Note:

(1) Others included primarily insurance expenses and repair and maintenance expenses in relation to office buildings.

Our administrative and other operating expenses increased from 2023 to 2024, primarily due to the increases in depreciation and amortization and tax and surcharges, as a result of our new office buildings completed in 2024. Our administrative and other operating expenses increased from 2024 to 2025, primarily due to (i) an increase in employee benefit expenses as a result of an increase in the number of our admin staff recruited for our new production facilities; and (ii) an increase in depreciation and amortization as a result of our new office buildings.

Selling Expenses

Our selling expenses primarily consisted of (i) employee benefit expenses; and (ii) rental and logistics fees for packaging materials. We rent barrels and tanks to ship our products, and recycle such packaging materials after the shipment which incurred such rental and logistics fees. The following table sets out the breakdown of our selling expenses by nature for the years indicated.

	Year ended December 31,					
	2023		**2024**		**2025**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	2,992	40.7	2,949	51.3	4,425	48.8
Rental and logistics fees for packaging materials	3,798	51.6	1,966	34.2	3,998	44.1
Others[1]	566	7.7	829	14.5	639	7.1
Total	**7,356**	**100.0%**	**5,744**	**100.0%**	**9,062**	**100.0%**

Note:

(1) Others included primarily travel and transportation expenses.

The decrease in our selling expenses from 2023 to 2024, primarily because we used more tanks in shipping our products, which is more cost-efficient compared to barrels. The increase in our selling expenses from 2024 to 2025 was in line with our increased sales volume and revenue growth.

Provision for Impairment Losses on Financial Assets

Our provision for impairment losses on financial assets related primarily to our trade and notes receivables. We use ECL rate determined by our management to measure the loss allowance of our trade and notes receivables. Our impairment losses on financial assets increased from RMB0.5 million in 2023 to RMB7.0 million in 2024 and further to RMB13.4 million in 2025, largely in line with our increased trade and notes receivables during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, there was no material individual impairment loss on our trade and notes receivables.

Finance Costs

Our finance costs primarily consisted of interest expense on (i) borrowings; (ii) amount due to other investors of a fund in relation to the shortfall in our capital injection to the Nanyuan Fund, and (iii) lease liabilities. The following table sets out a breakdown of our finance cost for the years indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on borrowings	4,019	5,048	8,764
Interest expense on amount due to other investors of a fund	1,003	2,003	1,529
Interest expense on lease liabilities	56	29	7
	5,078	7,080	10,300
Less:			
Capitalization	(3,957)	(4,896)	(7,581)
Total	**1,121**	**2,184**	**2,719**

Our finance costs increased during the Track Record Period, primarily due to the increased expense on borrowings, as a result of our increased bank borrowings to support our business operations and construction projects in relation to office building and production facilities. This increase was partially offset by an increase in interest capitalized as a result of more construction projects during the Track Record Period, particularly in 2025.

Share of Results of Associates, Net

We recorded net losses from our shares of results of associates, net of nil, RMB1.2 million and RMB17.9 million in 2023, 2024 and 2025, respectively, primarily due to the lossing-making of our associate, namely Nanyuan Fund.

Income Tax Credited

We are subject to income tax on an entity basis in the jurisdictions where our subsidiaries are domiciled and operate. Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and the respective regulations ("**EIT Law**"), the applicable statutory tax rate of our PRC subsidiaries is 25% unless those subject to tax exemption set out below. Our Company and our subsidiary, Taixing HSC Fine Chemical Co., Ltd., were qualified as "High and New Technology Enterprises (HNTE)" in 2023 and are therefore entitled to a preferential tax rate of 15% from 2023 to 2025. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Our income tax credited consisted of current income tax and deferred tax credit. The following table sets forth a breakdown of our income tax credited for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	1,499	(18)	2,396
Deferred tax credit	(6,770)	(31,093)	(6,076)
Income tax credited	**(5,271)**	**(31,111)**	**(3,680)**

We had income tax credited of RMB5.3 million, RMB31.1 million and RMB3.7 million in 2023, 2024 and 2025, respectively, primarily due to our deferred tax credit recorded in each year, in line with the fluctuations of our net losses during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had paid all income tax expenses that were due and applicable to us and had no material disputes or unresolved tax issues with relevant tax authorities.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenue

Our revenue increased by 72.2% from RMB504.9 million in 2024 to RMB869.5 million in 2025, primarily due to the increased revenue generated from both our VC and FEC products.

VC

Our revenue generated from VC increased by 69.1% from RMB343.5 million in 2024 to RMB580.9 million in 2025. The increase was primarily due to a 54.6% increase in sales volume and a 9.9% increase in selling prices of our VC products, driven by strong market demand from ESS and NEV industries.

FEC

Our revenue generated from FEC increased by 112.8% from RMB111.5 million in 2024 to RMB237.2 million in 2025. The increase was primarily due to a 127.1% increase in sales volume of our FEC products, driven by the strong market demand from ESS and NEV industries.

Other Products

Our revenue generated from other products remained relatively stable at RMB51.4 million in 2025, as compared to RMB49.9 million in 2024.

Cost of Sales

Our cost of sales increased by 26.9% from RMB620.7 million in 2024 to RMB785.5 million in 2025, primarily due to (i) an increase of RMB118.0 million in costs of raw materials and (ii) an increase of RMB39.9 million in manufacturing costs, both of which were as a result of a significant increase in the sales volume of our VC and FEC products.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

We recorded gross loss of RMB115.8 million and gross loss margin of 22.9% in 2024, respectively, while gross profit of RMB84.0 million and gross profit margin of 9.7% in 2025, respectively. Such increases were primarily due to (i) the improved profitability and margin of our

VC products, which was our single largest revenue contributor; and (ii) the outpace of our revenue over our cost of sales, primarily due to the declined raw material prices and improved cost structure achieved through technology upgrade and economies of scale.

VC

For our VC products, we recorded gross loss of RMB34.9 million and gross loss margin of 10.2% in 2024, respectively, while gross profit of RMB105.9 million and gross profit margin of 18.2% in 2025, respectively. This was primarily due to the increase in both sales volume and average selling prices of our VC products in 2025, as a result of the phase out of overcapacity in our industry and the strong market demand from ESS and NEV industries. See "— Description of Selected Items of our Consolidated Statements of Comprehensive Income — Revenue" for the detailed discussion of the fluctuations in the sales volume and average selling prices of our VC and FEC products.

FEC

We recorded gross loss and gross loss margin for our FEC products in 2024 and 2025. Our gross loss of FEC narrowed by 83.6% from RMB59.4 million in 2024 to RMB9.8 million in 2025, with narrowed gross loss margin of FEC from 53.3% in 2024 to 4.1% in 2025. Both improved positions were primarily due to the phase out of overcapacity in our industry and the strong market demand from the ESS and NEV industries.

Other Products

We recorded gross loss and gross loss margin for other products in 2024 and 2025. Our gross loss of other products narrowed by 43.3% from RMB21.4 million in 2024 to RMB12.2 million in 2025, with narrowed gross loss margin from 42.9% in 2024 to 23.7% in 2025. This narrowed position of gross loss and gross loss margin from 2024 to 2025 was primarily due to the completion of the technological upgrade of certain production facilities, which commenced production.

Other Income

Our other income increased by 54.2% from RMB19.3 million in 2024 to RMB29.7 million in 2025, primarily due to an increase of RMB15.4 million in government grants as a result of (i) more output VAT deduction arising from the unused input VAT accumulated in 2023 and 2024; and (ii) loss-related subsidies granted by local governments, partially offset by a decrease of RMB4.8 million in interest income as a result of fewer bank deposits.

Other Gains and Losses, Net

Our other gains and losses, net increased by 137.5% from RMB35.6 million in 2024 to RMB84.6 million in 2025, primarily due to an increase of RMB57.6 million in investment income from financial assets at FVTPL in relation to the de-consolidation of the Nanyuan Fund.

Research and Development Expenses

Our research and development expenses increased by 26.3% from RMB41.0 million in 2024 to RMB51.8 million in 2025, primarily due to (i) an increase of RMB1.9 million in employee benefit expenses as a result of an increase in the number of our R&D personnel as a result of the establishment of our new R&D; (ii) an increase of RMB2.6 million in outsourced R&D fees as a result of more R&D collaborations with R&D service providers; and (iii) an increase of RMB3.8 million in others as a result of consulting fee in relation to R&D projects and patent fee.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 8.0% from RMB101.6 million in 2024 to RMB109.7 million in 2025, primarily due to (i) an increase of RMB6.0 million in employee benefit expenses as a result of an increase in the number of administrative employees recruited for our new production facilities; and (ii) an increase of RMB2.3 million in depreciation and amortization as a result of our new office buildings.

Selling Expenses

Our selling expenses increased by 57.8% from RMB5.7 million in 2024 to RMB9.1 million in 2025, primarily due to (i) an increase of RMB1.5 million in employee benefit expense as a result of more bonuses paid our sales personnel, in line with our revenue growth; and (ii) an increase of RMB2.0 million in rental and logistics fees for packaging materials, in line with our increased sales volume.

Provision for Impairment Losses on Financial Assets

Our provision for impairment losses on financial assets increased by 90.2% from RMB7.0 million in 2024 to RMB13.4 million in 2025, in line with our increased trade and notes receivables.

Finance Costs

Our finance costs remained relatively stable at RMB2.7 million in 2025, as compared to RMB2.2 million in 2024.

Share of Results of Associates, Net

Our share of net loss of associates increased by 1,366.4% from RMB1.2 million in 2024 to RMB17.9 million in 2025, primarily due to the loss-making of Nanyuan Fund and Jiangsu PureStar.

Income Tax Credited

Our income tax credited decreased by 88.2% from RMB31.1 million in 2024 to RMB3.7 million in 2025, in line with our significantly narrowed loss.

Loss for the Year

Our net loss narrowed significantly by 98.6% from RMB188.6 million in 2024 to RMB2.6 million in 2025, and our net loss margin narrowed from 37.3% in 2024 to 0.3% in 2025. The narrowed losses and loss margins were primarily due to our improved gross profit and gross margin positions as explained above.

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

Revenue

Our revenue decreased by 3.8% from RMB525.0 million in 2023 to RMB504.9 million in 2024, primarily due to a decrease of RMB41.7 million in revenue generated from our FEC products, partially offset by an increase of RMB15.4 million in revenue generated from our VC products.

VC

Our revenue generated from VC increased by 4.7% from RMB328.1 million in 2023 to RMB343.5 million in 2024, primarily due to a 49.6% increase in the sales volume, despite a 30.0% decrease in the average selling prices as a result of the intensified market competition and the corresponding overcapacity in our industry.

FEC

Our revenue generated from FEC decreased by 27.2% from RMB153.1 million in 2023 to RMB111.5 million in 2024, primarily due to a 44.6% decrease in the average selling prices, despite a 31.2% increase in the sale volume as a result of as a result of the intensified market competition and the corresponding overcapacity.

Other Products

Our revenue generated from other products increased by 14.0% from RMB43.8 million in 2023 to RMB49.9 million in 2024.

Cost of Sales

Our cost of sales increased by 26.6% from RM490.4 million in 2023 to RMB620.7 million in 2024, primarily due to (i) an increase of RMB70.8 million in costs of raw materials and (ii) an increase of RMB48.2 million in manufacturing costs, both of which were as a result of a significant increase in the sales volume of our VC and FEC products.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

We recorded gross profit of RMB34.6 million and gross profit margin of 6.6% in 2023, respectively, while gross loss of RMB115.8 million and gross loss margin of 22.9% in 2024, respectively. This was primarily due to the combined effects of our loss-making position of VC, FEC and other products.

VC

For our VC products, we recorded gross profit of RMB28.6 million and gross profit margin of 8.7% in 2023, respectively, while gross loss of RMB34.9 million and gross loss margin of 10.2% in 2024, respectively. This was primarily due to a significant decrease in the average selling prices as a result of the intensified market competition and the corresponding overcapacity.

FEC

For our FEC products, we recorded gross profit of RMB3.8 million and gross profit margin of 2.5% in 2023, respectively, while gross loss of RMB59.4 million and gross loss margin of 53.3% in 2024, respectively. This was primarily due to a significant decrease in the average selling prices as a result of the intensified market competition and the corresponding overcapacity.

Other Products

For our other products, we recorded gross profit of RMB2.2 million and gross profit margin of 5.0% in 2023, respectively, while gross loss of RMB21.4 million and gross loss margin of 42.9% in 2024, respectively. This was primarily due to (i) our inability to make profits at the early stage of new products launch; and (ii) the temporary shutdown of our certain production facilities for technology upgrades. It is common for lithium-ion battery electrolytic additive manufacturers to be loss-making when they launch a new product into the market, according to CIC.

Other Income

Our other income decreased by 39.7% from RMB31.9 million in 2023 to RMB19.3 million in 2024, primarily due to a decrease of RMB12.5 million in interest income of as a result of decreased bank deposits.

Other Gains and Losses, Net

Our other gains and losses, net decreased by 16.4% from RMB42.6 million in 2023 to RMB35.6 million in 2024, primarily due to (i) a decrease of RMB6.0 million in investment income from financial assets at FVTPL as a result of the decreased rate yield in our wealth management products and structured deposits and (ii) a decrease of RMB2.7 million in capital market incentives granted in 2023 in relation to the A-Share Listing.

Research and Development Expenses

Our research and development expenses decreased by 13.6% from RMB47.5 million in 2023 to RMB41.0 million in 2024, primarily due to a decrease of RMB7.5 million in R&D raw materials costs because we consumed a large amount of R&D materials in relation to several R&D projects to improve our technologies in manufacturing VC and FEC products in 2023.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by 10.5% from RMB91.9 million in 2023 to RMB101.6 million in 2024, primarily due to (i) an increase of RMB7.3 million in depreciation and amortization as a result of our new office buildings and (ii) an increase of RMB2.1 million in tax and surcharges as a result of the construction of our new office buildings and production facilities.

Selling Expenses

Our selling expenses decreased by 21.9% from RMB7.4 million in 2023 to RMB5.7 million in 2024, primarily due to a decrease of RMB1.8 million in rental and logistics fees for packaging materials because we used more tanks instead of barrels in shipping our products, which is more cost-efficient.

Provision for Impairment Losses on Financial Assets

Our provision for impairment losses on financial assets increased from RMB0.5 million in 2023 to RMB7.0 million in 2024, in line with the significant increase in our trade and notes receivables.

Finance Costs

Our finance costs increased by 94.8% from RMB1.1 million in 2023 to RMB2.2 million in 2024, primarily due to an increase of RMB1.0 million in interest expenses on our borrowings as a result of our increased bank borrowings to support construction projects.

Share of Results of Associates, Net

We recorded share of net loss of associates of RMB1.2 million in 2024, as compared to nil in 2023, primarily due to the loss-making of Anhui Yijin New Energy Technology Co., Ltd. (安徽壹金新能源科技有限公司).

Income Tax Credited

Our income tax credited increased from RMB5.3 million in 2023 to RMB31.1 million in 2024, primarily due to our significant loss in 2024.

Loss for the Year

Our loss for the year increased from RMB33.9 million in 2023 to RMB188.6 million in 2024, and our net loss margin increased from 6.5% in 2023 to 37.3% in 2024. This was in line with our gross loss and gross loss margin positions in 2024, caused by the overcapacity in the lithium-ion battery electrolyte additive industry that led to the low prices for our key lithium-ion battery electrolyte additive products, VC and FEC.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out a breakdown of our consolidated statements of financial position as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	1,511,379	1,700,080	1,898,125
Right-of-use assets	180,494	200,075	255,422
Intangible assets	454	6,397	5,566
Investments in associates	—	100,776	198,885
Financial assets at fair value through profit or loss (FVTPL)	—	5,000	20,000
Prepayments, other receivables and other assets	74,159	27,033	29,151
Deferred tax assets	16,485	48,232	65,029
Total non-current assets	**1,782,971**	**2,087,593**	**2,472,178**
CURRENT ASSETS			
Inventories	107,542	87,071	110,566
Trade and notes receivables	167,819	310,588	592,803
Prepayments, other receivables and other assets	49,859	50,284	49,220
Amounts due from related parties	—	2,291	—
Prepaid income tax	2,183	—	—
Financial assets at FVTPL	80,000	917,438	554,642
Financial assets at fair value through other comprehensive income (FVOCI)	187,478	52,669	46,242
Restricted bank deposits	59,122	54,887	221,900
Cash and cash equivalents	1,984,795	727,264	333,204
Total current assets	**2,638,798**	**2,202,492**	**1,908,577**
CURRENT LIABILITIES			
Trade payables	97,134	106,196	194,565
Notes payables	154,863	186,342	80,498
Contract liabilities	38	205	4,078
Other payables and accruals	189,229	200,129	195,996
Amounts due to related parties	720	977	1,830
Borrowings	4,297	6,087	15,748
Lease liabilities	733	220	159
Income tax payable	2	2	2
Total current liabilities	**447,016**	**500,158**	**492,876**
NET CURRENT ASSETS	**2,191,782**	**1,702,334**	**1,415,701**
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,974,753**	**3,789,927**	**3,887,879**

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES			
Other payables and accruals	58,128	54,127	29,936
Borrowings	123,100	169,250	333,143
Lease liabilities	468	—	164
Deferred tax liabilities	—	54	—
Total non-current liabilities	181,696	233,431	363,243
Net assets	**3,793,057**	**3,566,496**	**3,524,636**
Equity			
Share capital	159,500	159,500	159,500
Treasury Shares	(9,997)	(50,319)	(104,541)
Reserves	3,579,375	3,358,552	3,376,355
Equity attributable to owners of the Company	3,728,878	3,467,733	3,431,314
Non-controlling interests	64,179	98,763	93,322
Total equity	**3,793,057**	**3,566,496**	**3,524,636**

Property, Plant and Equipment

Our property, plant and equipment consisted of (i) properties and buildings; (ii) machinery and equipment; (iii) transportation equipment; (iv) office and electronic equipment; (v) construction in progress; and (vi) leasehold improvement. Our property, plant and equipment increased from RMB1,511.4 million as of December 31, 2023 to RMB1,700.1 million as of December 31, 2024, and further to RMB1,898.1 million as of December 31, 2025, primarily due to the addition of our office buildings, R&D departments and production facilities.

Right-of-use Assets

Our right-of-use assets consisted of (i) buildings and structures; and (ii) land use rights. The following table sets out the carrying amount of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Buildings and structures	1,388	657	448
Land use rights	179,106	199,418	254,974
Total	**180,494**	**200,075**	**255,422**

Our right-of-use assets increased from RMB180.5 million as of December 31, 2023 to RMB200.1 million as of December 31, 2024 and further to RMB255.4 million as of December 31, 2025, primarily due to our acquisition of land in Jiangsu Province and Hubei Province, respectively, for the construction of our new production facilities.

Inventories

Our inventories consisted of (i) raw materials; (ii) semi-finished goods; (iii) work-in-progress; (iv) finished goods; (v) goods in transit; (vi) spare parts; and (vii) materials in outsourced processing. The following table sets out the carrying value of our inventories as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	17,218	20,503	20,411
Semi-finished goods	15,375	8,705	12,227
Work-in-progress	48,238	41,379	48,171
Finished goods	33,119	14,508	10,398
Goods in transit	3,734	8,372	12,562
Spare parts	15,581	12,651	12,929
Materials in outsourced processing	—	—	881
	133,265	105,920	117,579
Less: provision for impairment	(25,723)	(18,849)	(7,013)
Total	**107,542**	**87,071**	**110,566**

The carrying value of our inventories before provision for impairment decreased from RMB133.3 million as of December 31, 2023 to RMB105.9 million as of December 31, 2024, primarily due to a decrease of RMB18.6 million in finished goods of VC products as a result of more sales driven by strong market demand. The carrying value of our inventories before provision for impairment increased from RMB105.9 million of December 31, 2024 to RMB117.6 million as of December 31, 2025, generally in line with our increased sales volume.

We recorded provision for impairment on inventories of RMB25.7 million, RMB18.8 million and RMB7.0 million as of December 31, 2023, 2024 and 2025, respectively. This provision level was consistent with the level of difference between our selling prices and the book value of our inventories.

Trade and Notes Receivables

Our trade and notes receivables represented receivables due from our customers as well as bank acceptance notes and bills at exchange issued by our customers for the purchase of our products. The following table sets out our trade and notes receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	161,215	312,257	579,601
Notes receivables	15,693	14,303	42,648
	176,908	326,560	622,249
Less: provision for impairment	(9,089)	(15,972)	(29,446)
Total	**167,819**	**310,588**	**592,803**

Our trade and notes receivables increased from RMB167.8 million as of December 31, 2023 to RMB310.6 million as of December 31, 2024, primarily due to the more bills of exchange instead of cash we received from customers A and B which extended the settlement period. Our trade and notes receivables further increased to RMB592.8 million as of December 31, 2025, generally in line with our revenue growth.

We apply the simplified approach in calculating ECLs for trade and notes receivables. Trade and notes receivables relating to our customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade and notes receivables are grouped and collectively assessed for impairment allowance. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing of receivables for groups of customers that have similar credit rating. The calculation reflects the age of the balances, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy. We recorded impairment losses for trade and notes receivables of RMB9.1 million, RMB16.0 million and RMB29.4 million as of December 31, 2023, 2024 and 2025, respectively. This increasing trend was in line with our increased trade and notes receivables during the Track Record Period.

Most of our trade receivables are settled within one year since their due dates. The following table sets out aging analysis of our trade receivables, based on the recognition date, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	159,558	311,804	578,438
Over 1 year but within 2 years	1,465	121	710
Over 2 years but within 3 years	—	140	121
Over 3 years	192	192	332
Total	**161,215**	**312,257**	**579,601**

The following table sets out the turnover days of our trade and notes receivables for the years indicated:

	Year ended December 31,		
	2023	2024	2025
Trade and notes receivables turnover days(1)	127	173	190

Note:

(1) Trade and notes receivables turnover days for each year equals the average of the beginning and ending balance of trade and notes receivables for that year divided by revenue for the relevant year and multiplied by 365 days.

Our trade and notes receivables turnover days increased from 127 days in 2023 to 173 days in 2024, and further to 190 days in 2025, in line with the levels at our trade and notes receivables.

We provide credit terms of typically 30 to 120 days to our customers. We seek to maintain strict control over our outstanding receivables and has a credit control department to minimize credit risk. We do not hold any collateral or other credit enhancements over our trade and notes receivables balances. Trade and notes receivables are non-interest-bearing. We had not experienced any material failure to collect trade and notes receivables from our customers during the Track Record Period and up to the Latest Practicable Date. We believe that the recoverability of our trade and notes receivables is reasonably assured, and our provisions for impairment of trade and notes receivables are sufficient, primarily because (i) our management regularly reviews our trade and notes receivables balances and monitors the progress on the recoverability of our trade and notes receivables, and (ii) we communicate with our customers on a regular basis during the ordinary course of our business with respect to trade and notes receivables. Our provision policy for impairment of trade and notes receivables is based on ongoing evaluation of the recoverability and aging analysis of the outstanding trade and notes receivables and our management's prudent judgment. For details regarding the impairment of trade receivables, see Note 22 to the Accountants' Report in Appendix I to this document.

As of February 28, 2026, approximately RMB155.5 million, or 26.8% of our trade and notes receivables as of December 31, 2025, had been subsequently settled.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets consisted of (i) prepayment for investment in an associate; (ii) prepayments for acquisition of long-term assets in relation to our construction projects; (iii) other receivables, including deposits and guarantees, employee advances, social security and housing fund receivable from employees; (iv) advance payments for raw materials in relation primarily to electricity; and (v) VAT recoverable. The following table sets out the balances of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayment for investment in an associate	62,000	—	—
Prepayments for acquisition of long-term assets	12,159	27,033	29,151
	74,159	27,033	29,151
Current			
Other receivables			
— Deposits and guarantees	240	242	245
— Employee advances	42	20	7
— Social security and housing fund receivable from employees	958	1,006	1,071
— Others	426	—	—
	1,666	1,268	1,323
Less: provision of impairment	(203)	(222)	(228)
	1,463	1,046	1,095
Advance payments for materials	7,943	4,025	5,058
VAT recoverable[1]	40,453	45,213	43,067
	49,859	50,284	49,220
Total	**124,018**	**77,317**	**78,371**

Note:

(1) Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable tax rates for domestic sales of our products are 13% and 6%.

Our prepayments, other receivables and other assets decreased from RMB124.0 million as of December 31, 2023 to RMB77.3 million as of December 31, 2024, primarily due to a decrease of RMB62.0 million in prepayment for investment in an associate as we made the capital injection in 2024. Our prepayments, other receivables and other assets remained relatively stable at RMB78.4 million as of December 31, 2025, as compared to RMB77.3 million as of December 31, 2024.

As of February 28, 2026, approximately RMB7.4 million, or 9.5% of our prepayments, other receivables and other assets as of December 31, 2025, had been settled.

Restricted Bank Deposits and Cash and Cash Equivalents

Our cash and cash equivalents are denominated in RMB, USD and EUR. The following table sets out the balance of our restricted bank deposits and cash and cash equivalents as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank depostis(1)	59,122	54,887	221,900
Cash and cash in bank	1,984,795	727,264	333,204
Total	**2,043,917**	**782,151**	**555,104**

Note:

(1) Restricted bank deposits include primarily wealth management products for which the purchase process has not yet been completed, and current deposits placed under pledge due to temporary account control arising from the replacement of the immovable property ownership certificates used as collateral.

Our restricted bank deposits and cash and cash equivalents decreased during the Track Record Period, primarily as a result of (i) our operating cash outflow, (ii) our purchases of land and equipment for the construction of our office buildings, R&D departments and production facilities, and (iii) our investments in financial assets comprising wealth management products, structured deposits and unlisted equity investments.

For details regarding our restricted bank deposits and cash and cash equivalents, see Notes 27 and 28 to Appendix I included in this document.

Trade Payables

Our trade payables represented primarily amounts due to suppliers for raw materials. The following table sets out a breakdown of our trade payables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	97,134	106,196	194,565

Our trade payables increased from RMB97.1 million as of December 31, 2023 to RMB106.2 million as of December 31, 2024, and further to RMB194.6 million as of December 31, 2025, in line with our increased cost of sales during the Track Record Period.

The credit period granted by our suppliers generally ranges from 10 to 75 days. The following table sets out an aging analysis of our trade payables, based on the recognition date, as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	93,112	95,826	191,826
Over 1 year but within 2 years	2,547	8,094	573
Over 2 years but within 3 years	469	971	433
Over 3 years	1,006	1,305	1,733
Total	**97,134**	**106,196**	**194,565**

Substantially all of our trade payables are short-term in nature, settled within one year.

The following table sets out our trade payables turnover days for the years indicated.

	Year ended December 31,		
	2023	2024	2025
Trade payables turnover days[(1)]	58	60	70

Note:

(1) Trade payables turnover days for each year equals the average of the beginning and ending balance of trade payables for that year divided by the cost of sales and services for the relevant year and multiplied by 365 days.

Our trade payables turnover days remained relatively stable at 58 days in 2023 and 60 days in 2024, and increased to 70 days in 2025, in line with the increase of our trade payables during the Track Record Period.

As of February 28, 2026, approximately RMB48.9 million or 25.1% of our trade payables as of December 31, 2025, had been subsequently settled.

Our Directors confirm that we had no material defaults in our trade payables during the Track Record Period and up to the Latest Practicable Date.

Notes Payables

Our notes payables represented bank acceptance notes and bills at exchange issued to our suppliers for purchase of raw materials and equipment. Our notes payables increased from RMB154.9 million as of December 31, 2023 to RMB186.3 million as of December 31, 2024, in line with our increased cost of sales and construction projects. Our notes payables decreased from RMB186.3 million as of December 31, 2024 to RMB80.5 million as of December 31, 2025, primarily due to the settlement of construction-related payables following the completion of certain projects. As of 31 December 2023, 2024 and 2025, no matured notes payables were unpaid.

Other Payables and Accruals

Our other payables and accruals consisted primarily of (i) deferred government grant income recognized over a period of time in accordance with the specified milestones of our construction projects; (ii) amount due to other investors of a fund; (iii) construction and equipment payables; (iv) employee benefits payables; (v) other tax payable; and (vi) deferred output VAT. The following table sets out our other payables and accruals as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Deferred government grant income	27,928	23,927	29,936
Amount due to other investors of a fund[(1)]	30,200	30,200	—
	58,128	54,127	29,936
Current			
Construction and equipment payables	163,398	173,988	162,772
Employee benefits payables	21,970	21,885	26,077
Other tax payable	3,661	4,026	6,603
Deferred output VAT	5	27	453
Others[(2)]	195	203	91
	189,229	200,129	195,996
Total	**247,357**	**254,256**	**225,932**

Note:

(1) The related company is the other owners of Nanyuan Fund;

(2) Others included primarily deposits on our returnable barrels.

Our other payables and accruals remained relatively stable at RMB247.4 million as of December 31, 2023, RMB254.3 million as of December 31, 2024 and RMB225.9 million as of December 31, 2025.

As of February 28, 2026, approximately RMB79.4 million, or 35.1% of our other payables and accruals as of December 31, 2025, had been settled.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

The following table sets out our financial assets at FVTPL as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank WMPs and structured deposits[1]	80,000	917,438	554,642
Non-current			
Unlisted equity investments	—	5,000	20,000
Total	**80,000**	**922,438**	**574,642**

Note:

(1) The bank wealth management products ("**WMPs**") and structured deposits are mainly managed by licensed financial institutions in the PRC. They are classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

Our financial assets at FVTPL increased from RMB80.0 million as of December 31, 2023 to RMB922.4 million as of December 31, 2024, primarily due to our additional purchases of RMB837.4 million in bank wealth management products and structured deposits. Our financial assets at FVTPL decreased from RMB922.4 million as of December 31, 2024 to RMB574.6 million as of December 31, 2025, primarily due to a decrease of RMB362.8 million in bank wealth management products and structured deposits, as offset by an increase of RMB15.0 million in private equity investments in Hubei Gehua.

Financial Assets at fair value through other comprehensive income (FVOCI)

Our financial assets at FVTOCI represented unmatured and untransferred bank acceptance notes issued by our customers for purchase of our products credited by certain prestigious banks in China. The following table sets out our financial assets at FVTOCI as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Notes receivables measured at FVTOCI	187,478	52,669	46,242
Total	**187,478**	**52,669**	**46,242**

Our financial assets at FVTOCI decreased from RMB187.5 million as of December 31, 2023 to RMB52.7 million as of December 31, 2024, and further to RMB46.2 million as of December 31, 2025, primarily because an increasing portion of our sales were settled with bills of exchange instead of bank acceptance notes issued by prestigious banks during the Track Record Period.

NET CURRENT ASSETS

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

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	107,542	87,071	110,566	125,950
Trade and notes receivables	167,819	310,588	592,803	668,170
Prepayments, other receivables and other assets	49,859	50,284	49,220	58,481
Amounts due from related parties	—	2,291	—	—
Prepaid income tax	2,183	—	—	—
Financial assets at fair value through profit or loss ("**FVTPL**")	80,000	917,438	554,642	573,579
Financial assets at FVTOCI	187,478	52,669	46,242	94,750
Restricted bank deposits	59,122	54,887	221,900	126,136
Cash and cash equivalents	1,984,795	727,264	333,204	284,981
Total current assets	**2,638,798**	**2,202,492**	**1,908,577**	**1,932,047**
Current liabilities				
Trade payables	97,134	106,196	194,565	191,232
Notes payables	154,863	186,342	80,498	209,430
Contract liabilities	38	205	4,078	8,113
Other payables and accruals	189,229	200,129	195,996	118,016
Amounts due to related parties	720	977	1,830	—
Borrowings	4,297	6,087	15,748	18,248
Lease liabilities	733	220	159	159
Income tax payable	2	2	2	2
Total current liabilities	**447,016**	**500,158**	**492,876**	**545,782**
Net current asset	**2,191,782**	**1,702,334**	**1,415,701**	**1,386,500**

We had net current assets of RMB1,386.5 million as of February 28, 2026, consisting of total current assets of RMB1,932.0 million and total current liabilities of RMB545.5 million, which represented a decrease of RMB29.2 million from our net current assets of RMB1,415.7 million as of December 31, 2025. This decrease was primarily due to (i) a decrease of RMB144.0 million in restricted bank deposits and cash and cash equivalents; and (ii) an increase of RMB128.9 million in notes payables, as partially offset by (i) an increase of RMB15.4 million in inventories; (ii) an increase of RMB75.4 million in trade and notes receivables; (iii) an increase of RMB18.9 million in financial assets at FVTPL; (iv) an increase of RMB48.5 million in financial assets at FVTOCI; and (v) a decrease of RMB78.0 million in other payables and accruals.

We had net current assets of RMB1,415.7 million as of December 31, 2025, consisting of total current assets of RMB1,908.6 million and total current liabilities of RMB492.9 million, which represented a decrease of RMB286.6 million from our net current assets of RMB1,702.3 million as of December 31, 2024. This decrease was primarily due to (i) a decrease of RMB362.8 million in financial assets at FVTPL; (ii) a decrease of RMB227.0 million in restricted bank deposits and cash and cash equivalents; and (iii) an increase of RMB88.4 million in trade payables. This was partially offset by (i) an increase of RMB23.5 million in inventories; (ii) an increase of RMB282.2 million in trade and notes receivables; and (iii) a decrease of RMB105.8 million in notes payables. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

We had net current assets of RMB1,702.3 million as of December 31, 2024, consisting of total current assets of RMB2,202.5 million and total current liabilities of RMB500.2 million, which represented a decrease of RMB489.4 million from our net current assets of RMB2,191.8 million as of December 31, 2023. This decrease was primarily due to (i) a decrease of RMB20.5 million in inventories; (ii) a decrease of RMB134.8 million in financial assets at FVTOCI; (iii) a decrease of RMB1,257.5 million in cash and cash equivalents; (iv) an increase of RMB31.5 million in notes payables; and (v) an increase of RMB10.9 million in other payables and accruals. This was partially offset by (i) an increase of RMB142.8 million in trade and notes receivables; and (ii) an increase of RMB837.4 million in financial assets at FVTPL. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

We had net current assets of RMB2,191.8 million as of December 31, 2023, consisting of total current assets of RMB2,638.8 million and total current liabilities of RMB447.0 million.

Working Capital Sufficiency

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations, bank and other borrowings and capital injection from shareholders.

Taking into account the financial resources available to us, including cash flow from operating activities, unutilized bank facilities and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and requirements for the next 12 months from the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and strategic expansion require significant capital to fund working capital and capital expenditures. Historically, we have financed our operations and growth primarily through cash generated from operations, bank borrowings and capital injections from investors. As of December 31, 2023, 2024 and 2025, we had cash and bank balances comprising cash and cash equivalents and restricted bank deposits of RMB2,043.9 million, RMB782.2 million and RMB555.1 million, respectively.

Cash Flows

The following table sets out a summary of our cash flows during the Track Record Period.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net cash outflows from operating activities	(134,894)	(110,657)	(257,450)
Net cash outflows from investing activities	(466,383)	(1,154,187)	(216,389)
Net cash (outflows)/inflows from financing activities	(27,396)	5,572	82,436
Net decrease in cash and cash equivalents	**(628,673)**	**(1,259,272)**	**(391,403)**
Cash and cash equivalents at beginning of year	2,611,839	1,984,795	727,264
Effect of foreign exchange rate changes, net	1,629	1,741	(2,657)
Cash and cash equivalents at end of the year	1,984,795	727,264	333,204

Operating Activities

Cash flows from our operating activities are derived from loss before tax, adjusted for non-cash or non-operating related items, including primarily net gain on financial assets, depreciation and impairment of property, plant and equipment, share of profits of associates, write-down of inventories to net realizable value, among others.

Our net cash outflow used in operating activities was RMB257.5 million in 2025. This net cash outflow was primarily due to (i) loss before tax of RMB6.2 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and impairment of property, plant and equipment of RMB148.7 million, share of losses of associates of RMB17.9 million, net gain on financial assets of RMB96.0 million and provision for trade receivables and other receivables of RMB13.4 million; (ii) an increase of RMB403.3 million in trade and notes receivables; and (iii) an increase of RMB27.2 million in inventories, as partially offset by (i) an increase of RMB13.8 million in trade and notes payables; (ii) an increase of RMB26.7 million in other payables and accruals; and (iii) a decrease of RMB25.4 million in restricted bank deposits. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

Our net cash outflow used in operating activities was RMB110.7 million in 2024. This net cash outflow was primarily due to (i) loss before tax of RMB219.7 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and impairment of property, plant and equipment of RMB128.7 million, written down of inventories to net realizable value of RMB17.8 million, and net gain on financial assets of RMB35.4 million; and (ii) an increase of RMB82.3 million in trade and notes receivables, as partially offset by (i) an increase of RMB26.7 million in trade and notes payables; and (ii) an increase of RMB30.8 million in other payables and accruals. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

Our net cash outflow used in operating activities was RMB134.9 million in 2023. This net cash outflow was primarily due to (i) loss before tax of RMB39.2 million, as adjusted to reflect non-cash or non-operating items, primarily comprising depreciation and impairment of property, plant and equipment of RMB82.1 million, written down of inventories to net realizable value of RMB24.6 million, and net gain on financial assets of RMB41.4 million; (ii) an increase of RMB197.4 million in trade and notes receivables; (iii) an increase of RMB53.9 million in inventories; (iv) a decrease of RMB91.3 million in trade and notes payables; and (v) an increase of RMB23.5 million in prepayments, other receivables and other assets, as partially set off by (i) a decrease of RMB171.3

million in restricted bank deposits; and (ii) an increase of RMB40.8 million in other payables and accruals. For the reasons regarding the fluctuations in the balances of the relevant balance sheet items, see "— Discussion of Certain Key Items of Consolidated Statements of Financial Position".

Investing Activities

Our net cash used in investing activities primarily reflected our capital expenditures for the purchase and disposal of property, plant and equipment, intangible assets and other non-current assets, purchase and disposal of financial assets at FVTPL, receipt of debt and other investments, and deposit and withdrawal of wealth management products and time deposits.

Our net cash outflow used in investing activities was RMB216.4 million in 2025, primarily due to (i) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB350.4 million in relation to the construction of our production facilities in Jiangyin City, Jiangsu Province; (ii) payment of bank wealth management products of RMB3,224.7 million; (iii) payment for acquisition of associates of RMB31.9 million; (iv) payments for acquisition of financial assets at FVTPL of RMB23.0 million; (v) prepaid investment in bank wealth management products of RMB138.0 million; and (vi) net cash outflows on deemed disposal of subsidiary of RMB41.0 million, as partially offset by (i) receipt of bank wealth management products of RMB3,570.6 million; and (ii) proceeds from sale of financial assets at FVTPL of RMB19.5 million.

Our net cash outflow used in investing activities was RMB1,154.2 million in 2024, primarily due to (i) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB307.7 million in relation to the construction of our production facilities in Yunmeng County, Hubei Province; (ii) payment of bank wealth management products of RMB5,703.0 million; and (iii) payment for acquisition of associates of RMB40.0 million, as partially offset by (i) receipt of bank wealth management products of RMB4,866.2 million; and (ii) proceeds from sale of financial assets FVTPL of RMB35.4 million.

Our net cash outflow used in investing activities was RMB466.4 million in 2023, primarily due to (i) payment for the purchase of property, plant and equipment, intangible assets and other non-current assets of RMB363.8 million in relation to the construction of our production facilities in Zhangjiagnag City, Jiangsu Province; (ii) payment of bank wealth management products of RMB7,496.0 million; and (iii) prepayment of investment in associates of RMB62.0 million, as partially offset by (i) receipt of bank wealth management products of RMB7,416.0 million; and (ii) proceeds from sale of financial assets FVTPL of RMB40.8 million.

Financing Activities

Our financing activities primarily related to capital contribution, bank borrowings, interest paid, and dividends paid, to shareholders.

Our net cash inflow from financing activities was RMB82.4 million in 2025, primarily due to (i) proceeds from new borrowings of RMB180.3 million in relation to our construction projects and loans for share repurchase; and (ii) contribution from other partners arising from the establishment of the industrial fund of RMB29.8 million, as partially offset by (i) interest paid of RMB10.2 million; (ii) placement of pledged/restricted bank deposits of RMB56.0 million due to temporary [REDACTED] control arising from the replacement of the immovable property ownership certificates used as collateral; and (iii) purchase of shares of RMB70.0 million for share-based compensation under our employee equity incentive plans.

Our net cash inflow from financing activities was RMB5.6 million in 2024, primarily due to (i) contribution from non-controlling interests of RMB48.5 million; (ii) proceeds from new borrowings of RMB52.0 million in support of our business operations, as partially offset by (i) dividends paid of RMB47.3 million; and (ii) purchase of shares of RMB40.3 million for share-based compensation under our employee equity incentive plans.

Our net cash outflow from financing activities was RMB27.4 million in 2023, primarily due to (i) dividends paid of RMB110.0 million; and (ii) purchase of shares of RMB10.0 million for share-based compensation under our employee equity incentive plans, as partially set off by (i) contributions from non-controlling interests of RMB15.9 million; (ii) proceeds from new borrowings of RMB52.5 million in support of our business operations; and (iii) contribution from other partners arising from the establishment of the industrial fund of RMB30.2 million in relation to Nanyuan Fund.

INDEBTEDNESS

During the Track Record Period, our indebtedness primarily consisted of bank borrowings and lease liabilities. The following table sets out a breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of February 28,
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)
Current				
Bank borrowings — secured	720	5,850	14,925	17,131
Bank borrowings — unsecured	3,440	—	500	500
Interest payable	137	237	323	851
Lease liabilities	733	220	159	159
Subtotal	5,030	6,307	15,907	18,641
Non-current				
Bank borrowings — secured	123,100	169,250	288,643	286,437
Bank borrowings — unsecured	—	—	44,500	44,500
Lease liabilities	468	—	164	166
Subtotal	123,568	169,250	333,307	331,103
Total	**128,598**	**175,557**	**349,214**	**349,744**

Our bank borrowings during the Track Record Period were denominated in Renminbi and were used to finance our capital expenditure and working capital requirements. As of December 31, 2023, the annual interest rates of short-term bank borrowings was 3.10%. As of December 31, 2023, 2024 and 2025, the annual interest rates of long-term bank borrowings ranged from 2.50% to 4.05%, 2.50% to 3.90%, and 1.98% to 2.65%, respectively. See Note 33 to the Accountants' Report included in Appendix I to this document.

Our borrowings increased from RMB127.4 million as of December 31, 2023 to RMB175.3 million as of December 31, 2024, and further to RMB348.9 million as of December 31, 2025. This increasing trend during the Track Record Period was primarily in relation to our increased construction projects for our office buildings and production facilities as well as purchase of shares from market for our employee equity incentive scheme.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that there has been no material change in our indebtedness position since February 28, 2026, being the latest practicable date for the purpose of the indebtedness statement, and up to the date of this document. As of the Latest Practicable Date, except for bank borrowings, we did not have plans for other material external debt financing.

As of February 28, 2026, we had unutilized credit facilities of RMB59.5 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in obtaining bank loans and other borrowings. We had no default in repayment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

Our capital expenditures during the Track Record Period primarily consisted of expenditures on property, plant and equipment.

We expect to incur capital expenditure in terms of property, plant and equipment. See "Future Plans and [REDACTED]". We intend to fund our planned capital expenditures through a combination of the [REDACTED] from the [REDACTED], cash generated from operating activities, and bank borrowings. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business in the future.

CAPITAL COMMITMENTS

During the Track Record Period, we had no material capital commitments contracted but not provided for.

CONTINGENT LIABILITIES

As of December 31, 2025, we did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, guarantees or other material contingent liabilities.

RELATED PARTY TRANSACTIONS

We had certain transactions with the related parties during the Track Record Period, details of which are set out in Note 40 to the Accountants' Report set out in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted in the ordinary course of business and on an arm's length basis, and did not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as of the dates and for the years indicated.

	Year ended December 31,		
	2023	**2024**	**2025**
	%	%	%
Profitability ratio			
Gross profit/(loss) margin(1)	6.6	(22.9)	9.7
Net profit/(loss) margin(2)	(6.5)	(37.3)	(0.3)
Return on equity(3)	(0.6)	(4.9)	0.4
Return on assets(4)	(0.8)	(4.3)	(0.1)

	As of/Year ended December 31,		
	2023	**2024**	**2025**
Liquidity ratios			
Current ratio(5)	5.9	4.4	3.9
Quick ratio(6)	5.7	4.2	3.6
Capital adequacy ratio			
Gearing ratio (%)(7)	3.4	4.9	9.9

Notes:

(1) Gross profit/(loss) margin is calculated based on gross profit/(loss) divided by revenue and multiplied by 100%.

(2) Net profit/(loss) margin is calculated based on profit/(loss) for the year divided by revenue and multiplied by 100%.

(3) Return on equity is calculated based on profit/(loss) for the year attributable to the owners of the Company divided by the arithmetic mean of the opening and closing balances of equity attributable to owners of the company and multiplied by 100%.

(4) Return on assets is calculated based on profit/(loss) for the year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(5) Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the corresponding period.

(6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities as of the end of the corresponding period.

(7) Gearing ratio is calculated based on our total debt (consisting of interest-bearing bank borrowings and lease liabilities) as of the end of each period divided by the ending balance of total equity as of the same date.

FINANCIAL RISKS

Our activities expose us to a variety of financial risks: foreign currency risk, price risk, interest rate risk, credit risk and liquidity risk. Our overall risk management seeks a balance between risk and return, minimizes the adverse impact of risk on our financial performance and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of our risk management is to identify and analyze the various risks faced by us, establish appropriate risk tolerance thresholds and timely and reliably supervise various risks to control them within a limited range. For further details, see Note 43 to the Accountants' Report in Appendix I to this document.

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. We are primarily exposed to changes in USD and EUR exchange rates. As of December 31, 2023, 2024 and 2025, our major monetary assets and liabilities net exposure to foreign currency risk are RMB128.4 million and RMB11.4 million as of December 31, 2023, RMB186.5 million and RMB13.3 million as of December 31, 2024, and RMB222.1 million and RMB15.4 million as of December 31, 2025, respectively.

Price risk

We are exposed to equity price risk mainly arising from investments held by us that are classified as either FVTPL or FVTOCI. To manage its price risk arising from the investments, we diversify our investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing our liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Interest rate risk

Our interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at variable rates expose us to cash flow interest rate risk. Borrowings issued at fixed rates, and lease liabilities bearing fixed rates expose us to fair value interest rate risk.

We have been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings at variable rates, which will further impact our performance.

The interest rate profiles of our variables interest-bearing financial instruments as of December 31, 2023, 2024 and 2025 are RMB123.1 million, RMB169.3 million and RMB333.1 million, respectively. If interest rates of floating rate instruments had been 100 basis points higher/lower with all other variables held constant, the profit before income tax would have been lower/higher by RMB1.2 million, RMB1.7 million and RMB3.3 million as of December 31, 2023, 2024 and 2025, respectively.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to us. Our exposure to credit risk mainly arises from granting credit to customers in the ordinary course of our operations and from our investing activities.

Our maximum exposure to credit risk is represented by cash and cash equivalents, restricted bank deposits, trade and notes receivables at amortized cost and at FVTOCI, other receivables. See Note 43 to the Accountant's Report in Appendix I to this document. We do not hold any collateral or other credit enhancements to cover its credit risks associated with our financial assets.

Our concentration of credit risk by geographical locations is mainly in the PRC. As of December 31, 2023, 2024 and 2025, trade receivables in respect of sales within the PRC reported by the Group accounted for 91.76%, 96.36% and 97.96% of the total trade receivables, respectively. We have a concentration of credit risk. As of December 31, 2023, 2024 and 2025, trade receivables due from our largest single customer accounted for 53.60%, 44.60% and 37.77% of the total trade receivables, respectively. As of December 31, 2023, December 31, 2024 and December 31, 2025, trade receivables due from the our five largest customers accounted for 83.70%, 85.90% and 84.38% of the total trade receivables, respectively. In addition, there is a concentration of credit risk on bank balances, pledged bank deposits and term deposits which are deposited with several authorized banks in the PRC. Other than the above, we do not have any other significant concentration of credit risk.

As of December 31, 2023, 2024 and 2025, we have no credit risk other than financial assets whose carrying amounts best represent the maximum exposure to credit risk.

Liquidity risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of our underlying businesses, we maintain flexibility in funding by maintaining adequate balances of such. For further details, see Note 43 to the Accountants' Report in Appendix I to this document.

Capital management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital. We set the amount of capital in proportion to risk. We manage our capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the subject assets. In order to maintain or adjust the capital structure, we may adjust the amounts of dividends paid to the shareholders or return capital to the shareholders. We are not subject to any external capital requirements. During the Track Record Period, there were no changes in capital management objectives, policies or procedures. For further details, see Note 43 to the Accountant's Report in Appendix I to this document

DIVIDENDS

We are incorporated under the laws of the PRC. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. We do not currently have a formal dividend policy.

Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. We may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisors, our PRC companies cannot pay dividends if such companies are in an accumulated loss position.

We declared and paid dividends of RMB110.0 million, RMB47.3 million and nil in 2023, 2024 and 2025, respectively. For further details, see Note 12 to the Accountants' Report in Appendix I to this document. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Subject to our constitutional documents, our Directors are entitled to propose dividend distributions to the shareholders' meeting, which shall have the final discretion to determine whether to implement such distributions. We cannot assure you that we will be able to declare dividends of any amount each year or in any year.

DISTRIBUTABLE RESERVES

As of December 31, 2025, we had retained earnings of RMB375.0 million available for distribution to our Shareholders.

[REDACTED]

[REDACTED] represent professional fees, [REDACTED] and fees incurred in connection with the [REDACTED] and the [REDACTED]. We did not incur [REDACTED] during the Track Record Period and expect to incur [REDACTED] of approximately HK$[REDACTED] million (including [REDACTED]) accounting for [REDACTED]% of the gross [REDACTED] of the [REDACTED] (assuming an [REDACTED] of HK$[REDACTED] per Share, being the [REDACTED] of the [REDACTED] range stated in this document, and no exercise of the [REDACTED]), consisting of (i) approximately HK$[REDACTED] million [REDACTED]-related expenses, (ii) approximately HK$[REDACTED] million [REDACTED]-related expenses and fees of the legal advisors and reporting accountant, and (iii) approximately HK$[REDACTED] million for other [REDACTED]-related expenses and fees. Among our [REDACTED], approximately HK$[REDACTED] million is directly attributable to the issuance of Shares and will be charged to equity upon completion of the [REDACTED]. The [REDACTED] above are the best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such expenses to materially impact our results of operations.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the Latest Practicable Date, (i) there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees, prospects, the industry where we operate, our market or regulatory environment to which we are subject since December 31, 2025, being the date of the latest consolidated financial position of our Group as set out in the Accountants' Report in Appendix I to this document; and (ii) there has been no event since December 31, 2025 that would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS AND PROSPECTS

See "Business — Our Strategies" for a detailed description of our future plans and strategies.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK$[REDACTED] million, after deducting [REDACTED], fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK$[REDACTED] per Share (being the [REDACTED] of the indicative [REDACTED] range of HK$[REDACTED] and HK$[REDACTED]) and the [REDACTED] is not exercised. We currently intend to apply these [REDACTED] for the following purposes:

- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used to develop the 60,000-tonne VC production project of Hubei Huasheng. To solidify our leadership in the lithium-ion battery electrolyte additive market and meet growing customer demand, we are constructing a 60,000-tonne VC production project in Hubei Province. The total investment for the project is RMB950.0 million. We are currently in the process of obtaining all the necessary licenses and/or approvals and finalizing the structure design in relation to the project. This investment is a core component of our growth strategy, designed to expand our production capacity and maximize resource efficiency, ensuring customized and high-purity products. See "Business — Our Strategies — Capacity Expansion and Technology Upgrades to Bolster Cost-Efficiency and Market Leadership". Specifically, the related expenditures will mainly include (i) approximately [REDACTED]%, or HK$[REDACTED] million, for the purchase of production equipment; (ii) approximately [REDACTED]%, or HK$[REDACTED] million, for pre-construction preparation, including procurement of materials and installation of equipment; and (iii) approximately [REDACTED]%, or HK$[REDACTED] million for the construction of production facilities.

- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used for the industrialization of our novel products, including silicon-carbon anode materials, functional lithium-ion battery electrolyte additives and solid-state lithium-ion battery materials. We aim to diversify our revenue streams by providing a comprehensive product portfolio to our customers. See "Business — Our Strategies — Accelerate Industrialization of Novel Materials to Drive New Market Growth".

  o Approximately [REDACTED]%, or HK$[REDACTED] million, will be used to support the industrialization of anode materials. We plan to optimize the production process and progress towards the mass production phase of our silicon-carbon anode materials to realize an annual production capacity of 5,000 tonnes. The related expenditures in relation to the industrialization of anode materials will mainly include (i) approximately [REDACTED]%, or HK$[REDACTED] million, for the construction and fit-out of production facilities; and (ii) approximately [REDACTED]%, or HK$[REDACTED] million, for the purchase and installation of key production equipment.

- o Approximately [REDACTED]%, or HK$[REDACTED] million, will be used to support the industrialization of functional lithium-ion battery electrolyte additives, including three novel sodium salts and HSI003. Our proprietary HSI003 cathode film-forming additive outperforms traditional lithium-ion battery electrolyte additives in terms of rate capacity, temperature resistance and cycling performance. As an emerging product with high market potential, HSI003 is expected to further increase our market share and industry influence in the lithium-ion battery electrolyte additive sector. The related expenditures in relation to the industrialization of functional lithium-ion battery electrolyte additives will mainly include (i) approximately [REDACTED]%, or HK$[REDACTED] million, for the construction and fit-out of production facilities; and (ii)approximately [REDACTED]%, or HK$[REDACTED] million, for the purchase and installation of key production equipment.

- o Approximately [REDACTED]%, or HK$[REDACTED] million, will be used to support the industrialization of solid-state battery materials. We have validated the technical route for the mass production of high-purity lithium sulfide, a key solid-state battery material. As of the Latest Practicable Date, we had completed initial small-scale pilot production of high-purity lithium sulfide. We aim to reach an annual production capacity of solid-state battery materials of 1,000 tonnes. The related expenditures in relation to the industrialization of solid-state battery materials will mainly include (i) approximately [REDACTED]%, or HK$[REDACTED] million, for the construction and fit-out of production facilities; and (ii) approximately [REDACTED]%, or HK$[REDACTED] million, for the purchase and installation of key production equipment.

- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used for R&D activities. We plan to invest R&D efforts in novel lithium-ion battery materials, such as solid-state electrolytes, novel silicon-carbon anode materials and lithium-ion and sodium-ion battery electrolyte materials. See "Business — Our Strategies — Advance R&D and Pursue Innovations in Emerging Sectors". Specifically, we plan to invest R&D efforts in relation to (i) sulfide-based solid electrolytes and their key material, lithium sulfide, of which the related expenditures will mainly include funds for designing, conducting trials and procuring equipment to develop sulfide-based solid electrolytes with high-stability and high-ionic conductivity, and carrying out large-scale validation, accelerating industrialization, conducting trials and procuring equipment to develop high-purity lithium-sulfide; (ii) novel silicon-carbon anode materials with high capacity, of which the related expenditures will mainly include funds for designing, researching, and procuring equipment to develop novel porous carbon, producing samples, accelerating industrialization, conducting trials and procuring equipment to develop CVD silicon-carbon materials, and researching technical routes, establishing AI-models, producing samples and accelerating industrialization for downstream application to develop silicon-carbon composite materials; and (iii) lithium-ion and sodium-ion battery electrolyte materials, of which the related expenditures will mainly include funds for designing, researching, conducting trials and procuring equipment for large-scale validation to develop novel lithium-ion and sodium-ion battery electrolyte additives, carrying out interface mechanism study, conducting trials and procuring equipment to develop novel lithium-ion and sodium-ion battery electrolyte core materials, and cultivating market, accelerating industrialization and procuring equipment to develop novel functional additives.

- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used to pursue mergers and acquisitions opportunities to enhance our vertical integration across the electrochemical value chain. Guided by our key strategy of reinforcing market leadership, we intend to acquire or invest in upstream raw material suppliers, downstream novel battery material, solid-state battery and application technologies to secure supply stability and capture emerging market opportunities. See "Business — Our Strategies — Explore Strategic Mergers and Acquisitions Opportunities to Amplify Value Chain Integration".

  The expenditures will mainly include the transaction considerations, legal and financial professional fees and post-transaction integration costs.

- Approximately [REDACTED]%, or HK$[REDACTED] million, will be used for working capital and other general corporate purposes.

To the extent that the [REDACTED] from the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or other applicable laws and regulations in other jurisdictions).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[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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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

*The following is the text of a report set out on pages **I-1** to **I-[99]**, received from the Company's reporting accountants, Rongcheng (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the [REDACTED] pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU HSC NEW ENERGY MATERIALS CO., LTD. AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Jiangsu HSC new energy materials co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[4] to I-[•], which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company as at December 31, 2023, 2024 and 2025 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended December 31, 2023, 2024 and 2025 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on page I-[4] to I-[—] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the "**Documents**") in connection with the [REDACTED] of [REDACTED] of the Company on the [REDACTED] of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants **("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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's consolidated financial position as at December 31, 2023, 2024 and 2025, the Company's financial position as at December 31, 2023, 2024 and 2025, and of the consolidated financial performance and consolidated cash flows of the Group for the years ended December 31, 2023, 2024 and 2025 in accordance with the basis of presentation and preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-[4] have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the years ended December 31, 2023, 2024 and 2025.

Rongcheng (Hong Kong) CPA Limited
Certified Public Accountants
[•]
Practising Certificate Number: [•]
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which form an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**") and were audited by Rongcheng (Hong Kong) CPA Limited in accordance with International Standards on Auditing issued by the IAASB ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended December 31		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	5	525,031	504,899	869,489
Cost of sales	8	(490,411)	(620,672)	(785,478)
Gross profit/(loss)		34,620	(115,773)	84,011
Other income	6	31,924	19,261	29,706
Other gains and losses, net	7	42,618	35,637	84,627
Research and development expenses	8	(47,459)	(41,024)	(51,795)
Administrative and other operating expenses	8	(91,930)	(101,588)	(109,704)
Selling expenses	8	(7,356)	(5,744)	(9,062)
Provision for impairment losses on financial assets		(509)	(7,023)	(13,359)
Finance costs	10	(1,121)	(2,184)	(2,719)
Share of results of associates, net	17	—	(1,224)	(17,949)
Loss before income tax		(39,213)	(219,662)	(6,244)
Income tax credited	11	5,271	31,111	3,680
Loss for the year		(33,942)	(188,551)	(2,564)
(Loss)/profit for the year attributable to:				
Owners of the Company		(23,912)	(174,675)	13,257
Non-controlling interests		(10,030)	(13,876)	(15,821)
		(33,942)	(188,551)	(2,564)
Total comprehensive (loss)/income for the year attributable to:				
Owners of the Company		(23,912)	(174,675)	13,257
Non-controlling interests		(10,030)	(13,876)	(15,821)
		(33,942)	(188,551)	(2,564)
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company				
Basic (in RMB per share)	13	(0.150)	(1.102)	0.085
Diluted (in RMB per share)	13	(0.150)	(1.102)	0.085

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	1,511,379	1,700,080	1,898,125
Right-of-use assets	15(a)	180,494	200,075	255,422
Intangible assets	16	454	6,397	5,566
Investments in associates	17	—	100,776	198,885
Financial assets at fair value through profit or loss ("**FVTPL**")	20	—	5,000	20,000
Prepayments, other receivables and other assets	23	74,159	27,033	29,151
Deferred tax assets	25	16,485	48,232	65,029
		1,782,971	2,087,593	2,472,178
Current assets				
Inventories	26	107,542	87,071	110,566
Trade and notes receivables	22	167,819	310,588	592,803
Prepayments, other receivables and other assets	23	49,859	50,284	49,220
Amounts due from related parties	24	—	2,291	—
Prepaid income tax		2,183	—	—
Financial assets at FVTPL	20	80,000	917,438	554,642
Financial assets at FVTOCI	21	187,478	52,669	46,242
Restricted bank deposits	27	59,122	54,887	221,900
Cash and cash equivalents	28	1,984,795	727,264	333,204
		2,638,798	2,202,492	1,908,577
Current liabilities				
Trade payables	29	97,134	106,196	194,565
Notes payables	29	154,863	186,342	80,498
Contract liabilities	30	38	205	4,078
Other payables and accruals	31	189,229	200,129	195,996
Amounts due to related parties	32	720	977	1,830
Borrowings	33	4,297	6,087	15,748
Lease liabilities	15(b)	733	220	159
Income tax payable		2	2	2
		447,016	500,158	492,876
Net current assets		2,191,782	1,702,334	1,415,701
Total assets less current liabilities		3,974,753	3,789,927	3,887,879

		As at December 31		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Other payables and accruals	31	58,128	54,127	29,936
Borrowings	33	123,100	169,250	333,143
Lease liabilities	15(b)	468	—	164
Deferred tax liabilities	25	—	54	—
		181,696	223,431	363,243
Net assets		3,793,057	3,566,496	3,524,636
EQUITY				
Share capital	34	159,500	159,500	159,500
Treasury Shares	34	(9,997)	(50,319)	(104,541)
Reserves	36	3,579,375	3,358,552	3,376,355
Equity attributable to owners of the Company		3,728,878	3,467,733	3,431,314
Non-controlling interests	19	64,179	98,763	93,322
Total equity		3,793,057	3,566,496	3,524,636

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	1,035,906	1,019,989	1,124,428
Right-of-use assets	15	78,742	94,431	92,080
Intangible assets	16	360	6,315	5,496
Investments in associates	17	—	71,368	195,385
Financial assets at FVTPL	21	—	—	20,000
Prepayments, other receivables and other assets	23	32,066	10,699	1,298
Investments in subsidiaries	18	524,430	606,210	682,630
Deferred tax assets	25	14,838	43,355	54,314
		1,686,342	1,852,367	2,175,631
Current assets				
Inventories	26	83,859	55,935	68,797
Trade and notes receivables	22	166,491	303,016	578,332
Amounts due from subsidiaries and related parties	24	26,873	91,363	145,594
Prepayments, deposits and other assets	23	24,242	4,008	4,037
Prepaid income tax		988	—	—
Financial assets at FVTPL	20	80,000	896,317	544,589
Financial assets at FVTOCI	21	187,467	52,194	38,759
Restricted bank deposits	27	45,052	39,657	206,502
Cash and cash equivalents	28	1,928,477	684,359	314,564
		2,543,449	2,126,849	1,901,174
Current liabilities				
Trade payables	29	52,396	70,436	79,671
Notes payables	29	140,911	171,112	38,256
Contract liabilities	30	38	129	112
Other payables and accruals	31	124,733	93,998	58,505
Amounts due to subsidiaries and related parties	32	166,784	123,722	254,925
Borrowings	33	20	—	592
		484,882	459,397	432,061
Net current assets		2,058,567	1,667,452	1,469,113
Total assets less current liabilities		3,744,909	3,519,819	3,644,744

		As at December 31		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities				
Other payables and accruals	31	18,169	15,777	21,639
Borrowings	33	—	—	99,647
		18,169	15,777	121,286
Net assets		3,726,740	3,504,042	3,523,458
EQUITY				
Share capital	34	159,500	159,500	159,500
Treasury Shares	34	(9,997)	(50,319)	(104,541)
Reserves	36	3,577,237	3,394,861	3,468,499
Total equity		3,726,740	3,504,042	3,523,458

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Treasury shares	Capital reserve	Safety production fund	Statutory reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 35		*Note (a)*	*Note (b)*	*Note (c)*				
As at January 1, 2023	110,000	—	2,954,194	20,204	55,000	732,635	3,872,033	60,463	3,932,496
Loss for the year	—	—	—	—	—	(23,912)	(23,912)	(10,030)	(33,942)
Total comprehensive (loss)/ income for the year	—	—	—	—	—	(23,912)	(23,912)	(10,030)	(33,942)
Repurchase of shares *(Note 34)*	—	(9,997)	—	—	—	—	(9,997)	—	(9,997)
Capital injection by non-controlling interest ("**NCI**")	—	—	—	—	—	—	—	15,855	15,855
Transfer	—	—	—	—	8,058	(8,058)	—	—	—
Dividend distribution *(Note 12)*	—	—	—	—	—	(110,000)	(110,000)	—	(110,000)
Conversion of capital reserve into share capital *(Note 34)*	49,500	—	(49,500)	—	—	—	—	—	—
Special reserve for work safety	—	—	—	895	—	—	895	—	895
Others	—	—	(141)	—	—	—	(141)	(2,109)	(2,250)
As at December 31, 2023	159,500	(9,997)	2,904,553	21,099	63,058	590,665	3,728,878	64,179	3,793,057

	Share capital	Treasury shares	Capital reserve	Safety production fund	Statutory reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 35		*Note (a)*	*Note (b)*	*Note (c)*				
As at January 1, 2024	159,500	(9,997)	2,904,553	21,099	63,058	590,665	3,728,878	64,179	3,793,057
Loss for the year	—	—	—	—	—	(174,675)	(174,675)	(13,876)	(188,551)
Total comprehensive loss for the year	—	—	—	—	—	(174,675)	(174,675)	(13,876)	(188,551)
Repurchase of shares *(Note 34)*	—	(40,322)	—	—	—	—	(40,322)	—	(40,322)
Capital injection by NCI	—	—	—	—	—	—	—	48,460	48,460
Equity-settled share-based compensation	—	—	2,895	—	—	—	2,895	—	2,895
Dividend distribution *(Note 12)*	—	—	—	—	—	(47,282)	(47,282)	—	(47,282)
Special reserve for work safety	—	—	—	(1,761)	—	—	(1,761)	—	(1,761)
As at December 31, 2024	159,500	(50,319)	2,907,448	19,338	63,058	368,708	3,467,733	98,763	3,566,496

	Share capital	Treasury shares	Capital reserve	Safety production fund	Statutory reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 35		*Note (a)*	*Note (b)*	*Note (c)*				
As at January 1, 2025	159,500	(50,319)	2,907,448	19,338	63,058	368,708	3,467,733	98,763	3,566,496
Profit/(loss) for the year	—	—	—	—	—	13,257	13,257	(15,821)	(2,564)
Total comprehensive income for the year	—	—	—	—	—	13,257	13,257	(15,821)	(2,564)
Repurchase of shares *(Note 34)*	—	(69,976)	—	—	—	—	(69,976)	—	(69,976)
Capital injection by NCI	—	—	—	—	—	—	—	9,800	9,800
Transfer with NCI	—	—	(2,880)	—	—	—	(2,880)	580	(2,300)
Transfer	—	—	—	—	6,974	(6,974)	—	—	—
Exercise of restricted stock incentive plan *(Note 34)*	—	15,754	(7,485)	—	—	—	8,269	—	8,269
Equity-settled share-based compensation	—	—	18,276	—	—	—	18,276	—	18,276
Special reserve for work safety	—	—	—	(3,365)	—	—	(3,365)	—	(3,365)
As at December 31, 2025	159,500	(104,541)	2,915,359	15,973	70,032	374,991	3,431,314	93,322	3,524,636

Notes:

(a) Capital reserve mainly includes share premium and capital reserve recognised resulting from share-based compensation, repurchase of shares, acquisition of non-controlling interests and changes in interests in associates.

(b) The Group is required to set aside an amount of maintenance, production and other similar funds according to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety.

(c) It represents the statutory reserve of the Company established in the People's Republic of China (the "**PRC**").

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Loss before tax	(39,213)	(219,662)	(6,244)
Adjustments for:			
— Share of losses of associates	—	1,224	17,852
— Net gain on financial assets	(41,387)	(35,363)	(96,014)
— Depreciation and impairment of property, plant and equipment	82,107	128,638	148,718
— Depreciation of right-of-use assets	4,478	5,231	6,199
— Amortisation of intangible assets	188	543	831
— Amortisation of other non-current assets	317	93	11
— Fair value gains on financial assets at FVTPL	—	(598)	(3,054)
— Net losses on disposal of items of property, plant and equipment	2,504	1,845	6,248
— Written down of inventories to net realisable value	24,581	17,761	3,700
— Finance costs	1,121	2,184	2,719
— Exchange gain/(loss), net	(1,629)	(1,741)	2,657
— Provision for impairment of trade receivables and other receivables	509	7,023	13,359
— Share-based payment expenses	—	2,294	5,297
— Deemed loss on disposal of subsidiary	—	—	3,081
Decrease in restricted bank deposits	171,279	4,235	25,447
Decrease/(increase) in safety reserve	894	(1,761)	(3,365)
Increase in trade and notes receivables	(197,382)	(82,335)	(403,342)
Increase/(decrease) in prepayments, deposits and other receivables	(23,545)	(2,857)	1,058
(Increase)/decrease in inventories	(53,925)	2,710	(27,195)
(Decrease)/increase in trade and notes payables	(91,298)	26,732	13,766
Increase in other payables and accruals	40,754	30,767	26,713
Increase in contract liabilities	5	179	4,300
Cash used in operations	(119,642)	(112,858)	(257,258)
Income tax paid	(15,252)	2,201	(192)
Net cash flows used in operating activities	(134,894)	(110,657)	(257,450)

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investing activities			
Receipt of bank wealth management products	7,416,000	4,866,200	3,570,564
Proceeds from disposal of debt investments	850	—	—
Proceeds from sale of financial assets at fair value through profit or loss	40,775	35,363	19,458
Proceeds from disposal of items of property, intangible assets and other non-current assets	—	3	211
Proceeds from other investment	—	—	2,412
Payment for the purchase of property, plant and equipment, intangible assets and other non-current assets	(363,758)	(307,713)	(350,375)
Payment of bank wealth management products	(7,496,000)	(5,703,040)	(3,224,714)
Payment for acquisition of associates	—	(40,000)	(31,900)
Prepayment of investment in associates	(62,000)	—	—
Payments for acquisition of financial assets at fair value through profit or loss	—	(5,000)	(23,000)
Prepaid investment in bank wealth management products	—	—	(138,000)
Net cash outflows on deemed disposal of subsidiary	—	—	(41,045)
Others	(2,250)	—	—
Net cash flows used in investing activities	(466,383)	(1,154,187)	(216,389)
Financing activities			
Contributions from non-controlling interests	15,855	48,460	9,800
Contributions from exercise of Restricted Shares Scheme	—	—	8,270
Proceeds from new borrowings	52,460	52,000	180,318
Contributions from other partners arising from the establishment of a fund	30,200	—	29,800
Repayment of borrowings	(200)	(4,120)	(6,850)
Dividends paid	(110,000)	(47,282)	—
Interest paid	(4,967)	(2,127)	(10,208)
Capital element of lease rentals paid	(747)	(1,037)	(418)
Placement of restricted bank deposits	—	—	(56,000)
Transaction with NCI	—	—	(2,300)
Repurchase of shares	(9,997)	(40,322)	(69,976)
Net cash flows (used in)/generated from financing activities	(27,396)	5,572	82,436
Net decrease in cash and cash equivalents	(628,673)	(1,259,272)	(391,403)
Cash and cash equivalents at beginning of year	2,611,839	1,984,795	727,264
Effect of foreign exchange rate changes, net	1,629	1,741	(2,657)
Cash and cash equivalents at end of year *(Note 28)*	1,984,795	727,264	333,204

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The predecessor of the Company was formerly known as Zhangjiagang HSC Textile Auxiliary Factory, which was registered and established in Zhangjiagang, Jiangsu Province, the PRC in August 1997. It was renamed Jiangsu Changyuan HSC New Energy Materials Co., Ltd. in May 2016, and restructured and incorporated as Jiangsu HSC New Energy Materials Co., Ltd., a joint stock limited company, in July 2019. The Company's A-Shares were listed on the Shanghai Stock Exchange on July 13, 2022, under the stock code 688353. Its registered office and principal place of business are located at No. 1 Desheng Road, Jiangsu Yangtze River International Chemical Industrial Park, the PRC.

During the Track Record Period, the Company and its subsidiaries together (the "**Group**") are principally engaged in the research and development, production and sales of lithium-ion electrolyte battery additives.

The actual controllers of the Company are Mr. Shen Jinliang and Mr. Shen Ming.

In this Historical Financial Information, certain English name of the companies referred herein represent the management's best effort to translate the Chinese name of the companies as no English name has been registered.

2. BASIS OF PRESENTATION AND PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards ("**IFRSs**"), International Accounting Standards and Interpretations approved by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the List of Securities of the Stock Exchange of Hong Kong limited and by the Hong Kong Companies Ordinance.

Historical Financial Information has been prepared on the historical cost basis except for certain financial assets and liabilities which are stated at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

The material accounting policy information that has been used in the preparation of this Historical Financial Information are disclosed in Note 3.2. These accounting policies have been consistently applied to all the periods presented in the Historical Financial Information, unless otherwise stated.

All IFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period. The adoption of the IFRS Accounting Standards do not have any significant impact on the financial position or results of the Group during the Track Record Period.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not early adopted the following new and amended IFRS Accounting Standards which have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 7 and IFRS 9	Amendments to the Classification and Measurement of Financial Instruments[1]
Amendments to IFRS 7 and IFRS 9	Contracts Referencing Nature-dependent Electricity[1]
IFRS 18	Presentation and Disclosure in Financial Statements[2]
IFRS 19	Subsidiaries without public accountability: disclosures[2]
Annual Improvements to IFRSs — Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[1]
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency[2]

1 Effective for accounting periods beginning on or after January 1, 2026
2 Effective for accounting periods beginning on or after January 1, 2027
3 Effective dates not yet determined

Except for new IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all the new and amendments to IFRS Accounting Standards will have no material impact on the Historical Financial Information of the Group in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for accounting periods beginning on or after January 1, 2027, with early application permitted. The application of IFRS 18 has no impact on the Group's financial positions and performance but has impact on presentation of the consolidated statements of comprehensive income.

3.2 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated fully from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated in preparing the Historical Financial Information. Where unrealized losses on sales of intra-group assets are reversed in consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, respectively.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Non-controlling interests ("NCI")

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's ownership interests in existing subsidiaries do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Interests in associates

An associate is an entity over which the Group has significant influence but no control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. 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. Interests in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company. 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.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities at the end of the reporting period are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e., only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income.

In the Historical Financial Information, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the end of the reporting period. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the other comprehensive income reserve in equity.

Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are initially recognised at acquisition cost and/or manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management, including costs of testing whether the related assets are functioning properly). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values using the straight-line basis over their estimated useful lives as follow:

Properties and buildings	20–30 years
Machinery and equipment	10 years
Transportation equipment	4 years
Office and electronic equipment	3–5 years
Leasehold improvement	3–5 years

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at the end of each year for the Track Record Period.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Right-of-use assets

Accounting policies of right-of-use assets (other than prepaid land lease payments) are set out in "Leases" below.

Prepaid land lease payments (which meet the definition of right-of-use assets) represent the upfront payment for long-term land lease in which the payment can be reliably measured. It is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the term of the lease/right-of-use except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of assets.

Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The useful lives are as follows:

Patent rights	10 years
Software and others	5 years

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each year for the Track Record Period.

Intangible assets are tested for impairment as described in "Impairment of non-financial assets" below.

Research and development

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of the following recognition requirements:

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) there is intention to complete the intangible asset and use or sell it;

(iii) the Group's ability to use or sell the intangible asset is demonstrated;

(iv) the intangible asset will generate probable economic benefits through internal use or sale;

(v) sufficient technical, financial and other resources are available for completion; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or know-how that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 "Revenue from Contracts with Customers", all financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

— amortised cost;

— FVTPL; or

— FVTOCI.

The classification is determined by both:

— the Group's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Debt instruments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's restricted bank deposits, time deposits, cash and cash equivalents, trade and notes receivables, other receivables fall into this category of financial instruments.

Financial assets at FVTOCI — recycling

If the contractual cash flows of the financial assets comprise solely payments of principal and interest and are held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit loss ("**ECL**"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under IFRS 9 apply.

Equity instruments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in "other comprehensive income reserve" in equity. Such elections are made on an instrument-by-instrument basis but only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVTOCI are not subject to impairment assessment. The cumulative gain or loss in "other comprehensive income reserve" will not be reclassified to profit or loss upon disposal of the equity investments and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in "other income" in profit or loss.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included cash and bank deposits, trade receivables, notes receivables and other financial assets measured at amortised cost.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this general model approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**"); and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of the reporting period.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 categories.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Cash and bank deposits

Cash and bank deposits are considered to have low credit risk because the counterparties are banks and have a low risk of default, and have a strong capacity to meet its contractual cash flow obligations in the near term. Cash and bank deposits are also subject to the impairment requirements of IFRS 9, while the identified credit loss was immaterial.

Trade and notes receivables

For trade and notes receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at the end of each year for the Track Record Period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, except for trade and notes receivables with significant outstanding balances which are assessed individually, the remaining trade and notes receivables have been grouped based on shared credit risk characteristics.

For notes receivables measured at FVTOCI, the Group assumes that the credit risk on notes receivables measured at FVTOCI has not increased significantly since initial recognition if the notes receivables measured at FVTOCI is determined to have low credit risk at the end of each reporting period. Notes receivables measured at FVTOCI is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Other receivables and other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the end of each year for the Track Record Period with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating,

— significant deterioration in external market indicators of credit risk, e.g., a significant increase in the credit spread and the credit default swap prices for the debtor;

— existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

— an actual or expected significant deterioration in the operating results of the debtor.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables, other financial assets measured at amortised cost and notes receivables measured at FVTOCI are set out in Note 42.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and notes payables, contract liabilities, other payables and accruals, redemption liabilities, borrowings, and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group classified or designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in finance costs or other income.

Accounting policies of lease liabilities are set out in "Leases" below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings and bonds payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Track Record Period.

Trade payables, other payables and accruals

Trade payables, other payables and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Contract liabilities

Contract liabilities are recognised when the customer pays consideration before the Group recognises the related revenue. Contract liabilities would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis, and in the case of semi-finished goods and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads.

Cash and cash equivalents

Cash and cash equivalents include cash and cash in bank, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in Note 27.

Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statements of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each year for the Track Record Period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Share capital

Share capital are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issue of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

Revenue recognition

Revenue is primarily derived from the manufacture of specialty chemicals, the main products of which include VC and FEC.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when or as performance obligations are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised at a point in time or over time, when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Revenue from sale of goods

Revenue from sale of goods between the Group and its customers generally only includes a performance obligation for the transfer of goods, which is recognised when the performance obligation has been satisfied at a point in time.

Domestic sales

For sales under the non-consignment model, the Company recognizes revenue upon delivery of goods to the location designated in the contract or purchase order and upon the customer's confirmation of receipt.

For sales under the consignment model, revenue is recognized when the goods are taken up by the customer from the designated consignment location (as per the contract or purchase order).

Export sales

Revenue is recognized on the date of customs declaration, after the goods have been shipped and all required export customs procedures are completed, in compliance with the agreed terms.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. 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 and is released to the consolidated statements of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

Impairment of non-financial assets

The following assets are subject to impairment testing:

- Intangible assets;
- Property, plant and equipment;
- Right-of-use assets; and
- The Company's investments in subsidiaries and the Group's interests in associates.

Assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. Corporate assets are allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Short-term employee benefits

Salaries, discretionary bonuses, paid annual leave and the cost of non-monetary benefits are accrued and recognised in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Pension scheme

Retirement benefits to employees are provided through defined contribution plans. The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these plans based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these plans is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

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.

Share-based compensation

The Group operates share-based compensation plans for remuneration of its employees including share incentive plans.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets and performance conditions).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "capital reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period.

Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Accounting for income taxes

Income tax comprises current tax and deferred income tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred income tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred income tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in IAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred income tax liability for all taxable temporary differences.

Deferred income tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of each year for the Track Record Period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

— income or loss excluding reversals of temporary differences; and

— reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Group presents deferred tax assets and deferred income tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) 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 income tax liabilities or assets are expected to be settled or recovered.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions, as well as forward-looking estimates at the end of each year for the Track Record Period. Details of the key assumptions and inputs used are disclosed in the tables in Note 43.

Inventory provision for impairment

The Group measures the inventory at the lower of cost and net realisable value, and makes inventory provision for the obsolete inventory, slow-moving inventory and the inventory of which the cost is higher than their net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Even though the management of the Group has made the best estimate about the inventory impairment loss predicted to occur and provided allowance for impairment, the impairment assessment may still be significantly changed due to the change of market situation.

Income taxes and deferred income taxations

There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgements are required from the Group in determining the provisions for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The Group recognises deferred tax assets based on estimates that it is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involves management's judgements and estimations about the timing and the amount of taxable profits of the companies who has tax losses.

Recognition of share-based payment expenses

Estimating the fair value of share-based payment transactions requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the significant input of expected life of the share incentive granted, expected volatility, and risk-free rate and making assumptions about them.

For the measurement of the fair value of share-based payment transactions with employees at the grant date. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 35.

5. REVENUE AND SEGMENT INFORMATION

Disaggregated revenue information

	Year ended December 31		
Disaggregation of revenue	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Types of products			
Disaggregated by major products			
— VC	328,108	343,489	580,899
— FEC	153,124	111,469	237,177
— Others	43,799	49,941	51,413
	525,031	504,899	869,489

Note: (1) All revenue is recognized at a point in time.

(2) VC refers to vinylene carbonate.

(3) FEC refers to fluoroethylene carbonate.

Segment information

The operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's management reviews the performance of the Group as a single operating segment based on the internal organisation structure, management requirements and internal reporting system. Accordingly, only entity-wide disclosure, along with the Group's result and financial position as a whole, major customers and geographic information are presented.

Geographical information

The following table sets out the information about the geographical location of the Group's revenue from external customers based on the geographical location of customers to which the goods are delivered.

Disaggregation of revenue	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Types of products or service			
Revenue from external customers			
— Mainland China	441,639	445,409	830,649
— Other countries/regions	83,392	59,490	38,840
	525,031	504,899	869,489

The geographical location of the Group's non-current assets (excluding deferred tax assets, financial assets and interests in associates), mainly comprised of the property, plant and equipment and right-of-use assets, is based on the location of these assets. As at the end of each reporting period, the geographical location of the Group's non-current assets are all in Mainland China.

Information about major customers

Revenue derived from customers individually contributed over 10% of the Group's revenue during the Track Record Period is as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Customer A	166,328	174,306	330,501
Customer B	107,087	165,505	245,152
Customer C	62,825	N/A*	N/A*
	336,240	339,811	575,653

* The corresponding revenue for the customer didn't contribute over 10% of the total revenue of the Group during the year.

The group of entities under common control of a reporting entity are considered as a single customer.

6. OTHER INCOME

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest income	24,542	12,069	7,228
Government grants and additional deduction of input VAT *(Note)*	7,270	7,039	22,402
Others	112	153	76
	31,924	19,261	29,706

Note: During the Track Record Period, government grants except for the deferred government grants have no unfulfilled conditions or contingencies.

During the Track Record Period, the amount of derred government grants were approximately of RMB3,675,000, RMB4,001,000 and RMB4,431,000 for the years ended December 31, 2023, 2024 and 2025, respectively.

7. OTHER GAINS AND LOSSES, NET

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investment income from financial assets at FVTPL	41,387	35,363	96,014
Deemed loss on disposal of subsidiary	—	—	(3,081)
Fair value gains on financial assets at FVTPL	—	598	3,054
Foreign exchange gains/(loss)	2,068	1,974	(2,853)
Losses on disposal of property, plant and equipment and other assets	(2,504)	(1,845)	(6,248)
Capital market incentives	2,700	—	—
Impairment losses of property, plant and equipment	—	—	(1,990)
Others	(1,033)	(453)	(269)
	42,618	35,637	84,627

8. EXPENSES BY NATURE

Expenses included in cost of sales, research and development expenses, general and administrative expenses and selling expenses are analysed as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Changes in semi-finished goods and work in progress, contract fulfillment costs and finished goods	(53,136)	27,346	(11,659)
Raw materials consumed	266,492	241,739	364,961
Employee benefit expenses and share-based payment expenses	139,843	148,308	168,272
Depreciation of property, plant and equipment	82,107	128,638	146,728
Amortisation of intangible assets	188	543	831
Amortisation of other non-current assets	317	93	11
Depreciation of right-of-use assets	4,478	5,231	6,199
Utility Expenses	58,039	84,881	116,894
Research and development materials consumed	21,781	14,290	15,791
Consumables used	20,753	21,803	23,313
Repairs and maintenance expenses	19,557	17,386	18,658
Environmental and waste treatment expenses	13,725	17,331	31,949
Logistics fees	12,806	16,617	17,924
Safety production fund	10,605	8,451	7,955
Tax and surcharges	6,993	9,052	9,415
Others	32,608	27,319	38,797
	637,156	769,028	956,039

9. EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses are analysed as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries, bonuses and other benefits in kind	129,236	134,517	150,456
Retirement scheme contributions	10,607	11,497	12,519
Equity-settled share-based payment expenses	—	2,294	5,297
	139,843	148,308	168,272

(b) Directors' and supervisors' emoluments

Directors' and supervisors' emoluments for the Track Record Period, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Fees	Salaries, allowances, discretionary bonuses, benefits in kind	Retirement scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2023					
Executive directors					
Mr.Shen Jinliang	—	1,906	—	—	1,906
Mr. Shen Ming (chief executive)	—	1,666	42	—	1,708
Mr. Li Weifeng	—	1,303	42	—	1,345
Mr. Lin Gang	—	1,061	40	—	1,101
Independent non-executive directors					
Mr. Huang Xiong	80	—	—	—	80
Mr. Hu Bo	80	—	—	—	80
Ms. Wen Meiqin	80	—	—	—	80
Supervisors					
Mr. Zhou Chao	—	—	—	—	—
Mr. Yang Zhiyong	—	376	29	—	405
Ms. Zhang Liya	—	290	29	—	319
Year ended December 31, 2024					
Executive directors					
Mr.Shen Jinliang	—	1,636	—	145	1,781
Mr. Shen Ming (chief executive)	—	1,509	42	97	1,648
Mr. Li Weifeng	—	1,246	42	48	1,336
Mr. Lin Gang	—	1,004	40	48	1,092
Independent non-executive directors					
Mr. Huang Xiong	100	—	—	—	100
Mr. Hu Bo	100	—	—	—	100
Ms. Wen Meiqin	100	—	—	—	100
Supervisors					
Mr. Zhou Chao	—	—	—	—	—
Mr. Yang Zhiyong	—	347	29	—	376
Ms. Zhang Liya	—	287	29	—	316
Year ended December 31, 2025					
Executive directors					
Mr.Shen Jinliang	—	1,906	—	279	2,185
Mr. Shen Ming (chief executive)	—	1,766	42	186	1,994
Mr. Li Weifeng	—	1,408	42	93	1,543
Mr. Lin Gang	—	1,339	40	93	1,472
Independent non-executive directors					
Mr. Huang Xiong	75	—	—	—	75
Mr. Hu Bo	75	—	—	—	75
Ms. Wen Meiqin	75	—	—	—	75
Ms. Yu Beifang	29	—	—	—	29
Mr. Shi Haoming	29	—	—	—	29
Mr. Zhou Haoshen	29	—	—	—	29
Supervisors	—				
Mr. Zhou Chao	—	—	—	—	—
Mr. Yang Zhiyong	—	238	23	—	261
Ms. Zhang Liya	—	210	23	—	233

Fees, salaries, allowances and benefits in kind paid to or for the executive directors, independent non-executive directors of the Company and supervisors are generally emoluments paid or receivable in respect of services in connection with the management of the affairs of the Company and its subsidiaries.

(c) Five highest paid individuals

During the years ended December 31, 2023, 2024 and 2025, the five highest paid individuals included 4, 4, and 4 directors, respectively, whose emoluments are reflected in Note 9(b) above. The aggregate emoluments payable to the remaining 1, 1, and 1 individuals during the years ended December 31, 2023, 2024 and 2025 are as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances, discretionary bonuses, benefits in kind and retirement scheme contributions	1,500	1,529	1,656

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group. The emoluments of the remaining highest paid individuals fell within the following bands:

	Year ended December 31		
	2023	2024	2025
HK$500,001-HK$1,000,000	—	—	—
HK$1,000,001-HK$1,500,000	—	—	—
HK$1,500,001-HK$2,000,000	1	1	1
	1	1	1

10. FINANCE COSTS

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on borrowings	4,019	5,048	8,764
Interest expense on amounts due to other investors of a fund *(note 31)*	1,003	2,003	1,529
Interest expense on lease liabilities	56	29	7
	5,078	7,080	10,300
Less:			
Capitalisation	(3,957)	(4,896)	(7,581)
Total finance costs	1,121	2,184	2,719

11. INCOME TAX CREDITED

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	1,499	(18)	2,396
Deferred income tax *(Note 25)*	(6,770)	(31,093)	(6,076)
Income tax credited	(5,271)	(31,111)	(3,680)

Taxes on profits assessable have been calculated at the rate of tax prevailing in the jurisdictions in which relevant entities operate.

(a) PRC Enterprise Income Tax ("EIT")

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, the Company and Taixing Huasheng Fine Chemical Co., Ltd. were qualified as "High and New Technology Enterprises (HNTE)" and are therefore entitled to a preferential tax rate of 15% from 2023 to 2025. Other subsidiaries are subject to an income tax rate of 25% for the period from 2023 to 2025.

(b) Corporate income tax in other jurisdictions

Taxation for other overseas subsidiaries are charged at the appropriate current rates of taxation ruling in the relevant countries.

Reconciliation between the income tax expenses and loss before income tax in the consolidated statements of comprehensive income is as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Loss before income tax	(39,213)	(219,662)	(6,244)
Tax at the preferential tax rate of 15%	(5,882)	(32,949)	(937)
Tax effect of			
— different tax rates of the subsidiaries	(2,461)	(4,087)	(5,179)
— non-deductible expenses	381	380	1,431
— deductible temporary differences and tax losses not recognised	7,266	10,723	13,781
— adjustments in respect of current tax of previous periods	15	(18)	1,077
— additional deduction of research and development expense	(6,476)	(5,403)	(5,368)
— non-taxable income	—	243	(8,485)
— changes in tax rates on deferred tax items at the beginning of the year	1,886	—	—
Income tax expense	(5,271)	(31,111)	(3,680)

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that have been effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% and 200% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for the years ended December 31, 2023, 2024 and 2025.

12. DIVIDENDS

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Dividends attributable to the year			
Final dividends	110,000	47,282	—
	110,000	47,282	—

During the year ended December 31, 2023, a dividend of RMB110,000,000 (RMB1 per ordinary share) was declared by the Company to its equity shareholders, of which RMB110,000,000 was paid during the year ended December 31, 2023. During the year ended December 31, 2024, a dividend of RMB47,282,000 (RMB0.3 per ordinary share) was declared by the Company to its equity shareholders, of which RMB47,282,000 was paid during the year ended December 31, 2024.

No dividend has been paid or declared by the Company or the subsidiaries of the Company for the year ended December 31, 2025.

13. (LOSS)/EARNINGS PER SHARES ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period, excluding treasury shares held for share schemes as these not considered outstanding for loss per share calculation purposes.

The following table illustrates the earnings and shares information used in the calculation of basic loss per share:

	Year ended December 31		
	2023	**2024**	**2025**
(Loss)/profit attributable to owners of the Company used in calculation basic (loss)/earnings per share (RMB'000)	(23,912)	(174,675)	13,257
Issued shares as at January 1	159,500	159,500	159,500
Effect of repurchase of shares for equity-settled share-based payment scheme (thousand shares)	(70)	(1,058)	(4,318)
Weighted average number of ordinary shares in issue (thousand shares)	159,430	158,442	155,182
Basic (loss)/earnings per share (RMB per share)	(0.150)	(1.102)	0.085

(b) Diluted (loss)/earnings per share

The Group had no potentially dilutive ordinary shares in issue for the years ended December 31, 2023 and 2024. For the year ended December 31, 2025, the share schemes granted by the Company have potential dilutive effect on the (loss)/earnings per share. Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share schemes (collectively forming the denominator for computing the diluted (loss)/earnings per share).

	Year ended December 31		
	2023	**2024**	**2025**
(Loss)/profits attributable to owners of the Company used in calculating diluted (loss)/earnings per share (RMB'000)	(23,912)	(174,675)	13,257
Weighted average number of ordinary shares at December 31 (thousand shares)	159,430	158,442	155,182
Effect of shares for equity-settled share-based payment scheme (thousand shares)	—	—	1,230
Weighted average number of ordinary shares in issue (thousand shares)	159,430	158,442	156,412
Diluted (loss)/earnings per share (RMB per share)	(0.150)	(1.102)	0.085

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties and buildings	Machinery and equipment	Transportation equipment	Office and electronic equipment	Construction in progress	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023							
Cost	212,595	414,339	9,521	89,871	690,806	—	1,417,132
Accumulated depreciation	(61,564)	(191,971)	(7,555)	(69,336)	—	—	(330,426)
Net carrying amount	151,031	222,368	1,966	20,535	690,806	—	1,086,706
Year ended December 31, 2023							
Opening net carrying amount	151,031	222,368	1,966	20,535	690,806	—	1,086,706
Additions	—	3,827	1,465	4,585	498,963	587	509,427
Disposals	—	(2,647)	—	—	—	—	(2,647)
Depreciation	(17,616)	(56,464)	(742)	(7,275)	—	(10)	(82,107)
Transfer	323,731	437,954	—	7,399	(769,084)	—	—
Closing net carrying amount	457,146	605,038	2,689	25,244	420,685	577	1,511,379
As at December 31, 2023							
Cost	536,326	851,178	10,986	101,855	420,685	587	1,921,617
Accumulated depreciation	(79,180)	(246,140)	(8,297)	(76,611)	—	(10)	(410,238)
Net carrying amount	457,146	605,038	2,689	25,244	420,685	577	1,511,379
Year ended December 31, 2024							
Opening net carrying amount	457,146	605,038	2,689	25,244	420,685	577	1,511,379
Additions	1,664	12,271	1,277	2,997	300,658	144	319,011
Disposals	(1,664)	—	(8)	—	—	—	(1,672)
Depreciation	(28,890)	(90,726)	(882)	(7,999)	—	(141)	(128,638)
Transfer	127,054	178,262	118	155	(305,589)	—	—
Others	—	(22,527)	—	(347)	22,874	—	—
Closing net carrying amount	555,310	682,318	3,194	20,050	438,628	580	1,700,080
As at December 31, 2024							
Cost	663,380	992,223	11,963	102,775	438,628	731	2,209,700
Accumulated depreciation	(108,070)	(309,905)	(8,769)	(82,725)	—	(151)	(509,620)
Net carrying amount	555,310	682,318	3,194	20,050	438,628	580	1,700,080
Year ended December 31, 2025							
Opening net carrying amount	555,310	682,318	3,194	20,050	438,628	580	1,700,080
Additions	—	6,694	553	2,632	346,666	—	356,545
Disposals	—	(6,422)	—	—	—	—	(6,422)
Depreciation	(33,774)	(105,052)	(1,174)	(6,580)	—	(148)	(146,728)
Impairment	—	(1,990)	—	—	—	—	(1,990)
Transfer	200,549	215,141	284	5,279	(421,253)	—	—
Others	—	—	—	—	(3,360)	—	(3,360)
Closing net carrying amount	722,085	790,689	2,857	21,381	360,681	432	1,898,125
As at December 31, 2025							
Cost	863,929	1,199,956	12,800	110,686	360,681	731	2,548,783
Accumulated depreciation	(141,844)	(407,277)	(9,943)	(89,305)	—	(299)	(648,668)
Accumulated impairment	—	(1,990)	—	—	—	—	(1,990)
Net carrying amount	722,085	790,689	2,857	21,381	360,681	432	1,898,125

Notes:

(a) The Group's buildings included in property, plant and equipment and located in the PRC, with carrying amounts of approximately RMB275,719,000, RMB46,393,000 and RMB73,160,000 as at December 31, 2023, December 31, 2024 and December 31, 2025 respectively, were in the process of obtaining ownership certificates. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Group's consolidated statements of financial position as at December 31, 2023, 2024 and 2025.

(b) The Group has pledged certain buildings, included in property, plant and equipment, with the following carrying amounts to secure borrowings granted to the Group. Details of the Group's buildings pledged for the Group's borrowings are disclosed below:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Buildings	—	42,693	98,200

(c) Depreciation of the Group's property, plant and equipment has been recognised as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	72,562	111,128	127,157
General and administrative expenses	4,545	11,012	12,179
Research and development expenses	5,000	6,498	7,392
	82,107	128,638	146,728

The Company

	Properties and buildings	Machinery and equipment	Transportation equipment	Office and electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023						
Cost	94,207	174,763	7,543	31,591	562,311	870,415
Accumulated depreciation	(32,963)	(100,344)	(6,126)	(23,277)	—	(162,710)
Net carrying amount	61,244	74,419	1,417	8,314	562,311	707,705
Year ended December 31, 2023						
Opening net carrying amount	61,244	74,419	1,417	8,314	562,311	707,705
Additions	—	1,651	1,402	2,957	370,330	376,340
Depreciation	(11,930)	(32,701)	(580)	(2,928)	—	(48,139)
Transfer	323,731	427,019	—	7,181	(757,931)	—
Closing net carrying amount	373,045	470,388	2,239	15,524	174,710	1,035,906
As at December 31, 2023						
Cost	417,938	603,433	8,945	41,729	174,710	1,246,755
Accumulated depreciation	(44,893)	(133,045)	(6,706)	(26,205)	—	(210,849)
Net carrying amount	373,045	470,388	2,239	15,524	174,710	1,035,906
Year ended December 31, 2024						
Opening net carrying amount	373,045	470,388	2,239	15,524	174,710	1,035,906
Additions	—	3,007	992	2,674	69,032	75,705
Disposals	—	—	(8)	—	—	(8)
Depreciation	(20,064)	(66,839)	(665)	(4,046)	—	(91,614)
Transfer	—	178,262	—	—	(178,262)	—
Closing net carrying amount	352,981	584,818	2,558	14,152	65,480	1,019,989

	Properties and buildings	Machinery and equipment	Transportation equipment	Office and electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024						
Cost	417,938	784,702	9,519	44,403	65,480	1,322,042
Accumulated depreciation	(64,957)	(199,884)	(6,961)	(30,251)	—	(302,053)
Net carrying amount	352,981	584,818	2,558	14,152	65,480	1,019,989
Year ended December 31, 2025						
Opening net carrying amount	352,981	584,818	2,558	14,152	65,480	1,019,989
Additions	—	3,954	474	3,053	196,589	204,070
Depreciation	(21,990)	(72,256)	(916)	(4,469)	—	(99,631)
Transfer	99,641	34,086	—	168	(133,895)	—
Closing net carrying amount	430,632	550,602	2,116	12,904	128,174	1,124,428
As at December 31, 2025						
Cost	517,579	822,742	9,993	47,624	128,174	1,526,112
Accumulated depreciation	(86,947)	(272,140)	(7,877)	(34,720)	—	(401,684)
Net carrying amount	430,632	550,602	2,116	12,904	128,174	1,124,428

Notes:

(a) The Company's buildings included in property, plant and equipment and located in the PRC, with carrying amounts of approximately RMB275,719,000 as at December 31, 2023, was in the process of obtaining ownership certificates. The directors of the Company are of the opinion that the Company is entitled to lawfully and validly occupy and use the buildings, and therefore the aforesaid matter did not have any significant impact on the Company's statements of financial position as at December 31, 2023, 2024 and 2025.

(b) The Company has pledged certain buildings, included in property, plant and equipment, with the following carrying amounts to secure borrowings granted to the Group. Details of the Group's buildings pledged for the Group's borrowings are disclosed below:

	As at December 31		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Buildings	—	—	57,651

15. LEASES

The Group as a lessee

(a) Right-of-use assets

The movements in the net carrying amount of right-of-use assets are analysed as follows:

	Buildings and structures	Land use rights	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2023	2,171	148,023	150,194
Additions	1,305	34,830	36,135
Depreciation	(731)	(3,747)	(4,478)
Lease modification and termination	(1,357)	—	(1,357)
As at December 31, 2023	1,388	179,106	180,494
As at January 1, 2024	1,388	179,106	180,494
Additions	—	24,812	24,812
Depreciation	(731)	(4,500)	(5,231)
As at December 31, 2024	657	199,418	200,075
As at January 1, 2025	657	199,418	200,075
Additions	489	61,057	61,546
Depreciation	(698)	(5,501)	(6,199)
As at December 31, 2025	448	254,974	255,422

Note: The Group has obtained the right to use buildings and structures used in its operations through tenancy agreements. The leases typically run for an initial period of 3 years. Land in respect of land use rights are all located in the PRC with a lease period of 50 years. Lump sum payments were made upfront to acquire these property interests from the relevant government authorities.

Certain right-of-use assets are pledged, details refer to Note 37.

(b) Lease liabilities

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Total minimum lease payments	1,226	224	335
Future interest expense on lease liabilities	(25)	(4)	(12)
	1,201	220	323
Portion due within one year included under current liabilities	733	220	159
Portion due after one year included under non-current liabilities	468	—	164
	1,201	220	323

(c) The amounts recognised in the consolidated statements of comprehensive income in relation to leases are as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	56	29	7
Depreciation of right-of-use assets	4,478	5,231	6,199
Expenses relating to short-term leases and leases of low-value assets	200	113	29
	4,734	5,373	6,206

The Company as a lessee

(a) Right-of-use assets

The movements in the net carrying amount of right-of-use assets are analysed as follows:

	Land use rights
	RMB'000
As at January 1, 2023	80,499
Depreciation	(1,757)
As at December 31, 2023	78,742
As at January 1, 2024	78,742
Additions	17,843
Depreciation	(2,154)
As at December 31, 2024	94,431
As at January 1, 2025	94,431
Depreciation	(2,351)
As at December 31, 2025	92,080

(b) The amounts recognised in the consolidated statements of comprehensive income in relation to leases are as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Depreciation of right-of-use assets	1,757	2,154	2,351
Expenses relating to short-term leases and leases of low-value assets	—	14	—
	1,757	2,168	2,351

16. INTANGIBLE ASSETS

The Group

	Patent rights	Software and others	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2023			
Cost	220	1,324	1,544
Accumulated amortisation	(96)	(806)	(902)
Net carrying amount	124	518	642
Year ended December 31, 2023			
Opening net carrying amount	124	518	642
Amortisation	(20)	(168)	(188)
Closing net carrying amount	104	350	454
As at December 31, 2023			
Cost	220	1,324	1,544
Accumulated amortisation	(116)	(974)	(1,090)
Net carrying amount	104	350	454
Year ended December 31, 2024			
Opening net carrying amount	104	350	454
Additions	—	6,486	6,486
Amortisation	(20)	(523)	(543)
Closing net carrying amount	84	6,313	6,397
As at December 31, 2024			
Cost	220	7,810	8,030
Accumulated amortisation	(136)	(1,497)	(1,633)
Closing net carrying amount	84	6,313	6,397
Year ended December 31, 2025			
Opening net carrying amount	84	6,313	6,397
Amortisation	(15)	(816)	(831)
Closing net carrying amount	69	5,497	5,566
As at December 31, 2025			
Cost	220	7,810	8,030
Accumulated amortisation	(151)	(2,313)	(2,464)
Net carrying amount	69	5,497	5,566

Notes:

(a) Amortisation of the Group's intangible assets has been recognised as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
General and administrative expenses	188	543	831

The Company

	Patent rights	Software and others	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2023			
Cost	100	1,324	1,424
Accumulated amortisation	(82)	(806)	(888)
Net carrying amount	18	518	536
Year ended December 31, 2023			
Opening net carrying amount	18	518	536
Amortisation	(8)	(168)	(176)
Closing net carrying amount	10	350	360
As at December 31, 2023			
Cost	100	1,324	1,424
Accumulated amortisation	(90)	(974)	(1,064)
Net carrying amount	10	350	360
Year ended December 31, 2024			
Opening net carrying amount	10	350	360
Additions	—	6,486	6,486
Amortisation	(8)	(523)	(531)
Closing net carrying amount	2	6,313	6,315
As at December 31, 2024			
Cost	100	7,810	7,910
Accumulated amortisation	(98)	(1,497)	(1,595)
Closing net carrying amount	2	6,313	6,315
Year ended December 31, 2025			
Opening net carrying amount	2	6,313	6,315
Amortisation	(2)	(817)	(819)
Closing net carrying amount	—	5,496	5,496
As at December 31, 2025			
Cost	100	7,810	7,910
Accumulated amortisation	(100)	(2,314)	(2,414)
Net carrying amount	—	5,496	5,496

17. INVESTMENTS IN ASSOCIATES

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments	—	100,776	198,885
At the beginning of the year	—	—	100,776
Lost of control of a subsidiary and accounted for as an associate *(Note 18)*	—	—	112,868
Additions	—	102,000	31,900
Share of results, net	—	(1,224)	(17,949)
Others	—	—	(28,710)
At the end of the year	—	100,776	198,885

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	—	—	71,368
Additions	—	72,000	141,268
Share of results, net	—	(632)	(17,251)
At the end of the year	—	71,368	195,385

Note:

(a) There were no material contingent liabilities relating to the Group's interest in associates.

18. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investments, at cost	524,430	606,210	682,634

As at the date of this report, the Company's principal subsidiaries are as follows:

Name of entity	Place of incorporation/ operation	Registered share capital ('000)	Effective interest held by the Company — As at December 31 — 2023 Direct	2023 Indirect	2024 Direct	2024 Indirect	2025 Direct	2025 Indirect	As at the date of this report Direct	As at the date of this report Indirect	Principal activities
Taixing Huasheng Fine Chemical Co., Ltd. 泰興華盛精細化工有限公司 *(Note (b))*	PRC	RMB340,000	100%	—	100%	—	100%	—	100%	—	Manufactures and sells semi-finished electrolyte additives for lithium-ion batteries, acting as the pre-production process for the Issuer's Zhangjiagang facility.
Wuxi Huaying Sitai New Energy Materials Technology Co., Ltd. 蘇州華贏新能源材料科技有限公司 *(Note (b))*	PRC	RMB10,000	70%	—	70%	—	70%	—	70%	—	R&D of electrolyte additives, cathode and anode active materials for lithium-ion batteries
Zhejiang Shengmei Lithium Battery Materials Co., Ltd. 浙江盛美鋰電材料有限公司 *(Note (b))*	PRC	RMB220,000	51%	—	51%	—	51%	—	51%	—	R&D, manufacturing and distribution of fluorinated electrolyte additive
Hubei Huasheng Xianghe New Energy Materials Co., Ltd. 湖北華盛祥和新能源材料有限公司 *(Note (b))*	PRC	RMB150,000	74%	—	74%	—	95%	—	95%	—	R&D, manufacturing and distribution of Chloroethylene Carbonate (CEC)
Jiangsu Huasheng Lianying New Energy Materials Co., Ltd.Jiangsu Huasheng Lianying New Energy Materials Co., Ltd. 江蘇華盛聯贏新能源材料有限公司 *(Note (b))*	PRC	RMB50,000	70%	21%	70%	21%	70%	21%	70%	21%	R&D, manufacturing and distribution of anode active materials for lithium-ion batteries

Name of entity	Place of incorporation/ operation	Registered share capital ('000)	Effective interest held by the Company As at December 31 2023 Direct	2023 Indirect	2024 Direct	2024 Indirect	2025 Direct	2025 Indirect	As at the date of this report Direct	As at the date of this report Indirect	Principal activities
Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership) 蘇州華盛南園敦行創業投資合夥企業（有限合夥） *(Note (c))*	PRC	RMB180,000	44%	—	44%	—	N/A	N/A	N/A	N/A	Industrial Investment Fund

Notes:

(a) The English names of the subsidiaries with Chinese names represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(b) The financial statements of the entity for the years ended December 31, 2023 and 2024 were audited by RSM China CPA LLP. The audited financial statements for the year ended December 31, 2025 have not yet been issued.

(c) The Company initiated the establishment of Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership, hereinafter referred to as "**Huasheng Nanyuan Dunxing**") in July 2023, initially holding 44.4444% of its partnership interests. The Company is the largest contributor to Huasheng Nanyuan Dunxing.

According to the cooperation agreement signed between the Company and Suzhou Dunxing Investment Management Co., Ltd., the investment Decision-Making Committee comprises five 5 members. An investment decision shall be adopted only upon the affirmative vote of no less than four 4 members. The representative appointed by the Company serves as a member of the Investment Decision-Making Committee of Huasheng Nanyuan Dunxing. In addition to being reviewed in accordance with the procedures set forth in the partnership agreement, any major investment decision of the partnership shall also require the approval of the committee member appointed by the Company. Based on the aforementioned de facto control over Huasheng Nanyuan Dunxing, the Group has included it in the scope of its consolidated financial statements.

In September 2025, the Company entered into a partnership interest transfer agreement in respect of Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership) with Suzhou Nanyuan Shanyuan Technology Development Co., Ltd., pursuant to which the Company agreed to transfer a 2% partnership interest in the partnership to Suzhou Nanyuan Shanyuan Technology Development Co., Ltd. Following such transfer, the Company's holding percentage in the partnership was reduced to 42.4444%. In addition, the veto power previously held by the nominee representative of the Group was revoked and the Group lost the control in Huansheng Nanyuan Dunxing. The investment has been accounted for as an associate with effect from the disposal date.

Analysis of the assets and liabilities of Huasheng Nanyuan Dunxing as at disposal date was as follows.

The following table illustrates the aggregate financial information of Huasheng Nanyuan Dunxing as at disposal date:

	RMB'000
Cash and cash equivalents	41,045
Financial assets at FVTPL.	251,482
Other liabilities.	(31,627)
Net assets disposed of subsidiaries	260,900
Total consideration.	—
Plus: Fair value of the equity interest retained	112,868
Plus: Amounts due to other investors of a fund	60,000
Plus: Investment income attributable to other investors	84,951
Less: Net assets disposed of subsidiaries	(260,900)
Loss on disposal of subsidiaries	(3,081)
Total consideration.	—
Less: bank balances and cash disposed of	(41,045)
Net cash inflow arising on deemed disposal	(41,045)

(d) All subsidiaries have adopted December 31 as their financial year end date.

19. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that have material non-controlling interests are set out below:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Percentage of equity interest held by non-controlling interests:			
Zhejiang Shengmei Lithium Battery Materials Co., Ltd.	49%	49%	49%
Loss for the year allocated to non-controlling interests:			
Zhejiang Shengmei Lithium Battery Materials Co., Ltd.	(7,898)	(9,778)	(11,690)
Accumulated balances of non-controlling interests:			
Zhejiang Shengmei Lithium Battery Materials Co., Ltd.	45,873	75,296	73,406

The following tables illustrate the summarised financial information of the above subsidiary. The amounts disclosed are before any inter-company eliminations:

Zhejiang Shengmei Lithium Battery Materials Co., Ltd.	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current assets	32,301	48,594	33,734
Non-current assets	218,311	241,878	248,912
Current liabilities	33,893	14,736	12,177
Non-current liabilities	123,100	121,950	119,850
Net assets	93,619	153,786	150,619

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue	62	233	367
Loss for the year	(16,119)	(19,955)	(23,857)
Total comprehensive loss for the year	(16,119)	(19,955)	(23,857)
Net cash flows used in operating activities	(20,658)	(15,437)	(15,691)
Net cash flows from investing activities	—	—	—
Net cash flows from financing activities	—	—	—

As at December 31, 2023, 2024 and 2025, the aggregated immaterial non-controlling interests amounted to approximately RMB18,306,000, RMB23,467,000, RMB19,916,000, respectively.

20. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current			
— Bank WMPs and structured deposits *(Note)*	80,000	917,438	554,642
Non-current:			
— Unlisted equity investments	—	5,000	20,000

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current			
— Bank WMPs and structured deposits *(Note)*	80,000	896,317	544,589
Non-current:			
— Unlisted equity investments	—	—	20,000

Note: The Bank wealth management products ("**WMPs**") and structured deposits are mainly managed by licensed financial institutions in the PRC to invest principally in certain financial assets. They are classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. FINANCIAL ASSETS AT FVTOCI

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
— Notes receivables measured at FVTOCI	187,478	52,669	46,242

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current:			
— Notes receivables measured at FVTOCI	187,467	52,194	38,759

Note: The balance represents notes receivables held by the Group which are issued or guaranteed by reputable PRC banks with high credit ratings. The notes receivables had a maturity of within six months at the end of each year/period for the Track Record Period. The notes receivables are measured at FVTOCI since the notes are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. The Group believes that the notes receivables do not expose to significant credit risk and will not cause significant losses due to the bank default. The changes in the fair value of the notes receivables are minimal due to its short-term nature.

Certain notes receivables measured at FVTOCI are pledged as security for the Group's notes, details are disclosed in Note 37 to the Historical Financial Information.

22. TRADE AND NOTES RECEIVABLES

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	161,215	312,257	579,601
Notes receivables	15,693	14,303	42,648
	176,908	326,560	622,249
Less: provision of impairment	(9,089)	(15,972)	(29,446)
Trade and notes receivables, net	167,819	310,588	592,803

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	159,896	310,092	570,310
Notes receivables	15,611	8,751	36,902
	175,507	318,843	607,212
Less: provision of impairment	(9,016)	(15,827)	(28,880)
Trade and notes receivables, net	166,491	303,016	578,332

Certain trade and notes receivables are pledged as security for the Group's borrowings, details are disclosed in Note 37 to the Historical Financial Information.

The credit period granted to customers generally ranges from 30 to 120 days during the Track Record Period. The ageing analysis of trade receivables based on recognition date is as follows:

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	159,558	311,804	578,438
Over 1 year but within 2 years	1,465	121	710
Over 2 years but within 3 years	—	140	121
Over 3 years	192	192	332
	161,215	312,257	579,601

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	158,379	309,810	569,920
Over 1 year but within 2 years	1,325	90	108
Over 2 years but within 3 years	—	—	90
Over 3 years	192	192	192
	159,896	310,092	570,310

Movements in impairment of trade and notes receivables are as follows:

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	8,533	9,089	15,972
Impairment recognized, net	556	6,883	13,474
At the end of the year	9,089	15,972	29,446

Note: Detail information about the impairment of trade receivables and the Group's exposure to credit risk is described in Note 43.

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	8,509	9,016	15,827
Impairment recognized, net	507	6,811	13,053
At the end of the year	9,016	15,827	28,880

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-Current			
Prepayment for investment in an associate	62,000	—	—
Prepayments for acquisition of long-term assets	12,159	27,033	29,151
	74,159	27,033	29,151
Current			
Other receivables			
— Deposits and guarantees	240	242	245
— Employee advances	42	20	7
— Social security and housing fund receivable from employees	958	1,006	1,071
— Others	426	—	—
	1,666	1,268	1,323
Less: provision of impairment	(203)	(222)	(228)
	1,463	1,046	1,095
Advance payments for materials	7,943	4,025	5,058
VAT recoverable *(Note (a))*	40,453	45,213	43,067
	49,859	50,284	49,220

Notes:

(a) Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable tax rates for domestic sales of the Group are 13% and 6%.

(b) The information about the credit risk exposure on the Group's other receivables is disclosed in Note 43.

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-Current			
Prepayment for investment	32,000	—	—
Prepayments for acquisition of long-term assets	66	10,699	1,298
	32,066	10,699	1,298
Current			
Other receivables	694	700	720
Advance payments for materials	6,867	1,723	3,367
VAT recoverable	16,723	1,629	—
	24,284	4,052	4,087
Less: provision of impairment	(42)	(44)	(50)
	24,242	4,008	4,037

The movements on the provision of impairment of deposits and other assets are as follows:

The Group

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	250	—	—	250
Reversal	(47)	—	—	(47)
As at December 31, 2023	203	—	—	203
As at January 1, 2024	203	—	—	203
Provision	19	—	—	19
As at December 31, 2024	222	—	—	222
As at January 1, 2025	222	—	—	222
Provision	6	—	—	6
As at December 31, 2025	228	—	—	228

The Company

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	145	—	—	145
Reversal	(103)	—	—	(103)
As at December 31, 2023	42	—	—	42
As at January 1, 2024	42	—	—	42
Provision	2	—	—	2
As at December 31, 2024	44	—	—	44
As at January 1, 2025	44	—	—	44
Provision	6	—	—	6
As at December 31, 2025	50	—	—	50

24. AMOUNTS DUE FROM SUBSIDIARIES AND RELATED PARTIES

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	—	2,412	—
Less:provision of impairment	—	(121)	—
	—	2,291	—

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
— Due from subsidiaries	—	—	1,800
Other receivables			
— Due from subsidiaries	28,735	98,035	164,135
— Due from other related parties	—	1,245	—
	28,735	99,280	165,935
Less: provision of impairment	(1,862)	(7,917)	(20,341)
	26,873	91,363	145,594

25. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

The Group

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to the same tax authority.

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Gross deferred tax assets	16,871	48,472	65,678
Offsetting against deferred tax liabilities	(386)	(240)	(649)
Net deferred tax assets	16,485	48,232	65,029
Gross deferred tax liabilities	(386)	(294)	(649)
Offsetting against deferred tax assets	386	240	649
Net deferred tax liabilities	—	(54)	—

(a) Deferred tax assets

The movements in deferred tax assets during the Track Record Period, without taking into consideration the off setting of balances within the same tax jurisdiction, are as follows:

	Recoverable Tax losses	Unrealized profit from intra-group transactions	Lease liability	Impairment provision	Deferred income	Credit loss allowance	Depreciation allowances in excess of the related depreciation	Share-based payment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*
As at January 1, 2023	—	3,334	147	293	4,810	1,311	66	—	9,961
Recognised in profit or loss	6,805	(2,384)	123	3,565	(1,245)	57	(11)	—	6,910
As at December 31, 2023 and January 1, 2024	6,805	950	270	3,858	3,565	1,368	55	—	16,871
Recognised in profit or loss	32,428	(749)	(215)	(1,168)	(584)	1,025	(12)	276	31,001
Charged to equity	—	—	—	—	—	—	—	600	600
As at December 31, 2024 and January 1, 2025	39,233	201	55	2,690	2,981	2,393	43	876	48,472
Recognised in profit or loss	4,125	1,242	(6)	(1,845)	662	1,961	(11)	303	6,431
Charged to equity	—	—	—	—	—	—	—	10,775	10,775
As at December 31, 2025	43,358	1,443	49	845	3,643	4,354	32	11,954	65,678

(b) Deferred tax liabilities

The movements in deferred tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Right-of-use assets	Fair value changes of financial assets at fair value	Depreciation of property, plant and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	(127)	—	(119)	(246)
Recognised in profit or loss	(168)	—	28	(140)
As at December 31, 2023 and January 1, 2024	(295)	—	(91)	(386)
Recognised in profit or loss	153	(89)	28	92
As at December 31, 2024 and January 1, 2025	(142)	(89)	(63)	(294)
Recognised in profit or loss	75	47	(477)	(355)
As at December 31, 2025	(67)	(42)	(540)	(649)

(c) Tax losses and deductible temporary differences with deferred tax assets not recognised

Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Deferred tax assets have not been recognised in respect of the following items:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	54,309	96,326	137,574
Deferred income	4,162	4,054	5,649
Expected credit losses	169	361	648
Impairment on non-current assets	—	917	3,371
Share-based payment	—	455	1,074
	58,640	102,113	148,316

The Group has unused tax losses of approximately RMB99,677,000, RMB357,878,000 and RMB426,630,000 as at December 31, 2023, 2024 and 2025, respectively, available for offset against future profits. No deferred tax asset has been recognised for these tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB54,309,000, RMB96,326,000, and RMB137,574,000, respectively.

Deductible tax losses that are not recognised for deferred income tax assets will expire as follows:

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
2024	4	—	—
2025	3,625	3,625	—
2026	9,710	9,710	9,710
2027	11,713	11,713	11,646
2028	29,257	29,220	27,133
2029	—	42,058	39,883
2030	—	—	49,202
	54,309	96,326	137,574

26. INVENTORIES

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	17,218	20,503	20,411
Semi-finished goods	15,375	8,507	12,227
Work-in-progress	48,238	41,379	48,171
Finished goods	33,119	14,508	10,398
Goods in transit	3,734	8,372	12,562
Spare parts	15,581	12,651	12,929
Materials in outsourced processing	—	—	881
	133,265	105,920	117,579
Less: provision for impairment	(25,723)	(18,849)	(7,013)
	107,542	87,071	110,566

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	10,654	13,444	5,564
Semi-finished goods	15,376	—	18,445
Work-in-progress	41,719	29,517	30,220
Finished goods	33,066	22,299	5,521
Goods in transit	3,854	8,372	11,762
Spare parts	3,896	—	2,892
	108,565	73,632	74,404
Less: provision for impairment *(Note)*	(24,706)	(17,697)	(5,607)
	83,859	55,935	68,797

Inventories are stated at the lower of cost and net realisable value at the end of each reporting period. The net realisable value is the estimated selling price in the current course of business, less applicable costs, selling expenses and tax charges. Management of the Group and the Company make the best estimate on the net realisable value and the corresponding impairment of inventory, while the impairment assessment may still be significantly changed due to the change of market conditions.

27. RESTRICTED BANK DEPOSITS

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bill deposits	57,112	52,874	27,900
Guarantee Deposit	2,010	2,013	—
Others *(Note)*	—	—	194,000
	59,122	54,887	221,900

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bill deposits	43,042	37,644	12,502
Guarantee Deposit	2,010	2,013	—
Others *(Note)*	—	—	194,000
	45,052	39,657	206,502

Notes: As at December 31, 2025, the Group had restricted bank balances of RMB194,000,000. This amount includes RMB138,000,000 relating to wealth management products for which the purchase process has not yet been completed, as well as RMB56,000,000 of deposits placed in a pledged bank account as requested by the bank due to the withdrawal of the property ownership certificates for renewal used as collateral.

28. CASH AND CASH EQUIVALENTS

The Group

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash in bank	1,984,795	727,264	333,204

Denominated in:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
RMB	1,860,661	542,496	109,101
United States dollars ("**USD**")	113,455	171,422	209,498
European dollars ("**EUR**")	10,679	13,346	14,605
	1,984,795	727,264	333,204

RMB is not freely convertible into other currencies, however, under Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash in bank	1,928,477	684,359	314,564

Denominated in:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
RMB	1,804,343	499,591	90,461
EUR	10,679	13,346	14,605
USD	113,455	171,422	209,498
	1,928,477	684,359	314,564

29. TRADE PAYABLES

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	97,134	106,196	194,565

The carrying amounts of the Group's trade and notes payables approximated their fair values as at the balance sheet dates.

The credit period granted by suppliers generally ranges from 10 to 75 days. The ageing analysis of the trade payables of the Group as at December 31, 2023, 2024 and 2025 based on recognition date is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
— Within 1 year	93,112	95,826	191,826
— Over 1 year but within 2 years	2,547	8,094	573
— Over 2 years but within 3 years	469	971	433
— Over 3 years	1,006	1,305	1,733
	97,134	106,196	194,565

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Notes payables	154,863	186,342	80,498

As at the end of each reporting period, no matured notes payable were unpaid.

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	52,396	70,436	79,671

The ageing analysis of the trade payables of the Company as at December 31, 2023, 2024 and 2025 based on recognised date is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
— Within 1 year	50,458	63,227	78,804
— Over 1 year but within 2 years	1,391	6,427	66
— Over 2 years but within 3 years	62	243	86
— Over 3 years	485	539	715
	52,396	70,436	79,671

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Notes payables	140,911	171,112	38,256

30. CONTRACT LIABILITIES

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advance payments from customers	38	205	4,078

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advance payments from customers	38	129	112

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognized during the Track Record Periods relates to carried-forward contract liabilities:

The Group

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	34	38	205

31. OTHER PAYABLES AND ACCRUALS

The Group

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-Current			
Deferred government grant income	27,928	23,927	29,936
Amounts due to other investors of a fund *(Note)*	30,200	30,200	—
	58,128	54,127	29,936

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Construction and equipment payables	163,398	173,988	162,772
Employee benefits payables	21,970	21,885	26,077
Other tax payable	3,661	4,026	6,603
Deferred output VAT	5	27	453
Others	195	203	91
	189,229	200,129	195,996

Note: The fund is Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership) ("Huasheng Nanyuan Dunxing"). As disclosed in Note 18(c), pursuant to the terms of the relevant agreements, the fund has a term of eight years, comprising a 3-year investment period and a 5-year exit period. During the investment period, the management fee is 2% per annum based on the total committed capital. During the exit period, the management fee is 1.5% per annum based on the outstanding invested principal amount. The Fund provides for an 8% annual simple return to partners, which is calculated based on the actual contributed capital and the actual fund utilization period from the date of capital contribution to the date of distribution. Such return shall be distributed only after all partners have received full repayment of their invested capital, and shall not be paid if the Fund incurs an overall loss. Such return is payable only if the fund generates sufficient net income. Accordingly, the Group recognised financial liabilities, as it has a contractual obligation to pay the other investors of the consolidated structured entities their respective principal amounts and the 8% annual return for the specified interest period.

The Company

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-Current			
Deferred government grant income	18,169	15,777	21,639
	18,169	15,777	21,639

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Construction and equipment payables	108,465	77,056	37,843
Employee benefits payables	14,246	14,417	16,600
Other tax payable	1,960	2,452	4,038
Others	62	73	24
	124,733	93,998	58,505

32. AMOUNTS DUE TO SUBSIDIARIES AND RELATED PARTIES

The Group

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	720	977	1,830

Note: (1) The credit period granted by related parties is 30 days.

(2) The age of trade payables to related parties of the Group is all within one year.

The Company

	Year ended December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— Due to subsidiaries	138,547	66,230	144,789
— Due to other related parties	131	—	—
Notes payables			
— Due to subsidiaries	28,106	56,978	52,844
Other payables			
— Due to subsidiaries	—	514	57,292
	166,784	123,722	254,925

Note: (1) The age of trade payables to related parties of the Company is all within one year.

33. BORROWINGS

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-Current			
Long-term bank borrowings — Secured but unguaranteed *(Note (a))*	123,100	169,250	174,997
Long-term bank borrowings — Secured and guaranteed *(Note (b))*	—	—	113,646
Long-term bank borrowings — Unsecured and unguaranteed	—	—	44,500
	123,100	169,250	333,143
Current			
Short-term bank borrowings — Unsecured and unguaranteed	3,440	—	—
Current portion of long-term bank borrowings — Secured and guaranteed *(Note (b))*	—	—	12,825
Current portion of long-term bank borrowings — Secured but unguaranteed *(Note (a))*	700	5,850	2,100
Current portion of long-term bank borrowings — Unsecured and unguaranteed	—	—	500
Short-term bank borrowings — Secured and unguaranteed	20	—	—
Interest payable	137	237	323
	4,297	6,087	15,748
Total borrowings	127,397	175,337	348,891

As at December 31, 2023, the annual interest rates of short-term bank borrowings was 3.10%.

As at December 31, 2023, 2024 and 2025, the annual interest rates of long-term bank borrowings ranged from 2.50% to 4.05%, 2.50% to 3.90%, and 1.98% to 2.65% respectively.

Notes:

(a) As at December 31, 2023, the long-term bank borrowings are secured by the right-of-use assets, owned by Zhejiang Shengmei Lithium Battery Materials Co., Ltd., a subsidiary, with carrying amount of RMB25,062,000. As at December 31, 2024, the long-term bank borrowings are secured by a mortgage of the property, plant and equipment and right-of-use assets, owned by Zhejiang Shengmei Lithium Battery Materials Co., Ltd., Hubei Huasheng Xianghe New Energy Materials Co., Ltd. and Jiangsu Huasheng Lianying New Energy Materials Co., Ltd., subsidiaries, with carrying amount of RMB42,693,000 and RMB68,155,000, respectively. As at December 31, 2025, the long-term bank borrowings are secured by the property, plant and equipment and right-of-use assets owned by Zhejiang Shengmei Lithium Battery Materials Co., Ltd. And Jiangsu HSC New Energy Materials Co., Ltd., with carrying amount of RMB98,200,000 and RMB40,836,000, respectively. Details are set out in Note 37.

(b) As at December 31, 2025, the long-term bank borrowings are secured by the right-of-use assets owned by the subsidiaries, Hubei Huasheng Xianghe New Energy Materials Co., Ltd. and Jiangsu Huasheng Lianying New Energy Materials Co., Ltd., and guaranteed by the Company. The carrying amount of the right-of-use assets are RMB45,263,000. Details are set out in Note 37.

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-Current			
Long-term bank borrowings — Secured but unguaranteed *(Note (a))*	—	—	55,147
Long-term bank borrowings — Unsecured and unguaranteed	—	—	44,500
	—	—	99,647
Current			
Short-term bank borrowings — Secured but unguaranteed	20	—	—
Current portion of long-term bank borrowings — Unsecured and unguaranteed	—	—	500
Interest payable	—	—	92
	20	—	592

The Group's and the Company's borrowings were repayable as follows:

The Group

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Analysed as:			
— Within 1 year	4,297	6,087	15,748
— Over 1 year but within 2 years	1,150	6,800	167,352
— Over 2 years but within 3 years	2,100	113,725	99,871
— Over 3 years	119,850	48,725	65,920
	127,397	175,337	348,891

The Company

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Analysed as:			
— Within 1 year	20	—	592
— Over 1 year but within 2 years	—	—	9,875
— Over 2 years but within 3 years	—	—	60,820
— Over 3 years	—	—	28,952
	20	—	100,239

The Group's and the Company's borrowings are denominated in RMB.

Details of the Group's borrowing with floating rate are disclosed in Note 43 to the Historical Financial Information.

34. SHARE CAPITAL AND TREASURY SHARES

The Group and the Company

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Share capital	159,500	159,500	159,500
Treasury shares	(9,997)	(50,319)	(104,541)
	149,503	109,181	54,959

The changes in share capital are as follows:

	Share capital
	RMB'000
Ordinary shares of RMB1 each	
As at January 1, 2023	110,000
Conversion of capital reserve into share capital	49,500
As at December 31, 2023, December 31, 2024 and December 31, 2025	159,500

The changes in treasury shares are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	—	9,997	50,319
Repurchase of shares for share schemes	9,997	40,322	69,976
Treasury shares transferred to the grantees or cancelled under share scheme	—	—	(15,754)
At the end of the year	9,997	50,319	104,541
Number of treasury shares (in thousands)	327	2,135	4,690

Note: During the year ended December 31, 2023, the Company repurchased 327,056 of its own ordinary shares through the Shanghai Stock Exchange with an aggregate consideration of approximately RMB9,997,000 paid.

During the year ended December 31, 2024, the Company repurchased 1,807,712 of its own ordinary shares through the Shanghai Stock Exchange with an aggregate consideration of approximately RMB40,322,000 paid.

During the year ended December 31, 2025, the Company repurchased 3,262,120 of its own ordinary shares through the Shanghai Stock Exchange with an aggregate consideration of approximately RMB69,976,000 paid.

Upon expiry of the first lock-up period under the employee share ownership plan, a total of 706,800 shares were unlocked.

35. SHARE-BASED EMPLOYEE COMPENSATION

Share-based payment expenses during the Track Record Period were as follows:

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Equity-settled share-based compensation	—	2,294	5,297

Type 2 Restricted Shares Scheme

The Company has a Type 2 Restricted Shares Scheme ("**2024 Restricted Shares Scheme**") which was approved by the Company on June 28, 2024, whereby the directors of the Company are authorised, at their discretion, to grant restricted shares to employees at certain consideration. The first batch of restricted shares under the 2024 Restricted Shares Scheme was granted on August 22, 2024, where 2,370,000 shares were granted to 160 staff at consideration of RMB12.00 per share. The second batch of restricted shares under the 2024 Restricted Shares Scheme was granted on June 13, 2025, where 150,000 shares were granted to 23 staff at consideration of RMB11.70 per share. The vesting conditions of each batch of restricted shares of the 2024 Restricted Shares Scheme is as below.

The terms and conditions of the grants during the Track Record Periods:

Restricted Shares granted to employees:	Number of instruments	Vesting conditions
— on August 22, 2024	2,370,000	First Batch of 2024 Restricted Shares Scheme: — 30%, 30%, and 40% vest after 12 months, 24 months and 36 months from the date of grant subject to performance guarantee mechanism with reference to revenue growth rate or sales volume of VC and FEC
— on June 13, 2025	150,000	Second Batch of 2024 Restricted Shares Scheme: — 50%, and 50% vest after 12 months, and 24 months from the date of grant subject to performance guarantee mechanism with reference to revenue growth rate or sales volume of VC and FEC
	2,520,000	

Set out below are details of the movements of the outstanding number of the restricted shares throughout the Track Record Period:

	As at December 31		
	2023	2024	2025
	'000	*'000*	*'000*
As at the beginning of the year	—	—	2,370
Granted during the year	—	2,370	150
Exercised of shares during the year	—	—	(707)
Forfeited during the year	—	—	(25)
As at end of the year	—	2,370	1,788

The fair value of the equity-settled equity incentive granted on the grant date is estimated using the Black-Scholes option pricing model, in combination with the terms and conditions of the equity incentive granted. The following table lists the significant inputs to the model used:

	2024 Stock Option Incentive Plan	
	First batch	Second batch
Exercise price (RMB) *(Note)*	12.00	11.70
Expected volatility	13.32%–13.47%	17.46%–20.21%
Expected life (Years)	3	2
Risk-free rate	1.50%–2.75%	1.5%–2.10%

Note: The exercise price of restricted stock may be adjusted in case of any [REDACTED] of shares, payments of share dividends or other similar changes in the Company's share capital.

36. RESERVE

The Group

During the Track Record Period, the amounts of the Group's reserves and the changes therein are presented in the consolidated statements of changes in equity.

The Company

	Share capital	Treasury shares	Capital reserve	Safety production fund	Statutory reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2023	110,000	—	2,955,602	16,434	55,000	628,743	3,765,779
Profit for the year	—	—	—	—	—	80,583	80,583
Total comprehensive loss for the year	—	—	—	—	—	80,583	80,583
Repurchase of shares	—	(9,997)	—	—	—	—	(9,997)
Conversion of capital reserve into share capital	49,500	—	(49,500)	—	—	—	—
Special reserve for work safety	—	—	—	375	—	—	375
Dividend distribution	—	—	—	—	—	(110,000)	(110,000)
Transfer	—	—	—	—	8,058	(8,058)	—
As at December 31, 2023	159,500	(9,997)	2,906,102	16,809	63,058	591,268	3,726,740
As at January 1, 2024	159,500	(9,997)	2,906,102	16,809	63,058	591,268	3,726,740
Loss for the year	—	—	—	—	—	(134,746)	(134,746)
Total comprehensive loss for the year	—	—	—	—	—	(134,746)	(134,746)
Repurchase of shares	—	(40,322)	—	—	—	—	(40,322)
Equity-settled share-based compensation	—	—	2,795	—	—	—	2,795
Special reserve for work safety	—	—	—	(3,143)	—	—	(3,143)
Dividend distribution	—	—	—	—	—	(47,282)	(47,282)
As at December 31, 2024	159,500	(50,319)	2,908,897	13,666	63,058	409,240	3,504,042
As at January 1, 2025	159,500	(50,319)	2,908,897	13,666	63,058	409,240	3,504,042
Profit for the year	—	—	—	—	—	69,439	69,439
Total comprehensive income for the year	—	—	—	—	—	69,439	69,439
Repurchase of shares	—	(69,976)	—	—	—	—	(69,976)
Transfer	—	—	—	—	7,132	(7,132)	—
Equity-settled share-based compensation	—	—	15,691	—	—	—	15,691
Exercise of restricted stock incentive plan	—	15,754	(7,485)	—	—	—	8,269
Special reserve for work safety	—	—	—	(4,007)	—	—	(4,007)
As at December 31, 2025	159,500	(104,541)	2,917,103	9,659	70,190	471,547	3,523,458

37. PLEDGED ASSETS

The Group

At the end of each reporting period, the Group's certain assets have been pledged to secure notes payables, borrowings and banking facilities granted to the Group. The carrying amounts of the pledged assets of the Group at the end of each reporting period are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Restricted cash *(Note 27)*	59,122	54,887	221,900
Notes receivables *(Note 22)*	13,050	7,862	17,480
Financial assets at FVTOCI *(Note 21)*	38,486	22	—
Property, plant and equipment *(Note 14)*	—	42,693	98,200
Right-of-use assets *(Note 15(a))*	25,062	68,155	86,099
	135,720	173,619	423,679

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities during the Track Record Period are as follows:

	Borrowings	Lease liabilities	Dividends payable	Amounts due to other investors of a fund	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 33	*Note 15 (b)*	*Note 12*		
As at January 1, 2023	75,082	2,051	—	—	77,133
Cash flows	48,296	(747)	(110,000)	29,197	(33,254)
Interest expense	4,019	56	—	1,003	5,078
Dividends paid	—	—	110,000	—	110,000
New leases or termination	—	(159)	—	—	(159)
As at December 31, 2023 and January 1, 2024	127,397	1,201	—	30,200	158,798
Cash flows	42,912	(1,010)	(47,282)	(2,003)	(7,383)
Interest expense	5,048	29	—	2,003	7,080
Dividends paid	—	—	47,282	—	47,282
Other non-cash movements	(20)	—	—	—	(20)
As at December 31, 2024 and January 1, 2025	175,337	220	—	30,200	205,757
Cash flows	164,790	(392)	—	28,271	192,669
Interest expense	8,764	7	—	1,529	10,300
New leases	—	489	—	—	489
Other non-cash movements	—	—	—	(60,000)	(60,000)
As at December 31, 2025	348,891	324	—	—	349,215

39. COMMITMENTS

At the end of each year for the Track Record Period, the Group's capital commitments contracted but not provided for in the Historical Financial Information were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for property, plant and equipment and intangible assets	593,409	273,272	320,918

40. RELATED PARTY TRANSACTIONS

Saved as disclosed in elsewhere to the Historical Financial Information, the Group entered into the following related party transactions during the Track Record Period.

(a) Relationships with related parties

Name of related party	Relationship with the Group
Wuxi Tiande Polymer Technology Co., Ltd.	A company in which Mr. Shen Gang, son of Shen Jinliang, one of the major shareholders of the Company, exercises significant influence
Wuxi Deying New Energy Material Technology Co., Ltd.	A company in which Mr. Shen Gang, son of Shen Jinliang, one of the major shareholders of the Company, exercises significant influence
Wuxi Deying Recycling Co., Ltd.	A company in which Mr. Shen Gang, son of Shen Jinliang, one of the major shareholders of the Company, exercises significant influence
Zhe Jiang Sanmei Chemical Industry Co., Ltd. and its subsidiaries	The non-controlling shareholder holding a 49% equity interest in Zhejiang Shengmei Lithium Battery Materials Co., Ltd.
Suzhou Dunxing Investment Management Co., Ltd.	Mr. Ma Yangguang, a director of the Company, serves as the legal representative and executive director of Suzhou Dunxing Investment Management Co., Ltd.; Mr. Zhao Jiaming, a director of the Company, serves as the investment director of Suzhou Dunxing Investment Management Co., Ltd.. Suzhou Dunxing Investment Management Co., Ltd. ("**Dunxing Capital**") acts as the general partner of Suzhou Dunxing Value No.2 Venture Capital Partnership (Limited Partnership) and Suzhou Dunxing Value No.3 Venture Capital Partnership (Limited Partnership), which are shareholders of the Company holding more than 5% of the Company's shares. Dunxing Capital also acts as the general partner of Suzhou Dunxing Value Venture Capital Partnership (Limited Partnership), a shareholder of the Company.
Beijing Yijin New Energy Technology Co., Ltd. and its subsidiaries	A company in which Mr. Shen Ming, one of the major shareholders of the Company, exercises significant influence
Hubei Senteri New Energy Technology Co., Ltd.	An associate of the Company's subsidiary
Jiangsu Purestar Environmental Protection Technology Co., Ltd. and its subsidiaries	A company in which Mr. Huang Zhendong, secretary of the board and deputy general manager of the Company, exercise significant influence

(b) Transactions with related parties

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Purchase of good:			
Wuxi Tiande Polymer Technology Co., Ltd.	216	—	—
Wuxi Deying New Energy Material Technology Co., Ltd.	904	2,325	3,382
Wuxi Deying Recycling Co., Ltd.	116	56	1,033
Zhe Jiang Sanmei Chemical Industry Co., Ltd. and its subsidiaries	1,410	1,704	2,978
Beijing Yijin New Energy Technology Co., Ltd. and its subsidiaries	—	8	—
Hubei Senteri New Energy Technology Co., Ltd.	—	—	4,904
Jiangsu Pustar Environmental Protection Technology Co., Ltd.	—	—	290
	2,646	4,093	12,587

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sale of good:			
Zhe Jiang Sanmei Chemical Industry Co., Ltd. and its subsidiaries	—	102	—
Entrusted Management Fee			
Suzhou Dunxing Investment Management Co., Ltd.	1,775	3,600	2,700
Taking operating leases			
Zhe Jiang Sanmei Chemical Industry Co., Ltd.	200	55	—
Purchase of land use rights and buildings from related parties			
Zhe Jiang Sanmei Chemical Industry Co., Ltd.	—	8,381	—

Other transactions with related parties

Based on its long-term strategic planning, the Company leverages the existing investment management experience of Dunxing Capital, the high-quality industrial chain resources of the Group, and the resources of Nanjing University alumni and related venture capital enterprises to further identify technology teams and entrepreneurial projects in the new energy, intelligent manufacturing and other sub-sectors and support their implementation, strengthen the integration of industry and capital, vigorously promote the transfer and transformation of scientific and technological achievements, institutional and mechanism innovation, and enhance the Group's market competitiveness.

The Group together with Dunxing Capital, Suzhou High-tech Industrial Investment Development Enterprise (Limited Partnership) (Suzhou High-tech Zone Government Guidance Fund) and other parties, has jointly funded the establishment of Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership).

Suzhou Huasheng Nanyuan Dunxing Venture Capital Partnership (Limited Partnership) was registered and established on July 5, 2023, with a registered capital of RMB170 million. On November 30, 2023, the registered capital was increased from RMB170 million to RMB180 million. In this investment, the Company has subscribed a capital contribution of RMB80 million, accounting for 44.4444% of the total subscribed capital.

(c) Balances with related parties

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other receivables:			
Beijing Yijin New Energy Technology Co., Ltd.	—	2,291	—
Trade payables:			
Zhe Jiang Sanmei Chemical Industry Co., Ltd. and its subsidiaries	265	481	157
Wuxi Deying New Energy Material Technology Co., Ltd.	324	482	1,421
Wuxi Deying Recycling Co., Ltd.	—	14	14
Wuxi Tiande Polymer Technology Co., Ltd.	131	—	—
Hubei Senteri New Energy Technology Co., Ltd.	—	—	1,046
	720	977	2,638

Note: As at December 31, 2023, December 31, 2024, and December 31, 2025, the non-trade balances of the Group with Beijing Yijin New Energy Technology Co., Ltd. were nil, RMB2,291,000, and nil respectively. Such balances arose from loan granted by the Company. All other balances are of trade nature.

(d) Compensation of key management personnel of the Group

	Year ended December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	4,963	5,066	5,216
Salaries, allowances, discretionary bonuses and benefits in kind	3,716	3,074	4,145
Retirement scheme contributions	573	591	544
Share-based compensation expenses	—	513	931
Total compensation paid to key management personnel	9,252	9,244	10,836

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each financial instrument as at the end of each year for the reporting periods are as follows:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost			
— Trade and notes receivables	167,819	310,588	592,803
— Other receivables	1,463	1,046	1,095
— Amounts due from related parties	—	2,291	—
— Restricted bank deposits	59,122	54,887	221,900
— Cash and cash equivalents	1,984,795	727,264	333,204
Financial assets at FVTPL			
— Bank WMPs and structured deposits	80,000	917,438	554,642
— Unlisted equity investments	—	5,000	20,000
Financial assets at FVTOCI			
— Notes receivables measured at FVTOCI	187,478	52,669	46,242
	2,480,677	2,071,183	1,769,886
Financial liabilities			
Financial liabilities measured at amortised cost			
— Trade payables	97,134	106,196	194,565
— Notes payables	154,863	186,342	80,498
— Other payables and accruals	193,798	204,418	163,316
— Amounts due to related parties	720	977	1,830
— Borrowings	127,397	175,337	348,891
	573,912	673,270	789,100

42. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.

Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2023, 2024 and 2025 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

— Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

— Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and

— Inputs for the asset or liability that are not based on observable market data (that is, significant unobservable inputs) (Level 3).

(a) Fair value hierarchy

As at December 31, 2023, 2024 and 2025, the financial instruments measured at fair value on a recurring basis by the above three levels were analysed below:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023				
Financial assets				
Financial assets at FVTPL				
— Bank WMPs and structured deposits	—	80,000	—	80,000
Financial assets at FVTOCI				
— Notes receivables measured at FVTOCI	—	187,478	—	187,478
	—	267,478	—	267,478
As at December 31, 2024				
Financial assets				
Financial assets at FVTPL				
— Bank WMPs and structured deposits	—	917,438	—	917,438
— Unlisted equity investments	—	—	5,000	5,000
Financial assets at FVTOCI				
— Notes receivables measured at FVTOCI	—	52,669	—	52,669
	—	970,107	5,000	975,107
As at December 31, 2025				
Financial assets				
Financial assets at FVTPL				
— Bank WMPs and structured deposits	—	554,642	—	554,642
— Unlisted equity investments	—	—	20,000	20,000
Financial assets at FVTOCI				
— Notes receivables measured at FVTOCI	—	46,242	—	46,242
	—	600,884	20,000	620,884

(b) Valuation techniques used to determine fair values

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Group using valuation technique. The valuation models used mainly discounted cash flow approach. The inputs of the valuation technique mainly include expected rate of return, net assets value, and discount rate.

During the Track Record Period, there was no transfer between Level 1 and Level 2 and between Level 2 and Level 3.

The quantitative information of fair value measurements as at December 31, 2023, 2024 and 2025 for Level 2 and Level 3 is as follows:

	Fair value hierarchy	As at December 31			Valuation technique and key input(s)	Impact of significant unobservable input(s)
		2023	2024	2025		
		RMB'000	*RMB'000*	*RMB'000*		
Financial assets at FVTPL						
— Bank WMPs and structured deposits	Level 2	80,000	917,438	554,642	Expected rate of return	N/A
— Unlisted equity investments	Level 3	—	—	20,000	Market approach, Recent transaction price	The higher the recent transaction price, the higher the fair value.
— Unlisted equity investments	Level 3	—	5,000	—	Market approach, Recent transaction price	The higher the recent transaction price,the higher the fair value
Financial assets at FVTOCI						
— Trade and notes receivables measured at FVTOCI	Level 2	187,478	52,669	46,242	Discounted rate	N/A

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

As at December 31, 2023, 2024 and 2025, the Group's major monetary assets and liabilities exposed to foreign currency risk are listed below:

	USD	EUR
	RMB'000	*RMB'000*
As at December 31, 2023		
Cash and cash equivalents	113,455	10,679
Trade and notes receivables	14,955	723
Net exposure	128,410	11,402
As at December 31, 2024		
Cash and cash equivalents	171,422	13,346
Trade and notes receivables	15,044	—
Net exposure	186,466	13,346
As at December 31, 2025		
Cash and cash equivalents	209,498	14,605
Trade and notes receivables	12,577	764
Net exposure	222,075	15,369

Sensitivity analysis

As shown in the table above, the Group is primarily exposed to changes in USD and EUR exchange rates. The sensitivity of profit before income tax to changes in the exchange rates arising from USD and EUR denominated financial instruments is as below:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
USD exchange rate			
— Increase 1%	1,284	1,865	2,221
— Decrease 1%	(1,284)	(1,865)	(2,221)
EUR exchange rate			
— Increase 1%	114	133	154
— Decrease 1%	(114)	(133)	(154)

Price risk

The Group is exposed to equity price risk mainly arising from investments held by the Group that are classified as either FVTPL or FVTOCI. To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by management on a case by case basis.

Interest rate risk

The Group's interest rate risk primarily arises from interest-bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates, and lease liabilities bearing fixed rates expose the Group to fair value interest rate risk.

The Group has been monitoring the level of interest rates. The increase in the interest rates will increase the interest costs of borrowings at variable rates, which will further impact the performance of the Group.

The following tables list out the interest rate profiles of the Group's variables interest-bearing financial instruments as at December 31, 2023, 2024 and 2025:

	As at December 31		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Floating rate instruments			
— Borrowings	123,100	169,250	333,143

If interest rates of floating rate instruments had been 100 basis points higher/lower with all other variables held constant, the profit before income tax would have been lower/higher by approximately RMB1,231,000, RMB1,693,000 and RMB3,331,000 as at December 31, 2023, 2024 and 2025, respectively.

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk is represented by cash and cash equivalents, restricted bank deposits, trade and notes receivables at amortised cost and at FVTOCI, other receivables, as disclosed in Note 42 to the Historical Financial Information. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group's concentration of credit risk by geographical locations is mainly in the People's Republic of China (the "PRC"). As at December 31, 2023, 2024 and 2025, trade receivables in respect of sales within the PRC reported by the Group accounted for 91.76%, 96.36% and 97.96% of the total trade receivables, respectively. The Group has a concentration of credit risk. As at December 31, 2023, 2024 and 2025, trade receivables due from the Group's largest single customer accounted for 53.60%, 44.60% and 37.77% of the total trade receivables, respectively. As at December 31, 2023, December 31, 2024 and December 31, 2025, trade receivables due from the Group's five largest customers accounted for 83.70%, 85.90% and 84.38% of the total trade receivables, respectively. In addition, there is a concentration of credit risk on bank balances, pledged bank deposits and term deposits which are deposited with several authorised banks in the PRC. Other than the above, the Group does not have any other significant concentration of credit risk.

As at December 31, 2023, 2024 and 2025, The Group have no credit risk other than financial assets whose carrying amounts best represent the maximum exposure to credit risk.

(a) Cash and cash equivalents and restricted bank deposits

To manage risk arising from cash and cash equivalents and restricted cash, the Group only transacts with state-owned or reputable financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. Cash and cash equivalents, time deposits and restricted bank deposits are also subject to the impairment requirements of IFRS 9, while the identified credit loss was immaterial.

(b) Trade receivables, notes receivables at amortised cost and at FVTOCI

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected for all trade receivables and notes receivables. To measure the expected credit losses, trade receivables and notes receivables have been grouped based on shared credit risk characteristics and ageing.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales and probability of default of counter parties on an ongoing basis throughout each year/period for the Track Record Period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product, inflation rates, and unemployment rates to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables and notes receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognised impairment losses.

The Group's trade receivables as described in Note 22 mainly represented receivables received from the sales of products to customers.

Trade receivables

Except for receivables assessed for credit risk on an individual basis, the Group groups its receivables into different portfolios based on common credit risk characteristics as below:

Group 1: Receivables from customers

As at December 31, 2023, 2024 and 2025, the allowance for impairment for the trade receivables were determined as follows:

	Gross carrying amount	**ECL allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	
As at December 31, 2023			
Assessed based on grouping	159,351	8,157	5.12%
Assessed individual	1,864	932	50.00%
	161,215	9,089	5.64%
As at December 31, 2024			
Assessed based on grouping	312,067	15,823	5.07%
Assessed individual	190	149	78.42%
	312,257	15,972	5.12%
As at December 31, 2025			
Assessed based on grouping	579,411	29,256	5.05%
Assessed individual	190	190	100.00%
	579,601	29,446	5.08%

Notes receivables

The Group measured provisions for impairment of notes receivables based on the lifetime ECL and assessed that the notes receivables held by the Group are not subject to significant credit risk, and will not incur material losses as a result of default by banks or other issuers.

	Gross carrying amount	Allowance for impairment	Average expected loss rate
	RMB'000	*RMB'000*	
As at December 31, 2023			
Bank acceptance notes	15,693	—	0.00%
As at December 31, 2024			
Bank acceptance notes	14,303	—	0.00%
As at December 31, 2025			
Bank acceptance notes	42,648	—	0.00%

(c) Other receivables

Over the term of other receivables, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. To assess whether there is a significant increase in credit risk in other receivables, the Group compares the risk of a default occurring on the financial assets at the end of each year/period for the Track Record Period with the risk of default at the date of initial recognition. It considers available, reasonable, supportive forward-looking information. Especially, the following indicators are incorporated:

- external credit rating of the counterparty (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty; and
- significant expected changes in the performance and behavior of the counterparty, including changes in the payment status of the counterparty.

Based on historical experiences and consideration of forward-looking information, other receivables from related parties were settled within 12 months after upon maturity hence the ECL is minimal. The impairment on other receivables as stated in Note 23 to the Historical Financial Information were accounted as amortised cost is measured as either 12-month ECL or lifetime ECL. On such basis, the following table sets forth the impairment for other receivables as at December 31, 2023, 2024 and 2025:

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023				
Expected loss rate	12.18%	—	—	12.18%
Gross carrying amount	1,666	—	—	1,666
ECL allowance	203	—	—	203
As at December 31, 2024				
Expected loss rate	17.51%	—	—	17.51%
Gross carrying amount	1,268	—	—	1,268
ECL allowance	222	—	—	222
As at December 31, 2025				
Expected loss rate	17.23%	—	—	17.23%
Gross carrying amount	1,323	—	—	1,323
ECL allowance	228	—	—	228

(d) Amounts due from related parties

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at December 31, 2023				
Expected loss rate	—	—	—	—
Gross carrying amount	—	—	—	—
ECL allowance	—	—	—	—
As at December 31, 2024				
Expected loss rate	5.02%	—	—	5.02%
Gross carrying amount	2,412	—	—	2,412
ECL allowance	121	—	—	121
As at December 31, 2025				
Expected loss rate	—	—	—	—
Gross carrying amount	—	—	—	—
ECL allowance	—	—	—	—

Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate balances of such. The table below analyses the Group's financial liabilities by relevant maturity groupings based on the remaining period since the end of each year for the Track Record Period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows amount of the financial liabilities to be delivered.

	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 3 years *RMB'000*	Over 3 years *RMB'000*	Total *RMB'000*
As at December 31, 2023					
Borrowings	7,892	4,638	5,556	121,748	139,834
Trade payables	97,134	—	—	—	97,134
Notes payables	154,863	—	—	—	154,863
Other payables and accruals	163,598	—	—	30,200	193,798
Lease liabilities	748	478	—	—	1,226
Amounts due to related parties	720	—	—	—	720
	424,955	5,116	5,556	151,948	587,575
As at December 31, 2024					
Borrowings	10,779	11,467	116,520	49,382	188,148
Trade payables	106,195	—	—	—	106,195
Notes payables	186,342	—	—	—	186,342
Other payables and accruals	174,218	—	—	30,200	204,418
Lease liabilities	224	—	—	—	224
Amounts due to related parties	977	—	—	—	977
	478,735	11,467	116,520	79,582	686,304
As at December 31, 2025					
Borrowings	24,396	173,202	102,330	63,431	363,359
Trade payables	194,565	—	—	—	194,565
Notes payables	80,498	—	—	—	80,498
Other payables and accruals	163,316	—	—	—	163,316
Lease liabilities	165	170	—	—	335
Amounts due to related parties	1,830	—	—	—	1,830
	464,770	173,372	102,330	63,431	803,903

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the subject assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to the shareholders or return capital to the shareholders. The Group is not subject to any external capital requirements. During the Track Record Period, there were no changes in capital management objectives, policies or procedures.

	As at December 31		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	4,421,769	4,290,085	4,380,755
Total liabilities	628,712	723,589	856,119
Liability-to-asset ratio	14.22%	16.87%	19.54%

As of December 31, 2023, 2024 and 2025, the Group has no significant outstanding litigation or contingent liability that in the opinion of the directors of the Company would have material impact to the Group's financial position.

44. CONTINGENT LIABILITY

As of the end of each year during the Track Record Period, the Group did not have any material contingent liabilities.

45. EVENT AFTER THE END OF THE REPORTING PERIOD

Other than those disclosed elsewhere in the Historical Financial Information, the Group has no other significant events subsequent to December 31, 2025.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to December 31, 2025.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION OF SECURITY HOLDERS

The income tax and capital value-added tax payable on holders of [REDACTED] are governed by the laws and practices of the PRC and the jurisdiction in which a holder of [REDACTED] resides or as to which a holder of [REDACTED] is otherwise subject to taxation. The following summaries of certain relevant tax provisions are based on current law and practice and are not intended to take into account anticipated changes or amendments to relevant laws and policies and are not intended as advice or suggestions. The discussions do not cover all the possible tax consequences associated with the treatment of the relevant H shares [REDACTED], nor do they take into account the particular circumstances of any individual [REDACTED], some of which may be subject to special rules. You should, therefore, seek advice from your tax adviser as to the tax consequences of the [REDACTED][REDACTED]. The discussions are based on laws and relevant interpretations in force as at the latest practicable date which are subject to change, possibly retrospectively.

No reference is made to any tax issues in the PRC other than income tax, value added tax, stamp duty and estate tax. Prospective [REDACTED] are advised to consult their tax adviser regarding the tax consequences in the PRC and elsewhere with respect to the ownership and sale of [REDACTED].

TAX IN CHINA

Tax on Dividends

Individual Investor

According to the Individual Income Tax Law of the People's Republic of China (the "**IIT Law**") last revised by the Standing Committee of the National People's Congress on August 31, 2018 and effective as of January 1, 2019, and the Implementation Regulations for the IIT Law of the People's Republic of China last revised by the State Council on December 18, 2018 and effective as of January 1, 2019, dividends distributed by domestic companies to individual investors shall be subject to withholding tax at a flat rate of 20%. Meanwhile, according to the Circular on Issues Concerning Differentiated IIT Policies for Dividends and Bonuses of Listed Companies jointly promulgated by the Ministry of Finance, the State Administration of Taxation (SAT) and the China Securities Regulatory Commission on September 7, 2015 and effective as of September 8, 2015, dividends and bonuses of shares of listed companies obtained by individuals from the public offering and transfer market and held for more than one year shall be temporarily exempted from individual income tax. For shares of listed companies obtained by individuals from the public offering and transfer market and held for less than one month (including one month), the dividends and bonuses thereof shall be fully included into the individual's taxable income; for shares held for more than one month but not more than one year (including one year), 50% of the dividends and bonuses thereof shall be temporarily included into the individual's taxable income. The above income shall be uniformly subject to IIT at the rate of 20%.

According 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 (the "**Double Taxation Arrangement**"), signed by Mainland China and Hong Kong on August 21, 2006, the government can impose tax on dividends paid by a PRC domestic company to Hong Kong residents (including natural persons and legal entities), but the tax amount shall not exceed 10% of the total payable dividends. If a Hong Kong resident directly holds 25% or more of the equity interests in a PRC domestic company, and such Hong Kong resident is the beneficial owner of the dividends and satisfies other conditions, the amount of such tax shall not exceed 5% of the total payable dividends of the PRC domestic company. The Fifth Protocol of the State Administration of Taxation (the "**SAT**") on the Double Taxation Arrangement (the "**Fifth Protocol**"), which was promulgated by the SAT on July 19, 2019 and became effective on December 6, 2019, provides that such provisions shall not apply to any arrangement or transaction made for one of the main purposes thereof to obtain such tax preference.

Corporate Investor

According to the Corporate Income Tax Law of the People's Republic of China (the "**CIT Law**") last revised by the Standing Committee of the National People's Congress on December 29, 2018 and entered into force on the same day and the Implementing Regulations of the CIT Law of the People's Republic of China (the "**CIT Implementing Regulations**") last revised by the State Council on December 6, 2024 and entered into force on January 20, 2025, non-resident enterprises ("**NREs**") which do not have a branch or an office in China, or even if they have a branch or an office in China but their China-sourced income is not effectively connected with their branch or office, shall pay a 10% CIT on their China-sourced income (including dividends paid by Chinese resident enterprises whose shares are issued and listed in Hong Kong). The above-mentioned income tax payable by NREs shall be withheld at source, with the payer as the withholding agent and the tax payable shall be withheld from the payable amount by the withholding agent. Such withholding tax may be reduced or exempted under the applicable treaty on the avoidance of double taxation.

The SAT released on November 6, 2008 and took effect on the same day the Circular on Issues Related to the Withholding of the CIT on Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas NREs. Under the Circular, when Chinese Resident Enterprises pay the dividends of 2008 and subsequent years to their overseas H-share NREs, they must withhold the CIT at a flat tax rate of 10%. Under the Reply on Issues Concerning the CIT on Dividends of Such Shares as B Shares Obtained by NREs, which was released by the SAT on July 24, 2009 and became effective on the same day, all Chinese resident enterprises with public offering and listing of shares in and out of China must withhold the CIT at a flat rate of 10% when they distribute, to the NREs, the dividends of 2008 and afterwards. The above tax rates are subject to further changes according to, if applicable, tax treaties or agreements between the PRC government and the relevant country or region (the 5% dividend tax rate for Hong Kong residents under the Double Taxation Arrangement is applicable here, with the Fifth Protocol restriction unchanged).

In accordance with applicable regulations, we intend to withhold the tax at the tax rate of 10% from dividends paid to non-PRC resident enterprise holders of H-share (including their [REDACTED]). Non-PRC resident enterprises, which are entitled to enjoy tax reduction or exemption pursuant to the applicable income tax treaty, need to apply to the tax authorities in China for refund of the amount of withheld tax exceeding the conventional tax rate, and the tax refund should be verified by the tax authorities in China.

Tax Related to Share Transfer Income

Individual Investor

According to the IIT Law of the People's Republic of China and its implementation rules, gains realized on the sale of equity interests in the PRC resident enterprises shall be levied IIT at a rate of 20%. According to the Circular on the Continued Exemption of IIT on Gains from the Sale of Shares by Individuals promulgated by the Ministry of Finance and the SAT on March 30, 1998 and came into force on the same day, IIT on gains of individuals from the sale of shares of a listed company shall continue to be exempted from the IIT starting from January 1, 1997. The SAT did not explicitly specify in the newly revised IIT Law of the People's Republic of China and its implementation rules whether the IIT on gains of individuals from the sale of shares of a listed company shall continue to be exempted.

Corporate Investor

In accordance with the CIT Law and its implementing rules, non-Chinese resident enterprises that have not set up institutions or offices in China, or have set up institutions or offices but the incomes obtained by the enterprises have no actual connection with the established institutions or offices, shall pay CIT in relation to their incomes generated in China subject to CIT at the rate of 10%, including gains from the sale of equity interests in the PRC resident enterprises. The aforesaid payable income tax on non-PRC resident enterprises shall be withheld at the source, with the payer as the withholding agent. The CIT for each payment made or due shall be withheld by the withholding agent from the amount paid or payable. The withholding tax can be reduced or exempted pursuant to the relevant tax treaty or agreement on avoidance of double taxation.

Tax Policies of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

According to the Circular on Tax Policies relating to the Pilot Program of Shanghai-Hong Kong Stock Connect promulgated by the Ministry of Finance, the SAT and the China Securities Regulatory Commission on October 31, 2014 and came into force on November 17, 2014, and the Circular on Tax Policies relating to the Pilot Program of Shenzhen-Hong Kong Stock Connect promulgated by the Ministry of Finance, the SAT and the China Securities Regulatory Commission on November 5, 2016 and came into force on December 5, 2016, gains as a result of the transfer price difference from investments by PRC domestic enterprise investors in stocks listed on the SEHK through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect will be included in their total revenues subject to CIT in accordance with the law.

According to the Announcement on Continued Implementation of IIT Policies relating to Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect and Mainland-Hong Kong Mutual Recognition of Funds promulgated by the Ministry of Finance, the SAT and the China Securities Regulatory Commission on August 21, 2023 and came into force on the same day, IIT will continue to be exempted on gains as a result of the transfer price difference from investments by mainland individual investors in stocks listed on the SEHK through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect from January 1, 2023 to December 31, 2027.

For dividends and bonuses of H shares listed on the Stock Exchange of Hong Kong (SEHK) invested by PRC domestic individual investors through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, H share companies shall apply to China Securities Depository and Clearing Corporation Limited (CSDCC), which will provide them with a register of domestic individual investors and the H-share companies will withhold the IIT at the tax rate of 20%.

Gains from dividends and bonuses from investments by PRC domestic enterprise investors in stocks listed on the SEHK through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect will be included in their total revenues subject to CIT in accordance with the law. Specifically, gains from dividends and bonuses derived by a Chinese resident enterprise for holding H shares for 12 consecutive months will be exempted from CIT in accordance with the law. H-share companies listed on the SEHK shall file applications with CSDCC, which shall provide them with a register of mainland corporate investors. H-share companies do not withhold income tax on dividends and bonuses for mainland corporate investors and the tax payable shall be declared and paid by the enterprises themselves.

Stamp Duty

According to the Stamp Tax Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress on June 10, 2021 and entered into force on July 1, 2022, purchase and disposal of H shares outside China by non-PRC domestic investors will not be subject to the Stamp Tax Law of the People's Republic of China.

Estate Duty

Currently, inheritance tax is not levied in China according to Chinese laws.

MAJOR TAX OF THE COMPANY IN CHINA

Corporate Income Tax

According to the CIT Law of the People's Republic of China last revised on December 29, 2018 and effective on the same day by the Standing Committee of the National People's Congress, as well as the CIT Implementing Regulations last revised on December 6, 2024 and entered into force on

January 20, 2025 by the State Council, resident enterprises refer to enterprises that are legally incorporated in China, or enterprises that are incorporated in accordance with the laws of foreign countries (regions) but have actual management institutions in China. Resident enterprises shall pay CIT for their income derived from sources inside and outside China, at a tax rate of 25%. The State grants preferential CIT to key industries and projects supported and encouraged by the State.

Pursuant to the CIT Law, the CIT Implementing Regulations, the Administrative Measures for the Accreditation of High-tech Enterprises jointly promulgated by the Ministry of Science and Technology, the Ministry of Finance and the SAT, the Announcement of the SAT on Issues concerning Implementation of CIT Preferential Policies for High-tech Enterprises promulgated by the SAT, and other relevant CIT laws and regulations, qualified high-tech enterprises are entitled to a preferential CIT rate of 15%.

Value-added Tax

According to the Value Added Tax Law of the People's Republic of China (the "**VAT Law**") promulgated by the Standing Committee of the National People's Congress on December 25, 2024 and effective on January 1, 2026 (the original Interim Regulations on Value Added Tax shall be abolished at the same time upon the entry into force of the VAT Law), unless otherwise provided, taxpayers who sell goods, provide processing, repair and replacement services, lease services of tangible movables, or import goods within the territory of China, shall be subject to a value-added tax (VAT) rate of 13%; taxpayers who sell transportation, postal services, basic telecommunications, construction, or lease services of real property, or sell or import certain designated goods, shall be subject to a VAT rate of 9%; taxpayers who sell services or intangible assets, shall be subject to a VAT rate of 6%; taxpayers who export goods, shall be subject to a zero VAT rate, unless otherwise provided by the State Council; domestic entities and individuals who sell services or intangible assets within the scope specified by the State Council across borders shall be subject to a zero VAT rate.

FOREIGN EXCHANGE CONTROL

The legal currency in China is Renminbi (RMB). The State Administration of Foreign Exchange (SAFE) is authorized by the People's Bank of China to be responsible for the administration of all matters related to foreign exchange, including the implementation of foreign exchange regulations.

According to the Foreign Exchange Control Regulations of the People's Republic of China last revised on August 5, 2008 and effective on the same day by the State Council, all international payment and transfer are classified into current account and capital account. There are no restrictions on current international payment and transfer in China. Foreign exchange receipts under current account of domestic companies in China may be retained or sold to financial institutions engaged in foreign exchange settlement and sale businesses pursuant to the relevant provisions of the State. Foreign exchange receipts under capital account to be retained or sold to financial institutions engaged in foreign exchange settlement and sale businesses shall be subject to approval by the foreign exchange administrative authority, except where the State stipulates that no approval is required.

According to the Administrative Provisions on Foreign Exchange Settlement, Sales and Payment promulgated by the People's Bank of China on June 20, 1996 and effective on July 1, 1996, other restrictions on foreign exchange convertibility under current account are cancelled, but the existing restrictions on foreign exchange transactions under capital account remain.

Pursuant to relevant PRC laws and regulations on foreign exchange and a series of guidelines, domestic companies in China which need foreign exchange for current account transactions may produce valid receipts and transaction vouchers to make payments from their foreign exchange accounts at designated foreign exchange banks, without the need of approval by the SAFE. FIEs which need to use foreign exchange to distribute profits to shareholders and Chinese-funded enterprises which need to use foreign exchange to pay fixed dividends pursuant to relevant provisions shall produce the board resolutions on profit distribution to make payments from their foreign exchange accounts or convert foreign exchange at designated foreign exchange banks.

According to the Decision of the State Council on Matters relating to Cancelling and Adjusting A Number of Administrative Examination and Approval Items promulgated by the State Council on October 23, 2014 and effective on the same day, the administrative examination and approval by the SAFE and its branches for the repatriation and settlement of funds raised through overseas listing were cancelled.

According to Notice of the People's Bank of China and the State Administration of Foreign Exchange on Issues Concerning the Administration of Funds Raised by Domestic Enterprises Listed Overseas promulgated on December 24, 2025 by People's Bank of China and SAFE and entered into force on April 1, 2026, the relevant foreign exchange administration rules for overseas listed domestic companies incorporated by shares (the "**Domestic Company**") are as follows: (i) The SAFE and its branches and foreign exchange administrative departments shall supervise, regulate and examine the registration of business activities, account opening and use, cross-border receipts and payments, exchange of funds and other activities in relation to overseas listing of Domestic Company. (ii) A Domestic Company shall, within 15 working days upon initial public offering of its overseas listing, handle registration of overseas listing with the forex bureau at the place of its registration upon the strength of relevant materials. (iii) A Domestic Company (excluding banking financial institutions) shall, upon the strength of its overseas listing registration certificate, open a special overseas listing foreign exchange account with a domestic bank for its initial public offering (or issuance of additional shares) or buy-back to handle the funds remittance, conversion and transfer for relevant business.

According to the Notice of the SAFE on Further Simplifying and Improving the Policies for the Administration of Foreign Exchange in Direct Investment promulgated by the SAFE on February 13, 2015 and effective on June 1, 2015, certain provisions of which were subsequently repealed by the Notice of the SAFE of Repealing or Invalidating Five Regulatory Documents on Foreign Exchange Administration and Clauses of Seven Regulatory Documents on Foreign Exchange Administration promulgated by the SAFE on December 30, 2019 and effective on the same day, the SAFE cancels the requirement for the foreign exchange registration approval for domestic direct investment and the foreign exchange registration approval for overseas direct investment. Instead, the banks are directly responsible for the review and handling of foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment, and the SAFE and its branches exercise indirect supervision over foreign exchange registration for direct investment via the banks.

According to the SAFE Notice on Further Deepening the Reform to Facilitate Cross-border Trade and Investment promulgated by SAFE and entered into force on December 4, 2023, domestic institutions can settle their foreign exchange receipts under capital accounts (including repatriated funds raised through overseas listing) at their discretion with banks according to their actual business needs. Domestic institutions may, at their discretion, settle up to 100% of their foreign exchange receipts under capital accounts for the time being. The SAFE may adjust the aforesaid proportion where appropriate based on balance of payment status.

This Appendix summarizes certain aspects of the laws and regulations of the People's Republic of China that are relevant to the operation and business of our Company. Taxation-related laws and regulations of the PRC are set out separately in "Appendix VI — Taxation and Foreign Exchange Control" to this document. This Appendix also includes a summary of the key provisions of the PRC Company Law. The primary purpose of this summary is to provide [REDACTED] with an overview of the principal laws and regulations applicable to our Company. This summary does not purport to cover all information that may be material to prospective investors. For a detailed discussion of the laws and regulations relevant to our Company's business, please refer to the "Regulatory Overview" section of this document.

THE LEGAL SYSTEM OF THE PRC

The legal system of the PRC is based on the Constitution of the People's Republic of China (the "**Constitution**") and consists of written laws, administrative regulations, local regulations, separate regulations, departmental rules of the State Council, local government rules, autonomous regulations, separate regulations of autonomous regions, laws of special administrative regions, and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, but may be used for judicial reference and guidance.

Pursuant to the Constitution and the Legislation Law of the People's Republic of China (the "**Legislation Law**"), last amended by the National People's Congress (the "**NPC**") on 13 March 2023 and effective on 15 March 2023, the NPC and the Standing Committee of the National People's Congress (the "**SCNPC**") exercise the legislative power of the State. The NPC has the power to enact and amend basic laws governing criminal, civil, state organ and other matters. The SCNPC has the power to enact and amend 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 do not 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 in accordance with the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities directly under the Central Government and their standing committees may formulate local regulations in light of the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene the Constitution, laws or administrative regulations. The people's congresses of divided cities and their standing committees may formulate local regulations on matters such as urban and rural development and management, environmental protection and historical and cultural protection in light of the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene the Constitution, laws, administrative regulations or the local regulations of the relevant provinces or autonomous regions. Where laws stipulate otherwise in respect of the formulation of local regulations by divided cities, such stipulations shall prevail. Local regulations formulated by divided cities in autonomous regions shall be submitted for approval prior to their implementation.

The standing committees of the people's congresses of provinces or autonomous regions shall conduct a legality review of the local regulations submitted for approval and shall grant approval within four months if such regulations do not contravene the Constitution, laws, administrative regulations or the local regulations of the relevant provinces or autonomous regions. The 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 nationalities in such areas. The ministries, commissions, the People's Bank of China, the National Audit Office and the institutions directly under the State Council with administrative functions may formulate departmental rules within the scope of their respective functions in accordance with the laws and the administrative regulations, decisions and orders of the State Council.

The Constitution has supreme legal effect, and no laws, administrative regulations, local regulations, autonomous regulations, separate regulations or rules may contravene the Constitution. The effect of laws prevails over that of administrative regulations, local regulations and rules. The effect of administrative regulations prevails over that of local regulations and rules. The effect of the rules formulated by the people's governments of provinces and autonomous regions prevails over that of the rules formulated by the people's governments of divided cities within their respective administrative areas.

The NPC has the power to alter or annul inappropriate laws enacted by the SCNPC, and to annul autonomous regulations and separate regulations approved by the SCNPC that contravene the Constitution and the Legislation Law. The SCNPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws or administrative regulations, and to annul autonomous regulations and separate regulations approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government that contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul inappropriate departmental rules and local government rules. The people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of local people's congresses have the power to annul inappropriate rules formulated by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul inappropriate rules formulated by the people's governments at lower levels.

Pursuant to the Constitution and the Legislation Law, the power to interpret laws vests in the SCNPC. In accordance with the Decision of the SCNPC on Strengthening the Work of Legal Interpretation, adopted by the SCNPC and effective on 10 June 1981, the SCNPC shall issue interpretations and provisions in the form of decrees in respect of issues requiring further clarification or supplementation of the provisions of laws or decrees. The Supreme People's Court shall issue interpretations on the specific application of laws and decrees in judicial proceedings. The Supreme People's Procuratorate shall issue interpretations on the specific application of laws and decrees in procuratorial work. If there are principled differences between the interpretations issued by the Supreme People's Court and the Supreme People's Procuratorate, such differences shall be submitted to the SCNPC for interpretation or decision. Interpretations on the specific application of laws and decrees in areas other than judicial and procuratorial work shall be issued by the State Council and the competent authorities.

Where the scope of local regulations requires further clarification or supplementation, the standing committees of the people's congresses of the provinces, autonomous regions or municipalities directly under the Central Government that formulated such regulations shall issue interpretations or make such provisions. Interpretations on the specific application of local regulations shall be issued by the competent departments of the people's governments of the provinces, autonomous regions or municipalities directly under the Central Government.

THE JUDICIAL SYSTEM OF THE PRC

Pursuant to the Constitution and the Organic Law of the People's Courts of the People's Republic of China (the "**Organic Law of the People's Courts**"), last amended by the SCNPC on 26 October 2018 and effective on 1 January 2019, the people's courts of the PRC consist of the Supreme People's Court, local people's courts and special people's courts. Local people's courts are divided into three levels: basic people's courts, intermediate people's courts and higher people's courts. Basic people's courts may establish people's tribunals based on the regional conditions, population and case load. The Supreme People's Court is the highest judicial organ of the State and supervises the judicial work of local people's courts at all levels and special people's courts. Higher people's courts supervise the judicial work of lower people's courts.

Pursuant to the Constitution and the Organic Law of the People's Procuratorates of the People's Republic of China (the "**Organic Law of the People's Procuratorates**"), last amended by the SCNPC on 26 October 2018 and effective on 1 January 2019, the people's procuratorates of the PRC are the legal supervision organs of the State. The Supreme People's Procuratorate is the highest procuratorial organ and directs the work of local people's procuratorates at all levels and special people's procuratorates. Higher people's procuratorates direct the work of lower people's procuratorates.

The people's courts apply a two-instance trial system, and the judgments and rulings of the second instance are final. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may lodge a protest with the people's court at the next higher level in accordance with the procedures prescribed by law. If no appeal is lodged by the parties and no protest is lodged by the people's procuratorate within the statutory period, the judgment or ruling of the people's court shall become legally effective. The judgments and rulings of the second instance of intermediate people's courts, higher people's courts and the Supreme People's Court, and the judgments and rulings of the first instance of the Supreme People's Court, are final. However, if the Supreme People's Court or a higher people's court discovers definite errors in a legally effective final judgment or ruling of a lower people's court, or if the president of a people's court at any level discovers definite errors in a legally effective final judgment or ruling of such court, the case may be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the People's Republic of China (the "**Civil Procedure Law**"), last amended by the SCNPC on 1 September 2023 and effective on 1 January 2024, sets out the requirements for instituting civil actions, the jurisdiction of people's courts, the procedures for conducting civil actions and the procedures for enforcing civil judgments and rulings. All parties to civil actions conducted within the PRC must comply with the Civil Procedure Law. Civil cases are generally heard by the people's court where the defendant is domiciled. The parties may by written agreement choose the people's court with jurisdiction over a civil action, provided that such court is located in a place having a direct connection with the dispute, such as the place of domicile of the plaintiff or the defendant, the place of performance or conclusion of the contract, or the location of the subject matter of the action. However, such choice shall not conflict with the provisions on hierarchical jurisdiction and exclusive jurisdiction under the law.

Foreign individuals, stateless persons, foreign enterprises and foreign organizations shall have the same litigation rights and obligations as PRC citizens, legal persons and other organizations when instituting or defending proceedings in a people's court of the PRC. If a foreign court imposes restrictions on the litigation rights of PRC citizens, legal persons or other organizations, the people's courts of the PRC may impose reciprocal restrictions on the litigation rights of citizens, legal persons or other organizations of such foreign country. Where a foreign individual, stateless person, foreign-invested enterprise or foreign organization needs to appoint a lawyer to institute or defend proceedings in a people's court of the PRC, such person must appoint a lawyer registered in the PRC. Pursuant to the international treaties concluded or acceded to by the PRC or the principle of reciprocity, the people's courts of the PRC and foreign courts may request each other to provide judicial assistance, such as serving documents, conducting investigations, collecting evidence and performing other judicial acts on each other's behalf. If a request from a foreign court would prejudice the sovereignty, security or public interests of the PRC, the people's court of the PRC shall refuse such request.

All parties must comply with legally effective civil judgments and rulings. If a party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration tribunal, the other party may apply to the people's court for enforcement within two years. The suspension and interruption of the time limit for application for enforcement shall be governed by the provisions of the applicable law on the suspension and interruption of the statute of limitations.

Where a party applies to a people's court for the enforcement of a legally effective judgment or ruling against a party who is not domiciled in the PRC or whose property is not located in the PRC, the applicant may apply to a competent foreign court for the recognition and enforcement of such judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's courts of the PRC in accordance with the enforcement procedures of the PRC if the PRC has concluded or acceded to an international treaty with the relevant foreign country providing for such recognition and enforcement, or if the judgment or ruling satisfies the review of the people's court in accordance with the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling would prejudice the basic legal principles, sovereignty, security or public interests of the PRC.

THE PRC COMPANY LAW, OVERSEAS LISTING TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company incorporated in the PRC seeking a listing on the Stock Exchange of Hong Kong Limited (the "**SEHK**") is primarily subject to the following laws and regulations of the PRC:

1. The Company Law of the People's Republic of China (the "**PRC Company Law**"), last amended on 29 December 2023 and effective on 1 July 2024;

2. The Trial Measures for the Administration of Domestic Enterprises' Overseas Issuance of Securities and Listing (the "**Overseas Listing Trial Measures**") and its five interpretative guidelines, promulgated by the China Securities Regulatory Commission (the "**CSRC**") on 17 February 2023 and effective on 31 March 2023, which apply to the direct and indirect overseas issuance and listing of securities by domestic enterprises in the PRC.

Pursuant to the Overseas Listing Trial Measures and its interpretative guidelines, where a domestic enterprise in the PRC conducts direct overseas issuance and listing of securities, it shall formulate its articles of association in accordance with the Guidelines for the Articles of Association of Listed Companies (the "**Guidelines for Articles of Association**"), issued and amended from time to time by the CSRC, in lieu of the Mandatory Provisions for the Articles of Association of Companies Listed Overseas, which ceased to apply with effect from 31 March 2023.

Set out below is a summary of the key provisions of the PRC Company Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association that are applicable to our Company.

General Provisions

A joint stock limited company means a corporate legal person incorporated in accordance with the PRC Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the number of shares held by them, and the liability of the company is limited to the full amount of all its assets.

A company shall conduct its business activities in accordance with the law and administrative regulations, observe social and business ethics, act in good faith and accept the supervision of the government and the public. A company may make investments in other companies. If the law provides that a company shall not become an investor that bears joint and several liability for the debts of the enterprise in which it invests, such provisions shall prevail.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. The incorporation of a joint stock limited company requires a minimum of one and a maximum of 200 promoters, of whom at least half must have a domicile in the PRC.

Where a joint stock limited company is incorporated by subscription, the promoters shall convene an inaugural general meeting within 30 days after the full payment of the share capital, and shall notify all subscribers of the meeting date or make a public announcement 15 days prior to the meeting. The inaugural general meeting may only be held if subscribers holding more than 50% of the total voting rights are present. The procedures for convening and voting at the inaugural general meeting of a joint stock limited company incorporated by promotion shall be stipulated in the promoters' agreement. The powers exercisable at the inaugural general meeting include, but are not limited to, the adoption of the articles of association and the election of the members of the board of directors and the board of supervisors of the company. The aforesaid matters shall be resolved by more than 50% of the votes cast by the subscribers present at the meeting.

Within 30 days after the conclusion of the inaugural general meeting, the board of directors shall apply to the company registration authority for the incorporation registration of the joint stock limited company. A company is formally established and acquires the status of a legal person upon the issuance of the business license by the relevant company registration authority.

Registered Shares

Pursuant to the PRC Company Law, shareholders may make capital contributions in cash, or in non-monetary properties that can be valued in monetary terms and legally transferred, such as in kind, intellectual property rights, land use rights, equity interests or claims.

The Overseas Listing Trial Measures provide that domestic enterprises listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi (RMB).

Pursuant to the PRC Company Law, a joint stock limited company shall maintain a register of shareholders setting out the following information: (i) the name and domicile of each shareholder; (ii) the class and number of shares subscribed for by each shareholder; (iii) the serial number of the shares if issued in paper form; and (iv) the date on which each shareholder acquired the shares.

[REDACTED] and Issue of Shares

All issues of shares by a joint stock limited company shall be based on the principles of equality and fairness. Shares of the same class shall carry equal rights. Shares of the same class issued at the same time shall be issued on the same terms and at the same price. A joint stock limited company may issue shares at par value or at a premium, but shall not issue shares at a discount.

Domestic enterprises issuing and listing securities overseas shall complete the filing procedures with the CSRC in accordance with the Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely disclose shareholder information and other relevant information. Where a domestic enterprise conducts direct overseas issuance and listing of securities, the issuer itself shall complete the filing procedures with the CSRC. Where a domestic enterprise conducts indirect overseas issuance and listing of securities, the issuer shall designate a major domestic operating entity as the domestic responsible person to complete the filing procedures with the CSRC.

Increase in Share Capital

Pursuant to the PRC Company Law, where a joint stock limited company issues new shares, the shareholders' general meeting shall pass resolutions in respect of the following matters: the class and number of new shares; the [REDACTED] of the new shares; the commencement and expiry dates of the new share issue; and the class and number of new shares to be issued to existing shareholders, if any. If a company issues no-par value shares, more than 50% of the proceeds from the issuance of such new shares shall be included in the registered capital. In addition, if a company intends to make a public offering of shares, it shall complete the registration procedures with the securities regulatory authority of the State Council and publish the relevant documents.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law: (i) prepare a balance sheet and a property inventory; (ii) the shareholders' general meeting passes a resolution to reduce the registered capital; (iii) the company shall notify its creditors within 10 days and make a public announcement in newspapers or on the National Enterprise Credit Information Publicity System within 30 days after the adoption of the resolution to reduce the registered capital; (iv) the creditors shall have the right to require the company to repay the debts or provide corresponding guarantees within 30 days after receiving the notice, or within 45 days after the public announcement if no notice is received; and (v) the company shall complete the change registration with the company registration authority in accordance with the law upon the reduction of its registered capital.

When a company reduces its registered capital, it shall reduce the capital contribution or the number of shares in proportion to the capital contribution or the number of shares held by each shareholder, unless otherwise provided by law, agreed by all shareholders of a limited liability company, or specified in the articles of association of a joint stock limited company.

Share Buy-Back

Pursuant to the PRC Company Law, a company shall not purchase its own shares, except in the following circumstances:

(i) reducing the registered capital of the company;

(ii) merging with another company that holds shares of the company;

(iii) using the shares for employee stock ownership plans or equity incentives;

(iv) shareholders who vote against a resolution of the shareholders' general meeting on the merger or division of the company have the right to require the company to purchase the shares held by them;

(v) using the shares for the conversion of convertible corporate bonds issued by a listed company;

(vi) it is necessary for a listed company to maintain the corporate value and the rights and interests of shareholders.

The purchase of the company's own shares in the circumstances set out in (i) and (ii) above shall be subject to the resolution of the shareholders' general meeting. The purchase of the company's own shares in the circumstances set out in (iii), (v) and (vi) above shall be subject to the resolution of a board meeting attended by more than two-thirds of the directors, in accordance with the provisions of the articles of association or the authorization of the shareholders' general meeting.

After a company purchases its own shares in accordance with the aforesaid provisions, such shares shall be cancelled within 10 days from the date of purchase in the case of item (i) above; such shares shall be transferred or cancelled within six months in the case of items (ii) and (iv) above; the total number of the company's own shares held by the company shall not exceed 10% of the total issued shares of the company, and such shares shall be transferred or cancelled within three years in the case of items (iii), (v) and (vi) above.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the law. Pursuant to the PRC Company Law, a shareholder of a joint stock limited company shall transfer his or her shares on a legally established securities exchange or in other manners prescribed by the State Council. Registered shares may be transferred by endorsement of the shareholder or in other manners prescribed by law or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders. No changes to the register of shareholders as prescribed in the foregoing provision may be made within 20 days prior to the convening of a shareholders' general meeting or within five days prior to the record date for the company's dividend distribution. If law, administrative regulations or the securities regulatory authority of the State Council provides otherwise for the amendment of the register of shareholders of a listed company, such provisions shall prevail.

Pursuant to the PRC Company Law, shares issued by a company prior to its public offering of shares shall not be transferred within one year from the date on which the company's shares are listed and traded on a securities exchange. The directors, supervisors and senior management of a company shall declare to the company the shares held by them and any changes thereto. During their term of office, the number of shares transferred by them each year shall not exceed 25% of the total shares of the company held by them. The shares of the company held by them shall not be transferred within one year from the date of the company's listing on a securities exchange, nor within six months after their resignation from the company.

If shares are pledged within the restricted transfer period prescribed by law or administrative regulations, the pledgee shall not exercise the pledge right within such restricted transfer period.

Shareholders

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the shareholders of a company shall have the following rights: (i) to receive dividends and other forms of profit distribution in accordance with the number of shares held; (ii) to lawfully request, convene, preside over, participate in or authorize proxies to attend the shareholders' general meeting and exercise the corresponding voting rights; (iii) to supervise the business operations of the company, and put forward suggestions or inquiries; (iv) to transfer, gift or pledge the shares of the company held by them in accordance with the provisions of law, administrative regulations and the articles of association; (v) to inspect and copy the articles of association, register of shareholders, counterfoil of company bonds, minutes of shareholders' general meetings, resolutions of the board of directors, resolutions of the board of supervisors and financial and accounting reports; (vi) shareholders who individually or collectively hold more than 3% of the company's shares for a consecutive period of more than 180 days have the right to inspect the company's accounting books and accounting vouchers in accordance with the law; (vii) to participate in the distribution of the remaining assets of the company in accordance with the proportion of shares held upon the termination or liquidation of the company; (viii) to require the company to purchase the shares held by them if they vote against a resolution of the shareholders' general meeting on the merger or division of the company; and (ix) other rights conferred by law, administrative regulations, regulatory provisions or the articles of association.

The shareholders of a company shall have the following obligations: (i) to comply with law, administrative regulations and the articles of association; (ii) to make capital contributions in accordance with the number of shares subscribed for and the method of contribution; (iii) not to withdraw capital contributions except as otherwise provided by law or administrative regulations; (iv) not to abuse shareholder rights to prejudice the interests of the company or other shareholders, and not to abuse the independent legal person status of the company or the limited liability of shareholders to prejudice the interests of the company's creditors; and (v) to perform other obligations prescribed by law, administrative regulations, departmental rules and the articles of association.

Shareholders' General Meetings

Pursuant to the PRC Company Law, the shareholders' general meeting of a joint stock limited company is composed of all shareholders and is the supreme organ of power of the company, which exercises the following functions and powers: (i) to elect and replace directors and supervisors, and decide on matters relating to the remuneration of directors and supervisors; (ii) to examine and approve the reports of the board of directors; (iii) to examine and approve the reports of the board of supervisors; (iv) to examine and approve the company's profit distribution plans and loss recovery plans; (v) to resolve on the increase or reduction of the company's registered capital; (vi) to resolve on the issuance of corporate bonds; (vii) to resolve on the merger, division, dissolution, liquidation or change of corporate form of the company; (viii) to amend the company's articles of association; and (ix) other functions and powers specified in the articles of association.

Pursuant to the PRC Company Law, an annual shareholders' general meeting shall be held once every year. An extraordinary shareholders' general meeting shall be held within two months upon the occurrence of any of the following circumstances: (i) the number of directors is less than the number prescribed by the PRC Company Law or less than two-thirds of the number specified in the articles of association; (ii) the unrecovered losses of the company amount to one-third of the total paid-up share capital; (iii) shareholders individually or collectively holding 10% or more of the company's shares request the convening of such meeting; (iv) the board of directors deems it necessary; (v) the board of supervisors proposes the convening of such meeting; and (vi) other circumstances stipulated in the articles of association.

The shareholders' general meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. If the chairman is unable to perform or fails to perform his or her duties, the meeting shall be presided over by the vice chairman. If the vice chairman is unable to perform or fails to perform his or her duties, the meeting shall be presided over by a director nominated by more than half of the directors.

If the board of directors is unable to perform or fails to perform its duty to convene the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. If the board of supervisors fails to convene and preside over such meeting, shareholders individually or collectively holding 10% or more of the company's shares for a consecutive period of 90 days or more may convene and preside over such meeting on their own initiative.

If shareholders individually or collectively holding 10% or more of the company's shares request the convening of an extraordinary shareholders' general meeting, the board of directors and the board of supervisors shall, within 10 days after receiving such request, decide whether to hold such meeting and give a written reply to the shareholders.

A notice of the shareholders' general meeting shall state the time, venue and matters to be considered at the meeting, and shall be given to all shareholders 20 days prior to the meeting. A notice of an extraordinary shareholders' general meeting shall be given to all shareholders 15 days prior to the meeting.

Shareholders individually or collectively holding more than 1% of the company's shares may put forward interim proposals and submit them in writing to the board of directors 10 days prior to the shareholders' general meeting. The board of directors shall notify other shareholders within two days after receiving the proposals and submit such interim proposals to the shareholders' general meeting for consideration.

Pursuant to the PRC Company Law, a shareholder may entrust a proxy to attend the shareholders' general meeting, and the power of attorney shall clearly state the matters, scope of authority and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to the company and exercise the voting rights within the scope of authorization. The PRC Company Law does not specify the quorum for a shareholders' general meeting.

Pursuant to the PRC Company Law, each shareholder present at a shareholders' general meeting shall have one vote for each share held, except for shareholders of classified shares. However, the shares held by the company itself shall not have any voting rights. The voting rights of holders of classified shares shall be exercised in accordance with the provisions of the articles of association or the resolution of the shareholders' general meeting.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting in accordance with the provisions of the articles of association or the resolution of the shareholders' general meeting. Under the cumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected, and shareholders may consolidate their voting rights when casting their votes.

Pursuant to the PRC Company Law and the Guidelines for Articles of Association, the adoption of any resolution at a shareholders' general meeting requires the affirmative votes of shareholders representing more than half of the total voting rights of the shareholders present at the meeting. Matters relating to the merger, division, dissolution, increase or reduction of registered capital, change of corporate form or amendment of the articles of association of the company must be approved by the affirmative votes of shareholders representing more than two-thirds of the total voting rights of the shareholders present at the meeting.

Directors

Pursuant to the PRC Company Law, a joint stock limited company shall have a board of directors consisting of not less than three members. The term of office of directors shall be stipulated in the articles of association, but each term shall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be held at least twice a year. All directors and supervisors shall be notified 10 days prior to each meeting. The board of directors exercises the following functions and powers: (i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings; (ii) to implement the resolutions of the shareholders' general meetings; (iii) to decide on the company's business plans and investment plans; (iv) to formulate the company's profit distribution plans and loss recovery plans; (v) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds; (vi) to formulate plans for the merger, division, dissolution or change of corporate form of the company; (vii) to decide on the establishment of the company's internal management structure; (viii) to decide on the appointment or dismissal of the company's manager and their remuneration, and to decide on the appointment or dismissal of the deputy manager and the chief financial officer of the company and their remuneration based on the nomination of the manager; (ix) to formulate the basic management systems of the company; and (x) other functions and powers specified in the articles of association or granted by the shareholders' general meeting.

A board meeting may only be held if more than half of the directors are present. If a director is unable to attend a board meeting, he or she may entrust another director in writing to attend the meeting on his or her behalf, with the power of attorney specifying the scope of authorization. If a resolution of the board of directors violates the law, administrative regulations, the articles of association or the resolutions of the shareholders' general meeting, resulting in serious losses to the company, the directors participating in the resolution shall be liable for compensation to the company. However, if it can be proved that a director explicitly objected to the resolution when it was voted on and such objection was recorded in the minutes of the meeting, such director may be exempted from such liability.

Pursuant to the PRC Company Law, a person shall not serve as a director of a company if he or she: (i) is a person with no capacity for civil conduct or with limited capacity for civil conduct; (ii) has been sentenced to criminal punishment for crimes of embezzlement, bribery, seizure of property, misappropriation of property or disrupting the order of the socialist market economy, or has been deprived of political rights for a crime, and less than five years have elapsed since the completion of the sentence; or has been given a suspended sentence, and less than two years have elapsed since the expiration of the suspension period; (iii) was a director, factory director or manager of a company or enterprise that has undergone bankruptcy liquidation and was personally liable for the bankruptcy of such company or enterprise, and less than three years have elapsed since the completion of the bankruptcy liquidation of such company or enterprise; (iv) was the legal representative of a company or enterprise whose business license was revoked due to a violation of the law and which was ordered to close down, and was personally liable for such violation, and less than three years have elapsed since the revocation of the business license or the order to close down; or (v) has failed to pay off a relatively large amount of due debts and has been listed as a person subject to enforcement for dishonesty by the people's court.

The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman exercises the following functions and powers (including but not limited to): (i) to preside over shareholders' general meetings and convene and preside over board meetings; (ii) to supervise the implementation of the resolutions of the board of directors; and (iii) to exercise other powers conferred by the board of directors.

Supervisors

Pursuant to the PRC Company Law, a joint stock limited company shall have a board of supervisors consisting of not less than three members. The board of supervisors shall comprise shareholder representatives and an appropriate proportion of employee representatives of the company, of which the proportion of employee representatives shall not be less than one-third, and the specific proportion shall be stipulated in the articles of association. Employee representatives of the board of supervisors shall be democratically elected by the employees of the company at the employee representative assembly, employee meeting or other forms. Directors or senior management shall not concurrently serve as supervisors.

The board of supervisors exercises the following powers: (i) to examine the financial affairs of the company; (ii) to supervise the performance of duties by directors and senior management, and to propose the removal of directors and senior management who have violated the law, administrative regulations, the articles of association or the resolutions of the shareholders' general meeting; (iii) to require directors or senior management to rectify their acts if such acts are prejudicial to the interests of the company; (iv) to propose the convening of extraordinary shareholders' general meetings, and to convene and preside over shareholders' general meetings when the board of directors fails to perform its duty to convene and preside over shareholders' general meetings in accordance with the PRC Company Law; (v) to submit proposals to the shareholders' general meeting; (vi) to institute legal proceedings against directors and senior management in accordance with the PRC Company Law; and (vii) other functions and powers specified in the articles of association.

Managers and Senior Management

Pursuant to the PRC Company Law, a company shall have a manager who is appointed or dismissed by the board of directors. The manager is responsible to the board of directors and exercises his or her functions and powers in accordance with the articles of association or the authorization of the board of directors. The manager attends meetings of the board of directors as a non-voting participant.

Pursuant to the PRC Company Law, senior management refers to the manager, deputy manager(s), chief financial officer, secretary of the board of directors and other personnel as stipulated in the articles of association of the company.

Duties of Directors, Supervisors and Senior Management

Pursuant to the PRC Company Law, the directors, supervisors and senior management of a company shall comply with the relevant laws, administrative regulations and the articles of association, and owe fiduciary duties and duties of care to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other illegal income, and from misappropriating the company's property.

Directors, supervisors and senior management are prohibited from: (i) embezzling the company's funds or misappropriating the company's capital; (ii) depositing the company's capital in accounts under their own names or the names of other individuals; (iii) accepting bribes or obtaining other illegal proceeds by taking advantage of their powers; (iv) accepting and retaining commissions paid by third parties in connection with transactions conducted with the company; (v) divulging the company's confidential business information without authorization; or (vi) other acts in violation of their fiduciary duties to the company.

If any director, supervisor or senior management enters into a contract or conducts a transaction with the company directly or indirectly, he or she shall report the matters relating to the conclusion of the contract or transaction to the board of directors or the shareholders' general meeting, and obtain the approval of the board of directors or the shareholders' general meeting in accordance with the provisions of the articles of association.

The aforesaid provisions shall apply if any close relative of a director, supervisor or senior management, or any enterprise directly or indirectly controlled by a director, supervisor or senior management or their close relatives, or any related party having a related relationship with a director, supervisor or senior management, enters into a contract or conducts a transaction with the company.

No director, supervisor or senior management may take advantage of his or her position to seek any business opportunity belonging to the company for himself or herself or any other person, except in the following circumstances: (i) he or she has reported to the board of directors or the shareholders' general meeting and obtained the approval of a resolution of the board of directors or the shareholders' general meeting in accordance with the provisions of the articles of association; or (ii) the company is unable to utilize the business opportunity as stipulated by law, administrative regulations or the articles of association.

If any director, supervisor or senior management fails to report to the board of directors or the shareholders' general meeting and obtain the approval of a resolution of the board of directors or the shareholders' general meeting in accordance with the provisions of the articles of association, he or she shall not engage in any business that is the same as or similar to the business of the company in which he or she holds office for himself or herself or any other person.

A director, supervisor or senior management who violates any law, regulation or the articles of association of the company in the performance of his or her duties, resulting in losses to the company, shall be personally liable for compensation to the company.

Finance and Accounting

Pursuant to the PRC Company Law, a company shall establish its financial and accounting systems in accordance with the law, administrative regulations and the provisions of the financial department of the State Council. At the end of each fiscal year, the company shall prepare financial and accounting reports which shall be audited by a certified public accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the law, administrative regulations and the provisions of the financial department of the State Council.

A joint stock limited company shall make its financial and accounting reports available at the company for inspection by the shareholders 20 days prior to the convening of the annual shareholders' general meeting. A joint stock limited company making a public offering of shares shall publish its financial and accounting reports.

When distributing the after-tax profits of each year, the company shall set aside 10% of its profits as the statutory surplus reserve. The company may cease to set aside the statutory surplus reserve when the accumulated amount of the statutory surplus reserve exceeds 50% of the registered capital. If the statutory surplus reserve of the company is insufficient to make up for the losses of previous years, the current year's profits shall be used to make up for such losses before setting aside the statutory surplus reserve in accordance with the aforesaid provisions. After the company has set aside the statutory surplus reserve from its after-tax profits, it may also set aside a discretionary surplus reserve from its after-tax profits upon a resolution of the shareholders' general meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the articles of association of the company.

The premium received by a joint stock limited company from the issuance of shares at a price exceeding the par value, the portion of the proceeds from the issuance of no-par value shares that has not been credited to the registered capital, and other incomes required by the financial department of the State Council to be treated as capital surplus reserve shall be recorded as the capital surplus reserve of the company.

The surplus reserve of the company shall be used to make up for the losses of the company, expand the company's production and business operations or increase the company's registered capital. Where the surplus reserve of the company is used to make up for losses, the discretionary surplus reserve and the statutory surplus reserve shall be used first. If the losses still cannot be made up, the capital surplus reserve may be used in accordance with the relevant provisions. When the statutory surplus reserve is converted into registered capital, the remaining balance of the statutory surplus reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not maintain accounting books other than those prescribed by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the PRC Company Law, the engagement or dismissal of a certified public accounting firm responsible for the company's audit work shall be determined by the shareholders' general meeting, the board of directors or the board of supervisors in accordance with the provisions of the articles of association. The accounting firm shall be given the opportunity to make representations when the shareholders' general meeting, the board of directors or the board of supervisors votes on the dismissal of the accounting firm. The company shall provide the engaged accounting firm with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting information, and shall not refuse to provide, conceal or falsify such information.

The Guidelines for Articles of Association provide that the company shall ensure the provision of true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials to the engaged accounting firm, and shall not refuse to provide, conceal or falsify such materials. The audit fees of the accounting firm shall be decided by the shareholders' general meeting.

Profit Distribution

If a company distributes profits to shareholders in violation of the provisions of the PRC Company Law, the shareholders shall refund the improperly distributed profits to the company, and the liable shareholders, directors, supervisors and senior management who cause losses to the company shall bear compensation liability.

Dissolution and Liquidation

Pursuant to the PRC Company Law, a company shall be dissolved for the following reasons: (i) the term of business stipulated in the articles of association has expired or other dissolution events specified in the articles of association have occurred; (ii) the shareholders' general meeting resolves to dissolve the company; (iii) dissolution is necessary due to the merger or division of the company; (iv) the business license is revoked, or the company is ordered to close down or is cancelled in accordance with the law; or (v) the company encounters serious difficulties in its operation and management, and its continuance will cause significant losses to the interests of shareholders, and such difficulties cannot be resolved through other means, in which case shareholders holding more than 10% of the total voting rights of the company may file a petition with the people's court for the dissolution of the company.

If any of the circumstances set out in the foregoing paragraph occurs, the company shall publish the relevant information through the National Enterprise Credit Information Publicity System within 10 days from the date of occurrence.

Where a company is dissolved due to the circumstance set out in item (i) above, it may continue to exist by amending its articles of association or upon a resolution of the shareholders' general meeting, which must be approved by the affirmative votes of shareholders representing more than two-thirds of the total voting rights of the shareholders present at the meeting. Where a company is dissolved due to the circumstances set out in items (i), (ii), (iv) or (v) above, it shall be liquidated. The directors are the liquidation obligors of the company and shall form a liquidation group to conduct liquidation within 15 days from the date of the occurrence of the dissolution event. The liquidation group shall be composed of the directors, unless otherwise provided in the articles of association or otherwise elected by the shareholders' general meeting. If the liquidation obligors fail to perform their liquidation obligations in a timely manner, resulting in losses to the company or its creditors, they shall be liable for compensation.

If the liquidation group is not formed within the time limit or fails to conduct liquidation after its formation, any interested party may request the people's court to appoint relevant persons to form a liquidation group to conduct liquidation. The people's court shall accept such request and organize a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following functions and powers during the liquidation period: (i) to liquidate the company's property and prepare a balance sheet and a property inventory respectively; (ii) to notify and publish a public announcement to the creditors; (iii) to handle the outstanding business of the company related to the liquidation; (iv) to pay all outstanding taxes and taxes arising in the course of liquidation; (v) to liquidate the claims and debts of the company; (vi) to distribute the remaining property of the company after repaying the debts; and (vii) to participate in civil litigation on behalf of the company.

The liquidation group shall notify the company's creditors within 10 days from its formation and make a public announcement in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. Creditors shall file their claims with the liquidation group within 30 days after receiving the notice, or within 45 days after the publication of the public announcement if no notice is received.

The remaining property of the company after the payment of liquidation expenses, employees' wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts shall be distributed to the shareholders in proportion to their shareholdings. During the liquidation period, the company shall continue to exist but shall not conduct any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders before the completion of the liquidation in accordance with the foregoing provisions.

If the liquidation group, after a thorough examination of the company's assets and the preparation of a balance sheet and a property inventory, discovers that the company's assets are insufficient to pay off all its debts, it shall file an application with the people's court for bankruptcy liquidation. After the people's court accepts the application for bankruptcy, the liquidation group shall hand over the liquidation matters to the bankruptcy administrator appointed by the people's court.

Upon the completion of the liquidation, the liquidation group shall prepare a liquidation report, submit it to the shareholders' general meeting or the people's court for confirmation, and submit it to the company registration authority to apply for the cancellation of the company's registration and announce the termination of the company.

The members of the liquidation group performing their liquidation duties shall owe duties of loyalty and care. Any member of the liquidation group who neglects to perform his or her liquidation duties, resulting in losses to the company, shall be liable for compensation. Any member of the liquidation group who causes losses to any creditor due to his or her intent or gross negligence shall be liable for compensation.

Where a company fails to apply for the cancellation of its registration with the company registration authority within three years from the date on which its business license is revoked, or the company is ordered to close down or is cancelled, the company registration authority may publish an announcement through the National Enterprise Credit Information Publicity System for a period of not less than 60 days. If there is no objection after the expiration of the announcement period, the company registration authority may cancel the company's registration.

Overseas Listing

Pursuant to the Overseas Listing Trial Measures, where an issuer conducts an initial public offering and listing of securities overseas, it shall complete the filing procedures with the CSRC within three working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after the overseas issuance and listing, it shall complete the filing procedures with the CSRC within three working days after the completion of the issuance. If an issuer issues and lists securities in other overseas markets after the overseas issuance and listing, it shall complete the filing procedures in accordance with the provisions of Paragraph 1 of Article 16 of the Overseas Listing Trial Measures. In addition, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing procedures within 20 working days from the date of receipt of the filing materials and publish the filing information through its official website. If the filing materials are incomplete or do not meet the requirements, the CSRC shall inform the issuer of the materials to be supplemented within five working days from the date of receipt of the filing materials, and the issuer shall supplement the materials within 30 working days. If the issuer fails to supplement the materials within the time limit or the supplemented materials still do not meet the requirements, the CSRC may terminate the filing procedures.

Suspension and Termination of Listing

The PRC Company Law has deleted the provisions governing the suspension and termination of listing, and the Securities Law of the People's Republic of China (the "**PRC Securities Law**") has also deleted the provisions regarding the suspension of listing. Where listed securities fall under the [REDACTED] circumstances stipulated by the stock exchange, the stock exchange shall terminate their listing and trading in accordance with its business rules.

Pursuant to the Overseas Listing Trial Measures, if an issuer voluntarily terminates the listing or is compulsorily delisted, it shall report the specific circumstances to the CSRC within three working days from the date of the occurrence and announcement of the relevant matters.

SECURITIES LAW AND RELEVANT REGULATIONS

In October 1992, the State Council established the State Council Securities Commission and the CSRC. The State Council Securities Commission was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of the securities market, guiding, coordinating and supervising all securities-related institutions in the PRC, and administering the CSRC. The CSRC was the executive supervision organ of the State Council Securities Commission, responsible for drafting regulatory provisions for the securities market, supervising securities companies, regulating the public offering of securities by domestic enterprises in the PRC or overseas, regulating securities trading, compiling securities-related statistics and conducting research and analysis. On 29 March 1998, the State Council merged the above two institutions and restructured the CSRC, revoking the State Council Securities

Commission and incorporating its functions into the CSRC. The CSRC then became a ministerial-level institution directly under the State Council, responsible for the unified supervision and administration of the national securities and futures markets.

The Interim Regulations on the Issuance and Trading of Shares, promulgated by the State Council on 22 April 1993 and effective on the same date, set out the application and approval procedures for public offerings of shares, share trading, the acquisition of listed companies, the deposit, settlement and transfer of listed shares, the disclosure of information by listed companies, investigations and penalties, and dispute arbitration.

The Regulations of the State Council on Foreign Invested Shares Listed in China by Joint Stock Limited Companies, promulgated by the State Council on 25 December 1995 and effective on the same date, mainly set out the provisions on the issuance, subscription, trading and dividend payment of foreign invested shares listed in China by joint stock limited companies, and the information disclosure of such companies.

The Securities Law of the People's Republic of China (the "**PRC Securities Law**"), last amended by the SCNPC on 28 December 2019 and effective on 1 March 2020, sets out a series of provisions regulating, among other things, the issuance and trading of securities, the acquisition of listed companies, securities exchanges, securities companies, and the duties and responsibilities of the securities regulatory authority of the State Council in the PRC, and comprehensively regulates the activities in the securities market of the PRC. The PRC Securities Law provides that a domestic enterprise in the PRC that directly or indirectly issues securities overseas or lists its securities overseas for trading shall comply with the relevant provisions of the State Council. Currently, the issuance and trading of foreign issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Pursuant to the Arbitration Law of the People's Republic of China (the "**PRC Arbitration Law**"), last amended by the SCNPC on 1 September 2017 and effective on 1 January 2018, the PRC Arbitration Law applies to economic disputes involving foreign parties where all parties have entered into a written agreement to refer the dispute to an arbitration commission established in accordance with the PRC Arbitration Law. Prior to the formulation of arbitration rules by the China Arbitration Association, an arbitration commission may formulate interim arbitration rules in accordance with the relevant provisions of the PRC Arbitration Law and the Civil Procedure Law. Where the parties have agreed to settle a dispute by arbitration, the people's court shall refuse to accept a lawsuit filed by a party in respect of such dispute.

Pursuant to the PRC Arbitration Law, an arbitral award is final and binding on both parties. If a party fails to comply with an arbitral award, the other party may apply to the people's court for enforcement in accordance with the Civil Procedure Law. If there is evidence to prove that any of the following circumstances exists, the people's court may rule not to enforce the award: (i) the parties have not stipulated an arbitration clause in the contract or have not reached a written arbitration agreement afterwards; (ii) the respondent has not been notified of the appointment of the arbitrators or the arbitration proceedings, or has failed to present his or her views due to reasons for which the respondent is not responsible; (iii) the composition of the arbitral tribunal or the arbitration procedures are not in accordance with the arbitration rules; (iv) the matters awarded are outside the scope of the arbitration agreement or the arbitration commission has no jurisdiction to arbitrate; (v) the evidence on which the award is based is forged; (vi) the other party has concealed evidence that is sufficient to affect the impartiality of the award; or (vii) the arbitrators have committed embezzlement, bribery, or engaged in malpractices for personal gain or rendered an award in violation of the law in the arbitration of the case. A party seeking to enforce an arbitral award made by a foreign arbitration commission against a party who is not domiciled in the PRC or whose property is not located in the PRC shall apply to a competent foreign court for the recognition and enforcement of the award. Similarly, an arbitral award made by a foreign arbitration institution may be recognized and enforced by the people's courts of the PRC in accordance with the international treaties concluded or acceded to by the PRC or the principle of reciprocity.

Pursuant to the Arrangement of the Supreme People's Court on the Mutual Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region, promulgated by the Supreme People's Court on 24 January 2000 and effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People's Court on the Mutual Enforcement of Arbitral Awards between the Chinese Mainland and the Hong Kong Special Administrative Region, promulgated by the Supreme People's Court on 26 November 2020 and effective on 27 November 2020, arbitral awards made by arbitration institutions in the Chinese Mainland may be applied for enforcement in the Hong Kong Special Administrative Region (the "**HKSAR**"), and arbitral awards made by arbitration institutions in the HKSAR may also be applied for enforcement in the Chinese Mainland. The people's courts of the Chinese Mainland may refuse to enforce an arbitral award made in the HKSAR if it finds that such enforcement would prejudice the sovereignty, security, public interests or basic legal principles of the Chinese Mainland. The courts of the HKSAR shall have the same right of review and refusal in respect of the enforcement of arbitral awards made in the Chinese Mainland.

This Addendum is mainly intended to provide an overview of the articles of association of the Company for a potential investor. Since the following information is only an outline, it does not record all information that may be material to a potential investor.

ISSUANCE OF SHARES

The Company's shares shall be issued based on the principle of fairness and impartiality. Shares of the same class shall rank *pari passu*. For shares issued at the same time of the same class, the conditions of issuance and prices of each share shall be the same. The price of each share subscribed for by any organization or individual shall be the same.

SHARE INCREASE, DECREASE AND BUYBACK

The Company may, based on its operational and development needs, in accordance with laws and regulations and upon resolutions respectively adopted at the shareholders' meeting, adopt any of the following methods to increase its capital:

(i) Public issuance of shares subject to approval by the relevant regulatory authorities;

(ii) Non-public issuance of shares;

(iii) Distribution of bonus shares to existing shareholders;

(iv) Conversion of capital reserve into capital stock; or

(v) Other methods prescribed by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed, or approved by the relevant regulatory authorities.

The Company may decrease its registered capital in accordance with its articles of association. The Company may decrease its registered capital in accordance with the procedures prescribed in the Company Law, the Hong Kong Listing Rules, other relevant regulations, and its articles of association.

The Company shall not acquire its own shares save that it may acquire its own shares in any of the following circumstances:

(i) Decrease of the Company's registered capital;

(ii) Merger with another company which holds the shares of the Company;

(iii) Use of shares for the purpose of employee stock ownership plans or equity incentives;

(iv) Request by any shareholders of the Company to acquire their shares due to their objection to the resolution of the shareholders' meeting on the merger or division of the Company;

(v) Use of shares for the conversion of the corporate bonds issued by the Company which are convertible into shares of the Company; or

(vi) It is necessary for the Company to maintain the value of the Company and its shareholders' rights and interests.

The Company may acquire its own shares through public centralized trading or other methods as prescribed by laws and regulations, the securities regulatory rules of the place where the Company's shares are listed or recognized by the CSRC and the Hong Kong Stock Exchange.

If the Company acquires its own shares due to circumstances described in item (iii), (v) or (vi) above, such acquisition shall be conducted through public centralized trading.

If the Company acquires its own shares due to circumstances described in item (i) or (ii) above, a resolution shall be adopted at the shareholders' meeting. Where the acquisition of the shares of the Company is under any of the circumstances described in items (iii), (v), or (vi) above, subject to the applicable regulatory rules for securities of the place where the shares of the Company are listed, and where there are separate provisions in the regulatory rules for securities of the place where the shares of the Company are listed upon a resolution of the board of directors made by more than two thirds of the directors attending the meeting, such provisions shall prevail.

Subject to the applicable securities regulatory rules of the place where the shares of the Company are listed, after the Company acquires its own shares in accordance with the foregoing provisions, such shares shall be cancelled within ten days from the acquisition date under the circumstance as described in item (i) above, such shares shall be transferred or cancelled within six months under the circumstance as described in item (ii) or (iv) above, and the shares held by the Company in the aggregate under the circumstance as described in item (iii), (v) or (vi) above, shall not exceed ten percent of the total issued shares of the Company and shall be transferred or cancelled within three years. Where there are separate provisions in the securities regulatory rules of the place where the shares of the Company are listed, such provisions shall prevail.

TRANSFER OF SHARES

The Company's shares may be transferred in accordance with the laws. 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 [REDACTED] and [REDACTED] the Stock Exchange. The directors and senior executives of the Company shall declare to the Company their holding of shares (including preference 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; 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 and traded on the market. The aforesaid persons shall not transfer the shares they hold in this Company within half a year after they leave their posts.

Where the laws, administrative regulations or the listing rules of the place where the Company's shares are listed stipulate otherwise in respect of the restrictions on the transfer of shares of the Company, such provisions shall prevail.

Where the directors, senior executives of the Company or the shareholders who hold 5% or more of the Company's shares sell the Company's shares or other securities with the nature of equity held by them within six months from the date of purchase or repurchase the shares or securities with the nature of equity 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 the securities company holds 5% or more of the Company's shares due to purchase of any remaining shares in a best efforts package, or under any other circumstances stipulated by the securities regulatory authorities at the place where the Company's shares are listed. Where the shares are pledged within the transfer restriction period stipulated by laws or administrative regulations, the pledgee shall not exercise the pledge rights within the transfer restriction period.

Shares or other securities with the nature of equity held by the aforesaid directors, senior executives and natural person shareholders include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other's accounts.

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. Where the board fails to comply within the aforesaid period, the shareholders are entitled to file a lawsuit directly at the People's Court in their own names for the interest of the Company.

FINANCIAL ASSISTANCE TO BUY SHARES OF THE COMPANY

The Company or its subsidiaries (including its affiliated enterprises) shall not, by means of donation, advancement, guarantee, compensation, loan, etc., provide any person who purchases or intends to purchase the Company's shares with financial assistance in any way, except in the case that the Company implements employee stock ownership plans. Unless otherwise provided by the securities regulatory rules at the place where the Company's shares are listed, the Company may, for the interest of the Company, upon resolution of the shareholders' meeting or resolution made by the board of directors in accordance with the Company's Articles of Association or the authorization of the shareholders' meeting, provide financial assistance to other persons for acquiring shares in the Company or its parent company, provided that the aggregate amount of such financial assistance shall not exceed 10% of the total issued capital stock. Any resolution made by the board of directors shall be passed by more than two-thirds of all the directors.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders

The Company's shareholders shall be the persons who legally hold the Company's shares. Shareholders shall enjoy the rights and assume the obligations according to the class of shares held; and the holders of the same class of shares shall enjoy the same rights and assume the same obligations.

The Company shall establish a register of shareholders in accordance with the evidence from the securities registration authority. The register of shareholders shall be the sufficient evidence to verify the shares held by the shareholders in the Company. The original [REDACTED] 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. Any shareholder registered in the register of H share holders or any person who requests its name to be registered in the register of H share holders may apply to the Company for issuance of a new share certificate if its share certificate is lost. If a holder of H shares applies for issuance of a new share certificate due to loss of a share certificate, such application may be handled in accordance with the law where the original register of H share holders is kept, rules of the stock exchange and other regulations.

The Company's shareholders shall have the following rights:

(i) Receive dividends and other forms of distribution according to the number of shares held by them in the Company;

(ii) Request, convene, preside over shareholders' meeting, attend shareholders' meeting in person or by proxy, and exercise the corresponding voting rights in accordance with the laws;

(iii) Monitor, and raise suggestions or inquiries in relation to the Company's operation;

(iv) Assign, donate or pledge the shares held by them in accordance with the law, administrative regulations, securities regulatory rules of the place where the Company's shares are listed and the Company's articles of association;

(v) Access the Company's articles of association, register of shareholders, counterfoils of corporate bonds, minutes of shareholders' meetings, resolutions passed at meetings of the board of directors and financial and accounting reports;

(vi) Participate in the distribution of the remaining assets of the Company according to the number of shares held by them in the event of the Company's termination or liquidation;

(vii) Require the Company to purchase 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) Enjoy the right to be informed of and to participate in the Company's material matters as specified by the law, administrative regulations and the Company's articles of association;

(ix) Other rights as provided by the law, administrative regulations, department regulations and securities regulatory rules of the place where the Company's shares are listed and the Company's articles of association.

If any shareholder requests access to the above information or materials, he shall provide the Company with written documents evidencing the type and number of shares held by him in the Company. The Company shall provide the shareholder with the required information upon verification of his status as shareholder.

The shareholder shall have the right to protect his legal rights and interests through civil lawsuits or other legal means according to the law and administrative regulations. If any resolution of the shareholders' meeting or the board of directors violates the law or administrative regulation, the shareholders shall have the right to request the people's court to invalidate the resolution. If the convening procedure or voting method of the shareholders' meeting or the board of directors meeting violates the law, administrative regulation or the Company's articles of association, or if the contents of the resolution contravene the Company's articles of association, the shareholders shall have the right to request the People's Court to cancel the resolution, within 60 days of the resolution being made. However, this does not apply if there is only minor defect in the convening procedure or voting method of the shareholders' meeting or board of directors meeting that has no substantial impact on the resolution.

If the directors and the senior management personnel other than the audit committee members violate the law, administrative regulation or the Company's articles of association in the performance of their duties, causing losses to the Company, the shareholders individually or collectively holding 1% or more of shares for 180 consecutive days may request the audit committee in writing to start litigation in the People's Court. If the audit committee violates the law, administrative regulation or the Company's articles of association in the performance of its duties, causing losses to the Company, the shareholders may request the board of directors in writing to start litigation in the People's Court.

If the audit committee or the board of directors refuses to start litigation after the receipt of the shareholder's written request as mentioned above, or does not start litigation within 30 days of receiving the request, or the situation is so urgent that failure to immediately start litigation will cause irreparable losses to the interests of the Company, the shareholder (s) as mentioned above may have the right to start litigation directly in the People's Court in his or their own name for the interest of the Company.

If any person infringes the lawful interests of the Company, causing losses to the Company, the aforesaid shareholder (s) may start litigation in the People's Court in accordance with the provisions above.

If any director or senior management personnel violates the law, administrative regulation, or the articles of association and damages the shareholders' interests, the shareholders may start litigation in the People's Court.

General Provisions on the Shareholders' Meeting

The shareholders' meeting is the organ of authority of the Company and shall exercise the following powers in accordance with the law:

(i) Determine the operational policy and investment plan of the Company;

(ii) Elect and replace the directors who are not the representatives of the staff and workers, and determine the remuneration of the directors;

(iii) Review and approve the reports of board of directors;

(iv) Review and approve the Company's proposed annual financial budgets and final accounts;

(v) Review and approve the Company's profit distribution plans and loss compensation plans;

(vi) Decide on the increase or decrease of the Company's registered capital;

(vii) Decide on the Company's merger, division, dissolution, liquidation, or change in the Company's corporate form;

(viii) Decide on the issuance of corporate bonds;

(ix) Amend the Company's articles of association;

(x) Decide on the Company's hiring and dismissal of the accounting firm;

(xi) Review and approve the guarantees provided under Article 43 of the Company's articles of association;

(xii) Review purchases and sales of significant assets within one year exceeding 30% of the most recently audited total assets of the Company;

(xiii) Review and approve changes in usage of raised funds;

(xiv) Review share incentive plans and employee stock ownership plans;

(xv) Review purchases of the Company's shares that should be resolved by the shareholders' meeting in accordance with the Company's articles of association;

(xvi) Review other matters required to be decided by the shareholders' meeting in accordance with laws, administrative regulations, departmental regulations, rules of the stock exchange where the Company's shares are listed, securities regulatory rules of the place where the Company's shares are listed, or its articles of association.

Unless otherwise provided by laws, administrative regulations and provisions of the CSRC, or the securities regulatory rules of the place where the Company's shares are listed, the powers of the aforesaid shareholders' meeting shall not be exercised by the board of directors or any other institution or individual upon authorization.

The following external guarantee provided by the Company shall be reviewed and approved by the shareholders' meeting:

(i) any external guarantee provided by the Company or its subsidiary in which it has controlling interest, the total amount of which is equal to or more than 50% of the Company's audited net assets for the most recent period;

(ii) any external guarantee provided by the Company, the total amount of which is equal to or more than 30% of the Company's audited total assets for the most recent period;

(iii) any annual guarantee provided by the Company, the total amount of which is more than 30% of the Company's audited total assets for the most recent period;

(iv) any guarantee provided for any entity whose liability to equity ratio is more than 70%;

(v) any single guarantee, the amount of which is more than 10% of the Company's audited net assets for the most recent period;

(vi) any guarantee provided for the Shareholders, actual controller and its affiliate(s);

(vii) any other guarantee circumstances that shall be considered by the shareholders' meeting in accordance with laws, regulations, securities regulatory rules of the place where the Company's shares are listed, or its articles of association.

The shareholders' meeting is divided into annual shareholders' meeting and interim shareholders' meeting. Annual shareholders' meeting shall be convened once a year and shall be held within 6 months after the end of the previous accounting year.

The Company shall convene an interim shareholders' meeting within 2 months upon occurrence of any of the following events:

(i) The number of directors is less than two- thirds of the number prescribed in the Company Law or the articles of association;

(ii) The unrecovered losses of the Company reach 1/3 of the total amount of its paid up capital;

(iii) Upon request by the shareholders, who individually or together hold more than 10% of the shares of the Company;

(iv) The board of directors considers necessary;

(v) The audit committee proposes to convene;

(vi) Other events provided by law, administrative regulations, departmental regulations and securities regulatory rules of the place(s) where the Company's shares are listed, or the articles of association of the Company.

Convening of Shareholders' Meeting

Independent directors may propose to the board of directors the convening of an extraordinary general meeting, provided that such proposal is approved by more than half of all independent directors. In respect of such proposal, the board of directors shall, pursuant to the law, administrative regulations, securities regulatory rules of the place(s) where the Company's shares are listed, and the articles of association of the Company, provide feedback in writing on whether to convene an interim shareholders' meeting within 10 days upon receipt of such proposal.

If the board of directors approves to convene an interim shareholders' meeting, it will issue a notice thereof within 5 days upon decision of the board of directors. If the board of directors disapproves to convene an interim shareholders' meeting, it will state the reasons and publicly announce.

The audit committee may have the right to propose to the board of directors to convene an interim shareholders' meeting, and should be presented to the board of directors in writing. The board of directors shall, pursuant to the law, administrative regulations, securities regulatory rules of the place(s) where the Company's shares are listed, and the articles of association of the Company, provide feedback in writing on whether to convene an interim shareholders' meeting within 10 days upon receipt of such proposal.

If the board of directors approves to convene an interim shareholders' meeting, it will issue a notice thereof within 5 days upon decision of the board of directors. Any change to the original proposal in the notice shall obtain the approval of the audit committee.

If the board of directors disapproves to convene an interim shareholders' meeting, or fails to provide feedback within 10 days upon receipt of such proposal, it shall be deemed to be unable or fail to perform the duty of convening shareholders' meetings, and the audit committee may convene and preside over an interim shareholders' meeting by itself.

The shareholders holding more than ten percent of the Company's shares, individually or in the aggregate, have the right to propose to the board of directors to convene an interim shareholders' meeting, and should be presented to the board of directors in writing. The board of directors shall, pursuant to the law, administrative regulations, securities regulatory rules of the place(s) where the Company's shares are listed, and the articles of association of the Company, provide feedback in writing on whether to convene an interim shareholders' meeting within 10 days upon receipt of such proposal.

If the board of directors approves to convene an interim shareholders' meeting, it will issue a notice thereof within 5 days upon decision of the board of directors. Any change to the original proposal in the notice shall obtain the approval of the relevant shareholders.

If the board of directors disapproves to convene an interim shareholders' meeting, or fails to provide feedback within 10 days upon receipt of such proposal, the shareholders holding more than ten percent of the Company's shares, individually or in the aggregate, have the right to propose to the audit committee to convene an interim shareholders' meeting, and should be presented to the audit committee in writing.

If the audit committee approves to convene an interim shareholders' meeting, it will issue a notice thereof within 5 days upon receipt of such proposal. Any change to the original proposal in the notice shall obtain the approval of the relevant shareholders.

If the audit committee fails to issue the notice of shareholders' meeting within the prescribed time limit, it shall be deemed that the audit committee will not convene and preside over the shareholders' meeting, and the shareholders holding more than ten percent of the Company's shares, individually or in the aggregate, for more than 90 consecutive days may convene and preside over the shareholders' meeting on their own.

Proposal and notice of shareholders' meeting

The contents of a proposal to be raised shall be within the scope of authority of the shareholders' meeting, have a clear topic for discussion and detailed resolution matters, and comply with the relevant provision of the law, administrative regulations, securities regulatory rules of the place(s) where the Company's shares are listed, and the Company's articles of association.

If the Company convenes a shareholders' meeting, the board of directors, the audit committee and shareholders holding more than 1% of the Company's shares, individually or in the aggregate, shall have the right to propose proposals to the Company.

Shareholders, individually or in the aggregate, holding more than 1% of the Company's shares, can submit an interim resolution in writing to the convener, 10 days before the shareholders' meeting is held. The convener shall issue a supplementary shareholders' notice within 2 days upon receipt of such proposal, and the notice shall attach the content of the interim resolution, and publicly announce the content of the interim resolution. Except as provided above, after the convener publicly announces the notice of the shareholders' meeting, he shall not change any resolution or add any new resolution in the notice.

The shareholders' meeting shall not vote or pass any resolution with respect to any resolution not specified in the notice of shareholders' meeting or inconsistent with the provisions of the Company's articles of association.

The convener shall notify all shareholders in writing (including announcement) 20 days prior to the annual shareholders' meeting, and notify all shareholders in writing (including announcement) 15 days prior to the interim shareholders' meeting. When calculating the commencement date of a period, the day on which the meeting is held shall not be included.

The notice of a shareholders' meeting shall include the following:

(i) Time, place, and duration of the meeting;

(ii) Matters and any proposals to be submitted to the meeting for review;

(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 date of registration of shareholding of the shareholders entitled to attend the shareholders' meeting;

(v) Name and telephone number of the regular contact person concerning meeting matters; and

(vi) Time and procedure of voting by internet or other means.

Convening of shareholders' meeting

All shareholders, or their proxies, whose names appear on the register of the Company on the date of registration of shareholding, shall have the right to attend the shareholders' meeting, and speak and exercise their voting rights at such shareholders' meeting in accordance with applicable laws, regulations, the securities regulatory rules of the place(s) where the Company's shares are listed and the Articles of Association of the Company (except that some shareholders are required by the securities regulatory rules of the place(s) where the Company's shares are listed to waive their voting rights with respect to certain matters).

A Shareholder may attend the shareholders' meeting personally or appoint a proxy to attend and vote on his behalf. Each Shareholder shall have the right to appoint a representative, who need not be a shareholder of the Company; provided that a corporate Shareholder may appoint a representative to attend and vote at any shareholders' meeting of the Company, and such corporate Shareholder shall be deemed to be present in person if it has appointed a representative to attend any meeting. A corporate Shareholder may prepare the form appointing a representative signed by its duly authorized officer. Shareholders shall have the right to (i) speak at shareholders' meetings and (ii) vote at shareholders' meetings, except that some shareholders are required by the securities regulatory rules of the place(s) where the shares are listed to waive their voting rights with respect to certain matters.

The chairman of the board of directors shall preside over the shareholders' meeting. If the chairman of the board of directors is unable or fails to perform his duties, more than half of the directors shall nominate a director to preside over the meeting.

The convener of the audit committee shall preside over the shareholders' meeting convened by the audit committee by itself. If the convener of the audit committee is unable or fails to perform his duties, more than half of the audit committee members shall nominate a member of the audit committee to preside over the meeting. In the case of a shareholders' meeting convened by the shareholders themselves, the convener shall nominate a representative to preside over the meeting.

The Company shall formulate the rules of procedure of the shareholders' meeting, which will specify in detail the procedures for convening and voting at the shareholders' meeting, including notices, registration, examination of proposals, voting, counting of votes, announcement of voting results, formation of meeting resolutions, minutes of the meetings and their signing. The rules of procedure of the shareholders' meeting, which shall be appended to the articles of association, shall be drafted by the board of directors and approved by the shareholders' meeting.

The convener shall ensure that the contents of the meeting minutes are true, accurate and complete. The directors, secretary of the board of directors, conveners and their proxies and the presider of the meeting attending the meeting shall sign their names on the minutes of the meeting. The minutes of the meeting, together with the signature book of the attending shareholders, power of attorney for proxies and valid information on the voting, shall be kept for 10 years.

Voting and Resolutions of the Shareholders' Meeting

Resolutions adopted at the shareholders' meeting include ordinary resolutions and special resolutions. The ordinary resolutions adopted at the shareholders' meeting shall require the approval by over half of the attending voting shareholders (including their proxies). The special resolutions adopted at the shareholders' meeting shall require the approval by over two thirds of the attending voting shareholders (including their proxies).

The following matters shall be decided by the shareholders' meeting in the form of ordinary resolution:

(i) Work report of the board of directors;

(ii) Profit distribution plans and loss compensation plans proposed by the board of directors;

(iii) Appointment or removal of the members of the board of directors, and their remuneration and payment method;

(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 of the Company.

The following matters shall be decided by the shareholders' meeting in the form of special resolution:

(i) Increase or decrease of the Company's registered capital;

(ii) Merger, division, winding up, or change of the form of the Company;

(iii) Amendment of the Company's Articles of Association and its appendix;

(iv) Spin-off listing of its subsidiary companies;

(v) Purchase or sale of significant assets or guarantee of which the amount exceeds 30% of the most recently audited total assets by the Company within one year;

(vi) Issuance of shares, convertible corporate bonds, preference shares and other securities types approved by the CSRC;

(vii) Share incentive schemes;

(viii) Other matters regulated in accordance with law, administrative regulation, securities regulatory rules where the Company's shares are listed, or the Articles of Association of the Company and which are confirmed by ordinary resolutions at the shareholders' meeting as having a significant influence on the Company and requiring special resolution.

Shareholders exercise their voting rights based on the number of voting shares they represent, with each share entitling the holder to one vote, except for holders of shares with different class rights. If the Hong Kong Listing Rules require any shareholder to abstain from voting on a resolution, or restrict any shareholder to casting votes only in favor of (or only against) a resolution, any votes cast by or on behalf of such shareholder in breach of such requirement or restriction shall not be counted. When voting, a shareholder (including a proxy) who holds two or more votes is not required to cast all of their votes in favor of, against, or abstain from the resolution.

When the shareholders' meeting considers major issues affecting the interest of small and medium-sized investors, it shall separately count the votes of such investors. The results of separate counting shall be publicly disclosed timely.

The Company's shares held by itself have no voting right, and such shares shall not be included in the total number of shares with voting rights present at the shareholders' meeting.

If the relevant laws, regulations and the securities regulatory rules where the Company's shares are listed require any shareholder to give up his voting right on a certain resolution, or restrict any shareholder to vote for or against a certain resolution, the votes cast by such shareholder or his proxy in violation of the relevant provisions or restrictions shall not be included in the voting results. 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 where the Company's shares are listed, or CSRC provisions may solicit shareholders' voting rights. When soliciting shareholders' voting rights, specific voting intention and other information shall be fully disclosed to shareholders whose voting rights are solicited. It is prohibited to solicit shareholders' voting rights by giving compensation or disguised compensation. Except for the statutory conditions, the Company and its shareholders' meeting convener shall not set minimum shareholding ratio restriction for solicitation of shareholders' voting rights. Where the public solicitation of shareholders' rights violates law, administrative regulation, securities regulatory rules where the Company's shares are listed, or CSRC provisions, causing the Company or its shareholders to suffer losses, compensation liability shall be borne pursuant to the law.

When the shareholders' meeting considers associated transactions, the connected shareholders shall not participate in voting on those associated transactions, and the number of voting shares held by such connected shareholders will not be counted as part of the total number of valid voting shares. The public announcement of shareholders' decision should fully disclose the voting of the non-connected shareholders.

Resolution of shareholders' meeting should be announced as soon as possible. The announcement should specify the number shareholders and proxies attending the meeting, the total number of voting shares held by them and their proportion to the total voting shares of the Company, voting method (s), voting result of each resolution, and details of each resolution passed.

BOARD OF DIRECTORS

Directors

The Company's directors are natural persons. Directors should possess all necessary knowledge, skill, and quality to perform their duties. They should also ensure that they have adequate time and energy to perform their duties. Directors should actively participate in relevant training to understand the rights, duties, and responsibilities of a director, to familiarize themselves with relevant laws and regulations, and to master relevant knowledge to be acquired as directors.

A person may not serve as a company's director in any of the following situations:

(i) A person without civil capacity or with restricted civil capacity;

(ii) A person who was sentenced for corruption, bribery, embezzlement of property, misappropriation of property, or disruption of socialist market economic order and not more than five years has elapsed; or a person who was deprived of his political rights due to a criminal offence and not more than five years has elapsed since the expiry date of the deprivation of political rights, and is granted a suspension of sentence, and not more than two years has elapsed since the expiry date of the suspension period;

(iii) A person who served as a director, factory manager, or general manager of a company or an enterprise which has been declared bankrupt and liquidated and who was personally accountable for the bankruptcy of such company or enterprise, and not more than three years has elapsed since the completion of the bankruptcy and liquidation of such company or enterprise;

(iv) A person who was the legal representative of a company or an enterprise which had its business license revoked, or was ordered to close down, and who was personally accountable for the revocation, and not more than three years has elapsed since the revocation of the business license of such company or enterprise;

(v) A person who has a relatively large amount of outstanding personal debt, and is listed as a person subject to enforcement in bad faith by the People's Court;

(vi) A person who is banned by the CSRC from entering into the securities market and the ban period has not expired;

(vii) A person who is publicly deemed by the CSRC to be inappropriate to serve as a director or senior management staff in a listed company and the ban period has not expired; or

(viii) Other persons as prescribed in laws, administrative regulations, departmental rules, or securities regulatory rules at the place where the shares of the Company are listed.

Directors who are not the representatives of staff shall be elected or replaced by the shareholders' meeting, and dismissed by the shareholders' meeting prior to the expiration of their term of office. The term of office of the directors shall be three years. The directors may serve consecutive terms if reappointed. If the relevant securities regulatory rules at the place where the shares of the Company are listed provide otherwise for the consecutive term of directors, such provisions shall prevail.

The term of office of the directors shall be calculated from the day following the date on which the resolution is adopted by the shareholders' meeting until the expiration of the term of office of the current board of directors. Where a director fails to effect re-election upon expiration of his term of office, the original director (s) shall, before the newly elected director (s) take office, continue to perform his/her duties in accordance with laws, administrative regulations, departmental rules, securities regulatory rules at the place where the Company's shares are listed and these Articles of Association. Subject to any applicable laws, regulations and regulatory rules of Hong Kong, any person appointed as a Director by the Board to fill a casual vacancy in the Board or to increase the number of Directors on the Board shall hold office only until the first Annual Shareholders' meeting following his appointment and shall then be eligible for re-election. The company shall have one employee representative director on its board of directors. The employee representative on the board shall be democratically elected by the company's employees through the employees' representative congress, general employees' meeting, or other forms of democratic election.

The general manager or any other senior management staff can concurrently serve as a director; however, the aggregate number of the directors concurrently serving as the general manager or other senior management staff, plus the number of directors that are employee representative directors, may not exceed 1/2 of the total number of the directors.

Directors shall comply with the provisions of laws, administrative regulations, the securities regulatory rules of the Company's stock listing place and these Articles of Association, and owe duties of loyalty and diligence to the Company.

Where a director neither attends in person nor authorizes other directors to attend two consecutive Board meetings, he/she shall be deemed unable to perform his/her duties, and the board of directors shall propose to the shareholders' meeting to replace him/her.

A director may resign prior to the expiration of his/her term. A resigning director shall submit a written resignation report to the board of directors. The Company shall disclose the relevant information within the time limit required by the regulatory rules of the place where the Company's shares are listed.

Where the resignation of a director will cause the number of directors to fall below the quorum, or the resignation of an independent director will cause the ratio of independent directors in the board of directors or a special committee to be inconsistent with the laws, regulations or the Company's articles of association, or where there is no professional with accounting or financial management expertise among the independent directors as required by the securities regulatory rules of the place where the Company's shares are listed, the original director shall, prior to the appointment of a new director, continue to perform his/her duties in accordance with the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed, and the Company's articles of association.

Except for the circumstances set out in the aforesaid paragraph, the resignation of a director shall come into effect upon receipt of the resignation report by the board of directors.

Where a director violates the laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company's shares are listed, or the provisions of the Company's articles of association in the course of performance of duties, causing the Company to suffer losses, he/she shall be liable for compensation.

The Company shall have independent directors. Independent directors shall comply 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.

Independent directors shall act in good faith and with due diligence towards the Company and all its shareholders. Independent directors shall, in accordance with the relevant laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, and the Company's articles of association, conscientiously perform their duties, play a role in decision making, supervision and checks and balances, and professional consulting on the board of directors, safeguard the Company's overall interests, and protect the lawful rights and interests of minority shareholders. Independent directors shall perform their duties independently, and shall not be influenced by the Company's principal shareholders, actual controllers, and other entities or individuals that have an interest in the Company.

Independent directors shall maintain their independence. The following persons shall not hold the position of Independent Director:

(i) persons who hold a position in the Company or one of its subsidiaries, and their spouses, parents, children and major social relations;

(ii) natural person shareholders who directly or indirectly hold more than 1% of the Company's outstanding shares or who rank in the top ten shareholders of the Company, and their spouses, parents and children;

(iii) persons who hold a position in the Company's shareholders who directly or indirectly hold more than 5% of the Company's outstanding shares or who rank in the top five shareholders of the Company, and their spouses, parents and children;

(iv) persons who hold a position in a subsidiary of the Company's controlling shareholder or actual controller, and their spouses, parents and children;

(v) persons who have significant business relationship with the Company or its controlling shareholder, actual controller, or their respective subsidiaries, or persons who hold positions in the entities that have significant business relationship with the Company or its controlling shareholder or actual controller;

(vi) persons who provide financial, legal, consulting and sponsor services to the Company or its controlling shareholder, actual controller, or their respective subsidiaries, including but not limited to all project members of the intermediaries providing such services, reviewers at various levels, persons who sign on the report, partners, directors, senior management personnel and key persons of the intermediaries who provide such services;

(vii) persons who have been under the circumstances listed in above items (i) to items (vi) in the last 12 months;

(viii) other persons who are not qualified for independence in accordance with the law, administrative regulations, provisions of CSRC, securities regulatory rules of the place where the Company's shares are listed, and these Articles of Association.

Board of Directors

The Company shall establish a board of directors, which is responsible to the shareholders' meeting.

The Company shall establish a board of directors. The board of directors shall consist of 9 directors, and shall have one chairman (referred to in these Articles of Association as the "**chairman of the board**"). The directors of the Company may include executive directors, non-executive directors and independent directors. There shall be three independent directors.

The board of directors shall exercise the following functions:

(i) Convene shareholders' meeting, and report on its work to the shareholders' meeting;

(ii) Implement resolutions issued by the shareholders' meeting;

(iii) Determine the operational plans and investment programs of the Company;

(iv) Prepare profit distribution plans and loss compensation plans of the Company;

(v) Prepare plans for the Company's increase or reduction of registered capital, issuance of stocks, bonds, or other securities as well as the listing of the Company;

(vi) Prepare plans for the Company's significant buy-out, the purchase of the Company's own shares, merger, division, dissolution or change of the Company's corporate form;

(vii) Decide, within the scope authorized by the shareholders' meeting, the Company's external investment, purchase and sale of assets, offering of assets as security, external guarantee, entrusted management of wealth, associated transactions and external donations;

(viii) Decide on the establishment of Company's internal management structure;

(ix) Decide on the appointment or dismissal of the Company's general manager, board secretary and other senior management personnel, and decide on the matters relating to their remuneration, reward and punishment; according to the general manager's nomination, decide on the appointment or dismissal of deputy general manager (s), chief financial officer and other senior management personnel, and decide on the matters relating to their remuneration, reward and punishment; prepare a plan regarding the amount and method of remuneration for directors;

(x) Formulate the Company's basic management system;

(xi) Formulate plans on any amendment of the Company's Articles of Association;

(xii) Manage the disclosure of information by the Company;

(xiii) Propose to the shareholders' meeting on the appointment or replacement of the accounting firm which provides audit services to the Company;

(xiv) Hear the general manager's work report and inspect the work performance of the general manager;

(xv) Other functions as stipulated by law, administrative regulations, department regulations and securities regulatory rules in the place where the Company's shares are listed, or the Company's articles of association.

The board of directors shall have one chairman and one vice-chairman. The chairman and vice-chairman must be held by the Company's director and are elected or removed by exceeding half of all the directors.

The board of directors shall convene at least four meetings per year. The meeting is convened by the chairman. Written notice shall be sent to all directors 14 days in advance.

Shareholders representing above 1/10 voting rights, or above 1/3 of the directors, or above half of the independent directors, or the audit committee can propose to convene an interim meeting of the board of directors. The chairman of the board of directors shall, within 10 days of receipt of such proposal, convene and hold a board of directors' meeting.

Unless otherwise provided by laws, administrative regulations, departmental rules, normative instruments, the securities regulatory rules of the Company's stock listing place, these Articles of Association, or other applicable provisions, any resolution of the board of directors must be approved by a majority of all directors. Each director shall have one vote in the board's resolutions.

If a director has an associated relationship with an enterprise which is involved in a resolution to be decided at a board meeting, he/she must not vote on that resolution, nor can he vote on behalf of other directors. That board meeting can be held if exceeding half of the unrelated directors attends. Resolutions made by the board of directors must be passed by exceeding half of the unrelated directors. If the number of unrelated directors is less than three attending the board meeting, the matter should be submitted to the shareholders' meeting for discussion. If the law, regulation and securities regulatory rules of the place where the Company's shares are listed impose any additional restrictions on the Directors' participation in board meetings and their voting, it shall be followed.

The board of directors shall prepare minutes of the meeting on all matters discussed at the meeting. The directors, secretary of the board of directors and the recorder attending the meeting should sign on the minutes. The secretary of the board of directors shall carefully organize the minutes and arrange the matters discussed at the meeting. The minutes should be true, accurate and complete. The directors attending the meetings have the right to request to make certain explanatory notes in relation to their speeches made in the minutes. The secretary of the board of directors shall keep the minutes of the board of directors meetings as a company file for a period of 10 years.

Special Committees under the Board of Directors

The board of directors of the Company shall establish an audit committee. The audit committee exercises the functions and powers of the board of supervisors as specified by the Company Law.

The audit committee shall have three members. Among the audit committee, there shall be two independent directors. The chairman of the audit committee shall be a professional among the independent directors with accounting or financial management expertise as specified in the securities regulatory rules of the place where the Company's shares are listed.

The board of directors of the Company will establish strategy, nomination, remuneration and examination and other special committees, which will carry out their duties in accordance with the Articles of Association and the authorization of the board of directors.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT PERSONNEL

General Manager and Deputy General Manager

The Company shall have one general manager, as needed, have several deputy general managers, all of whom shall be appointed or dismissed by the board of directors. The general manager, deputy general managers, the person in charge of financial affairs (chief financial officer), and the board secretary shall be the senior management of the Company.

The general manager is responsible to the board of directors and has the following functions:

(i) Be in charge of the production, operation and management of the Company; implement resolutions of the board of directors and report his work to the board of directors;

(ii) Implement the annual business plans and investment plans of the Company;

(iii) Draw out the plan of the establishment of internal management structure of the Company;

(iv) Draw out the basic management system of the Company;

(v) Formulate the specific rules and regulations of the Company;

(vi) Propose to the board of directors the appointment or removal of the deputy general manager (s) and the chief financial officer of the Company;

(vii) Determine the appointment and removal of management personnel other than those who should be appointed and removed by the board of directors;

(viii) Other functions as granted by the working rules of the general manager;

(ix) Other functions as granted by the articles of association of the Company or the board of directors.

Secretary of the Board of Directors

The Company shall have a secretary of the board of directors, who shall be responsible for the preparation of the shareholders' meetings and meetings of the board of directors, the maintenance of documents, the management of the shareholders' information, the disclosure of information, and the relationship with investors, etc.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting System

The Company shall prepare, file with the relevant local office of the China Securities Regulatory Commission (CSRC) and the stock exchange where the Company's shares are listed (if required), and disclose its annual report within four months after the end of each financial year, and shall prepare, file with the relevant local office of the CSRC and the stock exchange where the Company's shares are listed (if required), and disclose its interim report within two months after the end of the first half of each financial year.

Other than the statutory accounting books, the Company shall not establish another accounting book. The Company's assets shall not be deposited under any personal accounts.

Profit Distribution

When a company distributes its after-tax profits of the current year, it shall allocate 10% of its profits as its statutory reserve fund. No further allocation may be made if the aggregate amount of the statutory reserve fund exceeds 50% of the registered capital of the company. If the Company's statutory reserve fund is not sufficient to cover the Company's losses in the previous year, the current year profits shall be used to make up for the losses before any allocation is made to the statutory reserve fund in accordance with the aforesaid provisions. After a company has allocated the statutory reserve fund from its after-tax profits, it may, upon a resolution made by the shareholders' meeting, allocate a discretionary reserve fund from its after-tax profits. After the Company has made up its losses and set aside its reserves, the balance of the after-tax profits shall be distributed to the shareholders in proportion to their respective shareholdings, unless the Articles of Association provides otherwise. If the shareholders' meeting violates the above provisions by distributing the profits of the Company to its shareholders before the Company has made up its losses and set aside its reserves, such distributed profits must be returned to the Company.

The Company shall appoint one or more receiving agents in Hong Kong for the holders of H Shares. The receiving agent(s) shall, on behalf of the relevant H Share holders, receive and hold the dividends and other sums payable by the Company in respect of the H Shares for subsequent payment to such H Share holders. Any receiving agent appointed by the Company shall comply with the requirements of the applicable laws and regulations as well as the securities regulatory rules of the place where the Company's shares are listed.

After the shareholders' meeting of the Company has resolved on the profit distribution plan, the Board of the Company shall complete the distribution of dividends (or issuance of bonus shares) within two months of the convening of the shareholders' meeting.

The profit distribution plan of the Company shall be formulated and approved by the Board of Directors, and then submitted to the shareholders' meeting for approval. The Board of Directors shall take into account of the opinions of independent directors and public investors when formulating the profit distribution plan.

Internal Audit

The Company's internal audit institution shall supervise and inspect the Company's business activities, risk management, internal controls, financial information and other related matters.

The internal audit institution shall be accountable to the board of directors. In the course of supervising and inspecting the Company's business activities, risk management, internal controls and financial information, the internal audit institution shall accept the supervision and direction of the audit committee. If the internal audit institution identifies any material issues or leads, it shall report them directly to the audit committee immediately.

Appointment of Accounting Firm

The Company shall appoint an accounting firm which complies with the regulations of the 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 of the accounting firm shall be determined by the shareholders' meeting. The board of directors shall not appoint any accounting firm before the decision is made by the shareholders' meeting.

The Company shall ensure to provide 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.

The audit fee of the accounting firm shall be decided by the shareholders' meeting.

The resolution on the dismissal or continuance of appointment of the accounting firm shall be made at the shareholders' meeting.

In case the Company dismisses or dis-continues to appoint the accounting firm, it shall notify the accounting firm 15 working days in advance. The accounting firm shall be permitted to make representations when the shareholders' meeting of the Company votes on the dismissal of the accounting firm. When the accounting firm resigns, it shall state to the shareholders' meeting whether there is any improper circumstance in the Company.

Notices and Announcement

Notices of the Company shall be issued in the following methods:

(i) by announcement;

(ii) by personal delivery;

(iii) by mail; or

(iv) in such other form as recognized by the securities regulatory authority of the Company's stock listing place and the stock exchange where the Company's shares are listed, or as prescribed in these Articles of Association.

With respect to the means by which the Company provides and/or distributes corporate communications to holders of H shares in accordance with the securities regulatory rules of the Company's stock listing place, subject to compliance with such rules, the Company may send or provide corporate communications to its H share shareholders by electronic means or by posting information on the Company's website or the website of the stock exchange where the Company's shares are listed.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL DECREASE, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Decrease

The merger of the Company may take the form of a merger by absorption or a 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.

In the case of a merger, the parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of assets. The company shall notify its creditors within ten days from the date of the resolution on the merger and publish an announcement on the newspapers within 30 days. The creditors may, within 30 days from receipt of the notification (or within 45 days for those creditors who did not receive the notification), demand the company to settle the debts or provide the corresponding guarantee.

The surviving company or the newly established company of a merger will assume the claims and debts of the parties to the merger.

In the case of a division, the assets of the company shall be divided correspondingly. In the case of a division, a balance sheet and a list of assets shall be prepared. The company shall notify its creditors within ten days from the date of resolution on the division and publish an announcement on the newspapers within 30 days.

The surviving company of the division shall bear joint and several liability for the debts of a company prior to its division. Unless the written agreement between the company and its creditors on debt settlement prior to the division stipulates otherwise.

A company which proposes to reduce its registered capital shall prepare a balance sheet and a list of assets. The company shall notify its creditors within ten days from the date of resolution on reduction in registered capital and publish an announcement on the newspapers within 30 days. The creditors may, within 30 days from receipt of the notification (or within 45 days for those creditors who did not receive the notification), have the right to demand the company to settle the debts or provide the corresponding guarantee. The registered capital after capital reduction of the Company shall not be lower than the minimum requirement by law.

Where a company merges or divides, and the registered details change, the company shall amend its registration with the company registration authority in accordance with the law. Where a company is dissolved, it shall cancel its registration in accordance with the law. Where a new company is established, it shall register the establishment in accordance with the law. Where a 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

A company may be dissolved due to the following reasons:

(i) expiry of the company's term of operation as stipulated in the articles of association or occurrence of any of the matters for dissolution as stipulated in the articles of association;

(ii) a resolution for the dissolution is made by a shareholders' meeting;

(iii) the company is dissolved as a result of merger or division;

(iv) the business license of the company is revoked, or the company is ordered to be closed down or to be dissolved in accordance with the law;

(v) a great difficulty arises in the operation and management of the Company, the continued existence of which will lead to significant losses of the interests of the shareholders, and the difficulty cannot be resolved by other means. Shareholders holding ten percent or more of the voting rights of all the shareholders of the Company may file a petition to the People's Court to dissolve the Company.

Where a company is dissolved pursuant to the provisions of the above items (i), (ii), (iv) or (v), a liquidation group shall be established within fifteen days of the occurrence of the event of dissolution, and liquidation shall be carried out. The liquidation group shall be composed of persons designated by the directors or the shareholders' meeting. Where the liquidation group is not established to commence liquidation within the prescribed time limit, the creditors may apply to the People's Court to designate related persons to form the liquidation group to commence liquidation.

The liquidation group shall notify the creditors within ten days of its establishment and publish an announcement on newspapers within 60 days of its establishment. The creditors shall declare their creditors' rights to the liquidation group within thirty days of receipt of the notice or within forty-five days of the announcement if the creditors do not receive the notice. When declaring their creditors' rights, the creditors shall provide details of the creditors' rights and supporting documents. The liquidation group shall register the creditors' rights. During the declaration period, the liquidation group shall not repay any creditors' rights.

Upon examination of the company's assets and preparation of the balance sheet and list of assets by the liquidation group, a liquidation plan shall be formulated and submitted to the shareholders' meeting or the People's Court for confirmation. The company's assets shall be used for payment of the liquidation expenses, employees' wages, social insurance premiums and statutory compensation premiums, and payment of outstanding taxes and debts, and the remaining assets shall be distributed to the shareholders in proportion to their shareholding. During the liquidation period, the Company shall continue to exist, but shall not carry out any business activities unrelated to the liquidation. The company's assets shall not be distributed to the shareholders prior to the repayment of the aforesaid liabilities.

Where the liquidation group discovers upon examination of the company's assets and preparation of the balance sheet and list of assets that the company's assets are insufficient to repay its debts, an application shall be made to the People's Court to declare the company bankrupt in according to the law. Once the company has been declared bankrupt by the People's Court, the liquidation group shall transfer the liquidation task to the People's Court.

Upon completion of the liquidation, the liquidation group shall prepare a liquidation report and submit the report to the shareholders' meeting or the People's Court for confirmation, apply to the company registration authority for de-registration, and make an announcement of the company's termination.

Members of the liquidation group shall faithfully perform their duties and liquidation obligations in accordance with the law. Members of the liquidation group shall not abuse their authority by accepting bribes or other illegal income, and shall not misappropriate the company's assets. Members of the liquidation group who intentionally cause losses to the company or its creditors or cause losses due to their gross negligence shall be liable for compensation.

Where the company is declared bankrupt in accordance with the law, bankruptcy liquidation shall be conducted in accordance with the law relating to enterprise bankruptcy.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The company shall amend its Articles of Association in any of the following circumstances:

(i) following amendment of the Company Law or relevant laws, administrative regulations and securities regulatory rules of the place where the company's shares are listed, the provisions of the articles of association contradict with the relevant provisions of the laws, administrative regulations and securities regulatory rules of the place where the company's shares are listed;

(ii) changes to the Company's circumstances, to the extent that they are inconsistent with the provisions of the Articles of Association; or

(iii) a shareholders' meeting resolves 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 original 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 of directors shall amend the Articles of Association in accordance with the resolution of the shareholders' meeting on amendment to the Articles of Association and the examination opinion of the competent authority.

Where the amendment to the Articles of Association belongs to the information that is required to be disclosed by the laws, regulations or securities regulatory rules of the place where the company's shares are listed, an announcement shall be made in accordance with the relevant provisions.

1. FURTHER INFORMATION ABOUT OUR GROUP

A. Incorporation of Our Company

Our Company was established in the PRC on August 4, 1997 and was converted into a joint stock company on July 30, 2019. Our Company completed the listing of our A Shares on the STAR Market of the Shanghai Stock Exchange (stock code: 688353) in July 2022.

Our registered office is located at No.1 Desheng Road, Jiangsu Yangtze River International Chemical Industry Park, Jiangsu Province, the PRC. Our Company's corporate structure and Articles of Association are governed by PRC laws and regulations.

The relevant PRC laws and regulations and a summary of the Articles of Association are set out in "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association" to this document, respectively.

Our principal place of business in Hong Kong is at 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. Our Company is registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on [•]. Ms. Kwok Yan Ting Jennis has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for the service of process is the same as our principal place of business in Hong Kong.

B. Changes in the Share Capital of Our Company

The Company has not had any share capital changes within two years prior to the date of publication of this document.

C. Changes in the Share Capital of Our Subsidiaries

Our Company's subsidiaries are set out Note 18 to the Accountants' Report as set out in Appendix I to this document. The following sets out changes in the share capital of our subsidiaries within two years immediately preceding the date of this document:

(i) on May 8, 2025, the registered capital of Xianghe New Energy increased from RMB150.0 million to RMB350.0 million; and

(ii) on December 3, 2025, the registered capital of Xianghe New Energy increased from RMB350.0 million to RMB600.0 million.

Save as disclosed above, there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this document.

D. Shareholders' Resolutions

At the general meeting of our Company held on March 26, 2026, the following resolutions were passed by the Shareholders:

(i) the [REDACTED] of [REDACTED] with a nominal value of RMB1.00 each by our Company and such [REDACTED] be listed on the Stock Exchange;

(ii) the number of [REDACTED] to be [REDACTED] pursuant to the [REDACTED] before the exercise of the [REDACTED] shall not exceed [REDACTED]% of the enlarged share capital of our Company upon completion of the [REDACTED], and the [REDACTED] shall not exceed [REDACTED]% of the above number of [REDACTED] to be [REDACTED];

(iii) subject to the completion of the [REDACTED], the Articles of Association to become effective on the [REDACTED] shall be conditionally adopted, and the Board and its authorized person have been authorized to amend the Articles of Association in accordance with any comments from the relevant regulatory authorities; and

(iv) authorization of the Board and its authorized person to handle the matters relating to, among other things, the [REDACTED], the [REDACTED] and [REDACTED] of the [REDACTED]s.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contract

The following contract (not being contract entered into in the ordinary course of business) has entered into by members of our Group within the two years preceding the date of this document and is or may be material:

(i) the [REDACTED].

B. Intellectual Property Rights

(i) Trademarks

Registered 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	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date
1. . . .	HSC	PRC	Our Company	42	47081756	June 6, 2031
2. . . .	HSC	PRC	Our Company	1	47092671	May 27, 2031
3. . . .	HSC	PRC	Our Company	1	47091612	July 6, 2031
4. . . .	HSC	PRC	Our Company	1	47077569	July 6, 2031
5. . . .	HSC	PRC	Our Company	1	43934361	February 27, 2033
6. . . .	HSC	PRC	Our Company	1	43949825	February 27, 2031
7. . . .	HSC	PRC	Our Company	1	43946524	February 20, 2031
8. . . .	江南华盛	PRC	Our Company	1	43932370	February 13, 2031
9. . . .	江南华盛	PRC	Our Company	1	43943001	February 13, 2031
10 . . .	华盛锂源	PRC	Our Company	1	43935886	January 27, 2031

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date
11 . . .	华盛锂源	PRC	Our Company	1	43951566	January 13, 2031
12 . . .	江南华盛	PRC	Our Company	1	43947769	November 6, 2030
13 . . .	华盛锂源	PRC	Our Company	1	43947708	November 6, 2030
14 . . .	HSC CORPORATION	PRC	Our Company	1	43945453	November 13, 2030
15 . . .	HSC CORPORATION	PRC	Our Company	1	43940599	November 13, 2030
16 . . .	HSC CORPORATION	PRC	Our Company	1	43934333	November 13, 2030
17 . . .	长园华盛	PRC	Our Company	35	21130081	October 27, 2027
18 . . .	长园华盛	PRC	Our Company	1	21130024	October 27, 2027
19 . . .	长园华盛	PRC	Our Company	42	21129852	October 27, 2027
20 . . .		PRC	Our Company	1	11884866	June 20, 2034
21 . . .		PRC	Our Company	1	11884830	May 27, 2034
22 . . .	HSC	PRC	Our Company	42	11884642	June 6, 2034
23 . . .	HSC	PRC	Our Company	1	11884547	June 6, 2034
24 . . .	HSC	PRC	Our Company	1	11884389	May 27, 2034
25 . . .	HSC	PRC	Our Company	1	7694346	September 6, 2031
26 . . .	HSC	PRC	Our Company	1	7694345	July 6, 2031

(ii) Patents

Registered 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	Type of Patent	Place of Registration	Patent Number	Owner	Term of Patent
1 . . .	Lithium sulfinate salt and preparation method thereof, lithium battery electrolyte, and lithium battery (亞磺酸鋰鹽及其製備方法和鋰電池電解液、鋰電池)	Invention	PRC	ZL202511280694.3	Our Company	20 years from September 9, 2025
2 . . .	Preparation method for 1,4-butane disulfonyl chloride (一種1,4-丁烷二磺酰氯的製備方法)	Invention	PRC	ZL202410833341.0	Our Company	20 years from June 26, 2024
3 . . .	Preparation method for lithium bis(oxalato)borate (一種二草酸硼酸鋰的製備方法)	Invention	PRC	ZL202010916092.3	Our Company	20 years from September 3, 2020
4 . . .	Preparation method for lithium bis(fluorosulfonyl)imide salt (一種雙氟磺酰亞胺鹽的製備方法)	Invention	PRC	ZL202111533320.X	Our Company	20 years from December 15, 2021
5 . . .	Preparation method for methylene ethylene carbonate (一種亞甲基碳酸乙烯酯的製備方法)	Invention	PRC	ZL202211393849.0	Our Company	20 years from November 8, 2022
6 . . .	Preparation method for sodium salt electrolyte for sodium-ion batteries (一種鈉離子電池電解質鈉鹽的製備方法)	Invention	PRC	ZL202211713040.1	Our Company	20 years from December 30, 2022
7 . . .	Synthesis and purification process for sodium bis(oxalato)borate (一種雙草酸硼酸鈉的合成及提純工藝)	Invention	PRC	ZL202211556328.2	Our Company	20 years from December 6, 2022
8 . . .	Method for one-step synthesis and purification of methyl trifluoroethyl carbonate (一種一步合成並提純甲基三氟乙基碳酸酯的方法)	Invention	PRC	ZL202211594186.9	Our Company	20 years from December 13, 2022
9 . . .	Purification process for lithium bis(oxalato)borate (一種雙草酸硼酸鋰的提純工藝)	Invention	PRC	ZL202211632023.5	Our Company	20 years from December 19, 2022
10 . .	Preparation method for vinylene carbonate, vinylene carbonate, and application thereof (碳酸亞乙烯酯的製備方法、碳酸亞乙烯酯及應用)	Invention	PRC	ZL202010672302.9	Our Company	20 years from July 14, 2020

No.	Patent	Type of Patent	Place of Registration	Patent Number	Owner	Term of Patent
11 . .	Preparation method for lithium difluoro(oxalato) borate (一種二氟草酸硼酸鋰的製備方法)	Invention	PRC	ZL202010917369.4	Our Company	20 years from September 3, 2020
12 . .	Preparation method for lithium difluorophosphate and lithium difluorobis(oxalato) phosphate (一種二氟磷酸鋰及二氟二草酸磷酸鋰的製備方法)	Invention	PRC	ZL202111608568.8	Our Company	20 years from December 27, 2021
13 . .	One-step method for preparing lithium difluoro(oxalato)borate (一種一步法合成二氟草酸硼酸鋰的方法)	Invention	PRC	ZL202111590283.6	Our Company	20 years from December 23, 2021
14 . .	Purification method for lithium bis(fluorosulfonyl)imide salt (雙氟磺酰亞胺鋰鹽的純化方法)	Invention	PRC	ZL202111139650.0	Our Company	20 years from September 28, 2021
15 . .	Method for reducing solvent residue in lithium bis(fluorosulfonyl)imide salt (降低雙氟磺酰亞胺鋰鹽中溶劑殘留的方法)	Invention	PRC	ZL202111118011.6	Our Company	20 years from September 24, 2021
16 . .	Preparation method for lithium bis(fluorosulfonyl)imide (一種雙氟磺酰亞胺鋰的製備方法)	Invention	PRC	ZL202110623551.3	Our Company	20 years from June 4, 2021
17 . .	Purification method for lithium bis(fluorosulfonyl)imide (一種雙氟磺酰亞胺鋰的提純方法)	Invention	PRC	ZL201911127313.2	Our Company	20 years from November 18, 2019
18 . .	Silicon-coated carbon fiber composite material, preparation method, and application thereof (一種硅包覆的碳纖維複合材料及其製備方法和應用)	Invention	PRC	ZL201610865456.3	Our Company, Zhejiang University	20 years from September 30, 2016
19 . .	Preparation method for polypyrrole-coated nanotubular silicon material, product, and application thereof (一種聚吡咯包裹的納米管狀硅材料的製備方法、產品及應用)	Invention	PRC	ZL201510423067.0	Our Company, Zhejiang University	20 years from July 17, 2015
20 . .	Silicon-coated carbon fiber nanocomposite material, preparation method, and application thereof (一種硅包覆碳纖維納米複合材料及其製備方法和應用)	Invention	PRC	ZL201410019440.1	Our Company, Zhejiang University	20 years from January 17, 2014

No.	Patent	Type of Patent	Place of Registration	Patent Number	Owner	Term of Patent
21 . .	Method for separating potassium chloride and potassium fluoride (一種氯化鉀與氟化鉀的分離方法)	Invention	PRC	ZL201210232819.1	Our Company	20 years from July 6, 2012
22 . .	Acid and water removal method for fluoroethylene carbonate (氟代碳酸乙烯酯的除酸除水方法)	Invention	PRC	ZL200910213448.0	Our Company	20 years from October 29, 2009
23 . .	Preparation method for high-purity chlorinated cyclic carbonate (高純氯代環狀碳酸酯的製備方法)	Invention	PRC	ZL200710171102.X	Our Company	20 years from November 27, 2007
24 . .	Method for inhibiting discoloration of vinylene carbonate (抑制碳酸亞乙烯酯變色的方法)	Invention	PRC	ZL200910213450.8	Our Company	20 years from October 29, 2009
25 . .	Preparation method for fluorinated cyclic carbonate (氟代環狀碳酸酯的製備方法)	Invention	PRC	ZL200710041599.3	Our Company	20 years from June 1, 2007
26 . .	Method for inhibiting deterioration of vinylene carbonate (抑制碳酸亞乙烯酯變質的方法)	Invention	PRC	ZL201010525213.8	Our Company	20 years from October 30, 2010
27 . .	Dryer used in the production process of fluoroethylene carbonate (一種用於氟代碳酸乙烯酯生產過程中的乾燥機)	Invention	PRC	ZL202511448976.X	Taixing Huasheng	20 years from October 11, 2025
28 . .	Separation device for by-products from vinylene carbonate production (一種用碳酸亞乙烯酯生產的副產物分離裝置)	Invention	PRC	ZL202511452891.9	Taixing Huasheng	20 years from October 13, 2025
29 . .	Centrifugal separation device for by-products in a vinylene carbonate production system (一種碳酸亞乙烯酯生產系統用副產品離心分離裝置)	Invention	PRC	ZL202411842444.X	Taixing Huasheng	20 years from December 13, 2024
30 . .	Short-path distillation high-efficiency purification device for lithium bis(fluorosulfonyl)imide and purification method thereof (一種雙氟磺酰亞胺鋰短程蒸餾高效提純裝置及其提純方法)	Invention	PRC	ZL202110971328.8	Taixing Huasheng	20 years from August 23, 2021

No.	Patent	Type of Patent	Place of Registration	Patent Number	Owner	Term of Patent
31 . .	Synthesis method for methylene methanedisulfonate (一種甲烷二磺酸亞甲酯的合成方法)	Invention	PRC	ZL201710249542.6	Taixing Huasheng	20 years from April 17, 2017
32 . .	Method for inhibiting deterioration of vinylene carbonate (抑制碳酸亞乙烯酯變質的方法)	Invention	PRC	ZL201010525213.8	Our Company	20 years from October 30, 2010
33 . .	Phenyl organic acid compound-modified graphite negative electrode material and preparation method thereof (一種苯基有機酸化合物修飾石墨負極材料及其製備方法)	Invention	PRC	ZL202010290914.1	Huaying New Energy	20 years from April 14, 2020
34 . .	Amide-grafted plasticized polyvinyl alcohol binder, preparation method, and application thereof (一種酰胺基接枝增塑聚乙烯醇黏結劑及其製備方法與應用)	Invention	PRC	ZL202110806772.4	Huaying New Energy	20 years from July 16, 2021
35 . .	Polyimide-modified nanosilicon negative electrode material, preparation method, and application thereof (一種聚酰亞胺修飾納米硅負極材料及其製備方法和應用)	Invention	PRC	ZL202010707190.6	Huaying New Energy	20 years from July 21, 2020
36 . .	Preparation method for high-temperature graphite negative electrode material (一種高溫用石墨負極材料的製備方法)	Invention	PRC	ZL201810793636.4	Our Company	20 years from July 19, 2018
37 . .	High-performance silicon negative electrode material suitable for oily binders and preparation method thereof (一種適配於油性黏結劑的高性能硅負極材料及其製備方法)	Invention	PRC	ZL201911064255.3	Huaying New Energy	20 years from November 4, 2019
38 . .	Synthesis device for fluoroethylene carbonate (氟代碳酸乙烯酯合成裝置)	Utility Model	PRC	ZL202421512918.X	Taixing Huasheng	10 years from June 28, 2024
39 . .	Filtration and separation device for vinylene carbonate production (碳酸亞乙烯酯生產用過濾分離裝置)	Utility Model	PRC	ZL202421515813.X	Taixing Huasheng	10 years from June 29, 2024

No.	Patent	Type of Patent	Place of Registration	Patent Number	Owner	Term of Patent
40 . .	Evaporation system for aqueous potassium chloride solution, a by-product of fluoroethylene carbonate production (氟代碳酸乙烯酯副產氯化鉀水溶液蒸發系統)	Utility Model	PRC	ZL202420919236.4	Taixing Huasheng	10 years from April 29, 2024
41 . .	Vinylene carbonate production system (一種碳酸亞乙烯酯生產系統)	Utility Model	PRC	ZL202420545494.0	Taixing Huasheng	10 years from March 20, 2024
42 . .	Acid scavenger recovery system for vinylene carbonate production (碳酸亞乙烯酯生產用縛酸劑回收系統)	Utility Model	PRC	ZL202420549298.0	Taixing Huasheng	10 years from March 21, 2024
43 . .	Chlorination reaction system for chloroethylene carbonate (氯代碳酸乙烯酯氯化反應系統)	Utility Model	PRC	ZL202420531670.5	Taixing Huasheng	10 years from March 19, 2024
44 . .	Preparation device for fluoroethylene carbonate based on solvent-free synthesis (基於無溶劑法合成氟代碳酸乙烯酯的製備裝置)	Utility Model	PRC	ZL202320835110.4	Taixing Huasheng	10 years from April 14, 2023
45 . .	Continuous pressure filtration equipment for by-product potassium chloride from fluoroethylene carbonate production (一種氟代碳酸乙烯酯副產氯化鉀的連續化壓濾設備)	Utility Model	PRC	ZL202320835107.2	Taixing Huasheng	10 years from April 14, 2023
46 . .	Continuous production line for synthesizing chloroethylene carbonate (一種連續化合成氯代碳酸乙烯酯的製備線)	Utility Model	PRC	ZL202320870169.7	Taixing Huasheng	10 years from April 18, 2023
47 . .	Device for uniformly irradiating chloroethylene carbonate with ultraviolet light for measurement and preparation (一種紫外光照射均勻全面的氯代碳酸乙烯酯測定製備裝置)	Utility Model	PRC	ZL202220622075.3	Taixing Huasheng	10 years from March 22, 2022
48 . .	Device for improving synthesis yield of vinylene carbonate (一種可提高碳酸亞乙烯酯合成收率的裝置)	Utility Model	PRC	ZL202220621757.2	Taixing Huasheng	10 years from March 22, 2022

No.	Patent	Type of Patent	Place of Registration	Patent Number	Owner	Term of Patent
49 . .	Triethylamine recovery device for vinylene carbonate synthesis equipment (一種用於碳酸亞乙烯酯合成設備三乙胺回收裝置)	Utility Model	PRC	ZL202220622099.9	Taixing Huasheng	10 years from March 22, 2022
50 . .	Stirring device for chloroethylene carbonate production (一種氯代碳酸乙烯酯生產攪拌裝置)	Utility Model	PRC	ZL202022954264.4	Taixing Huasheng	10 years from December 9, 2020
51 . .	Production device for vinylene carbonate (一種碳酸亞乙烯酯的生產裝置)	Utility Model	PRC	ZL202022954262.5	Taixing Huasheng	10 years from December 9, 2020
52 . .	Continuous production device for vinylene carbonate (一種連續化生產碳酸亞乙烯酯的裝置)	Utility Model	PRC	ZL202022958388.X	Taixing Huasheng	10 years from December 9, 2020
53 . .	System for producing chloroethylene carbonate (一種用於生產氯代碳酸乙烯脂的系統)	Utility Model	PRC	ZL201820108738.3	Taixing Huasheng	10 years from January 23, 2018
54 . .	System for producing chloroethylene carbonate (一種用於生產氯代碳酸乙烯脂的新型系統)	Utility Model	PRC	ZL201820108739.8	Taixing Huasheng	10 years from January 23, 2018

(iii) Copyright

As of the Latest Practicable Date, we had registered the following copyright which we consider to be or may be material to our business:

No.	Name of Software	Place of Registration	Registered Owner	Registration Number	Date of Initial Announcement
1 . . .	Changyuan Huasheng (Taixing) Lithium Battery Materials Data Classification Management System V1.0 (長園華盛(泰興)鋰電材料數據分類管理系統V1.0)	PRC	Taixing Huasheng	2018SR663200	March 21, 2018

(iv) Domain Name

As of the Latest Practicable Date, we owned the following domain name, which we consider to be or may be material to our business:

No.	Domain Name	Registration Owner	ICP Filing Number
1 . . .	sinohsc.com sinohsc.cn	Our Company	Su ICP No. 08022368-1

3. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

A. Disclosure of Interests of Directors and Chief Executive

To the best knowledge of our Directors, saved as disclosed below, immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised (ii) no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and (iii) without taking into account of the effect of the Potential Share Reduction Plan), none of our Directors or chief executive has any interests or short positions in the Shares, underlying Shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be 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.

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED]		
Name of shareholder	Nature of interest	Description of Shares	Number of Shares(1)	Approximately percentage of shareholding in the issued share capital of our Company	Number of Shares(1)	Approximate percentage of shareholding in the A Shares	Approximate percentage of shareholding in the total issued share capital of our Company
Mr. Shen	Beneficial Owner	A Shares	17,440,726	10.9%	17,440,726	10.9%	[REDACTED]%
	Beneficial Owner(2)	A Shares	105,000	0.1%	105,000	0.1%	[REDACTED]%
	Interest in controlled Corporation(3)	A Shares	3,103,000	2.0%	3,103,000	2.0%	[REDACTED]%
	Interest controlled together with other persons(4)	A Shares	72,579,675	45.5%	72,579,675	45.5%	[REDACTED]%
	Interest of spouse(5)	A Shares	580,793	0.4%	580,793	0.4%	[REDACTED]%
Mr. Shen Ming	Beneficial Owner	A Shares	5,901,228	3.7%	5,901,228	3.7%	[REDACTED]%
	Beneficial Owner(6)	A Shares	70,000	0.04%	70,000	0.04%	[REDACTED]%
	Interest in controlled Corporation(7)	A Shares	5,597,000	3.5%	5,597,000	3.5%	[REDACTED]%
	Interest controlled together with other persons(8)	A Shares	81,625,173	51.2%	81,625,173	51.2%	[REDACTED]%
Mr. Li Weifeng	Beneficial Owner	A Shares	2,008,070	1.3%	2,008,070	1.3%	[REDACTED]%
	Beneficial Owner(9)	A Shares	35,000	0.02%	35,000	0.02%	[REDACTED]%
	Interest controlled together with other persons(10)	A Shares	91,115,331	57.1%	91,115,331	57.1%	[REDACTED]%
Mr. Lin Gang	Beneficial Owner	A Shares	1,447,957	0.9%	1,447,957	0.9%	[REDACTED]%
	Beneficial Owner(11)	A Shares	35,000	0.02%	35,000	0.02%	[REDACTED]%
	Interest controlled together with other persons(12)	A Shares	91,675,444	57.5%	91,675,444	57.5%	[REDACTED]%
Mr. Ma Yangguang	Interest in Controlled Corporation(13)	A Shares	27,547,926	17.3%	27,547,926	17.3%	[REDACTED]%

Notes:

(1) All interests stated are long positions.

(2) Pursuant to the 2024 Restricted Share Incentive Plan, Mr. Shen had been granted with 150,000 second-class restricted A Shares, 105,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "— 4. Share Incentive Scheme" below for details.

(3) As of the Latest Practicable Date, Mr. Shen acted as the general partner of Huaying III LP. Accordingly, Mr. Shen was deemed to be interested in such number of Shares held by Huaying III LP.

(4) As of the Latest Practicable Date, Mr. Shen was deemed to be interested in 72,579,675 A Shares by virtue of the Concert Party Agreements and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" in this document for details.

(5) Mr. Shen is the spouse of Ms. Zhang Xuemei. Accordingly, Mr. Shen is deemed to be interested in such number of Shares beneficially owned by Ms. Zhang Xuemei and the outstanding second-class restricted A Shares granted to Ms. Zhang Xuemei under the SFO.

(6) Pursuant to the 2024 Restricted Share Incentive Plan, Mr. Shen Ming had been granted with 100,000 second-class restricted A Shares, 70,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "— 4. Share Incentive Scheme" below for details.

(7) As of the Latest Practicable Date, Mr. Shen Ming acted as the general partner of Huaying II LP. Accordingly, Mr. Shen Ming was deemed to be interested in such number of Shares held by Huaying II LP.

(8) As of the Latest Practicable Date, Mr. Shen Ming was deemed to be interested in 81,625,173 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

(9) Pursuant to the 2024 Restricted Share Incentive Plan, Mr. Li Weifeng had been granted with 50,000 second-class restricted A Shares, 35,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "— 4. Share Incentive Scheme" below for details.

(10) As of the Latest Practicable Date, Mr. Li Weifeng was deemed to be interested in 91,115,331 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

(11) Pursuant to the 2024 Restricted Share Incentive Plan, Mr. Lin Gang had been granted with 50,000 second-class restricted A Shares, 35,000 among which remained outstanding and subject to vesting as of the Latest Practicable Date. See "— 4. Share Incentive Scheme" below for details.

(12) As of the Latest Practicable Date, Mr. Lin Gang was deemed to be interested in 91,651,444 A Shares by virtue of the Concert Party Agreement and Voting Trust Agreements. See "History, Development and Corporate Structure — Our Voting Rights Structure" for details.

(13) As of the Latest Practicable Date, Dunxing Investment acted as the general partner of Dunxing Entities, including Dunxing II LP (holding 11,724,039 A Shares), Dunxing III LP (holding 11,652,172 A Shares) and Dunxing Venture (holding 4,171,715 A Shares). Dunxing Investment was owned by Dunxing Management as to approximately 85.0%, which in-turn wholly-owned by Mr. Ma Yangguang. Accordingly, Dunxing Investment, Dunxing Management and Mr. Ma Yangguang were deemed to be interest in such number of Shares owned by Dunxing Entities.

B. Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, our Company [has entered into] a service agreement with each of the Directors which contains provisions in relation to, among other things, compliance of relevant laws and regulations, observations of Articles of Association and provisions on arbitration.

The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following his/her respective effective date of his/her respective effective date of his/her appointment; (b) each of the agreements is subject to termination in accordance with their respective terms.

Save as disclosed above, our Company has not entered, and does not propose to enter, into any service contracts with any of the Directors in their respective capacities as Directors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

C. Directors' remuneration

Save as disclosed in "Directors and Senior Management — Remuneration of Directors and Five Highest Paid Individuals." and Note 9 to the Accountant's Report as set out in Appendix I, during the Track Record Period, none of our Directors received other remunerations of benefits in kind from us. During the Track Record Period, no fees were paid by our Group to any of our Directors, supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office, and there has been no arrangement under which a Director has waived or agreed to waive any emoluments.

D. Disclosure of Interests of Substantial Shareholders

(i) Interests in the Shares of our Company

Save as disclosed in the section headed "Substantial Shareholders" in this document, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), having or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the issued voting shares of our Company or had option in respect of such capital.

(ii) Interests in our Company's subsidiaries

As of the Latest Practicable Date, to the best knowledge of our Directors, the following persons (other than members of our Group, the Directors or chief executive of our Company), as the case may be, were interested in 10% or more of the voting rights at general meetings of our subsidiaries:

Members of our Group	Name of substantial shareholder	Approximate % held by the substantial shareholder
Huaying New Energy . .	Zheng Honghe (鄭洪河)	30.0%
Shengmei Lithium Battery	Zhejiang Sanmei Chemical Industry Co., Ltd. (浙江三美化工股份有限公司)	49.0%
Xianghe New Energy . .	Yunmeng Liankai Investment Center (Limited Partnership) (雲夢聯凱投資中心(有限合夥))	4.6%

E. Disclaimers

Save as disclosed in this document, none of our Directors or any of the parties listed in "— Other Information — Consents of Experts" below is:

(i) interested, directly or indirectly, in our promotion, or in any assets which, within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company; or

(ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business.

4. SHARE INCENTIVE SCHEME

On July 16, 2024, our Company adopted the 2024 Restricted Share Incentive Plan to attract and retain employees essential to our Group's long-term development. Pursuant to the 2024 Restricted Share Incentive Plan, a total of 2,950,000 Restricted Shares were proposed to be granted to its Participants. The terms of 2024 Restricted Share Incentive Plan do not involve any grant of awards by our Company after the [REDACTED] and are not subject to the provisions of Chapter 17 of the Listing Rules. Principal terms of the Share Incentive Plans are summarized below.

A. Purpose and basis

The purposes of the 2024 Restricted Share Incentive Plan are to further establish and improve our long-term incentive mechanism, attract and retain outstanding talents, and fully motivate their enthusiasm and innovation to enhance cohesion and core competitiveness of our Company. The Share Incentive Plans are implemented to align the interests of our Shareholders, our Company and our core team members, which is beneficial to the sustainable development of our Group and ensures the realization of our development strategy and business objectives.

B. Type of Awards

The 2024 Restricted Share Incentive Plan provides second-class restricted A Shares (the "**Restricted Shares**").

C. Administration

The 2024 Restricted Share Incentive Plan was subject to the approval of the Shareholders' meeting, with our Board authorised to administer the plan and implement the grants. The Shareholders, at the 2024 second extraordinary general meeting held on July 16, 2024, granted our Board the authority to determine grant dates, distribute shares to eligible participants and make necessary adjustments within the scope of the approved plan. Any material amendments to the 2024 Restricted Share Incentive Plan will require further Shareholder approval in accordance with the relevant laws and regulations.

D. Participants

Participants under the Share Incentive Plans (the "**Participants**") include (as the case may be), (i) the Directors and senior management members of our Company, (ii) middle-level management personnels, and (iii) core employees, core technician, core technical and business key personnel and other employees the Directors consider fits, but do not include independent non-executive Directors and supervisors of our Company.

E. Source and Maximum Number of Shares

The Shares underlying the 2024 Restricted Share Incentive Plan are A Shares to be newly issued and/or repurchased. The 2024 Restricted Share Incentive Plan contemplated a total grant of 2,950,000 Restricted Shares, comprising (i) an initial grant of 2,370,000 Restricted Shares; and (ii) a reserved portion of 580,000 Restricted Shares.

F. Date of Grant and Term of the Scheme

On August 22, 2024, our Board granted 2,370,000 Restricted Shares at a grant price (the "**Grant Price**") of RMB12.00 per Share to 160 Participants as the first grant. Such Grant Price was adjusted to RMB11.70 per Share pursuant to the terms of the 2024 Restricted Share Incentive Plan as a result of the distribution of profits for the first three quarters of 2024. Further, on June 13, 2025, our Company granted 150,000 reserved Restricted Shares at a Grant Price of RMB11.70 per Share to 23 Participants. Under the 2024 Restricted Share Incentive Plan, the number of Restricted Shares that may be granted to any Participant does not exceed 1% of our Company's total share capital at the time when 2024 Restricted Share Incentive Plan was approved.

The 2024 Restricted Share Incentive Plan is effective from the date of the initial grant of Restricted Shares up to the date when all of the Restricted Shares granted under the plan have been either vested or invalidated, whichever occurs earlier, provided that such period shall not exceed 60 months.

G. Lock-up for Directors and the Senior Management Team

The lock-up arrangements under the 2024 Restricted Share Incentive Plan are determined according to the Articles of Association and applicable PRC laws and regulations:

(i) In the event that the Participant is a Director or a senior management of our Company, during his/her employment with our Company, the Shares which may be transferred in each year shall not exceed 25% of the total shares held by him/her.

(ii) In the event that the Participant is a Director or a senior management of our Company, no Shares held by him/her may be transferred within six months after termination of their employment with our Company.

(iii) In the event that the Participant is a Director or a senior management of our Company, any income gained through the sale of Shares within six months of purchase, or purchase of Shares within six months of the sale, shall belong to our Company and will be reclaimed by our Board.

(iv) If there is any change in the applicable laws and regulations on these lock-up requirements, the Participant shall comply with the amended laws and regulations.

H. Conditions to the Grants

The Restricted Shares under the 2024 Restricted Share Incentive Plan will only be granted to selected Participants if the following conditions are fulfilled:

(i) With respect to our Company, none of the following circumstances has occurred: (a) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to our Company's financial statements for the most recent financial year; (b) an audit report with an adverse opinion or a disclaimer of opinion has been issued by the reporting accountant with respect to the internal control report for the most recent financial year; (c) our Company has not distributed profits in accordance with laws, regulations, the articles of association or public commitments within the last 36 months after its listing; (d) applicable laws and regulations prohibit the implementation of share incentive; or (e) any other circumstances determined by the CSRC.

(ii) With respect to a Participant, none of the following circumstances has occurred: (a) the Participant has been regarded as an inappropriate person by the Shanghai Stock Exchange within the last 12 months; (b) the Participant has been regarded as an inappropriate person by the CSRC or its local office within the last 12 months; (c) the Participant has been punished or prohibited from entering the securities market by the CSRC or its local office due to material non-compliance within the last 12 months; (d) the Participant is not qualified to serve as a director or senior management according to the PRC Company Law; (e) the Participant is prohibited from participating in any share incentive plans of listed companies according to applicable laws and regulations; or (f) any other circumstances determined by the CSRC.

Participants are required to subscribe for the Restricted Shares using their own funds and must not obtain loans or other financial assistance from our Company. No consideration is paid/payable other than the Grant Price, and the Restricted Shares may not be transferred, pledged or used as security prior to vesting.

I. Vesting

(i) Vesting Conditions

The Restricted Shares will only vest when: (a) the conditions set out in "— H. Conditions of the Grants" are fulfilled; (b) the Participant has served our Company for more than 12 months, and (c) the annual assessment and performance targets set out under the 2024 Restricted Share Incentive Plan are achieved.

(ii) Vesting Schedule

(a) Main vesting schedule: the Restricted Shares (other than those under the reserved portion) will vest in three tranches of 30%, 30% and 40% during the respective 12-month periods between the first trading date after the 12 months from the date of grant and the last trading day within the 48 months of the date of grant.

(b) Reserved portion: the vesting schedule for the Restricted Shares under the reserved portion depends on the timing of the grant: (1) in the event that such Restricted Shares are granted before the disclosure of the Company's third quarterly report for 2024, such Restricted Shares will vest in accordance with the main vesting schedule; and (2) in the event that the Restricted Shares are granted on or after the disclosure of the Company's third quarterly report for 2024, such Restricted Shares will vest in two tranches of 50% during the respective 12-month periods between the first trading date after the 12 months from the date of grant and the last trading day within the 36 months of the date of grant.

Upon fulfilment of all vesting conditions, the Participants shall pay the Grant Price to purchase the underlying A Shares from our Company. The Grant Price shall not be lower than the par value of the A Shares and (a) 50% of the average trading price of the A shares on the trading day before the announcement of the draft plan; and (b) 50% of the average trading price of the A shares during the 20 trading days, 60 trading days and 120 trading days before the announcement, respectively.

J. Dividend and Voting Rights

The Restricted Shares granted to the Participants under the 2024 Restricted Share Incentive Plan do not carry any voting rights or entitlements to dividends or other distributions prior to the fulfilment of the vesting conditions and the completion of the relevant registration procedures. Only after vesting and registration will the Participants be entitled to voting rights and dividends with respect to the vested Shares.

K. Outstanding Restricted Shares

As of the Latest Practicable Date, the number of underlying A Shares which may be vested pursuant to the outstanding Restricted Shares granted under the 2024 Restricted Share Incentive Plan was 1,813,200 A Shares, representing approximately [1.0]% of the total issued Shares immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no changes to our issued and outstanding Shares between the Latest Practicable Date and the [REDACTED]).

The impact on earnings per Share following the [REDACTED] in connection with the 2024 Restricted Share Incentive Plan is expected to be minimal, as there will be minimal increase in the diluted weighted average outstanding Restricted Shares following the [REDACTED], which brought minimal dilutive effect as compared to the total Shares in issue.

The following table sets forth the number of outstanding Restricted Shares granted to our Directors and senior management of our Company under the 2024 Restricted Share Incentive Plan as of the Latest Practicable Date:

Name of Participant	Positions within our Group/ relationship with our Directors	Address	Date of grant	Vesting period	Grant price	Number of outstanding Restricted Shares	Approximate percentage of total issued Shares in our Company immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no changes to our issued and outstanding Shares between the Latest Practicable Date and the [REDACTED])
Mr. Shen	Chairman and executive Director	No. 204–404 Commercial and Residential Building Renmin Road Zhangjiagang, Jiangsu Province PRC	August 22, 2024	Vest in two tranches of 30% and 40% of the total granted Restricted Shares during the respective 12-month periods between the first trading date after the 24 months from the date of grant and the last trading day within the 48 months of the date of grant	RMB11.70 per Share	105,000	[REDACTED]%
Mr. Shen Ming	General Manager and executive Director	Room 403, Block 179 Jiyang Lake Garden Yangshe Town Zhangjiagang, Jiangsu Province PRC	August 22, 2024		RMB11.70 per Share	70,000	[REDACTED]%
Mr. Li Weifeng	Deputy General Manager and executive Director	Room 702, Block 20 Zhonglian Huangguan Yangshe Town Zhangjiagang, Jiangsu Province, PRC	August 22, 2024		RMB11.70 per Share	35,000	[REDACTED]%
Mr. Lin Gang	Deputy General Manager and executive Director	No. 20–505 Jinwan Zhangjiagang, Jiangsu Province PRC	August 22, 2024		RMB11.70 per Share	35,000	[REDACTED]%
Mr. Huang Zhendong	Deputy General Manager, secretary of the Board and company secretary	No. 1 Desheng Road Yangtze River International Chemical Industrial Park Zhangjiagang, Jiangsu Province PRC	August 22, 2024		RMB11.70 per Share	35,000	[REDACTED]%
Mr. Ren Guoping . . .	Financial controller	Room 808, Block 337 Jiyang Lake Garden Yangshe Town Zhangjiagang, Jiangsu Province, PRC	August 22, 2024		RMB11.70 per Share	35,000	[REDACTED]%

The table below sets out the details of outstanding Restricted Shares granted to other Participants (excluding our Directors and senior management of our Company) under the 2024 Restricted Share Incentive Plan as of the Latest Practicable Date:

Date of grant	Number of Participants	Vesting period	Grant price	Number of outstanding Restricted Shares	Approximate percentage of total issued Shares in our Company immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no changes to our issued and outstanding Shares between the Latest Practicable Date and the [REDACTED])
Middle-level management personnels or core employees					
August 22, 2024 . .	152[1]	Vest in two tranches of 30% and 40% of the total granted Restricted Shares during the respective 12-month periods between the first trading date after the 24 months from the date of grant and the last trading day within the 48 months of the date of grant	RMB11.70 per Share	1,348,200	[REDACTED]%
June 13, 2025. . . .	15	Vest in two tranches of 50% during the respective 12-month periods between the first trading date after the 12 months from the date of grant and the last trading day within the 36 months of the date of grant	RMB11.70 per Share	150,000	[REDACTED]%

Note:

(1) Including two Participants who are associates of our Directors.

5. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

B. Litigation

As of the Latest Practicable Date, we were not aware of any litigation or arbitration proceedings of material importance pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

C. Sole Sponsor

The Sole Sponsor has [REDACTED] to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], our [REDACTED] to be [REDACTED] pursuant to the [REDACTED]. All necessary arrangements have been made enabling the [REDACTED] to be admitted into [REDACTED]. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a fee of [REDACTED] million to act as the Sponsor to our Company in connection with the [REDACTED].

D. Compliance Advisor

Our Company has appointed Ignite Capital (Asia Pacific) Limited as our Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

F. Taxation of Holder of [REDACTED]

The [REDACTED] of [REDACTED] are subject to Hong Kong stamp duty if such [REDACTED] are effected on the [REDACTED] register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such [REDACTED] is a 0.1% of the consideration or, if higher, the fair value of the H [REDACTED] being sold or transferred. For further information in relation to taxation, see "Appendix III — Taxation and Foreign Exchange."

G. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents 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.

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) of the regulated activities as defined under the SFO
Grandall Law Firm (Nanjing)	PRC legal advisers to our Company
China Insights Industry Consultancy Limited . .	Independent industry consultant
Rongcheng (Hong Kong) CPA Limited.	Certified Public Accountants and Registered Public Interest Entity Auditor

As of the Latest Practicable Date, save in connection with the [REDACTED], none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to [REDACTED] or to nominate persons to [REDACTED] securities in any member of our Group.

H. Promoters

The promoters of our Company are as follows:

No.	Name of promoters of our Company
1. . .	Jin Nonglian
2. . .	Mr. Shen
3. . .	Dunxing II LP
4. . .	Dunxing III LP
5. . .	Suzhou Huizhang
6. . .	Dong Jin
7. . .	Mr. Shen Ming
8. . .	Dunxing Value
9. . .	Changzhou Zhongding Tiansheng Venture Capital Partnership Enterprise (Limited Partnership) (常州中鼎天盛創業投資合夥企業(有限合夥))
10 . .	Mr. Li Weifeng
11 . .	Xu Meilan

No.	Name of promoters of our Company
12 . .	Mr. Yuan Yang
13 . .	Mr. Lin Gang
14 . .	Mr. Yuan Xuan
15 . .	Mr. Shen Gang
16 . .	Xu Jinlai
17 . .	Mr. Zhang Xianlin
18 . .	Ms. Zhang Xuemei
19 . .	Mr. Gu Jianwei
20 . .	Xu Zhimin (許智敏)
21 . .	Yu Huiqi (郁慧祺)
22 . .	Mr. Shen Yinliang
23 . .	Mr. Shen Qiang
24 . .	Zhang Liya (張麗亞)
25 . .	Zhu Jieyuan (朱解元)
26 . .	Wan Baopo (萬保坡)
27 . .	Mr. Ren Guoping
28 . .	Yang Zhiyong (楊志勇)
29 . .	Sun Changbiao (孫昌標)
30 . .	Wu Jinchu (吳金初)

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, [REDACTED] or given, or has been proposed to be paid, [REDACTED] or given, to any of the promoters named above in connection with the [REDACTED] or the related transactions described in this document.

I. 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 Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

J. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in so far as applicable.

K. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial, business position or prospects since December 31, 2025, being the 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.

L. Miscellaneous

Save as disclosed in the section headed "Financial Information" and this Appendix, in connection with the [REDACTED] or otherwise waived from disclosure pursuant to the waivers disclosed in the section headed "Waivers from Strict Compliance with the Listing Rules",

(i) within the two years immediately preceding the date of this document, to the best of our knowledge,

(a) neither our Company nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash; and

(b) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) there are no arrangements under which future dividends are waived or agreed to be waived;

(iv) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the 12 months preceding the date of this document; and

(v) our Company has no outstanding convertible debt securities or debentures.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in "Appendix VI — Statutory and General Information — 5. Other Information — G. Consents of Experts;" and

(b) a copy of the material contract referred to in "Appendix VI — Statutory and General Information — 2. Further Information about Our Business — A. Summary of Material Contracts."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.sinohsc.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report from Rougcheng (Hong Kong) CPA Limited, the text of which is set out in Appendix I to this document;

(c) the audited financial statements of our Group for the three years ended December 31, 2023, 2024 and 2025;

(d) the report on unaudited [REDACTED] financial information of our Group from Rongcheng, the text of which is set out in Appendix II to this document;

(e) the legal opinions issued by Grandall Law Firm (Nanjing), our PRC Legal Advisors in respect of certain matters of our Group in the PRC;

(f) the industry report prepared by CIC, the summary of which is set forth in "Industry Overview;"

(g) a copy of each of the PRC Company Law, the PRC Securities Law, and Overseas Listing Trial Measures together with their unofficial English translation;

(h) the material contract referred to in "Appendix VI — Statutory and General Information — 2. Further Information about Our Business — A. Summary of Material Contracts;"

(i) the written consents referred to in "Appendix VI — Statutory and General Information — 5. Other Information — G. Consents of Experts;" and

(j) the service contracts referred to in "Appendix VI — Statutory and General Information — 3. Further Information about Our Directors and Substantial Shareholders — B. Particulars of Service Contracts."