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Application Proof of

Befar Group Co., Ltd
濱化集團股份有限公司

(the "Company")

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

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Befar Group Co., Ltd
濱化集團股份有限公司

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

[REDACTED]

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

Joint Sponsors,
[REDACTED]

华泰国际 HUATAI INTERNATIONAL

建银国际 CCB International

[REDACTED]

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The [**REDACTED**] have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be [**REDACTED**], sold, pledged, or transferred within the United States or to, or for the account or benefit of US persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [**REDACTED**] may be [**REDACTED**], sold or delivered outside the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

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***IMPORTANT NOTICE TO* [REDACTED]**

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to* [REDACTED] *in the* [REDACTED]. *There are risks associated with any* [REDACTED]. *Some of the particular risks in* [REDACTED] *in the* [REDACTED] *are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide to* [REDACTED] *in the* [REDACTED]. *Various expressions used in this section are defined or explained in "Definitions" and "Glossary of Technical Terms" in this document.

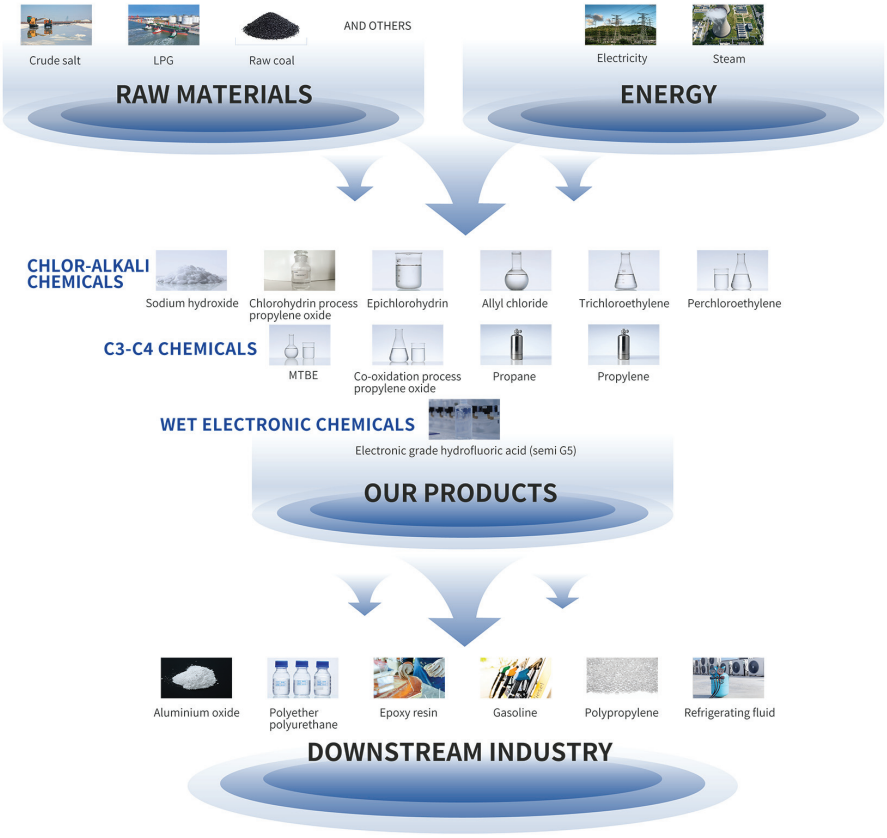
OVERVIEW

We are a comprehensive chemical group in China, driven by technological innovation and green low-carbon development. Founded in 1968, we have over 50 years of experience in the chemical industry. Our business spans three core sectors: chlor-alkali chemicals, C3-C4 chemicals and wet electronic chemicals, supported by a comprehensive product portfolio. Our key products include sodium hydroxide, propylene oxide, MTBE, electronic grade hydrofluoric acid and others.

According to Frost & Sullivan, we are China's largest producer of granular sodium hydroxide, food-grade flake sodium hydroxide, trichloroethylene, perchloroethylene and allyl chloride and second largest producer of propylene oxide in terms of revenue in 2025, with a market share of approximately 38.1%, 71.9%, 36.0%, 41.4%, 23.8% and 9.5%, respectively. We are also one of the few domestic producers capable of manufacturing electronic grade hydrofluoric acid for advanced semiconductor processes.

Benefiting from our access to abundant upstream resources, including crude salt and electricity, we have built a diversified and collaborative product portfolio, covering multiple downstream application fields such as alumina and epoxy resin. Across our product lines, we implement industrial synergy and resource recycling, under which the production processes and resources of different products complement and reuse one another. This model not only enhances resource utilization efficiency, reduces waste discharge, and lowers overall production costs in our manufacturing processes, but also strengthens our resilience against industry cyclical fluctuations. We are also advancing a model that combines new energy-related operations with our core chemical business to accelerate the green and low-carbon transition of our energy supply to capture opportunities arising from the global energy structure transformation and the shift toward a low-carbon economy.

The following diagram illustrates the critical aspects of our business model during the Track Record Period.



OUR PRODUCTS

We are principally engaged in the production and sale of organic and inorganic chemical products, with primary products across three sectors: (i) chlor-alkali chemicals; (ii) C3-C4 chemicals; and (iii) wet electronic chemicals. In addition, we also generated a portion of our revenue from energy sales during the Track Record Period. The following table sets forth the breakdown of our revenue by major products:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chlor-alkali chemicals	**6,469,175**	**88.4**	**6,115,071**	**59.8**	**6,285,523**	**42.4**
– Sodium hydroxide	2,143,742	29.3	2,000,972	19.6	2,205,242	14.9
– Chlorohydrin process propylene oxide	1,900,990	26.0	1,800,624	17.6	1,407,275	9.5
– Epichlorohydrin	484,062	6.6	522,677	5.1	680,700	4.6
– Allyl chloride	350,671	4.8	356,704	3.5	475,386	3.2
– Trichloroethylene	462,255	6.3	326,392	3.2	360,455	2.4
– Perchloroethylene	316,707	4.3	319,746	3.1	291,836	2.0
– Other chlor-alkali chemicals[(1)]	810,748	11.1	787,956	7.7	864,629	5.8
C3-C4 chemicals	**293,883**	**4.0**	**3,385,890**	**33.0**	**6,855,223**	**46.2**
– MTBE	–	–	25,131	0.2	3,615,592	24.4
– Co-oxidation process propylene oxide	–	–	–	–	2,000,411	13.5
– Propane	112,723	1.5	1,547,067	15.1	311,576	2.1

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
– Propylene	173,374	2.4	1,619,944	15.8	609,990	4.1
– Other C3-C4 chemicals[2]	7,786	0.1	193,748	1.9	317,654	2.1
Wet electronic chemicals	**40,624**	**0.6**	**45,292**	**0.4**	**63,396**	**0.4**
– Electronic grade hydrofluoric acid (semi G5)	40,624	0.6	45,292	0.4	63,396	0.4
Energy	**142,706**	**2.0**	**211,601**	**2.0**	**822,008**	**5.5**
– Electricity (350MW)	–	–	66,451	0.6	534,035	3.6
– Steam	142,706	2.0	145,150	1.4	287,973	1.9
Others[3]	**359,516**	**5.0**	**470,208**	**4.8**	**810,292**	**5.5**
Total revenue	**7,305,904**	**100.0**	**10,228,062**	**100.0**	**14,836,442**	**100.0**

Notes:

(1) Other chlor-alkali chemicals primarily represented bromine, hydrogen peroxide, auxiliaries and hydrogen gas.

(2) Other C3-C4 chemicals primarily represented butane and isobutane.

(3) Others primarily represented other chemicals as well as other services provided by us.

Chlor-alkali chemicals sector has been our fundamental business. Chlor-alkali chemicals are a core category of basic inorganic chemicals produced through the ion-exchange membrane electrolysis process, which decomposes saturated brine (sodium chloride solution) into sodium hydroxide, chlorine gas and hydrogen gas. They are indispensable raw materials for sectors including chemicals, textiles, metallurgy and pharmaceuticals.

C3-C4 chemicals sector is a key new business we have developed in recent years. We operate core facilities including propane dehydrogenation ("**PDH**"), butane isomerization and integrated propylene oxide/methyl tert-butyl ether ("**PO/MTBE**") unit, all of which have achieved full capacity utilization in 2025. Our C3-C4 chemicals products are widely used in industries such as plastics, rubber, textiles and electronic materials.

In 2018, we strategically entered wet electronic chemicals sector with our 6,000 tons/year electronic grade hydrofluoric acid production capacity as a breakthrough. Electronic grade hydrofluoric acid (semi G5) is a core wet electronic chemical widely used in semiconductor and microelectronics manufacturing.

The following table provides a brief introduction of our major products:

Product	Description	Production capacity as of Latest Practicable Date	Major downstream application
Chlor-alkali chemicals			
Sodium hydroxide	NaOH, a strong alkali in the form of solid and liquid	610,000 tons/year	Alumina, chemicals engineering, dyeing and printing, chemical fibers, water treatment, paper manufacturing, lithium battery and pharmaceuticals

SUMMARY

Product	Description	Production capacity as of Latest Practicable Date	Major downstream application
Chlorohydrin process propylene oxide	C_3H_6O, a colorless, flammable cyclic ether that is produced using propylene and chlorine gas as the raw materials through chlorohydrination, saponification and rectification	270,000 tons/year	Polyurethanes, fine chemicals, and surfactants
Epichlorohydrin	C_3H_5ClO, a colorless liquid with a pungent odor, flammable and volatile	75,000 tons/year	High-molecular materials such as epoxy resins and chlorohydrin rubber
Allyl chloride	C_3H_5Cl, a colorless, volatile liquid with a pungent odor	60,000 tons/year	Propylene oxide, fluor propylene, pesticides and pharmaceuticals
Trichloroethylene	C_2HCl_3, an organic compound, presenting as colorless and volatile transparent liquid	80,000 tons/year	Metal processing, refrigeration, pharmaceuticals and pesticides.
Perchloroethylene	C_2Cl_4, a colorless, non-flammable transparent liquid with a mild ether-like odor	80,000 tons/year	Used as organic, dry cleaning and metal degreasing solvent, and as desiccant, paint remover, insect repellent and fatty acid extractant
C3-C4 chemicals			
MTBE	$C_5H_{12}O$, a colorless, low-toxicity organic compound	742,000 tons/year	gasoline additive, chemical intermediate to produce high-purity isobutylene, synthesizing butyl rubber and polyisobutylene
Co-oxidation process propylene oxide	C_3H_6O, a colorless, flammable cyclic ether that is produced by oxidation of propylene with tert-butyl hydroperoxide	240,000 tons/year	Polyurethanes, fine chemicals, and surfactants
Propane	C_3H_8, a colorless and odorless gas with stable chemical properties	N/A	Chemical feedstock, fuel
Propylene	C_3H_6, a colorless flammable gas at room temperature soluble in water	600,000 tons/year	Polypropylene, epichlorohydrin, propylene oxide, acrylic acid and acetone
Wet electronic chemicals			
Electronic grade hydrofluoric acid (semi G5)	HF, a highly purified form of hydrofluoric acid that is specifically manufactured for use in the electronics industry	6,000 tons/year	Cleaning and etching in high-tech industries including integrated circuits, display panels, and solar cells

During the Track Record Period, we also generated revenue from sale of energy, primarily including electricity and steam.

Our sales volume is primarily driven by our production capacity and market demand for our products, which is in turn primarily affected by the development of downstream industries, industry policies and product quality. Average selling price of our products is largely affected by market price in the industry, which are further affected by the supply-demand dynamics and raw material prices. The following table sets forth a breakdown of the sales volume and average selling price of our major products for the periods indicated:

		For the year ended December 31,					
		2023		2024		2025	
	Unit	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
		units	*RMB per unit*	*units*	*RMB per unit*	*units*	*RMB per unit*
Chlor-alkali chemicals							
– Sodium hydroxide	tons	684,625	3,131.3	714,035	2,802.3	708,654	3,111.9
– Chlorohydrin process propylene oxide	tons	229,790	8,272.7	232,770	7,735.6	209,770	6,708.7
– Epichlorohydrin	tons	67,214	7,201.8	74,504	7,015.4	74,741	9,107.4
– Allyl chloride	tons	64,432	5,442.5	66,723	5,346.0	69,431	6,846.8
– Trichloroethylene	tons	82,885	5,577.1	85,960	3,797.0	86,313	4,176.1
– Perchloroethylene	tons	76,474	4,141.4	78,512	4,072.6	79,901	3,652.5
C3-C4 chemicals							
– MTBE	tons	–	–	5,212	4,821.8	776,691	4,655.1
– Co-oxidation process propylene oxide	tons	–	–	–	–	300,284	6,661.7
– Propane	tons	23,090	4,881.9	313,498	4,934.9	75,162	4,145.4
– Propylene	tons	29,810	5,816.0	265,833	6,093.8	104,628	5,830.1
Wet electronic chemicals							
– Electronic grade hydrofluoric acid (semi G5)	tons	4,128	9,841.1	5,214	8,686.6	6,901	9,186.3
Energy							
– Electricity (350MW)	kwh	–	–	174,955,000	0.4	1,282,468,553	0.4
– Steam	tons	691,610	206.3	742,912	195.4	1,463,264	196.8

The following table sets forth the breakdown of our gross profit of our major products for the periods indicated:

	For the 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*	*%*
Chlor-alkali chemicals	**1,162,506**	**18.0**	**917,304**	**15.0**	**1,295,481**	**20.6**
– Sodium hydroxide	1,082,732	50.5	1,008,274	50.4	1,235,495	56.0
– Chlorohydrin process propylene oxide	(10,783)	(0.6)	(82,048)	(4.6)	(156,060)	(11.1)
– Epichlorohydrin	(138)	(0.0)	37,635	7.2	47,460	7.0
– Allyl chloride	(24,733)	(7.1)	(24,719)	(6.9)	132,130	27.8
– Trichloroethylene	36,233	7.8	(82,679)	(25.3)	2,774	0.8
– Perchloroethylene	(1,504)	(0.5)	(2,162)	(0.7)	(8,276)	(2.8)
– Other chlor-alkali chemicals[1]	80,699	10.0	63,003	8.0	41,958	4.9
C3-C4 chemicals	**23,421**	**8.0**	**(214,312)**	**(6.3)**	**12,184**	**0.2**
– MTBE	–	–	(56,905)	(226.4)	(99,760)	(2.8)
– Co-oxidation process propylene oxide	–	–	–	–	110,846	5.5

	For the 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*	*%*
– Propane	(2,545)	(2.3)	52,887	3.4	(23,319)	(7.5)
– Propylene	24,096	13.9	(211,280)	(13.0)	17,769	2.9
– Other C3-C4 chemicals[2]	1,870	24.0	986	0.5	6,648	2.1
Wet electronic chemicals	**(11,507)**	**(28.3)**	**(13,267)**	**(29.3)**	**(1,008)**	**(1.6)**
– Electronic grade hydrofluoric acid (semi G5)	(11,507)	(28.3)	(13,267)	(29.3)	(1,008)	(1.6)
Energy	**37,103**	**26.0**	**38,716**	**18.3**	**224,660**	**27.3**
– Electricity (350MW)	–	–	(8,492)	(12.8)	104,283	19.5
– Steam	37,103	26.0	47,208	32.5	120,377	41.8
Others[3]	**5,022**	**1.4**	**(74,489)**	**(15.8)**	**(75,742)**	**(9.3)**
Total	**1,216,545**	**16.7**	**653,952**	**6.4**	**1,455,575**	**9.8**

Notes:

(1) Other chlor-alkali chemicals primarily represented bromine, hydrogen peroxide, auxiliaries and hydrogen gas.

(2) Other C3-C4 chemicals primarily represented butane and isobutane.

(3) Others primarily represented other chemicals as well as other services provided by us.

During the Track Record Period, fluctuations in our overall revenue, average selling prices and sales volume of major products were generally in line with the prevailing industry trends as advised by Frost & Sullivan.

OUR STRENGTHS

We believe that the following strengths contribute to our market position, ensuring our success and distinguishing us from our competitors: (i) we consolidate our industry position through a diversified and integrated product portfolio; (ii) we maintain solid technological innovation capabilities, enabling us to build a technological moat; (iii) we possess an integrated operation model of "Energy + Raw Materials + Port + Factory;" (iv) we have a management team with strong strategic vision and profound industry experience; and (v) we have a stable, reliable, and efficiently synergistic management system.

OUR STRATEGIES

We are committed to evolving into a leading international technology-driven chemical enterprise and a zero-carbon demonstration enterprise. We plan to pursue the following strategies: (i) promote the upgrade of port-advantaged chemical industry clusters and expand domestic and international markets; (ii) strengthen innovation leadership and build a "dual-driver" innovation system; (iii) accelerate green transformation and deepen the digital strategy; (iv) implement talent development and incentive plans to stimulate team vitality; and (v) deepen management empowerment and enhance social value.

OUR PRODUCTION

We proactively align with China's "dual carbon" strategy, and deeply integrate the dual carbon goals into our green development initiatives. We have been awarded as a "National-Level Green Factory". As of December 31, 2025, we had three manufacturing bases located in China and a production team of over 2,400 personnel to support our manufacturing activities. Each of our manufacturing bases is designed to produce designated products with built-in flexibility. During the Track Record Period, our major production units have maintained a relatively high utilization rates. For details, please refer to "Business — Our Production" in this document.

SALES AND CUSTOMERS

We adopt a sales model primarily based on direct sales and supplemented by distribution sales. Leveraging our advantages in production capacity and product quality, we have established long-term relationships with leading downstream customers for bulk chemicals, such as sodium hydroxide and propylene oxide. We also leverage distribution networks to broaden our sales channels and explore overseas markets. The pricing of our products is based on the reference to the prevailing market price. For details on our pricing policies, please refer to "Business — Sales and Customers — Pricing Policies" in this document. For the years ended December 31, 2023, 2024 and 2025, revenue from the five largest customers in each year during the Track Record Period accounted for 21.9%, 17.9% and 21.3% of our total revenue for the respective year. For the same years, revenue from the largest customer in each year during the Track Record Period accounted for 9.7%, 5.9% and 10.0% of our total revenue, respectively.

PROCUREMENT AND SUPPLIERS

Our raw materials and utilities primarily include crude salt, LPG (primarily propane and butane), raw coal and others. During the Track Record Period, we primarily procured raw materials from suppliers both in China and overseas. In addition, leveraging our integrated industrial chain layout, we are also capable of independently producing a portion of the raw materials required for our production operations, primarily including: (i) our Zhanhua Base has an annual designed crude salt production capacity of approximately 500,000 tons, which meets approximately 50% of our total crude salt consumption for our sodium hydroxide production; and (ii) our Beihai Base has an annual designed production capacity of approximately 600,000 tons of propylene, which is sufficient to cover all of our propylene consumption used in our propylene oxide production. These self-owned resources enable us to ensure a stable supply of raw materials, effectively control costs, and enhance resilience toward market fluctuations. To mitigate operational risks associated with fluctuations in the prices of major raw materials and products, we may employ hedging strategies for bulk commodities such as sodium hydroxide, propylene and LPG (primarily propane and butane). For details, please refer to "Business — Risk Management and Internal Control — Hedging Activities" in this document.

For the years ended December 31, 2023, 2024 and 2025, purchases from the five largest suppliers in each year during the Track Record Period accounted for 27.7%, 46.5% and 43.2% of our total purchase amounts for the respective year. For the same years, purchases from the largest supplier in each year during the Track Record Period accounted for 15.2%, 19.8% and 17.3% of our total purchase amounts, respectively.

RISK FACTORS

You should carefully consider all of the information set out in this document and, in particular, the risks described in the section headed "Risk Factors" before making any [**REDACTED**] decision. These include, among others: (i) we are exposed to market fluctuations of prices of primary products we produce and sell; (ii) our products are widely used in various end-products, the applications of which are beyond our control, and the fluctuation of markets of these end-products may affect our business, financial condition, results of operations and prospects; (iii) we face

competition in our business and may not be able to maintain our leading position in the market; (iv) fluctuation or changes in price, availability and quality of our raw materials, such as LPG (primarily propane and butane), crude salt, crude oil and coal could adversely affect our business, financial condition and results of operations; (v) we incurred loss for certain of our products such as chlorohydrin process propylene oxide during the Track Record Period. We cannot assure you that we will not incur loss or minimal gross profit margin in product sales in the future; (vi) we experienced fluctuation in our financial performance during the Track Record Period and our historical performance may not be indicative of our future performance; (vii) we experienced fluctuation in gross profit margins during the Track Record Period; and (viii) fluctuations in our share of profit or loss of associates may affect our overall financial performance, and there are liquidity risks associated with our [**REDACTED**] in associates. For details, see the section headed "Risk Factors" in this document.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss

The following table sets out a summary of our consolidated statements of profit or loss during the Track Record Period, which are derived from the Accountants' Report as set out in Appendix I to this document:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	7,305,904	100.0	10,228,062	100.0	14,836,442	100.0
Cost of sales	(6,089,359)	(83.3)	(9,574,110)	(93.6)	(13,380,867)	(90.2)
Gross profit	**1,216,545**	**16.7**	**653,952**	**6.4**	**1,455,575**	**9.8**
Other net income	65,220	0.9	57,192	0.6	76,166	0.5
Selling expenses	(27,994)	(0.4)	(24,267)	(0.2)	(25,594)	(0.2)
General and administrative expenses	(589,667)	(8.1)	(474,588)	(4.6)	(536,539)	(3.6)
Research and development costs	(68,420)	(0.9)	(120,316)	(1.2)	(173,193)	(1.2)
Impairment losses on trade and other receivables	(949)	(0.0)	(4,541)	(0.0)	(5,890)	(0.0)
Other gains/(losses)	40,857	0.6	(148,211)	(1.4)	44,721	0.3
Profit/(loss) from operations	**635,592**	**8.7**	**(60,779)**	**(0.6)**	**835,246**	**5.6**
Finance Costs	(153,810)	(2.1)	(258,543)	(2.5)	(310,534)	(2.1)
Share of profits/(losses) of associates	2,372	0.0	440,749	4.3	(169,050)	(1.1)
Profit before taxation	**484,154**	**6.6**	**121,427**	**1.2**	**355,662**	**2.4**
Income tax	(85,250)	(1.2)	95,828	0.9	(120,170)	(0.8)
Profit for the year	**398,904**	**5.5**	**217,255**	**2.1**	**235,492**	**1.6**

During the Track Record Period, our financial performance was closely correlated with cyclical fluctuations of China's chemical industry. In 2024, the domestic chemical industry was in the trough of its cycle, characterized by slowing market demand growth and compressed profit margins across the industry. Against this backdrop, our profit for the year decreased from RMB398.9 million in 2023 to RMB217.3 million in 2024. This was also partially attributable to the initial commissioning phase of our C3-C4 chemical products during the year, which had not yet generated effective profit contribution. In 2025, as the domestic chemical industry gradually emerged from the cyclical trough and entered a steady recovery phase, market demand for chemical products picked up, and the selling prices of most of our major chemical products gradually rebounded. Concurrently, our PO/MTBE unit in the C3-C4 chemicals sector entered the formal operation phase in 2025, which effectively supplemented our profit growth. Benefiting from the combined effect of the above positive factors, our profit for the year rebounded to RMB235.5 million in 2025, and our operating profit improved significantly from a loss of RMB60.8 million in 2024 to RMB835.2 million in 2025.

The specific reasons for the decline in our profit for the year in 2024 are as follows:

The cyclical downturn of the chemical industry

The prosperity cycle of China's chemical industry typically spans five to seven years. The growth rate of capital expenditure in China's chemical industry in the previous cycle peaked in 2021, while the growth rate of industry scale expansion reached its peak in 2023. Against the backdrop of intensive release of new production capacity and slowing demand growth, the supply-demand imbalance in the chemical industry has become prominent, placing persistent pressure on the product pricing and profitability of enterprises and subsequently leading to a gradual contraction in industry-wide capital expenditure. Starting from 2022, China's chemical industry entered the fourth cyclical downturn phase since the beginning of the 21st century. For details, please refer to "Industry Overview — Analysis of Cyclical Trend in China's Chemical Industry" in this document.

The imbalance between market supply and demand of the major products

The pricing of our products primarily follows the market-driven principle and fluctuates in line with market dynamics. Starting from 2022, the supply-demand imbalance in the chemical industry has become prominent, which has led to a continued decline in the selling prices in 2023 and 2024. For instance:

- *Sodium hydroxide:* From 2023 to 2024, the market price of sodium hydroxide exhibited a downward trend, primarily attributable to the imbalance between supply and demand. As the COVID-19 pandemic gradually subsided in 2021, the operating rates of downstream industries of sodium hydroxide increased, driving growth in market demand. The utilization rate of China's alumina (the primary downstream sector of sodium hydroxide) increased from 77.6% in 2020 to 82.1% in 2021. Coupled with the implementation of the national dual control policy on energy consumption, certain high-energy-consuming sodium hydroxide production capacities were restricted, resulting in insufficient effective production capacity and sustaining sodium hydroxide prices at a high level. Supported by substantial profit margins, producers continued to expand production capacity, leading to a significant increase in market supply in 2023 and 2024. On the demand side, apart from the alumina industry, demand in other downstream sectors such as food manufacturing, textile manufacturing and chemical products manufacturing remained weak. For example, the utilization rate of food manufacturing sector in China in 2023 and 2024 reached approximately 70.3% and 69.8%, respectively; the utilization rate of textile manufacturing sector in China in the same respective periods reached approximately 76.4% and 78.5%; and the utilization rate of chemical products manufacturing sector in China in the same respective periods reached approximately 75.3% and 76.3%. Additionally, the easing of the energy crisis in Europe led to improved operating rates of overseas sodium hydroxide plants, resulting in a decline in China's sodium hydroxide exports. Taking these factors together, the market became oversupplied, thereby exerting sustained downward pressure on prices during the year.

- *Propylene oxide:* Since 2022, the market price of propylene oxide has been on a downward trend, primarily attributable to the substantial expansion of production capacity through advanced technologies. For instance, in 2024 alone, the domestic newly released production capacity of propylene oxide reached approximately 1.7 million tons per annum, driving the total industry capacity to exceed 8.0 million tons per annum. The concentrated release of new production capacity has led to an oversupply in the market. Consequently, in Shandong Province, China's core production and sales hub for propylene oxide, the average market price of propylene oxide dropped by approximately 6.8% compared to 2024.

In 2025, as the domestic chemical industry gradually recovered and the supply-demand balance continued to improve, the prices of most of our major products showed an upward trend. For example, driven by the growing demand from downstream industries such as alumina, the market price of sodium hydroxide kept increasing. Average selling price of our sodium hydroxide increased by 11.0% to RMB3,111.9 per ton in 2025 from RMB2,802.3 per ton in 2024. In addition, according to Frost & Sullivan, the price of propylene oxide is expected to rebound gradually in 2026, as a number of industry players have scaled back production driving the market supply and demand to move toward equilibrium.

The initial commissioning phase of the C3-C4 chemicals business

Our C3-C4 chemicals business was in the initial commissioning phase during the Track Record Period, which temporarily weighed on our overall profitability. Our PDH unit in C3-C4 chemicals sector entered the trial production phase in June 2023 and was officially commissioned by the end of 2023. However, given that the downstream propylene oxide and MTBE facilities (PO/MTBE unit) had not yet been commissioned at that time, we were unable to fully absorb the propylene production internally. Additionally, the increase in regional propylene production capacity resulted in limited profit margins for the product. Our PO/MTBE unit was put into operation in early 2025. Equipped with the advanced production facilities, we maintain a low unit production cost structure. Notably, our co-oxidation process propylene oxide product recorded positive gross profit margins amid low-price market environment. In contrast, the MTBE product recorded gross loss, primarily attributable to intensified market competition arising from the successive commissioning of multiple new MTBE production facilities by other market participants during the same period.

During the initial commissioning phase of the facilities, we experienced a gradual improvement in operational efficiency, which had a significant impact on our results of operations during the period. In 2025, with the commissioning of the PO/MTBE unit, the gross profit margin of our C3-C4 chemicals category has gradually improved. Specially, it turned from a gross loss of RMB214.3 million in 2024 to a gross profit of RMB12.2 million in 2025.

For detailed analysis of our consolidated statements of profit or loss, please refer to the section headed "Financial Information — Description of Key Consolidated Statements of Profit or Loss" in this document.

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary 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*
Total non-current assets	17,099,989	19,350,156	19,173,612
Total current assets	4,034,400	3,606,303	5,085,679
Total assets	21,134,389	22,956,459	24,259,291
Total non-current liabilities	3,689,747	5,909,950	4,802,947
Total current liabilities	5,920,622	5,663,795	7,303,575
Total liabilities	9,610,369	11,573,745	12,106,522
Net current liabilities	1,886,222	2,057,492	2,217,896
Total equity/Net assets	11,524,020	11,382,714	12,152,769
Non-controlling interests	114,201	(967)	631,989

Our net current liabilities increased from RMB1,886.2 million as of December 31, 2023 to RMB2,057.5 million as of December 31, 2024, primarily attributable to a decrease in restricted deposits, partially offset by an increase in inventories and contract costs. Our net current liabilities increased to RMB2,217.9 million as of December 31, 2025, primarily attributable to (i) an increase in bank and other borrowings, and (ii) an increase in trade and bills payables, reflecting increasing procurement of raw materials for our production activities, partially offset by an increase in cash and cash equivalents and restricted bank deposits.

Our net assets slightly decreased from RMB11,524.0 million as of December 31, 2023 to RMB11,382.7 million as of December 31, 2024, primarily attributable to (i) dividend declared by us of RMB121.5 million; and (ii) acquisition of non-controlling interests of RMB114.5 million, which was partially offset by the profit for the year of RMB217.3 million. Our net assets increased to RMB12,152.8 million as of December 31, 2025, primarily attributable to (i) the profit for the year of RMB235.5 million; and (ii) capital injection from non-controlling interests of RMB636.2 million, which was partially offset by (i) cancellation of treasury shares granted for restricted share incentive scheme and repurchase of treasury shares of RMB140.0 million; and (ii) dividend declared by us of RMB80.4 million.

For detailed analysis on the fluctuation of key items in the consolidated statements of financial position, please refer to "Financial Information — Certain Consolidated Statements of Financial Position Items" in this document.

Summary of Consolidated Cash Flow Statements

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

	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	931,407	486,063	2,865,408
Net cash used in investing activities	(2,229,156)	(1,762,229)	(727,136)
Net cash generated from/(used in) financing activities	957,753	903,850	(890,991)
Cash and cash equivalents at beginning of the year	1,187,263	846,512	475,715
Effect of foreign exchange rate changes	(755)	1,519	(21,408)
Cash and cash equivalents at end of the year	846,512	475,715	1,701,588

For detailed analysis, please refer to "Financial Information — Liquidity and Capital Resources" in this document.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2023	**2024**	**2025**
Gross profit margin	16.7%	6.4%	9.8%
Net profit margin	5.5%	2.1%	1.6%
Return on equity (ROE)	3.5%	1.9%	2.0%
Return on assets (ROA)	2.0%	1.0%	1.0%
Current ratio	0.7	0.6	0.7
Quick ratio	0.6	0.4	0.5
Gearing ratio	66.2%	82.5%	76.5%

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

Since February 23, 2010, our Company has been listed on the Shanghai Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that 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 since our listing on the Shanghai Stock Exchange, 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 Stock Exchange.

We have applied to the Stock Exchange for the [**REDACTED**] pursuant to the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules. We satisfy market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2025, being RMB14,836.4 million (equivalent to approximately HK$16,924.4 million), which is over HK$500.0 million; and (ii) our expected [**REDACTED**] at the time of [**REDACTED**], which, based on the low-end of the indicative [**REDACTED**] range of HK$[**REDACTED**] per H Share, exceeds HK$[**REDACTED**].

SINGLE LARGEST SHAREHOLDER GROUP

As our Company is a public company listed on the Shanghai Stock Exchange with diverse shareholding base, our shareholding structure is subject to changes as a result of trading of A Shares by our Shareholders or investors. Since January 1, 2024 and up to the Latest Practicable Date, our Single Largest Shareholder Group, including Binzhou Heyi and Binzhou Heyuan (as the general partner of Binzhou Heyi), held approximately 10.96% of the total issued share capital of our Company. Binzhou Heyi is 99.9% owned by Shandong Binhua Investment Co., Ltd.* (山東濱化投資有限公司) as its limited partner and 0.1% by Binzhou Heyuan, as its general partner. Binzhou Heyuan is owned as to 40%, 30%, and 30% by Mr. Yu Jiang, Mr. Zhang Liying (張立營) and Mr. Li Mintang (李民堂), respectively. To the best knowledge of our Company, there was no acting in concert arrangement nor voting proxy arrangement between the shareholders of Binzhou Heyuan.

[**REDACTED**] STATISTICS

The statistics in the following table are based on the assumption that: (i) the [**REDACTED**] is completed and [**REDACTED**] H Shares are newly issued in the [**REDACTED**], (ii) the [**REDACTED**] is not exercised; and (iii) [**REDACTED**] Shares are issued and outstanding following the completion of the [**REDACTED**]:

	Based on [REDACTED] of HK$[REDACTED] per Share	**Based on [REDACTED] of HK$[REDACTED] per Share**
[**REDACTED**] of our H Shares[(1)] *(HK$'000)*	[**REDACTED**]	[**REDACTED**]
[**REDACTED**] of our Shares[(2)] *(HK$'000)*	[**REDACTED**]	[**REDACTED**]
Unaudited [**REDACTED**] adjusted net tangible assets per Share[(3)] *(HK$)*	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The calculation of [**REDACTED**] of our H Shares is based on [**REDACTED**] H Shares expected to be issued immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). For details, please refer to "Share Capital — Share Capital — Upon Completion of the [**REDACTED**]" in this document.

(2) The calculation of [**REDACTED**] of our Shares is based on [**REDACTED**] H Shares will be in issue immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the total share capital of [1,995,385,550] A Shares as of the Latest Practicable Date and excluding [61,450,726] treasury shares, with an average closing price of RMB[**REDACTED**] during the five trading days of A Shares immediately preceding the Latest Practicable Date.

(3) Unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is calculated after making adjustments referred to "Appendix II — Unaudited [**REDACTED**] Financial Information" in this document. No adjustment has been made to reflect any [**REDACTED**] results or other transactions entered into by us subsequent to December 31, 2025, including but not limited to the declaration of an annual dividend in respect of RMB79,815,000 in April, 2026. Had such annual dividend been declared on December 31, 2025, the [**REDACTED**] adjusted net tangible assets would have decreased by RMB79,815,000, and the [**REDACTED**] adjusted net tangible assets per Share would decreased by RMB[**REDACTED**] (equivalent to HK$[**REDACTED**]).

[REDACTED] EXPENSES

The estimated total [**REDACTED**] expenses (based on the mid-point of our indicative [**REDACTED**] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**], or approximately [**REDACTED**]% of the gross [**REDACTED**] estimated to be received by us from the [**REDACTED**]), of which (i) HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) has been incurred during the Track Record Period; and (ii) an estimated amount of approximately HK$[**REDACTED**] is expected to be expensed through the statement of profit or loss and the remaining amount of approximately HK$[**REDACTED**] is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. These [**REDACTED**] expenses are mainly comprised of [**REDACTED**]-related expenses of approximately HK$[**REDACTED**], and [**REDACTED**] related expenses of approximately HK$[**REDACTED**], which are comprised of (i) accountant and legal adviser fees and expenses of approximately HK$[**REDACTED**] and (ii) other fees and expenses of approximately HK$[**REDACTED**].

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] Range), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**] after deducting the [**REDACTED**] commissions and other estimated expenses in connection with the [**REDACTED**], and assuming the [**REDACTED**] is not exercised. In alignment with our strategies and development plans, we intend to allocate the net [**REDACTED**] for the following purposes: (i) approximately [**REDACTED**]% of the net [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to the construction of our source-grid-load-storage integrated project (源網荷儲項目) in Beihai Economic Development Zone of Binzhou; (ii) approximately [**REDACTED**]% of the net [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to enhance our research and development capabilities; (iii) approximately [**REDACTED**]% of the net [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to constructing a high-end electronic chemicals production facility in China; (iv) approximately [**REDACTED**]% of the net [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to the development of our overseas sales and service network; and (v) approximately [**REDACTED**]% of the net [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be reserved for general working capital and operational flexibility.

DIVIDEND

Pursuant to our Articles of Association, within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average distributable profits realized in the latest three years. The specific dividend ratios shall be determined by our Board according to our operating conditions and other conditions in accordance with our Articles of Association, and shall be considered and resolved at our general meeting. Future profit distributions may be paid in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. For the years ended December 31, 2023, 2024 and 2025, we declared cash dividends of RMB262.7 million, RMB121.5 million and RMB80.4 million, respectively. As of the Latest Practicable Date, all declared cash dividends during the Track Record Period were fully paid.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

On April 21, 2026, the Board approved and declared dividend in respect of RMB0.04 per share, representing an aggregate dividend of RMB79.8 million.

Our Directors confirm that there had been no material and adverse changes in our business, financial condition and results of operations since December 31, 2025 and up to the date of this document.

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

"2024 Restricted A Share Incentive Scheme"	the restricted share incentive plan adopted by the Shareholders in November 2024, the principal terms of which are summarized in Appendix VI to this document
"A Share(s)"	ordinary shares issued by our Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange and traded in Renminbi
"Accountants' Report"	the accountants' report of our Company, 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 of Hong Kong
"Articles" or "Articles of Association"	the articles of association of the Company conditionally adopted on October 16, 2025, which shall become effective on [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix V to this document
"associate(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Audit Committee"	the audit committee of our Board, the details of which are described in "Corporate Information" in this document
"Beihai Base"	Beihai New Materials Base (北海新材料基地), a base located in Beihai Economic Development Zone of Binzhou, Shandong Province
"Beihai Economic Development Zone"	A provincial-level economic development zone established in 2010 located in northeastern Binzhou, Shandong Province, on the southwest coast of the Bohai Bay
"Bincheng Base"	Bincheng Basic Chemicals and Electronic Chemicals Base (濱城基礎化工和電子化學品基地), a base located in Binzhou, Shandong Province
"Binhua New Materials"	Shandong Binhua New Materials Co., Ltd.* (山東濱華新材料有限公司), a limited liability company established in the PRC on September 15, 2018 and a wholly-owned subsidiary of our Company

"Binzhou Heyi"	Binzhou Heyi Industrial Investment Partnership (Limited Partnership)* (濱州和宜產業投資合夥企業(有限合夥)), a limited partnership established under the laws of PRC on September 24, 2021
"Binzhou Heyuan"	Binzhou Heyuan Investment Management Co., Ltd.* (濱州和遠投資管理有限公司), a limited liability company established under the laws of PRC on September 8, 2021
"Board" or "Board of Directors"	the board of Directors
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business

[**REDACTED**]

"Changyuan New Materials"	Shandong Changyuan New Materials Co., Ltd.* (山東長源新材料有限公司), a limited liability company established in the PRC on March 8, 2024 and a wholly-owned subsidiary of the Company
"CIF"	cost, insurance, and freight, a widely used Intercoms, where the seller covers the cost of goods, marine insurance, and main freight to a named destination port, with risk transferring to the buyer once goods are loaded onto the vessel
"close associate(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	Befar Group Co., Ltd* (濱化集團股份有限公司), a limited liability company established in the PRC on May 21, 1998, the A Shares of which have been listed on the Shanghai Stock Exchange (stock code: 601678)

"connected person(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"core connected person(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"CRM"	customer relationship management
"CSDC"	China Securities Depository and Clearing Corporation Limited* (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Development Strategy Committee"	the development strategy committee, the details of which are described in "Corporate Information" in this document
"Director(s)"	the director(s) of our Company
"Dongrui Chemical"	Shandong Befar Dongrui Chemical Co., Ltd.* (山東濱化東瑞化工有限責任公司), a limited liability company established in the PRC on March 20, 2007 and 83.87% owned by our Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise amended from time to time
"Employee Shareholding Scheme I"	the Phrase One Employee Shareholding Scheme of Befar Group Co., Ltd (濱化集團股份有限公司-首期員工持股計劃) adopted by the Shareholders in January 2022, the principal terms of which are summarized in Appendix VI to this document
"Employee Shareholding Scheme II"	the Phrase Two Employee Shareholding Scheme of Befar Group Co., Ltd (濱化集團股份有限公司-第二期員工持股計劃) adopted by the Shareholders in December 2023, the principal terms of which are summarized in Appendix VI to this document

[**REDACTED**]

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale serious affects the working public's ability to resume work or brings safety concern for a prolonged period
	[**REDACTED**]
"FOB"	free on board, a widely used Intercoms, where the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment, with risk transferring to the buyer once the goods are on the vessel, and the buyer bearing all costs and risks from that point forward
"Frost & Sullivan" or "F&S"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the independent industry consultant of our Company
"Frost & Sullivan Report" or "F&S Report"	a commissioned market research report prepared by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview" in this document
	[**REDACTED**]
"Group," "the Group," "our Group," "we," "our" or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guide for New Listing Applicants" or the "Guide"	the Guide for New Listing Applicants published by the Stock Exchange and as amended, supplemented or otherwise modified from time to time
"H Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be [**REDACTED**] for and [**REDACTED**] in Hong Kong dollars and for which an application has been made for the granting of [**REDACTED**], and permission to [**REDACTED**] in, on the Main Board of the Stock Exchange
	[**REDACTED**]

"Hainan Befar Changxin"	Hainan Befar Changxin Investment Holdings Co., Ltd.* (海南濱化長信投資控股有限公司), a limited liability company established in the PRC on December 15, 2022 and a wholly-owned subsidiary of the Company
"Haiyuan Salt"	Shandong Befar Haiyuan Salt Chemical Co., Ltd.* (山東濱化海源鹽化有限公司), a limited liability company established in the PRC on April 19, 2002 and a wholly-owned subsidiary of our Company
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

[**REDACTED**]

"IFRS Accounting Standards"	the IFRS Accounting Standards issued by the International Accounting Standards Board
"independent third party(ies)"	a person, persons, a company or companies which is/are not our connected person(s) within the meaning under the Listing Rules

[**REDACTED**]

"IT"	information technology
"Jinyuan New Materials"	Shandong Jinyuan New Materials Co., Ltd.* (山東錦元新材料有限公司), previously known as Hainan Jinyuan New Materials Co., Ltd.* (海南錦元新材料有限公司), a limited liability company established in the PRC on November 30, 2020 and a wholly-owned subsidiary of our Company

[**REDACTED**]

"Joint Sponsors"	the joint sponsors as named in the section headed "Directors and Parties Involved in the [**REDACTED**]" in this document
"kgce/t"	kilograms consumed energy per ton
"kWh"	kilowatt-hour
"Latest Practicable Date"	April 20, 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange

[**REDACTED**]

"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"LPG"	liquefied petroleum gas, primarily comprising propane and butane
"Lubei Group"	Shandong Lubei Enterprise Group Corporation* (山東魯北企業集團總公司) a limited liability company established in the PRC on August 15, 1989, in which we indirectly held 35.60% equity interest through Jinyuan New Materials
"Main Board"	the Main Board of the Stock Exchange

"Middle East"	the region stretching from the eastern Mediterranean to the western side of the Indian subcontinent, primarily including Egypt, the Arabian Peninsula, Israel, Jordan, Lebanon, Syria, Turkey, Iran, Iraq and Palestine
"MIIT"	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nm^3"	normal cubic meters, the volume of gas at 0 degrees Celsius and 1 standard atmosphere
"Nomination Committee"	the nomination committee of our Company, the details of which are described in "Corporate Information" in this document

[**REDACTED**]

"Overseas Listing Trial Measures"	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pcs"	pieces
"ppb"	parts per billion
"ppt"	parts per trillion
"PRC" or "China"	the People's Republic of China, excluding for the purposes of this document only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the Central People's Government of the People's Republic of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
"PRC Legal Advisers"	Commerce & Finance Law Offices, the legal advisers to our Company as to PRC laws
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC government

"Remuneration and Performance Appraisal Committee"	the remuneration and performance appraisal committee of our Company, the details of which are described in "Corporate Information" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), a PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"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 or supplemented from time to time
"Share(s)"	the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, including our A Shares and H Shares
"Shareholder(s)"	holder(s) of the Shares
"Singapore"	the Republic of Singapore
"Single Largest Shareholder Group"	refers to Binzhou Heyi and Bingzhou Heyuan
"sq.m"	square meters
	[**REDACTED**]
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"S$"	Singapore dollars, the lawful currency of the Republic of Singapore
"Takeovers Code" or "Hong Kong 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
"Tax Consultant"	Guo Fu Hao Hua (Shandong) Taxation Service Co., Ltd

"Track Record Period"	the years ended December 31, 2023, 2024 and 2025
"Transfer Pricing Consultant"	the transfer pricing consultant as to the Company
"treasury shares"	has the meaning ascribed thereto under the Hong Kong Listing Rules

[**REDACTED**]

"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. dollar(s)," "US$" or "USD"	United States dollar, the lawful currency of the United States
"U.S. Securities Act"	The U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"Vietnam"	the Socialist Republic of Vietnam

[**REDACTED**]

"Yellow River Delta Thermal"	Yellow River Delta (Binzhou) Thermal Power Co., Ltd.* (黄河三角洲(濱州)熱力有限公司), a limited liability company established in the PRC on May 16, 2013 and our non-wholly owned subsidiary
"Zhanhua Base"	Zhanhua New Energy Base (沾化新能源基地), a base located in Binzhou, Shandong Province
"°C"	Celsius
"%"	percent

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

Unless otherwise stated, 61,450,726 repurchased A Shares which are held as treasury shares by the Company as of the Latest Practicable Date have been included in the total number of issued shares of the Company as of the Latest Practicable Date and immediately after completion of the

[**REDACTED**]. For details of the repurchased A Shares, see "History, Development and Corporate Structure — Corporate Structure of the Company — Corporate Structure Immediately Before the [**REDACTED**]" and "Substantial Shareholders."

* *English translations of company names and other terms from the Chinese language are provided for identification purposes only. In this document, should there be any discrepancy between the Chinese names of the entities or enterprises established in China and its English translation, the Chinese names shall prevail.*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this document in connection with our Group and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"allyl chloride"	an organic compound with the chemical symbol of C_3H_5Cl. It is primarily used in the production of epichlorohydrin, allyl alcohol, and other such products, and also serves as a raw material for pesticides, pharmaceuticals and coatings
"auxiliaries"	auxiliary chemical intentionally added to the main system for specific purposes. Through physical or chemical effects, it optimizes the production process, enhances product performance, or endows products with new properties
"butane"	a type of alkane organic compound, with two isomers, n-butane and isobutane, is often used as fuel, solvent or chemical raw material
"butane isomerization"	the process that converts butane into isobutane, utilizing catalysts such as platinum on gamma alumina or zeolite, with the operation favoring branched isomers at appropriate temperatures
"chlorohydrin process propylene oxide"	an organic compound produced using propylene, chlorine, and water as raw materials, through the processes of chlorohydrination, saponification and purification, with the chemical symbol of C_3H_6O
"chlor-alkali"	an industrial process that produces chlorine, sodium hydroxide and hydrogen on a large scale through the electrolysis of saturated brine (sodium chloride solution). Products from the chlor-alkali process serve as basic raw materials for downstream industries such as papermaking, plastics, textiles, water treatment and metallurgy
"C3-C4 chemicals"	a major category of important chemical products derived from hydrocarbon molecules containing three or four carbon atoms (as basic raw materials) through a series of chemical reactions
"co-oxidation process propylene oxide"	propylene oxide generated through the co-oxidation reaction of propylene with isobutane
"electronic grade hydrofluoric acid (semi G5)"	ultrapure hydrofluoric acid with a purity level meeting the G5 grade specified in SEMI standards. It is an indispensable key material in the fields of semiconductor chip manufacturing, microelectronics industry and high-end display panels

GLOSSARY OF TECHNICAL TERMS

"epichlorohydrin"	an organic compound with the chemical symbol of C_3H_5ClO. It is widely used in the production of plastics, epoxy glues and resins, and elastomers
"hydrogen peroxide"	a colorless liquid with the chemical symbol of H_2O_2. It is widely used as an oxidizer, bleaching agent, and antiseptic
"isobutane"	an organic compound with the chemical symbol of C_4H_{10}. It is widely used as a propellant, refrigerant, and reagent gas
"MTBE"	an organic compound with the chemical symbol of $C_5H_{12}O$. It is primarily used as a solvent, fragrance and fuel additive, among other applications
"perchloroethylene"	an organic compound with the chemical symbol of C_2CI_4. It is widely used for dry cleaning of fabrics and for metal-degreasing
"pH"	a dimensionless index used to measure the acidity or alkalinity of a solution. A pH of 7 is neutral. A pH less than 7 is acidic, and a pH greater than 7 is basic (alkaline)
"propane"	a saturated hydrocarbon organic compound. It is an important chemical raw material, with its main use is to be combined with butane to produce liquefied petroleum gas which is widely used as fuel
"propane dehydrogenation" or "PDH"	a chemical process that converts propane into propylene and hydrogen, primarily used for the industrial production of propylene
"propylene"	an organic compound with a carbon-carbon double bond in its molecule, capable of undergoing addition, polymerization, oxidation and other reactions. It is the second-largest olefin feedstock after ethylene
"propylene oxide"	an organic compound with the chemical symbol of C_3H_6O, which is a colorless, flammable cyclic ether and a key intermediate in the chemical industry. It is primarily produced by chlorohydrin process co-oxidation process or halcon process and widely used in manufacturing polyether polyols, propylene glycol, and non-ionic surfactants. These downstream products are further used in sectors including furniture, automotive, construction, and coatings
"PO/MTBE"	propylene oxide and methyl tert-butyl ether
"saturated brine"	a saturated solution of sodium chloride (NaCl) in water, which refers to a mixture in which the solute reaches its maximum solubility at a specific temperature. It can be used to disinfect, replenish water and treat electrolyte imbalances

GLOSSARY OF TECHNICAL TERMS

"sodium hydroxide"	an inorganic compound with the chemical symbol NaOH, also commonly known as caustic soda. It is a white, hygroscopic solid or aqueous solution and a strong alkali and is widely used in textile fiber processing, chemical synthesis, metallurgical ore refining, pharmaceutical manufacturing and petroleum refining
"specialty chemicals"	a category of chemical products tailored for specific applications, with distinct performance, functionality, or technical attributes compared to commodity chemicals
"trichloroethylene"	an organic compound with the chemical symbol of C_2HCl_3. It is widely used in metal cleaning and degreasing as well as solvent

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document.

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- changes in our customers' preferences, demands and business performance;
- changes in competitive conditions and our ability to compete under these conditions;
- the actions and development of our competitors;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic conditions;
- our future debt levels and capital needs;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

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

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

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

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

An [**REDACTED**] *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, 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 materially and adversely affect our business, financial condition, and results of operations. The* [**REDACTED**] *of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your* [**REDACTED**].

Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to 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. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are exposed to market fluctuations of prices of primary products we produce and sell.

During the Track Record Period, we were principally engaged in the production and sale of organic and inorganic chemical, covering three core sectors of (i) chlor-alkali chemicals; (ii) C3-C4 chemicals; and (iii) wet electronic chemicals. In addition, we also generated a portion of our revenue from energy sales during the Track Record Period.

Fluctuations in prices of our primary products could materially affect our business, financial condition and results of operations. The pricing of our products is based on the reference to the prevailing market price. Accordingly, the prices of our products are generally subject to influence from industry-wide price movements. The selling prices of China's chlor-alkali chemicals experienced a significant upward trend in 2021 and 2022, primarily driven by the post-pandemic global economic recovery, which fueled rapid release of downstream demand. However, in 2023, the prices dropped significantly attributable to factors including, among others, the slowdown of global macroeconomic growth and weakening export demand, the concentrated release of new domestic capacity, and falling raw material processes. For instance, sodium hydroxide is one of the key products in the chlor-alkali chemicals industry, further categorized into liquid, flake and granular sodium hydroxide. The average price of granular sodium hydroxide surged rapidly from RMB2,300 per ton in 2020 to RMB4,700 per ton in 2022, followed by a downward trend to RMB3,900 per ton in 2023 and RMB3,600 per ton in 2024. In 2025, the price of granular sodium hydroxide rebounded to RMB4,000 per ton. Furthermore, the selling prices of propylene oxide in China experienced a rapid increase in 2021, primarily attributable to a shortage in propylene oxide supply due to the impact of COVID-19. Subsequently, as production capacity gradually came on stream, the average price of propylene oxide declined and stabilized since 2022. The average price of propylene oxide in China surged rapidly from RMB10,700 per ton in 2020 to RMB14,900 in 2021, followed by a downward trend to RMB9,000 in 2022, RMB8,500 in 2023, RMB7,900 in 2024 and RMB6,800 in 2025. For details, please refer to "Industry Overview — Propylene Oxide Industry in China — Average Prices and Raw Material Prices of Propylene Oxide Industry in China" in this document. We possess a certain degree of bargaining power by virtue of our product quality, supply guarantee capabilities, regional advantages, brand value and other relevant factor. However, the final transaction price remains subject to fluctuations relative to the prevailing market price. There is no assurance that fall in the prices of chlor-alkali chemicals, propylene oxide and other products we produce which may affect our revenue and gross profit margin will not occur in the future, and we may decide to reduce sales volumes of these products if that happens.

Furthermore, our business, financial condition and results of operations may be materially and adversely affected by, among others, the following factors: (a) a significant fluctuation of prices of our products may cause our customers unwilling to honor our contractual commitments to purchase these products at pre-agreed pricing terms; (b) a tightening of available credit may make it more difficult for us to obtain, or may increase our financing costs; (c) a decline in the value of our primary products may result in write-downs; and (d) the production of our products may be curtailed or suspended if it is no longer economically viable.

Our products are widely used in various end-products, the applications of which are beyond our control, and the fluctuation of markets of these end-products may affect our business, financial condition, results of operations and prospects.

Our products are used in the production of or are incorporated into various end-products that are extensively applied across a wide range of end markets, including, among others, aerospace, humanoid robot, semiconductor fabrication, furniture and home appliances, automobile and coatings. The applications of these end-products are beyond our control, and any specific application of these end-products may be subject to restricted regulatory requirements or other factors that may influence the end markets.

In addition, the demand for our products is dependent on factors such as new technological developments resulting in product or technology substitutions, the pace of industry acceptance and adoption of new standards and general economic conditions. We cannot guarantee that there will not be a significant shift in demand in any downstream industry of our products in the future, and any reduction in demand or activity in the industries of end-products could cause our customers to place fewer orders or reduce the volume of their orders, which may materially impact our business, financial condition, results of operations and prospects. In the event that the market demands of our products are materially and adversely affected by any potential shift in demand for downstream end-products, our selling prices and/or sales volume may be affected, and as a result, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to anticipate the industry trends of the end markets that we serve, our business, financial condition, results of operations and prospects will be materially and adversely affected. The end markets may be influenced by, among others:

- new legislations or changes in the regulatory requirements regarding the end markets of products we produced during the Track Record Period. We may need to change or adapt our business strategies from time to time in response to the new rules and regulations regarding the end markets of our products, but we may not be able to do so timely and efficiently. Any new legislations or changes in the regulatory requirements could materially and adversely affect our business, financial condition, results of operations and prospects; and

- general economic factors such as general economic conditions, interest rate, inflation and unemployment rates as well as GDP growth. Any future significant downturn in economic growth in the PRC and overseas markets and fluctuations in our downstream industries may reduce the demand for our products and materially and adversely affect our business, financial condition, results of operations, and prospects.

We face competition in our business and may not be able to maintain our leading position in the market.

The major segmented industries in which we operate are relatively concentrated, each dominated by a limited number of market participants. Some of our competitors may be able to devote greater resources to the development, promotion, and sale of their products. Market players with greater available resources and the ability to initiate or withstand substantial price competition could acquire our current or potential competitors. In addition, our competitors may also establish

cooperative relationships among themselves or with other market players that may further enhance their product offerings or resources. If our competitors' products become more accepted than our products, or if our competitors are able to respond more quickly and effectively to new or changing opportunities, technologies, or customer requirements, then our revenues and future business prospects could be adversely affected.

We may be required to modify our pricing practices in order to attract new customers or retain existing customers due to increased competition and/or excess market supply. Pricing pressure could result in reduced production volumes and reduced margins, losses, or a failure to maintain or improve our competitive market position, any of which could adversely affect our business.

Fluctuation or changes in price, availability and quality of our raw materials, such as LPG (primarily propane and butane), crude salt, crude oil and coal, could adversely affect our business, financial condition and results of operations.

Our continuing success depends on our ability to obtain adequate supplies of high- quality raw materials on commercially acceptable terms and in a timely manner to support our operations and future plans. During the Track Record Period, the key raw materials for our operations included, among others, LPG (primarily propane and butane), crude salt, crude oil and coal. The prices of raw materials depend on a variety of factors beyond our control, for example, the economy of the countries or regions where we procure, their domestic government policies and their political relationship with China, and whether our suppliers are located in conflict-free regions with a lower level of political risk. For instance, LPG prices are closely linked to geopolitical factors and maritime shipping costs, leading to procurement cost pressures and considerable uncertainty in production and operations. The average price of LPG in China increased from RMB4,400 per ton in 2021 to RMB4,600 per ton in 2025, with a CAGR of 1.1%. Crude salt is an important raw material in the chlor-alkali chemicals industry. The average price of crude salt in China increased from RMB276.5 per ton in 2021 to RMB281.7 per ton in 2025, with a CAGR of 0.5%.

We cannot guarantee that the prices of our major raw materials will remain stable at current levels or that we will not experience difficulties obtaining supplies of raw materials in the future. If the prices of these raw materials increase significantly and we are unable to pass on such price increases to our customers, and/or to obtain alternative sources at acceptable prices, or at all, our cost of sales may increase and our profit margins may decrease, which would materially and adversely affect our business, financial condition and results of operations.

We incurred loss for certain of our products such as chlorohydrin process propylene oxide during the Track Record Period. We cannot assure you that we will not incur loss or minimal gross profit margin in product sales in the future.

We have incurred operating losses for certain of our major products in the past and may incur operating losses in the future. Our losses may continue as we incur additional costs and expenses related to expansion of operations, development of new products, development of relationships with strategic business partners, acquisitions, branding and marketing and other activities. If our operating expenses exceed our expectations, our financial performance will be adversely affected. Furthermore, as a public company, we will incur additional legal, accounting and other expenses. We plan to continue to increase our efforts in development of new and high-value added products to further diversify our revenue streams, including those sectors where we have little or no prior development or operating experience. If these new products fail to engage our customers' expectation or the general industrial trends, we may fail to generate sufficient revenue and profit and achieve an investment return to justify our investments, and our business and operating results may suffer as a result. We may also encounter unforeseen expenses, operating delays, or other unknown factors (some of which may be beyond our control) that may result in losses in future periods. Our ability to achieve or maintain profitability is also affected by market developments and competition. If we do achieve profitability, we may not be able to sustain or increase such profitability.

We experienced fluctuation in our financial performance during the Track Record Period and our historical performance may not be indicative of our future performance.

We experienced fluctuation in our financial performance during the Track Record Period. Our revenue increased from RMB7,305.9 million for the year ended December 31, 2023 to RMB10,228.1 million for the year ended December 31, 2024 and further increased to RMB14,836.4 million for the year ended December 31, 2025. Our profit for the year decreased from RMB398.9 million for the year ended December 31, 2023, to RMB217.3 million for the years ended December 31, 2024. Our profit for the year increased to RMB235.5 million for the year ended December 31, 2025.

Our ability to generate revenue and achieve profitability will depend on the performance of our existing product offerings and the success of the implementation of our strategic initiatives. Our revenue and profit margin could also be affected by a number of factors, many of which are beyond our control, including regulatory evolvement, changes in economic, performance of and demand from downstream industries, epidemics, pandemics and competition, and our results of operations may be adversely affected by any of such factors. As a result, our historical performance may not be indicative of our future performance.

We experienced fluctuation in gross profit margins during the Track Record Period.

Our major products encompass chlor-alkali chemicals, C3-C4 chemicals and wet electronic chemicals. The industry where we operate is inherently subject to structural pressures that constrain profit margins, including cyclical fluctuations in supply and demand dynamics, intense global and domestic market competition and exposure to volatile commodity raw material costs. During the Track Record Period, our overall gross margins experienced fluctuation, amounting to 16.7%, 6.4% and 9.8% for the years ended December 31, 2023, 2024 and 2025, respectively.

If we fail to effectively mitigate these margin pressures through proactive measures, including implementing rigorous cost control and operational efficiency initiatives, optimizing our product mix toward higher-value-added offerings, enhancing pricing power, or investing in technological innovations to reduce production costs, our profit margins may remain low or deteriorate further. Sustained low profitability could have material adverse impacts on our cash flow generation capacity, ability to fund capital expenditures, research and development initiatives, and debt-servicing obligations. Additionally, it may limit our resilience to industry downturns, unexpected market disruptions, or changes in regulatory policies, thereby posing significant risks to our long-term business development, financial stability and the investment returns for our Shareholders.

Fluctuations in our share of profit or loss of associates may affect our overall financial performance, and there are liquidity risks associated with our investments in associates.

We make investments in companies from time to time. Our share of profit or loss of associates is included in our consolidated financial statements using equity accounting method. For the year ended December 31, 2025, we recorded share of losses of associates of RMB169.1 million. For the years ended December 31, 2023 and 2024, we recorded share of profits of associates of RMB2.4 million and RMB440.7 million, respectively. For the year ended December 31, 2024, the share of profits from our associates contributed significantly to our profitability. This can be primarily attributed to our acquisition of partial equity interest in Lubei Group through Jinyuan New Materials. For further details on the acquisition, please refer to "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers" in this document. The contribution of associates to our profit may fluctuate, as may the distributions that we may receive from such entities, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

In addition, there are liquidity risks associated with our investments in associates, which may not be as liquid as other investment products. Although profit or loss of associates is reported under equity accounting, we may not aggregate cash flow from our investments in associates if such entities do not declare dividends, and there may not be a public market for our investments in associates with adequate liquidity for us to timely dispose of these investments.

We are subject to liability in connection with the use, the storage and handling of hazardous substances and environmental wastes.

As a manufacturer of organic and inorganic chemical products, our operations involve the extensive use, storage and handling of a variety of hazardous substances and environmental wastes, including but not limited to chlorine gas, sodium hydroxide, propylene oxide and by-product wastes generated during our production processes. These substances and wastes pose inherent risks to our operations, and any mishandling or incident related to them could directly lead to operational disruptions, safety hazards, environmental harm, and subsequent legal and financial consequences. We cannot assure you that any accident-causing explosion, disruption of operation, injuries or death resulting from our negligence or mishandling of these hazardous substances will not happen at our production facilities. In such event, we may be liable for the loss of life and property, personal injuries, medical expenses suffered by the victims in the accident and we may have to pay fines and penalties for violation of applicable PRC laws and regulations. Furthermore, our manufacturing facilities may be required to halt operation pending investigations from the competent authorities, which would adversely affect our business operation, reputation and financial performance.

In addition, our operations are subject to PRC environmental protection laws and regulations which govern the emission, discharge, release and disposal of environmental wastes and other pollutants. Under the applicable laws and regulations, enterprises that produce environmental wastes are required to adopt effective measures to control, properly manage and dispose of environmental wastes, including waste gas, wastewater, solid wastes and noise. Manufacturers discharging environmental wastes and other pollutants are required to pay fines for discharges above permitted levels under the applicable PRC environmental protection laws and regulations. Failure to comply with the applicable PRC environmental laws or regulations may result in local environmental protection authorities imposing fines or suspending operations, and may lead to the loss of environmental and production licenses. In the event that the PRC government imposes more stringent environmental protection laws and regulations, our production costs may substantially increase, or we may also be forced to suspend production.

Our business operations are subject to the risks relating to potential safety accidents arising from our operations and failure to comply with safety measures and procedures.

Our business involves the operation of multiple equipment and machinery, which, if improperly operated, may result in physical injuries or even fatalities. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material production safety accidents. There is no assurance that our employees will not contravene or violate our safety measures. In that case, we may be subject to government investigations, administrative penalties and other legal proceedings. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs and damage to our reputation, such as negative publicity, which could adversely affect our business and financial condition and operating results. If any work-related accidents resulting in employee injuries or deaths occur, we may be liable for claims from the employees and their families, in addition to fines or penalties. We also cannot assure you that all risks relating to safety incidents have been adequately covered by our existing insurance policies. If we incur substantial liabilities, which are not covered by our insurance policies, our business and financial condition and results of operations may be adversely affected.

Our production process involves multiple hazardous materials. For instance, the electrolysis process for chlor-alkali chemicals production requires handling toxic, corrosive chlorine gas and any leak from pipeline joints or valve failures could expose on-site workers to poisoning, force an

emergency shutdown of the production line and spread toxic fumes to surrounding areas. For propylene oxide, which is highly reactive, improper mixing with other chemicals during production could cause violent reactions or explosions. Any accidents resulting from the improper handling or management of these hazardous chemicals during storage and production leading to leakages, may cause serious health and safety issues for our employees or others, cause damage to our employees, production facilities and result in production interruptions as well as reputation.

Our production capacity may not be fully utilized due to insufficient or unstable demand of our products and may not achieve the intended economic results or commercial viability.

If our products face insufficient or unstable demand, our utilization of production capacity will be affected. During the Track Record Period, our production units generally maintained high utilization rates. For more information, please refer to "Business — Our Production — Production Facilities — Production capacity and utilization rate" in this document. As of the Latest Practicable Date, we had a series of production expansion plans. However, there is no assurance that the level of demand for our products during the Track Record Period will maintain in the future. As such, there may be an insufficient demand for our products, resulting in low utilization rate of our production facilities. Our actual production volume may vary depending on the demand for our products, which in turn may be affected by market trend, customers' preferences or other factors beyond our control. If the orders from our existing customers are not sufficient to fully utilize our production capacity and there is a lack of new customers, our production lines might be operated at a utilization rate lower than our desired rate, which may adversely affect our business, financial condition and results of operations.

Our production is reliant on a stable, timely, and sufficient supply of energy and power at commercially reasonable prices.

Our production process requires a stable and sufficient supply of energy and power, primarily electricity, natural gas, steam and water. During the Track Record Period, we also produced portion of the electricity and steam and sold some of them to external parties. For instance, our 350MW unit at our Bincheng Base has been fully connected to the power grid and put into official operation in early 2025. There can be no assurance that shortages of energy will not occur in the future or that we will be able to pass on any cost increases in energy to our customers. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the price of our products accordingly and may also harm our competitive advantage with respect to the affected products.

Moreover, if the supply of such energy and power is affected by natural disasters, adverse weather conditions, suppliers' equipment failures, disruptions in transportation or other inclement factors, we may not be able to locate alternative sources of supply in sufficient quantities, of suitable quality and/or at acceptable prices. Any such events may have a material adverse effect on our business, financial condition and results of operations.

In addition, changes in government policies can adversely affect the cost and supply of energy and power required for our production. Political and diplomatic considerations may also lead to discouragement, restriction, or prohibition of certain high-emission industries from investing or implementing projects in other countries and regions.

Any disruption in our manufacturing facilities could materially and adversely affect our business, financial condition, and results of operations.

As of December 31, 2025, we had three major manufacturing bases in China. Any disruption or significant damage to our manufacturing facilities from natural or other causes, such as flood, fire and earthquake, could be costly and time-consuming to repair and could disrupt our operations. In such an event, we would be forced to seek alternative manufacturing sites and facilities, which we believed would be extremely difficult to locate and secure given the highly specialized and

large-scale nature of our business. Even if we are able to identify an alternative manufacturing site, we may incur significant additional costs and we may experience a disruption in the supply of our products until our facilities become available and operational. Our operations may be disrupted for other reasons as well.

As our production facilities are designed to be for continuous operation, should our production facilities suspend operations for any reason, it would take a long time and extra electricity to recommence operations. Any disruption in our operations would have a material adverse impact on our ability to produce sufficient quantities of products or may require us to incur additional expenses in order to produce sufficient quantities, and could impair our ability to meet the demand of customers and cause customers to cancel purchase orders, any of which could materially and adversely affect our business, financial condition and results of operations.

We may not be successful in expanding our operations and opening our new facilities in a timely or cost-effective manner.

In order to meet the growing demands for our products, in the past few years, we increased our production capacity and production volume, and expanded, trained and managed our rapidly growing workforce. For the years ended December 31, 2023, 2024 and 2025, our capital expenditures amounted to RMB2,403.4 million, RMB2,019.4 million and RMB829.0 million, respectively.

As part of our development strategies, we intend to further expand our production capacities. For details, please refer to "Business — Our Production — Production Facilities" in this document. The success of our future expansion projects depends on factors beyond our control, such as the progress of the construction conducted by third parties, obtaining all relevant approvals and permits on a timely basis, local laws and regulations, government support, including in the form of subsidies or tax breaks, and customer demand for our expanded production capacity. In addition, the integration of future expansion projects into our existing operations may be subject to unforeseeable delays, which may, among others, increase our integration costs, strain our production capacity at other locations, decrease our production efficiency and cause delays in delivery of customer orders.

Furthermore, as we expect to expand our business operations in the future, we expect to incur additional depreciation and operational expenses. Our depreciation and operational expenses may increase in the future and adversely affect our profitability. Accordingly, we may not be able to achieve the expansion of our operations in a timely or cost-effective manner.

Any downturn in regional or global economy, or deterioration of geopolitical environment could affect our business, financial condition and results of operations.

Geopolitical, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation and the availability and cost of capital and credit have been and will continue to affect the markets where we operate. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa and over the conflicts involving Ukraine and Syria. The slow economic recoveries around the world and the high inflation, high interest environment have contributed to higher global volatility. These developments may adversely impact global liquidity, heighten market volatility and increase U.S. dollar funding costs resulting in tightened global financial conditions and fears of a recession. 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. Additionally, as a large portion of our operations is located in China, our financial condition, results of operations

and prospects are subject to economic, political, and legal developments in the PRC. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, results of operations and financial condition.

We may be unable to secure new sales or maintain our customers in the future.

All of our sales are secured on contract basis. As a result, we must periodically seek to enter into new contracts when our current contracts are completed. We cannot assure you that we will be able to retain our customers, renew our existing contracts or secure new contracts with customers of similar quality upon expiry of the contract period or that they will maintain their current level of business with us in the future. As such, any loss of our major customers or significant decrease in the number or size of contracts with our customers may materially and adversely affect our financial condition and operating results. Besides, if any of our customers experiences liquidity issues, it may result in a delay or default in settling payments to us, which in turn will have an adverse impact on our cash flows and financial conditions. We cannot guarantee that we will be able to diversify our customer base by securing contracts with new customers or expand our cooperation with other customers, in which event our business, financial condition and results of operations could be materially and adversely affected.

Our operations may be affected by concentrating on a few key suppliers. Should there be any loss of key suppliers or disruption in their supply, our business and results of operations could be materially and adversely affected.

For the years ended December 31, 2023, 2024 and 2025, purchases from our five largest suppliers in each year during the Track Record Period accounted for 27.7%, 46.5% and 43.2% of our total purchase amounts. This supplier concentration risk and reliance can lead to several challenges, including potential supply disruptions, increased pricing power for suppliers, and quality control issues. If any of our primary suppliers face operational difficulties such as natural disasters, labor strikes, or financial instability, our ability to procure essential materials may be compromised, resulting in production delay and increased costs.

If our suppliers decide to increase their prices or we have to source from other suppliers at higher costs in case of contingency, we might not be able to fully transfer these costs to our customers, potentially impacting our profit margins. Additionally, our dependence on a small number of suppliers increases our vulnerability to quality control issues, and any failure to adhere to our quality standards could harm our reputation and customer relationships. Moreover, our suppliers may face regulatory changes or geopolitical issues that could disrupt the supply chain, further deepening our reliance on a limited number of sources. If there is any interruption in their supply of raw materials to us, and we are unable to find an alternative supplier that offers competitive pricing, favorable terms, and satisfactory quality in a timely manner, our business and operational results may suffer.

Property, plant and equipment impairment could negatively affect our reported results of operations.

The carrying values of property, plant and equipment are reviewed for impairment annually or more frequently when events or changes in circumstances indicate the carrying values may not be recoverable. We recognized impairment losses of our property, plant and equipment of RMB1.6 million, RMB83.0 million and nil for the year ended December 31, 2023, 2024 and 2025, respectively.

In determining whether an asset is impaired, our management requires an estimation of the recoverable amount of an individual asset or the cash-generating unit to which the asset belongs, and has to exercise judgment and make a significant degree of estimation in determining the recoverable amount of the asset, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the value of the asset; (ii) whether the carrying value of an asset can be

supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amount, including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, we estimated the recoverable amount of the cash-generating unit to which the asset belongs. Changing the assumptions selected by our management to determine the level of impairment, including product price, sales volumes, growth rate, gross profit ratio or discount rate assumptions in cash flow projections, could materially affect the net present value used in the impairment test. There are inherent uncertainties related to certain of these factors and to our judgment in applying these factors to the assessment of the recoverability of the carrying value of our properties, plants and equipment. Any impairment charges would negatively impact our financial position and financial results of that reporting period.

We recorded net current liabilities during the Track Record Period. We cannot assure you that we will not experience net current liabilities in the future, which could expose us to liquidity risks.

Our net current liabilities amounted to RMB1,886.2 million, RMB2,057.5 million and RMB2,217.9 million as of December 31, 2023, 2024 and 2025, respectively. We cannot assure you that we will not record net current liabilities again in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables and the repayment of debt financing will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may impact our ability to execute our business strategies. If such event occurs, our results of operations and financial position will be materially and adversely affected.

We are subject to inventory management risks.

Our inventories primarily consist of raw materials; goods in transits; and finished goods. During the Track Record Period, we did not have, nor did we encounter any problems associated with, any obsolete inventory. As of December 31, 2023, 2024 and 2025, the balance of our inventories and contract costs amounted to RMB521.5 million, RMB1,071.8 million and RMB1,356.9 million, respectively. Our inventories and contract costs turnover days were 34 days, 32 days and 34 days for the years ended December 31, 2023, 2024 and 2025, respectively.

Our inventory risk arises from potential market demand fluctuations, evolving industry conditions, and regulatory changes that could affect our products specifications or usage. We cannot guarantee our inventory management policies will always be effective and that we will be able to maintain an appropriate inventory level. We may still be exposed to the risk of holding excessive inventory, which may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs. This could have a material adverse effect on our business, results of operations and financial condition.

We may be exposed to risks from our hedging activities in relation to the commodity prices of our raw materials.

Our Board has approved a margin limit of not more than RMB80.0 million for our hedging activities in 2025, with the maximum contract value on any single trading day not exceeding RMB400.0 million. As of December 31, 2023, 2024 and 2025, we had derivative financial instruments with respect of commodity futures of nil, RMB5.2 million and RMB8.8 million, respectively. For details, please refer to "Business — Risk Management and Internal Control — Hedging Activities" in this document. While these hedging activities potentially reduce our exposure to changes in commodity prices, the use of such hedging instruments may ultimately limit our ability to benefit from favorable price trends. The successful use of hedging instruments depends on our ability to accurately forecast the direction and extent of market movements within

a given time frame. To the extent selling prices remain stable or fluctuate in a direction opposite to our anticipations, we may realize losses on hedging transactions that are not offset by decreases in raw material prices. Furthermore, if we fail to properly monitor and manage our hedging positions, we may be required to deposit and utilize additional funds, which could adversely affect our cash and cash equivalent position. There can be no assurance that these procedures will be effective and adequate. There is no guarantee that we will not experience losses from these hedging transactions in the future, or that such losses will not have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to risks relating to warehousing and third-party logistics service providers.

We partner with third-party providers with integrated warehousing and logistics services to deliver our products efficiently. To preserve product integrity and stability, we have established stringent standards for storage conditions, handling, and transportation that must be met by these third-party providers. However, we cannot assure you that the third-party warehousing and logistics providers will always be able to satisfy our stringent quality control requirements. Any failure in the supervision of storage or delivery — such as inadequate temperature control, contamination, failure to maintain proper hygiene, deviations from handling protocols, or other breaches of operational standards — could lead to product degradation, contamination, or safety incidents. Furthermore, a major disruption at third-party warehouse facilities, whether due to natural disaster, fire, labor disputes, equipment failure, or other unforeseen events, or any significant deviation from required storage conditions (such as temperature, humidity, or ventilation), could accelerate chemical deterioration or compromise safety. Any failure or deficiency in warehousing or logistics operations may result in product loss, regulatory non-compliance, safety hazards, reputational damage, and could adversely affect our business, financial condition, and results of operations.

We are subject to risks relating to our third-party payment arrangements during the Track Record Period.

During the Track Record Period, we accepted payments made on behalf of certain customers through the accounts of third party payors designated by the relevant customers. During the Track Record Period, the aggregate amount of our transactions involving third-party payment arrangements was approximately RMB23.0 million, accounting for less than 0.07% of our total revenue during the Track Record Period. For details, please refer to "Business — Third-Party Payment Arrangements" in this document.

We may be subject to risks relating to such third-party payment arrangements during the Track Record Period, which primarily include: (i) possible claims from third-party payors for return of funds as we had no contractual relations with such third-party payors and they were not contractually obliged to pay us, and possible claims from liquidators of such third-party payors; and (ii) potential money laundering risks as we have limited knowledge in relation to the source and purpose of the funds utilized by third-party payors under such third-party payment arrangements. In the event of any claims from third-party payors or their liquidators, or legal or administrative proceedings instituted or brought against us for the return of the relevant funds or for the violation or non-compliance of laws, rules and regulations, we will have to address these claims or proceedings, which would adversely affect our business and financial condition.

If we fail to maintain an effective quality control system, it may have a material adverse effect on our business, financial condition and results of operations.

The quality of our products is critical to the success of our business. These factors depend significantly on the effectiveness of our quality control system, which in turn, depends on a number of factors, including, among others, the quality of raw materials, the design of production systems, machineries and equipment used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality control policies and guidelines. We are required to comply with specific guidelines and standards based on international product safety laws and regulations that are applicable in the jurisdictions where we sell our products to our customers. Our safety standards for the inspection of our products are also based on the relevant national and industry standards, such as ISO 9001:2015. For further details, please refer to "Business — Quality Control" in this document. We cannot assure you that our quality control system will continue to be effective and in compliant with relevant laws, regulations and standards. Any significant failure in or deterioration of the efficacy of our quality control systems could result in us damaging our relationships with our customers, and losing accreditations and requisite certifications or qualifications, which could in turn have a material and adverse effect on our business, reputation, financial condition and results of operations.

Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may materially and adversely affect our business, financial condition and results of operations.

As of December 31, 2025, we have sold our products to more than 100 countries and regions across the world. For the years ended December 31, 2023, 2024 and 2025, we generated 5.4%, 3.4% and 10.3% of our total revenue from overseas sales, respectively. In addition, certain of raw materials are also sourced from overseas, such as LPG (primarily propane and butane). In the event that any of the countries or regions that we export to or import from imposes additional economic sanctions, enforces import restrictions or tariffs or trade protective measures, such as anti-dumping measures in relation to our products or key raw materials, our business, operations and financial position may be adversely affected.

Our exports and imports must be made in compliance with various economic sanctions, export controls laws and trade measures in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to certain countries or regions, governments and persons targeted by U.S. sanctions. European Union sanctions also have similar regimes with their respective target list. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. We could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results. In April 2026, the relevant Korean authorities initiated an anti-dumping investigation against solid sodium hydroxide originating from China, following a petition filed by a local company. Our solid sodium hydroxide products exported to Korea are within the scope of this investigation. During the Track Record Period, revenue from exports of solid sodium hydroxide to Korea accounted for less than 1.0% of our total revenue. We consider that there is no material adverse impact on our business operations and financial condition. As of the Latest Practicable Date, such anti-dumping investigation remained at an early stage. If the relevant Korean authorities ultimately make an affirmative determination of dumping and material injury, we may be subject to anti-dumping duties or other restrictive measures, which will increase the cost of our sodium hydroxide exports to Korea, and may disrupt or suspend our export arrangements. Investigation uncertainties may also cause local customers to adjust purchasing plans and place fewer orders. In addition, responding to the investigation will incur additional manpower and administrative costs, which will increase our operating costs.

In addition, recent trade tensions, such as the ongoing U.S.-China trade disputes, have led to high tariffs, export controls and other restrictive measures targeting specific products and products originating from certain countries or regions. These measures could disrupt our supply chain, increase costs and negatively impact our ability to compete in the global market. The current international trade tensions and political tensions, and any escalation of such tensions, may have a material negative impact on our ability to continue to sell to global customers, further grow our customer base and purchase sufficient raw materials. Geopolitical conditions may also lead to heightened restrictions on foreign investments, introducing increased compliance requirements and uncertainty for investors.

Work stoppage, increases in labor cost and other labor related matters may have an adverse effect on our businesses.

While we did not encounter any significant work stoppages, strikes, or other labor issues which have a material adverse effect to our business operations in the Track Record Period, we cannot guarantee that such events will not happen in the future. Labor shortage, increased labor costs or other factors affecting our labor force at our production facilities may significantly disrupt our business operations or delay our expansion plans. We may have difficulties in hiring or retaining employees or may be subject to additional labor costs in the future. Any failure to attract qualified employees at reasonable cost level and in a timely manner, or any increase in our labor costs or any future disputes with our employees may materially and adversely affect our business, financial condition and/or results of operations.

We are exposed to risks in relation to our engagement of distributors for sale of our products.

During the Track Record Period, we also sold our products to customers which are not end-users but only resell our products, namely, distributors. For the years ended December 31, 2023, 2024 and 2025, the total revenue generated from sales through distributors amounted to RMB1,839.3 million, RMB3,372.4 million and RMB1,863.1 million, respectively, representing 25.2%, 33.0% and 12.6% of our total revenue for the same year, respectively. For more information, please refer to the section headed "Business — Sales and Customers — Sales Models" in this document.

We primarily transact with our distributors on an order-by-order basis. There is no assurance our distributors will always place orders with us for reasons unrelated to us, such as a change to their business strategies. If any of our distributors were to terminate its business relationship with us entirely, there can be no assurance that we would be able to secure another distributor to replace any such loss or that, if we were to be able to secure other distributorship agreements, they would be on commercially reasonable terms. Any reduction in or termination of business dealings with our distributors may materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, we do not have control over our distributors, and there is no assurance that our distributors will not breach distributorship agreements or will comply with their obligations thereunder. If our distributorship agreements cannot be renewed or if our distributors breach any of the terms thereunder, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our reputation, business, results of operations and prospects could be adversely affected if we fail to keep pace with the evolving industry standards or our customers' requirements.

Our products are subject to established domestic and international industry standards as well as specification requirements of our customers. In addition, we are required to provide products that meet the specification requirements stipulated in our sales and purchase agreements. However, we can give no assurance that our existing or future products will always meet the evolving industry standards or our customers' requirements, or that we will not incur significant costs in ensuring our compliance with these standards or requirements. If we fail to comply with such standards or

requirements, we may be required to incur additional expenditures to improve our production processes or change product compositions, or we may be subject to penalties for breach of the sales agreements, any of which would adversely affect our reputation, business, results of operations and prospects.

Our success depends upon our core management and key personnel, and any failure to attract and retain necessary talents may materially and adversely affect our business, financial condition, results of operations and prospects.

Our success depends, to a significant extent, on the capability, expertise and continued services of our key personnel, including, among others, key executives and research and development personnel. We rely on the expertise and experience of our key personnel in developing business strategies, product research and development, business operation and maintaining relationships with customers. If we lose the services of any of our key personnel, we may not be able to find a suitable replacement with comparable knowledge and experience, and our business, financial condition, results of operations and prospects may be materially and adversely affected. The loss of any key personnel by our Group could have a material adverse effect on our business, financial condition and results of operations.

Technological evolution in the industry where we operate demands continuous innovation and investment. Failure to keep pace with technology advancements or industry standards may results in loss of competitive advantage and customer attraction.

Our success depends heavily on our continuous innovation to enhance production efficiency, reduce costs, expand product applications, and adapt our products to evolving industry standards. The technological advancements demand ongoing research and development investment. For the years ended December 31, 2023, 2024 and 2025, our research and development costs amounted to RMB68.4 million, RMB120.3 million and RMB173.2 million, respectively. The research and development process can be expensive, prolonged, and entails uncertainties beyond current knowledge. We cannot assure you that our future product research and development projects will be successful or be completed within the anticipated time frame or budget, or that our newly developed products will achieve wide market acceptance. Even if such products can be successfully commercialized, there is no guarantee that they will be accepted by our customers and achieve anticipated sales target or in a profitable manner. If we fail to innovate more efficient processes, we may not be able to maintain our leading position in the market.

We cannot assure you that our existing or future products will always meet the evolving industry standards or our customers' requirements, or that we will not incur significant costs in ensuring our compliance with such standards or requirements. There can be no assurance that we will continue to be successful in responding to these technological changes and evolving industry standards. New products or technologies may render our existing products or technologies less competitive. If we fail to comply with these standards or requirements, we may be required to incur additional costs to change our product compositions or to improve our production processes and upgrade our production technologies in order to align with the industry standards and customer demand, any of which would adversely affect our business and results of operations. If we fail to derive desired benefits from our product research and development efforts and evolving industry standards in an efficient and timely manner, we may not be able to continue to effectively serve our customers' demands, and our business, financial conditions and results of operations may be materially and adversely affected.

Our business depends on our ability to protect our intellectual property rights and the confidentiality of our trade secrets, and we may be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damage awards and incur other costs.

Our success depends in part upon our intellectual proprietary rights and know-how. However, we may not be able to adequately protect such intellectual proprietary rights. In addition, any attempt to enforce our intellectual property rights, even if successful, could result in costly and prolonged litigation, divert our management's attention and adversely affect our financial performance. Failure to adequately protect our intellectual property may materially and adversely affect our results of operations as our competitors would be able to utilize such property without having to incur the costs of developing it, thus potentially reducing our relative profitability. Also, if we fail to effectively protect our brand name from inappropriate use by third parties in ways that adversely affect our brand name, our reputation could suffer damage, which in turn could have a material adverse effect on our business, financial condition and results of operations. Furthermore, we may be subject to claims that our technology infringes the intellectual property rights of other parties. Even if without merit, such claims could result in costly and prolonged litigation, divert management's attention, damage our reputation and materially and adversely affect our business, financial condition and results of operations.

Failure to protect our leasehold interests or comply with the relevant regulation regarding our lease may subject us to fines.

As of the Latest Practicable Date, we had leased four properties in China, which were primarily used for our offices and had not been registered in accordance with the relevant laws and regulations. Under the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), promulgated by the MOHURD on December 1, 2010 and effective February 1, 2011, the lessor and lessee shall register lease agreements with local government authorities within 30 days of signing. Failure to register these lease agreements may result in fines of up to RMB10,000 per unregistered lease, with local authorities requiring timely correction. The lack of registration will not affect the validity and enforceability of these lease agreements, as advised by our PRC Legal Advisers. However, the relevant government authorities may still require us to rectify these unregistered lease agreements within a certain period of time, failing to comply with which may subject us to fines.

Our working capital can be unstable during certain quarters and our future financing may be uncertain.

Our operations requires substantial capital and other long-term expenditures, including expenditures for the purchase of machinery. No assurance can be given that we will be able to generate sufficient cash from our operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are reasonable to us or consistent with our expectations. To the extent we cannot finance our expansion or acquisitions at reasonable rates or at all in the future, our business may be harmed. In addition, part of our expansions requires us to procure raw materials, as a result, during certain quarters we may incur higher working capital needs that may affect our working capital operation. We cannot assure that we will not experience any higher working capital needs in the future, and our business, financial condition, results of operations and working capital may be affected.

Anticipated benefits of historical, existing and potential future mergers, acquisitions, joint ventures or strategic alliances may not be realized.

We have invested, and my invest in the future, in mergers, acquisitions, joint ventures or strategic alliances. Endeavors of such kinds are inherently risky, and future ventures of such nature may involve significant risks and uncertainties, which include but not limited to the following: (i) challenges related to integration; (ii) substantial delays or reduction in anticipated synergies; (iii)

events beyond our control, including changes in regulations, technology and economic conditions, which could adversely affect our ability to realize benefits and returns from such transaction; (iv) potential increase in indebtedness that could constrain our operations; (v) exposure to unknown or contingent liabilities that could require significant expenditures and capital injections; (vi) failure to train, motivate, integrate and retain employees of the other company; (vii) diversion of management time and attention from our existing operations to address the transactions and related challenges or those associated with integration processes; and (viii) unanticipated write-offs or charges and impairment of goodwill.

We expanded our business operations partially through acquisitions and/or investments. For more information, please refer to "History, Development and Corporate Structure" in this document. If we fail to address any of the foregoing risks, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risk of our customers and failure to collect our trade and bills receivables in a timely manner may affect our financial condition and results of operations.

As of December 31, 2023, 2024 and 2025, our trade and bills receivables were RMB827.7 million, RMB678.5 million and RMB917.8 million, respectively. Our trade and bills receivables turnover days were 41 days, 27 days and 20 days for the years ended December 31, 2023, 2024 and 2025, respectively. For details, please refer to "Financial Information — Certain Consolidated Statements of Financial Position Items — Trade and Bills Receivables" in this document.

Our profitability and cash flows are dependent to a large extent on the creditworthiness of our customers and their ability to settle the outstanding amount owed to us in accordance with the credit terms we have granted to them. Any failure by our customers to make payments to us, or any dispute over or significant delays in receiving such payments from our customers, could require us to write off or make provision against our trade and bills receivables, either of which could adversely affect our cash flows and profitability.

We may not be successful in executing our business plans and strategies effectively, and our business, financial condition and results of operations may be materially and adversely affected.

We may not be successful in executing our business plans and strategies effectively or at all. Unforeseen factors which could hinder us to execute our business plans and strategies include, among others, unpredictable market developments, increased competition, changes in macroeconomy and supply chain disruptions. Unforeseen market changes can shift demand for our products, making it difficult to forecast sales and adjust our strategies accordingly. Changes in the macroeconomy can significantly impact the development of chemical companies as they will affect the prices of raw materials and end-user markets, which then affect our production costs and demand for our products. In addition, disruptions in our supply chain, whether due to logistical challenges, natural disasters or geopolitical factors, can hinder our ability to deliver products on time and maintain operational efficiency, potentially resulting in customer's dissatisfaction, cancelation of orders or breach of contracts. Furthermore, we will expand into overseas markets and increase overseas production capabilities. For further details, please refer to the section headed "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" in this document. As a result, if we are unable to navigate these challenges effectively, it could have a significant adverse impact on our business, financial health and results of operations.

Our performance may suffer from business disruptions associated with information technology, system implementations or catastrophic losses affecting our IT system.

Information technology systems are essential to competitiveness and efficient operations. Our information systems may be vulnerable to damage or interruption from factors beyond our control, including computer viruses, acts of hacking, vandalism, power outages, fire or other natural

disasters. Any significant failure of our information technology system, or loss or leakage of confidential information could result in transaction errors, process inefficiencies and loss of sales, which could further harm our reputation and materially and adversely affect our business, financial condition and results of operations.

Equity incentive expenses may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We have adopted share incentive schemes for the benefit of our employees (including directors) as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of us. For details, please refer to "Appendix VI — Statutory and General Information — D. Share Schemes" in this document. For the years ended December 31, 2023 and 2025, we incurred equity-settled share-based payment expenses of RMB43.6 million and RMB44.9 million. For the year ended December 31, 2024, we incurred equity-settled share-based payment reversal of RMB27.7 million. To further incentivize our employees to contribute to us, we may adopt additional equity incentive in the future. Issuance of additional Shares with respect to such equity incentive may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such equity incentive may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result.

From time to time, we may become involved in legal or other proceedings related to our operations, including, among others, product liability claims. These proceedings can result in significant liabilities for us. We may also encounter disputes with various parties involved in our business operations, such as customers, joint venture partners, suppliers, employees, logistics service providers, inspection service providers, software and system service providers, construction service providers, research institutes and organizations, insurers and banks. These disputes could lead to legal actions that may damage our reputation, incur substantial costs, and divert our resources and management's attention. Additionally, compliance issues that arise during our operations may subject us to administrative proceedings, resulting in unfavorable outcomes, liabilities, and delays in our production or product launch schedules. The outcomes of these legal proceedings are uncertain, and any negative outcome could have a material adverse impact on our business, financial condition, and prospects.

Furthermore, there is a potential risk of product liability claims if our products cause any damage due to defects. A successful product liability claim against us could require us to pay significant damages. Defending against product liability claims, whether successful or not, can be costly and time-consuming. As of the Latest Practicable Date, we had not been exposed to any significant product liability claims which had material adverse impacts to our business operations. We do not maintain any product liability insurance. If our products fail to meet the required specifications or quality standards, our business could be materially and adversely affected. We cannot assure you that we will not face product liability claims in the future. Such claims, regardless of their merit, could generate negative publicity and have a material adverse effect on the marketability of our products, our reputation, and ultimately our business, financial condition, and results of operations.

We are subject to certain restrictive covenants and risks associated with our debt financing terms that may limit or otherwise adversely affect our business, financial condition, results of operations and prospects.

We are subject to restrictive covenants in loan agreements with certain banks. These covenants may restrict or adversely affect our business, results of operations, financial condition and prospects, including our ability to finance our operations through additional loan facilities. In the

event of any breach of covenants or defaults under these loan agreements, the lenders may accelerate payment of all or any part of the loans under such loan agreements, and cross-default clauses of other financing agreements may be triggered. During the Track Record Period, we have not breached any financial covenants relating to bank loans. We may not be able to comply with all of the covenants set out in the loan agreements in the future. In the event of any default under our loan agreements where the lender chooses to accelerate the payment of all or any part of the loan under such loan agreements, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Failure to detect or prevent fraudulent or illegal activities or other misconduct or negligence by our employees, customers, suppliers or other third parties may materially and adversely affect our business.

We are exposed to risks of fraudulent or illegal activities or other misconduct or negligence by our employees, customers, suppliers or other business partners in the course of our business operations. Such misconduct could include fraud, corruption, bribery, collusion or other violations of applicable laws, including anti-corruption and anti-bribery laws, which could expose us to liabilities, fines and penalties imposed by government authorities, as well as significant reputational damage. In addition, certain of our employees may fail to perform their duties due to their lack of familiarity with the relevant laws and regulations, which could result in the occurrence of compliance deficiencies and may consequently lead to additional operational costs and potential penalties imposed on us. We cannot assure you that our measures in place to monitor and prevent such misconduct and negligence would be effective at all times in identifying or mitigating all potential risks. Instances of misconduct may still occur, and any undetected or unresolved incidents could lead to adverse consequences, such as financial losses, legal liabilities or disruptions to our operations.

Furthermore, any publicized instances of fraudulent, illegal or negligent activities associated with our employees or business partners could harm our reputation, reducing customer and partner trust in our business. If such misconduct involves our employees, we could also face liabilities to third parties and penalties imposed by authorities. Accordingly, any failure to detect and prevent fraudulent, illegal or negligent activities or other misconduct by our employees, customers, suppliers or other business partners could materially and adversely affect our business, financial condition and results of operations.

Any non-compliance with labor-related laws and regulations of the PRC, including with respect to social insurance and housing provident fund contributions, may subject us to penalties or other regulatory actions.

Pursuant to applicable PRC labor laws and regulations, we are required to enter into written employment contracts with our employees and to make contributions, and withhold employee contributions, to various statutory schemes, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and the housing provident fund, in accordance with local regulations.

During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations, primarily because certain employees were unwilling to pay the social insurance and housing provident funds in full as it requires additional contributions from the employees. For the years ended December 31, 2023, 2024 and 2025, contribution shortfalls of our social insurance and housing provident funds amounted to approximately RMB8.6 million, RMB26.4 million and RMB26.4 million, respectively. Therefore, during the Track Record Period, we could be subject to (i) fines up to one to three times the total amount of the social insurance contribution shortfall if we fail to pay such amount as required by the competent authority within the stipulated period, and (ii) a late fee of 0.05% of the outstanding amount for each day of delay. We did not make provisions for such contribution shortfalls and penalties, primarily because according to our PRC Legal Advisers, based on the fact stated above and the confirmations from

the relevant local governmental authorities, the risk that we will be proactively required to settle all historical social insurance and housing provident funds and be subject to material administrative penalties is remote, provided that there are no material adverse changes in the current regulatory policies and environment and no employee complaints occur. In addition, we engaged third-party human resources agencies to make social security and housing fund contributions for certain employees in their respective places of residence during the Track Record Period. As of the Latest Practicable Date, we had completed the rectification and directly made social insurance and housing provident fund contributions for these employees through our local accounts.

As advised by our PRC Legal Advisers, pursuant to applicable PRC laws and regulations, if an employer fails to make social insurance contributions in full, the relevant authorities could order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order it to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a court in China for compulsory enforcement. Pursuant to the Interpretation (II) of the Supreme People's Court on issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (the "**New Judicial Interpretation**"), which became effective on September 1, 2025, where the employer and the employee agree, or the employee promises the employer, that there is no need to make social insurance contributions, the people's court shall determine that such agreement or promise is invalid. Where the employer fails to make social insurance contributions in accordance with the law, and the employee requests to terminate the labor contract and claim economic compensation in accordance with item (3) of Article 38 of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the people's court shall support such claim. Our PRC Legal Advisors are of the view that (i) the New Judicial Interpretation does not repeal the social insurance laws and regulations currently in force of the PRC; and (ii) the New Judicial Interpretation does not expand the Company's penalty exposure.

As of the Latest Practicable Date, we had not received any administrative penalty or rectification notice from the relevant PRC authorities in connection with such matters and we were not aware of any material complaints raised by our employees regarding our social insurance and housing provident fund contributions. We have obtained confirmations from the relevant local governmental authorities in August 2025 and March 2026, which confirmed that: (i) the social insurance and housing provident fund contributions base declared by us fall within the range published by the local authorities; (ii) provided no employee complaints or reports were involved, the relevant local governmental authority would not take its own enforcement measures to compel us to make supplementary contributions for social insurance, impose late-payment surcharges, or issue administrative penalties; (iii) we were not subject to the circumstances of being required to make supplementary contributions for housing provident funds; (iv) no administrative penalties had been imposed on us during the Track Record Period and up to the date of the confirmation.

According to our PRC Legal Advisers, based on the fact stated above and the confirmations from the relevant local governmental authorities, the risk that we will be proactively required to settle all historical social insurance and housing provident funds and be subject to material administrative penalties is remote, provided that there are no material adverse changes in the current regulatory policies and environment and no employee complaints occur. Our Directors believe that the abovementioned would not have a material adverse effect on our business, financial condition and results of operations, considering that during the Track Record Period and up to the Latest Practicable Date, (i) we have obtained confirmations from the relevant authorities as mentioned above; (ii) as advised by our PRC Legal Advisers, based on the fact and the confirmations stated above, the risk that we will be proactively required to settle all historical social insurance and housing provident funds and be subject to material administrative penalties is remote, provided that there are no material adverse changes in the current regulatory policies and environment and no

employee complaints occur; and (iii) if we receive a notice from relevant authorities requiring us to rectify, pay or make up social insurance and housing provident funds within a specified period, we will promptly comply with the requirements of such notice.

We cannot assure you that the relevant authorities will not adopt a stricter stance, conduct retrospective inspections, or impose retroactive contributions, surcharges or administrative penalties in the future. Any such actions may increase our compliance costs, create labor disputes or reputational risks, and adversely affect our financial condition, business operations and prospects.

We may not continue to enjoy preferential tax treatments or receive government grants.

Our results of operations and profitability are affected by changes in tax rates in the PRC. Our PRC subsidiaries accredited as a High and New Technology Enterprise are subject to a preferential PRC enterprise income tax rate at 15%. Our effective tax rates may change from year to year due to the availability or expiration of any preferential tax treatments. We cannot assure you that the PRC policies with respect to the preferential tax treatments we currently enjoy would not be unfavorably changed, or that the approval for such preferential tax treatments would be granted to us in a timely manner, or at all.

For the years ended December 31, 2023, 2024 and 2025, we recorded government grants of RMB7.1 million, RMB7.7 million and RMB12.5 million, respectively. We received these government grants from local governments in relation to various business activities, such as energy conversation and pollution prevention, and economic stability and growth. Most of these government grants are non-recurring in nature. The award of government grants may be discretionary and subject to certain selection criteria and procedures stipulated by the local governments, which we may not qualify in the future. There can be no assurance whether and when we will be able to receive any such government grants in the future, or at all. In the future, If we do not receive government grants at the same level as we did during the Track Record Period, our profitability may be adversely affected.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations.

We are subject to anti-corruption, anti-bribery, anti-money laundering 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. 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 and similar 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.

Our taxable profits may be subject to transfer pricing adjustments by tax authorities.

We carry out certain intra-Group transactions in the PRC and overseas. We have engaged an independent Transfer Pricing Consultant to perform transfer pricing review on our cross-border intra-Group purchase and sale of goods transactions for the year ended December 31, 2024 and 2025, with no such transactions incurred for the year ended December 31, 2023. Based on its

analysis, these transactions was not inconsistent with the arm's length principle. Please refer to "Financial Information — Description of Key Consolidated Statements of Profit or Loss Items — Income Tax" for details. We expect that the relevant arrangements will continue in the foreseeable future.

There is no assurance that tax authorities reviewing such arrangements would agree that we are in compliance with transfer pricing related laws and regulations, or such laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that the transfer prices were not on an arms' length basis and could have an effect on taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby reallocate revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such reallocation or adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

We may not have adequate or any insurance coverage for losses and liabilities arising from various operational risks and hazards that we are subject to.

Our current insurance coverage may not be enough to protect us from the various operational risks include production interruptions caused by operational errors, electricity outages, equipment unrest, as well as environmental or industrial accidents, and catastrophic events such as fires, risks and hazards we face in our businesses. Risks associated with our production include damage damages and risks posed by natural disasters, any or all of which may result in losses to us. These to production facilities, environmental pollution, transportation damages and delays, industrial breakdowns, and environmental or regulatory limitations. We also face social, political, and labor unrest, as well as environmental or industrial accidents, and catastrophic events such as fires, earthquakes, explosions, floods, or other natural disasters. We may also be unable to obtain or maintain insurance policies covering risks associated with natural disasters, business interruption or environmental damages arising from our production activities.

There is no guarantee that our insurance coverage would be sufficient in the event of such major accidents. If we incur significant losses or liabilities, and our insurance is unable to cover these losses or liabilities, our business, financial condition, results of operations, and prospects could be adversely affected.

Public health crises such as the COVID-19 pandemic may disrupt our operations, supply chain, or customer demand, and materially and adversely affect our business.

Since late 2022 and early 2023, China experienced a surge in COVID-19 confirmed cases. Our production and operations during the Track Record Period were not materially and negatively impacted. For detailed analysis, please refer to "Business — Impact of COVID-19 on our Business Performance" in this document. However, we cannot assure you that the COVID-19 situation will not worsen in the future. If so, our business, operation and financial condition may be materially and adversely affected. On top of the COVID-19 pandemic, any potential force majeure events such as pandemics and epidemics, infectious diseases, actual or threatened war or terrorist activities, political unrest, civil strike or other geopolitical uncertainties that we cannot foresee and beyond our control may have significant adverse impact on the economy and disrupt our business operations, reduce our supply or services, incur costs to protect our employees and facilities, and would ultimately affect our business and financial condition.

Our business, financial condition and results of operations may be materially and adversely affected in the event of fire, breakdown, failure of our equipment and machinery, power shortage, water supply shortage, electricity shutdown, labor strikes, acts of war, political unrest, outbreak of a contagious or epidemic disease and natural disasters.

Our revenue is dependent on the uninterrupted operation of our production facilities. Our business operations are subject to risks beyond our control including, among others, fire, breakdown, failure of our equipment and machinery, power shortage, water supply shortage, electricity shutdown, labor strikes, acts of war, political unrest and outbreak of a contagious or epidemic disease and natural disasters. Any or a combination of these could cause material damage to, or the loss of, our operational facilities. Such events may also result in limitations on our ability to travel, delays in transportation and delivery of our products, disruption of raw material supplies, as well as temporary closure of our production facilities for quarantine or for preventive purposes. The time required to rectify such problems could be lengthy and could result in significant increases in costs or reduction in sales. Frequent or prolonged occurrences of any of the aforesaid events may have a material and adverse effect on our business, financial condition and results of operations.

Negative publicity or damage to our reputation may adversely affect our business and results of operations.

We value and rely on our reputation to maintain and grow our business operations. Negative publicity associated with our operations could cause loss of business. divert number of counterparties, including customers and suppliers. If any of such counterparties, or any following such complaints or allegations, regardless of whether the court has ruled in our favor or management attention and other resources and incur litigation costs. We conduct business with a of our former employees, is dissatisfied with us, whether or not justified, and raises any complaints or allegations relating to our operations and/or our Directors, or employees, our business may be adversely affected. Any negative publicity on any form of media otherwise, may also damage our reputation and impact customers' perceptions of our brand, which may in turn materially and adversely affect our business and results of operations.

Any failure to comply with data privacy and security laws may adversely impact our business, financial condition and results of operations.

We are subject to various regulatory requirements relating to cybersecurity and data privacy in China. Recently, the governments worldwide have placed increasing emphasis on privacy and data protection regulations. The Chinese government, in particular, has implemented a series of laws, regulations and policies to safeguard personal data. We must comply with applicable laws and regulations throughout the entire life cycle of personal information, including its collection, storage, use, processing, transmission, provision, disclosure and deletion. Failure to comply with the increasingly stringent data and personal information protection laws in the PRC, as well as evolving data security and privacy regulations in other jurisdictions where we operate or plan to operate, could result in significant legal and regulatory penalties, reputational damage, and adverse effects on our business, financial condition, and results of operations.

As data privacy laws and industry standards continue to evolve globally, we will need to implement and maintain effective internal controls, compliance mechanisms, and risk management policies. Ensuring compliance with these requirements may require substantial resources, personnel, and capital investment. The unauthorized access, loss or misuse of data and personal information, whether by our company or our partners, could lead to significant consequences, including increased cybersecurity expenditures, regulatory investigations, enforcement actions, fines, litigation, indemnification obligations, remediation costs, and operational disruptions. In addition, defending against potential legal claims arising from such incidents may result in further

financial and reputational exposure. Even unsubstantiated concerns raised by customers, employees, or third parties regarding our handling of data and personal information could harm our reputation and undermine trust in our brand, which may, in turn, negatively impact our business prospects and market perception.

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

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

The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses still needs further clarification. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards, which may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims.

Furthermore, many of the legal systems in the geographic markets where we operate are based in part on their respective government policies and internal interpretations, some of which are published from time to time and may have retroactive effects. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention depending on the complexity of the cases.

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

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

As the PRC laws and regulations in relation to overseas issuance and listing of shares develop, we may be required to make filings with or report other PRC regulatory authorities for our future capital raising activities. For more details, please refer to the section headed "Regulatory Overview — Relevant laws and regulations in the PRC Regulations in Relation to Overseas Securities Offering and Listing by Domestic Companies" We are required to file with the CSRC in accordance with the Overseas Listing Trial Measures after our application for the [**REDACTED**] is submitted.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Rules**"), which came into effect on March 31, 2023. The Archives

Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. Any failure to comply with Archives Rules may materially affect our business, financial condition and results of operations.

We are closely monitoring how they will affect our operations and our future financing. In addition, if other PRC regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for this [**REDACTED**] or future capital raising activities, there can be no assurance that we will be able to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver.

Other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt this [**REDACTED**] or future capital raising activities before settlement and delivery of the [**REDACTED**] hereby. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

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

Most of our assets are located within the PRC. The majority of our Directors and senior management reside within the PRC. The assets of these Directors and senior management also may be located within the PRC. As a result, it may not be possible to effect service of legal process and enforcing judgments against us and our Directors and management. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the U.S., the U.K., Japan or most other countries. As a result, in the PRC, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of Mainland and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《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》). Under this arrangement, where any designated People's Court of the PRC 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, any party concerned may apply to the relevant People's Court of PRC or Hong Kong court for recognition and enforcement of the judgment. On January 25, 2024, the Supreme People's Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement was superseded upon the effectiveness of the Arrangement on January 29, 2024. Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgements awarded by courts of the United States, the United Kingdom, or many other countries. Hence, the recognition and enforcement in the PRC of judgements of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be uncertain.

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

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of China, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement provides otherwise. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not residents in China are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gains realized from the [**REDACTED**] of our H Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realized through the [**REDACTED**] of our H Shares or on dividends paid to our non-resident [**REDACTED**], the value of your [**REDACTED**] in our H Shares may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

Our operations are subject to, and may be affected by, changes in tax laws and regulations in the countries and regions where we operate.

The PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) ("**EIT Law**") imposes a tax rate of 25% on business enterprises. To the extent there are any adjustments 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 authorities may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with China tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to China tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. For further details, please refer to the section headed "Financial Information" in this document. Due to the fact that the tax environment can various in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations."

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were

to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected. Such challenges could have a material adverse effect on our financial condition, results of operations and prospects.

Foreign exchange regulations may limit our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate we shall have sufficient foreign exchange to meet our foreign exchange needs. For example, under the current PRC foreign exchange regulation, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected and could subject us to administrative penalties and fines.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our H Shares, and their liquidity and [REDACTED] may be volatile.

There was no [**REDACTED**] for our H Shares prior to the [**REDACTED**]. There can be no guarantee that a [**REDACTED**] for our H Shares with adequate [**REDACTED**] will develop and be sustained following the completion of the [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us, which may not be indicative of the [**REDACTED**] of our H Shares following the completion of the [**REDACTED**].

If an active [**REDACTED**] for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and [**REDACTED**] of our H Shares may be materially and adversely affected.

The [REDACTED], [REDACTED] and [REDACTED] of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to [REDACTED].

The [**REDACTED**] at which our H Shares will [**REDACTED**] after the [**REDACTED**] will be determined by the marketplace, which may be affected by various factors beyond our control, including:

- our financial performance;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, ourselves and the industry in which we operate;
- an assessment on the prospects for, and timing of, our future revenue and cost;
- structures that independent research analysts may publish, if any;

- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities;
- general market sentiment regarding the industry we operate in;
- changes in laws and regulations of China;
- our actual or perceived failure to compete effectively in the market; and
- political, economic, financial and social conditions.

In addition, the Stock Exchange has from time to time experienced significant volatility in trading prices and volumes that have affected the [**REDACTED**] of securities of companies quoted on the Stock Exchange. As a result, [**REDACTED**] in our H Shares may experience volatility in the [**REDACTED**] of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

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.

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of China, the payment of dividends may be subject to certain limitations. Moreover, the calculation of our profit under the China Accounting Standards for Business Enterprises ("**PRC GAAP**") may differ in certain respects from the calculation under the "IFRS Accounting Standards". As a result, even if we report a profit for the year under IFRS Accounting Standards, we may not have distributable profits as determined by PRC GAAP. Additionally, the declaration, payment and amount of any future dividends are subject to the discretion of our Directors after taking into account various factors, including our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at a Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of China. For details, please refer to "Financial Information — Dividend" in this document. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of China, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. If the foreign exchange administration system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would affect the remittance of RMB into or out of China.

Should the [REDACTED] be higher than the net tangible assets value per Share, subject to [REDACTED], you may experience an immediate dilution and may experience further dilution if we [REDACTED] additional Shares in the future.

If the [**REDACTED**] of our H Shares is higher than the net tangible assets value per Share immediately prior to the [**REDACTED**], [**REDACTED**] of our H Shares in the [**REDACTED**] will experience an immediate dilution.

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. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that 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. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

Our future financing may cause dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider [**REDACTED**] and [**REDACTED**] additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

Certain facts, forecasts and statistics contained in this document may not be reliable.

We have derived certain facts and other statistics in this document, such as the section headed "Industry Overview" based on information from various public sources, industry associations, independent research institutes and other third-party sources, including the Frost & Sullivan Report that we commissioned. Our Directors and Joint Sponsors have exercised reasonable care in selecting and identifying the information sources, and believe that the sources of such information are appropriate sources for such information. We have taken reasonable care in extracting and reproducing such information. However, the information from official government sources has not been independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], or any other party involved in the [**REDACTED**], and no representation is given as to its accuracy. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

The [**REDACTED**] is being made solely on the basis of the information and representations contained in this document, which are true and accurate to the best of our knowledge and belief. Any information not contained in this document should not be relied upon in making an [**REDACTED**] decision with respect to the securities being [**REDACTED**].

Prior to the publication of this document, there has been coverage in the media regarding us and the [**REDACTED**], which may have contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. [**REDACTED**] should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information. These sources may also have conflicts of interest, and their opinions may not be independent or objective. The media's coverage of our Company and the [**REDACTED**] may be influenced by a wide range of factors, including the bias of individual journalists, the preferences of media outlets and the demands of advertisers.

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

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

Our management, business operations and assets are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in Chinese Mainland. Our Company considers that our Group's management is best able to attend to its functions by being based in Chinese Mainland. None of our executive Directors is or will be ordinarily resident in Hong Kong after the [**REDACTED**]. Our Directors consider that relocating our executive Directors to Hong Kong would be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong to satisfy the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

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

(1) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Mr. Dong Hongbo (董紅波), our executive Director and Ms. Leung Hoi Yan (梁皚欣) ("**Ms. Leung**"), a joint company secretary of our Company. Ms. Leung is situated and based in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(2) As and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;

(3) Although our executive Directors are not ordinary residents in Hong Kong, each of our Directors possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;

(4) We have appointed Gram Capital Limited as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us; and

(5) We have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address).

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, the Directors and/or the compliance adviser in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable: (a) a member of The Hong Kong Chartered Governance Institute; (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual's: (a) length of employment with the issuer and other issuers and the roles he/she played; (b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code; (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and (d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Sun Shufang (孫淑芳) ("**Ms. Sun**"), the chief financial officer, as one of our joint company secretaries, considering her past working experiences within our Group and her thorough understanding of our internal administration, business operations and corporate culture. As such, although Ms. Sun does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules, our Directors believe that Ms. Sun is capable of discharging the functions of a joint company secretary with the assistance of Ms. Leung, who meets the requirements under Rule 3.28 of the Listing Rules and has been appointed to act as the other joint company secretary and to assist Ms. Sun in the compliance matters for the [**REDACTED**] as well as other Hong Kong regulatory requirements for an initial period of three years from the [**REDACTED**]. Over such period, we will implement the following measures to assist Ms. Sun to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

(a) Ms. Leung will assist Ms. Sun so as to enable her to discharge her duties and responsibilities as a joint company secretary. Given Ms. Leung's relevant experiences, she will be able to advise both Ms. Sun and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations in Hong Kong;

(b) Ms. Sun will be assisted by Ms. Leung for an initial period of three years commencing from the [**REDACTED**], which should be sufficient for her to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(c) we will ensure that Ms. Sun has access to the relevant trainings and support to enable her to familiarize with the Listing Rules and the duties required of a company secretary of an issuer, and Ms. Sun has undertaken to attend such trainings;

(d) Ms. Leung will communicate with Ms. Sun on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations in Hong Kong which are relevant to our operations and affairs. Ms. Leung will work closely with, and provide assistance to Ms. Sun with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and

(e) pursuant to Rule 3.29 of the Listing Rules, Ms. Leung and Ms. Sun will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Leung and Ms. Sun will be advised by our legal advisers as to Hong Kong laws and our compliance advisers as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the [**REDACTED**] (the "**Waiver Period**"). Pursuant to paragraph 13 under Chapter 3.10 of the Guide for New Listing Applicants, the waiver is granted on the conditions: (i) our Company appoints Ms. Leung, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Ms. Sun in discharging her functions as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules; and (ii) the waiver will be revoked immediately if Ms. Leung, during the three-year period, ceases to provide assistance to Ms. Sun, or if there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Sun to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will demonstrate to and seek the Stock Exchange's confirmation that Ms. Sun, having had the benefit of Ms. Leung's assistance for three years, has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver wouldn't be necessary. For more details of Ms. Leung and Ms. Sun's biographies, please refer to the section headed "Directors and Senior Management."

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [**REDACTED**]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement requirements as set out in Chapter 14A of the Listing Rules. See "Connected Transactions" in this document for further information of such continuing connected transaction and corresponding waiver.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yu Jiang (于江)	Room 602, Unit 2, Building 406 Shuiqing Muhua No. 301 Huanghe 5th Road Binzhou City, Shandong Province PRC	Chinese
Mr. Dong Hongbo (董紅波)	Room 1201, Unit 1, Building 9 Green Spring No. 728 Bohai 16th Road Binzhou City, Shandong Province PRC	Chinese
Mr. Ren Yuanbin (任元濱)	No. 567 Huanghe 7th Road Binzhou City, Shandong Province PRC	Chinese
Dr. Liu Hongan (劉洪安)	Building 3 West Lijing Xinyuan at Left Bank of Lake Bohai 17th Road Binzhou City, Shandong Province PRC	Chinese
Non-executive Director		
Mr. Song Shuhua (宋樹華)	Room 28, Building 9 No. 567, Huanghe 5th Road Binzhou City, Shandong Province PRC	Chinese
Independent Non-executive Directors		
Mr. Hao Yinping (郝銀平)	Room 421, Building 5 Haichen Residential Quarter Haibowan District Wuhai City, Inner Mongolia PRC	Chinese
Ms. Li Haixia (李海霞)	Room 1001, Unit 1, Building 14 No. 669 Xincheng Road Muping District Yantai City, Shandong Province PRC	Chinese

Name	Address	Nationality
Mr. Wang Qian (王謙)	Room 1202, Building 28 Haier Green City Quanyuncun Jinlan Garden Lixia District Jinan City, Shandong Province PRC	Chinese
Mr. Cao Chunmeng (曹春萌)	Flat 290A, 8/F Tak Wah Mansion No. 290-296 Hennessy Road Wanchai Hong Kong	Hong Kong

For further details, please refer to the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong **CCB International Capital Limited** 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	[**REDACTED**]
Legal Advisers to the Company	*As to Hong Kong laws:* **Jun He Law Offices** Suites 3701-10, 37/F Jardine House 1 Connaught Place Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Offices** 12-15th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing, PRC
Legal Advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong laws:* **King & Wood** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong

	As to PRC laws: **King & Wood** 17th Floor, One ICC, Shanghai ICC 999 Middle Huai Hai Road Xuhui District Shanghai PRC
Auditors and Reporting Accountants	**KPMG** *Certified Public Accountants* 8/F, Prince's Building 10 Chater Road, Central Hong Kong
Transfer Pricing Consultant	**KPMG Advisory (China) Limited** **Qingdao Branch** 30th floor, WFC Tower 1 No. 19 Qingling Road Laoshan District Qingdao City, Shandong Province PRC
Tax Consultant	**Guo Fu Hao Hua (Shandong) Taxation Service Co., Ltd** 801, Floor 8, Building 5 Area A3, Hanyu Jingu, Shunhua Road Street, Licheng District Jinan City, Shandong Province PRC
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 West Nanjing Road Jing'an District Shanghai, PRC

[**REDACTED**]

CORPORATE INFORMATION

Registered Office and Head Office	No. 888 Huanghe 5th Road Bincheng District Binzhou City Shandong Province PRC
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	46/F, Hopewell Centre, 183 Queen's Road East Wan Chai Hong Kong
Joint Company Secretaries	**Ms. Sun Shufang (孫淑芳)** No. 888 Huanghe 5th Road Bincheng District Binzhou City Shandong Province PRC **Ms. Leung Hoi Yan (梁皚欣)** (*an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom*) 46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	**Mr. Dong Hongbo (董紅波)** Room 1201, Unit 1, Building 9 Green Spring No. 728 Bohai 16th Road Binzhou City, Shandong Province PRC **Ms. Leung Hoi Yan (梁皚欣)** 46/F, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
Audit Committee	Mr. Hao Yinping *(Chairperson)* Ms. Li Haixia Mr. Wang Qian
Nomination Committee	Mr. Wang Qian *(Chairperson)* Mr. Yu Jiang Mr. Hao Yinping Ms. Li Haixia

Remuneration and Performance Appraisal Committee	Ms. Li Haixia *(Chairperson)* Mr. Yu Jiang Mr. Hao Yinping Mr. Wang Qian Mr. Cao Chunmeng
Development Strategy Committee	Mr. Yu Jiang *(Chairperson)* Mr. Ren Yuanbin Dr. Liu Hongan Mr. Hao Yinping Mr. Wang Qian
Compliance Adviser	**Gram Capital Limited** Room 1209, 12th Floor Nan Fung Tower 88 Connaught Road Central/ 173 Des Voeux Road Central Central, Hong Kong

[**REDACTED**]

Principal Banks	**China Construction Bank** **Binzhou Branch** No. 513-5, Huanghe Fifth Road Bincheng District, Binzhou City Shandong Province, PRC **Industrial Bank Co., Ltd.** **Binzhou Branch** No. 391 Huanghe Fifth Road Bincheng District, Binzhou City Shandong Province, PRC
Company's Website	**www.befar.com** *(A copy of this document is available on the Company's website. Except for the information contained in this document, none of the other information contained on the Company's website forms part of this document)*

The information and statistics set out in this section have been extracted, in part, from various official government sources and a market research report prepared by Frost & Sullivan and commissioned by us. We believe that these sources are appropriate sources for such information and statistics and reasonable care has been exercised by us in selecting and identifying the named information sources, compiling, extracting and reproducing the information, and ensuring no material omission of the information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Neither our Company nor any of the Relevant Persons has independently verified the information and statistics from official government sources, and no representation is given as to its accuracy.

CHLOR-ALKALI CHEMICALS INDUSTRY IN CHINA

Definition and Classification of Chlor-Alkali Chemicals

The chlor-alkali chemicals industry is a fundamental raw materials sector that uses crude salt and electricity to produce sodium hydroxide, chlorine, and hydrogen. These primary outputs serve as the basis for further chemical reactions, in which additional substances are introduced to generate a broader range of chlor-alkali chemicals products. Its products are extensively applied across a wide range of sectors, including petrochemicals, light industry, textiles, construction materials, and metallurgy, and hold a significant position in China's economic development. The main products of the chlor-alkali chemicals industry include polyvinyl chloride (PVC), sodium hydroxide, allyl chloride, trichloroethylene, perchloroethylene, epichlorohydrin, chlorohydrin process propylene oxide (see "PROPYLENE OXIDE INDUSTRY IN CHINA" section for details) and others (e.g. hydrogen, chlorine, hydrogen peroxide).

Main Products in Chlor-Alkali Chemicals Industry

Main Products in Chlor-Alkali Chemicals Industry		Introduction	Main Downstream Applications
Polyvinyl Chloride		• A synthetic plastic polymer made from vinyl chloride monomer. It is one of the most widely used thermoplastics in the world, known for its versatility, durability, and resistance to water, heat, and chemicals.	• Construction, agriculture, electricity and packaging materials.
Sodium Hydroxide	**Liquid Sodium Hydroxide** **Solid Sodium Hydroxide** (including flake sodium hydroxide and granular sodium hydroxide)	• It is the main product in chlor-alkali chemicals industry. It has diverse industrial applications and is one of the most consumed chemical commodities worldwide.	• Alumina, chemicals engineering, dyeing and printing, chemical fibers, water treatment, paper manufacturing, lithium battery and pharmaceuticals.
Allyl Chloride		• A colorless, volatile liquid with strong reactivity, mainly used as an intermediate in the production of silane coupling agent, epichlorohydrin and other fine chemicals.	• Silane coupling agent, epichlorohydrin, pesticides and resins.
Trichloroethylene		• A volatile chlorinated solvent with strong degreasing ability.	• Cleaning agents, solvents and fluorochemicals.
Perchloroethylene		• A stable, non-flammable chlorinated solvent with strong dissolving capability.	• Dry cleaning, refrigerants and fluorochemicals.
Epichlorohydrin		• A highly reactive organic compound with epoxy and chlorine groups.	• Epoxy resins and elastomers.
Chlorohydrin Process Propylene Oxide		• An important raw material for organic compounds, which is the third-largest propylene derivative after polypropylene and acrylonitrile.	• Polyether polyol, propylene glycol and its derivatives, and propanediol ether.
Others		• Including hydrogen, chlorine, hydrogen peroxide etc. Each type has different characteristics and can be used in different fields.	• Agriculture, petroleum, chemicals, textiles, building materials, and food processing.

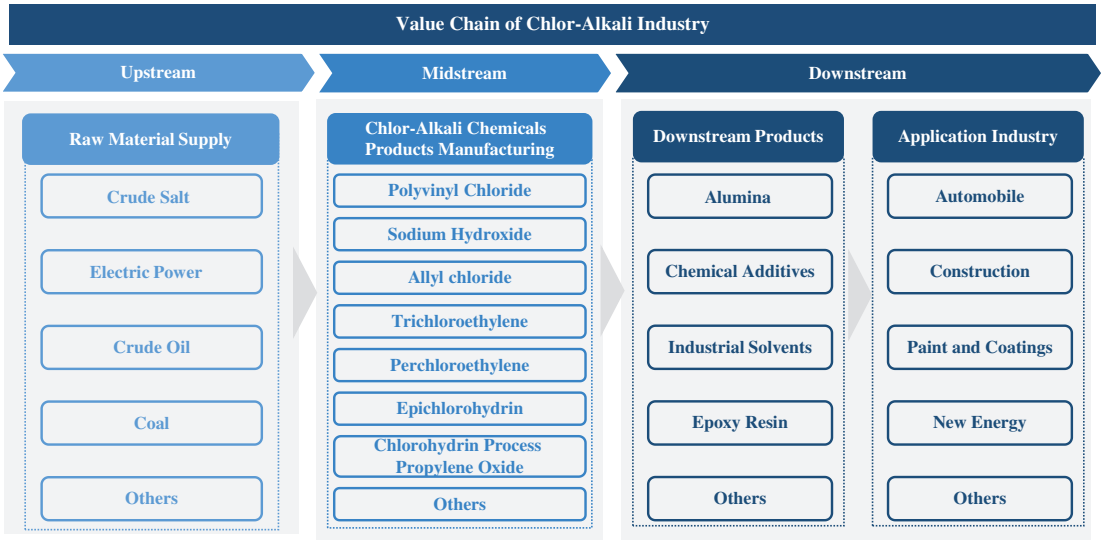
Source: Frost & Sullivan Analysis

Value Chain of Chlor-Alkali Chemicals Industry

The value chain of chlor-alkali chemicals industry primarily consists of upstream raw material suppliers, midstream chlor-alkali chemicals products manufacturing, and downstream application industries. The main downstream products of chlor-alkali industry mainly include alumina, chemical additives, industrial solvents, epoxy resin and others. These downstream products can be ultimately applied in industries such as automobile, construction, paint and coatings and new energy.

In the chlor-alkali chemicals industry, it is common for product sales volumes to closely approximate production volumes, a phenomenon primarily driven by the characteristics of production organization and demand structure. These chemical products are typically manufactured through continuous, large-scale process industry operations. Once a production facility is commissioned, it should operate stably over a certain long term, as frequent load adjustments or shutdowns would significantly increase unit costs. Consequently, enterprises generally schedule production based on foreseeable market demand and the economic operating range of their facilities, which naturally aligns output levels with sales rhythms. At the same time, chemical products occupy an upstream position in the industrial value chain, serving as essential raw materials for a wide range of sectors including textiles, construction, automotive, electronics, agriculture, and pharmaceuticals. With such broad downstream coverage, demand tends to exhibit a certain rigidity and is often structured around stable procurement cycles, making fluctuations relatively manageable. Against this backdrop, enterprises typically adopt production-to-sales and sales-driven-production models to maintain dynamic supply-demand balance, resulting in sales volume and production volume showing consistency during most normal business cycles. In the chlor-alkali chemicals industry, excluding volumes consumed internally, production-to-sales ratios generally exceed 90%.

Value Chain of Chlor-Alkali Chemicals Industry



Source: Frost & Sullivan Analysis

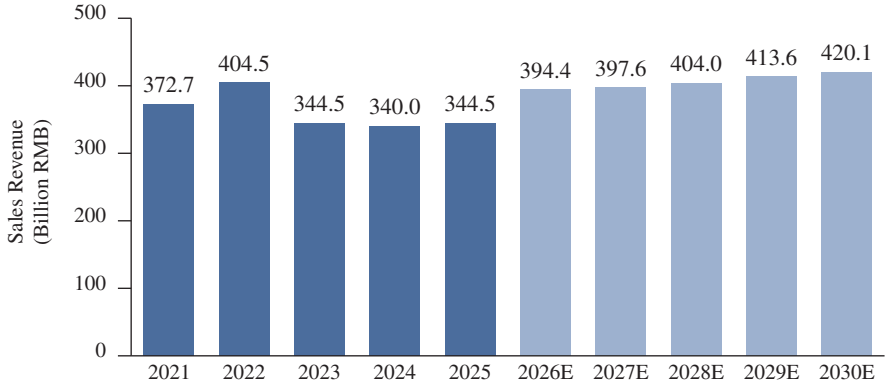
Market Size of Chlor-Alkali Chemicals Industry in China

The sales revenue of chlor-alkali chemicals industry in China reached RMB344.5 billion in 2025, with a CAGR of -1.7% from 2021 to 2025. By 2030, the sales revenue of chlor-alkali chemicals industry in China is projected to reach RMB420.1 billion, with a CAGR of 4.0%. PVC and sodium hydroxide are the primary products of the chlor-alkali chemical industry. In 2025, in

terms of sales revenue, PVC and sodium hydroxide accounted for 41.0% and 38.9% of the industry's market size, respectively. Allyl chloride, trichloroethylene, perchloroethylene, epichlorohydrin, and chlorohydrin-based propylene oxide accounted for 0.6%, 0.3%, 0.2%, 2.5%, and 1.5%, respectively.

Sales Revenue of Chlor-Alkali Chemicals Industry (China), 2021-2030E

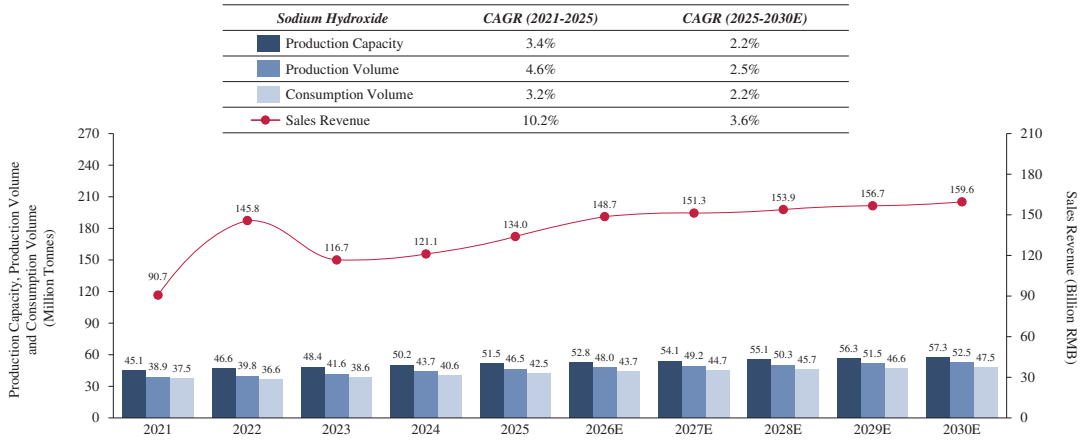
Chlor-Alkali Chemicals Industry	*CAGR (2021-2025)*	*CAGR (2025-2030E)*
China	-1.7%	4.0%



Source: China Chlor-Alkali Industry Association; China National Chemical Economic and Technical Development Centre; Frost & Sullivan Analysis

In 2025, the production capacity, production volume, and consumption volume of sodium hydroxide in China reached 51.5 million tons, 46.5 million tons, and 42.5 million tons, growing at a CAGR of 3.4%, 4.6%, and 3.2% from 2021 to 2025, respectively. The sales revenue of sodium hydroxide in China increased from RMB90.7 billion in 2021 to RMB134.0 billion in 2025, with a CAGR of 10.2%. The fluctuations in sales revenue of sodium hydroxide are primarily driven by price movements. From 2020 to 2022, influenced by factors such as the national dual-control policy, rising raw material costs, and strong downstream demand, sodium hydroxide prices increased rapidly, resulting in an increase in sales revenue during this period. As supply and demand gradually stabilized thereafter, sodium hydroxide prices declined, leading to a drop in sales revenue in 2023 and stabilization in 2024. In 2030, the production capacity, production volume, and consumption volume of sodium hydroxide in China are expected to reach 57.3 million tons, 52.5 million tons, and 47.5 million tons, with a CAGR of 2.2%, 2.5% and 2.2% from 2025 to 2030, respectively. Alumina is the primary downstream product of sodium hydroxide. In 2025, the Ministry of Industry and Information Technology and other nine departments in China issued the "Implementation Plan for High-Quality Development of the Aluminum Industry (2025-2027) (《鋁產業高質量發展實施方案(2025-2027年)》", aiming to further expand the application of aluminum products and stimulate demand for alumina. Alumina production is expected to increase from 92.4 million tons in 2025 to 113.3 million tons in 2030, representing a CAGR of 4.2%. This projected growth will drive up sodium hydroxide demand and is expected to support an upward price trend, enabling the sodium hydroxide industry to maintain steady revenue growth in the coming years. The sales revenue of sodium hydroxide in China is projected to reach RMB159.6 billion by 2030, with a CAGR of 5.5% from 2025 to 2030.

Production Capacity, Production Volume, Consumption Volume and Sales Revenue of Sodium Hydroxide (China), 2021-2030E



Source: China Chlor-Alkali Industry Association; China National Chemical Economic and Technical Development Centre; Frost & Sullivan Analysis

The downstream use of sodium hydroxide is primarily in the production of alumina, which accounted for 28.0% of its consumption in 2025. Alumina is an indispensable upstream raw material in the aluminum industry chain, with the construction sector being its largest end-use market. In addition, sodium hydroxide is widely applied across sectors such as chemical engineering, dyeing and printing, chemical fibers, water treatment, paper manufacturing, lithium battery and pharmaceuticals.

In 2025, the production capacity, production volume, and consumption volume of allyl chloride in China reached 600.0 thousand tons, 469.5 thousand tons, and 466.9 thousand tons, growing at a CAGR of 6.3%, 4.2%, and 4.1% from 2021 to 2025, respectively. In recent years, the continuous release of new allyl chloride production capacity has driven down its average prices, leading to a declining trend in China's allyl chloride sales revenue. The sales revenue of allyl chloride in China decreased from RMB2.4 billion in 2021 to RMB2.1 billion in 2025, with a CAGR of -3.3%. In 2030, the production capacity, production volume, and consumption volume of allyl chloride in China are expected to reach 724.9 thousand tons, 567.7 thousand tons, and 564.4 thousand tons, with a CAGR of 3.9%, 3.9% and 3.9% from 2025 to 2030, respectively. The sales revenue of allyl chloride in China is projected to reach RMB3.0 billion, with a CAGR of 7.4%. The primary downstream demand for allyl chloride comes from epichlorohydrin, whose major downstream application is epoxy resin. Looking ahead, as China's epoxy resin industry gradually shifts toward higher-end products, rising demand for epoxy resins in sectors such as NEV and data centers is expected to boost consumption of allyl chloride, thereby providing momentum for future growth in allyl chloride sales revenue. By 2030, the sales volume of NEV in China is expected to reach 29.0 million, with a CAGR of 14.6% from 2025 to 2030, while the number of data center rack in China is expected to reach 43.7 million by 2030, with a CAGR of 28.4% from 2025 to 2030.

In 2025, the production capacity, production volume, and consumption volume of trichloroethylene in China reached 390.0 thousand tons, 232.6 thousand tons, and 193.6 thousand tons, with a CAGR of 0.7%, -6.1%, and -9.0% from 2021 to 2025, respectively. In recent years, demand for trichloroethylene's primary downstream product, refrigerants, has declined due to environmental regulations. As a result, both the production volume and consumption volume of trichloroethylene have decreased, leading to a corresponding drop in sales revenue. The sales revenue of trichloroethylene in China decreased from RMB3.1 billion in 2021 to RMB1.0 billion in 2025, with a CAGR of -24.6%. In 2030, the production capacity, production volume, and consumption volume of trichloroethylene in China are expected to reach 415.0 thousand tons, 255.7 thousand tons, and 194.6 thousand tons, with a CAGR of 1.3%, 1.9% and 0.1% from 2025 to 2030,

respectively. The sales revenue of trichloroethylene in China is projected to reach RMB1.2 billion, with a CAGR of 3.7%. In the future, as the use of trichloroethylene as a cleaning agent continues to expand in high-end sectors such as new energy and commercial aerospace, the sales revenue of trichloroethylene in China is expected to show an upward trend. By 2030, the shipment volume of lithium batteries in China is expected to reach 4,200 GWh, with a CAGR of 19.8% from 2025 to 2030, while the output value of commercial aerospace industry in China is expected to reach RMB10.9 trillion by 2030, with a CAGR of 31.2%.

In 2025, the production capacity, production volume, and consumption volume of perchloroethylene in China reached 293.0 thousand tons, 169.3 thousand tons, and 157.7 thousand tons, with a CAGR of 0.5%, -3.6%, and -13.0% from 2021 to 2025, respectively. In recent years, demand for perchloroethylene's primary downstream product, refrigerants, has declined due to environmental regulations. As a result, both the production volume and consumption volume of perchloroethylene have decreased. The sales revenue of perchloroethylene in China reached RMB0.7 billion in 2025. In 2030, the production capacity, production volume, and consumption volume of perchloroethylene in China are expected to reach 310.0 thousand tons, 185.3 thousand tons, and 173.0 thousand tons, with a CAGR of 1.1%, 1.8% and 1.9% from 2025 to 2030, respectively. The sales revenue of perchloroethylene in China is projected to reach RMB0.8 billion, with a CAGR of 2.7%. In the future, under the guidance of China's strategy to develop new quality productive forces, the rigid demand for high-efficiency solvents in precision manufacturing and industrial cleaning is expected to drive growth in the sales revenue of perchloroethylene. By 2030, the sales revenue of industrial cleaning agent in China is expected to reach RMB60.5 billion, with a CAGR of 6.7%.

In 2025, the production capacity, production volume, and consumption volume of epichlorohydrin in China reached 3.2 million tons, 1.1 million tons, and 1.0 million tons, with a CAGR of 25.3%, 12.0%, and 13.6% from 2021 to 2025, respectively. The sales revenue of epichlorohydrin in China increased from RMB7.5 billion in 2021 to RMB8.5 billion in 2025, with a CAGR of 3.2% from 2021 to 2025. In 2030, the production capacity, production volume, and consumption volume of epichlorohydrin in China are expected to reach 5.3 million tons, 1.5 million tons, and 1.5 million tons, with a CAGR of 10.6%, 6.4% and 8.4% from 2025 to 2030, respectively. The sales revenue of epichlorohydrin in China is projected to reach RMB14.2 billion, with a CAGR of 10.8%.

Market Drivers of Chlor-Alkali Chemicals Industry in China

Supportive Policies. In recent years, China has continuously introduced policies to promote the chlor-alkali chemicals industry toward safe, efficient, and green development. In 2024, the Ministry of Industry and Information Technology issued the "Digital Transformation Plan for the Raw Material Industry (2024-2026)" (《原材料工業數字化轉型工作方案(2024-2026年)》) requiring enterprises to establish intelligent monitoring and control systems for hazardous chemicals such as chlorine and sodium hydroxide to improve production efficiency and intrinsic safety. In 2022, MIIT and NDRC jointly issued "Action Plan for Industrial Carbon Peaking" (《工業領域碳達峰實施方案》), which promotes improving resource efficiency and fast adoption of green, low-carbon technologies. In 2022, the National Development and Reform Commission, together with three other departments, issued the "Implementation Guide for Energy Conservation and Carbon Reduction Upgrades in the Sodium Hydroxide Industry" (《燒鹼行業節能降碳改造升級實施指南》), setting a 2025 target to raise the proportion of capacity above the energy efficiency benchmark to 40% and virtually eliminate capacity below the baseline level of energy efficiency. Under this comprehensive policy framework, the chlor-alkali chemicals industry has made continuous improvements in safety, environmental protection, energy efficiency, and overall competitiveness, forming a key driving force for the sector's sustainable development.

Industry Chain Extension and Circular Economy. With the rapid growth of sectors such as advanced materials, clean energy and environment protection, the chlor-alkali chemicals products are increasingly expanding into high-end uses, prompting enterprises to accelerate the development

of refined and functional products and foster industrial chain collaboration from raw materials to end-use applications. At the same time, resource and energy constraints are driving the industry to adopt circular economy models. Core products such as chlorine, alkali, and hydrogen, along with associated by-products, are being systematically utilized to enable closed-loop flows of energy and materials within operations, thereby reducing energy consumption and emissions. By establishing integrated industrial layouts and embracing circular economy principles, enterprises are not only enhancing overall efficiency but also unlocking new growth opportunities under the dual-carbon policy and sustainability mandates.

Future Opportunities and Challenges of Chlor-Alkali Chemicals Industry in China

Growing Downstream Demand. The future development of the chlor-alkali industry will increasingly rely on the sustained expansion of downstream demand, with core sectors such as automotive, construction, and new energy serving as the primary growth drivers. In the automotive sector, the rapid growth of China's automobile industry together with accelerated trends toward lightweighting and electrification is deepening the application of chlor-alkali products in interior materials, wiring and functional components of automotive. The sales volume of automobile is projected to reach 51.7 million units by 2030, representing a CAGR of 8.5% from 2025 to 2030. In the construction sector, the "Opinions on Continuously Advancing Urban Renewal Initiatives (《關於持續推進城市更新行動的意見》)" issued by the CPC Central Committee and the State Council in 2025 aim to promote urban renewal and infrastructure development, thereby driving demand for downstream chlor-alkali products such as PVC profiles and waterproofing materials. In the new energy sector, the "Recommendations of the Central Committee of the Communist Party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development (《中共中央關於制定國民經濟和社會發展第十五個五年規劃的建議》)" explicitly call for a continued increase in the share of new energy in the national energy mix. As the new energy industry continues to expand rapidly, downstream applications of chlor-alkali products are expected to broaden further. The synergistic growth of diversified downstream demand will propel the chlor-alkali industry toward optimized scale, product upgrading, and higher value-added development.

Overseas Expansion. China has emerged as the world's leading chemical producer, contributing around 40% of global chemical output value currently, and expecting to reach 50% by 2030. Building on this scale and influence, China's chlor-alkali chemicals industry is increasingly turning its strategic focus toward overseas markets. In recent years, leading domestic enterprises have increasingly leveraged their competitive advantages in cost control, large-scale production, and green manufacturing, making international expansion a key avenue for unlocking new growth opportunities.

Green and Low-Carbon Transition. Under the continued implementation of China's dual-carbon strategy and energy-saving policies, the chlor-alkali chemicals industry is accelerating its transition toward green, low-carbon and efficient development. As downstream customers place increasing emphasis on supply chain decarbonization, the management of product carbon footprints and the adoption of clean production standards are becoming critical factors in market competition. By phasing out energy-intensive processes, promoting clean production practices, advancing carbon footprint certification, and expanding the adoption of green electricity as a clean power source for industrial production, the overall energy efficiency of the industry continues to improve.

Homogeneous Competition. The current products offerings across companies in chlor-alkali industry tend to be homogeneous, making it difficult to establish distinctive advantages. This has intensified market competition, leading to downward pressure on pricing and a continual narrowing of profit margins. Leading enterprises are, on the one hand, achieving product upgrades through technological innovation to create high value-added products, and on the other hand, gaining cost advantages by developing green power and circular economy practices, thereby breaking the impasse of homogeneous competition within the industry.

Entry Barriers of Chlor-Alkali Chemicals Industry in China

Policy Barrier. According to the "Catalogue for Guiding Industrial Structure Adjustment (2024 Edition) (《產業結構調整指導目錄(2024年本)》)", sodium hydroxide has been classified as a restricted category, with exemptions granted only to ion-exchange membrane units that utilize more than 40% industrial waste salt. Leading enterprises in the industry, having invested years in technological development, now operate advanced waste salt treatment systems that meet regulatory requirements and enable circular economy practices. In contrast, new entrants face significant challenges in acquiring the requisite waste salt disposal technologies within a short timeframe to comply with policy mandates.

Technological Barrier. Chlor-alkali chemicals production involves energy-intensive electrochemical processes, sophisticated equipment operation and technical safety management and control. Companies with long-standing expertise achieve stable, high-quality output and lower energy consumption, while new entrants lacking technological know-how face difficulties in ensuring consistent product quality and manufacturing efficiency within a short time frame.

Geographical Barrier. The geographical location of production facilities plays a critical role in the chlor-alkali chemicals industry, as it determines access to salt resources, reliable power supply, and convenient transportation hubs such as ports and railways. Leading industry players are typically concentrated in regions with significant resource and energy advantages, ensuring both cost efficiency and supply chain stability. By contrast, new entrants without comparable locational conditions face disadvantages in raw material supply, energy access, and transportation.

Competitive Landscape of Chlor-Alkali Chemicals Industry in China

As of December 31, 2025, there were over 300 market participants in chlor-alkali chemicals industry in China. In terms of sales revenue, our Group accounted for 1.6% in the chlor-alkali chemicals industry in China. In the chlor-alkali chemicals industry, sodium hydroxide is the most prominent product. As of December 31, 2025, there were over 200 market participants in sodium hydroxide market in China. In terms of sales revenue of sodium hydroxide in 2025, our Group ranked seventh in China, with a market share of 1.6%. In terms of sales revenue of food-grade flake sodium hydroxide in 2025, our Group ranked first in China, with a market share of 71.9%.

In 2025, the production capacity, production volume and sales revenue of granular sodium hydroxide reached 0.6 million tons, 0.5 million tons and RMB2.1 billion, respectively. As of December 31, 2025, there are less than 20 providers of granular sodium hydroxide in China. In terms of sales revenue of granular sodium hydroxide in 2025, the top three providers in China accounted for 71.4%, and our Group ranked first in China with a market share of 38.1%. In terms of sales revenue of industrial-grade granular sodium hydroxide in 2025, our Group ranked first in China, with a market share of 60.0%. In terms of production capacity and production volume of granular sodium hydroxide in 2025, our Group both ranked first in China with a market share of 33.3% and 44.5%, respectively.

Top Three Providers of Granular Sodium Hydroxide in terms of Sales Revenue (China), 2025

Ranking	Company Name	Market Share
1	**Our Group**	**38.1%**
2	Company A[1]	19.0%
3	Company B[2]	14.3%

Notes:

(1) Company A is a Group established in 1997, headquartered in Xinjiang Uygur Autonomous Region, China, and listed on the Shanghai Stock Exchange, engaging in the provision of chlor-alkali chemicals products.

(2) Company B is a Group established in 2001, headquartered in Xinjiang Uygur Autonomous Region, China, and listed on the Shenzhen Stock Exchange, engaging in the provision of ionic membrane sodium hydroxide and polyvinyl chloride (PVC).

Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; Annual Reports; Frost & Sullivan Analysis

As of December 31, 2025, there are less than 20 providers of allyl chloride in China. In terms of sales revenue of allyl chloride in 2025, the top three providers in China accounted for 57.1%, and our Group ranked first in China with a market share of 23.8%. In terms of production capacity and production volume of allyl chloride in 2025, our Group ranked fourth and second in China respectively, with a market share of 10.0% and 14.8%.

Top Three Providers of Allyl Chloride in terms of Sales Revenue (China), 2025

Ranking	Company Name	Market Share
1	**Our Group**	**23.8%**
2	Company C[(1)]	19.0%
3	Company D[(2)]	14.3%

Notes:

(1) Company C is a private Group established in 2005 and headquartered in Shandong Province, China, engaging in the provision of chlor-alkali chemicals products and petrochemical products.

(2) Company D is a private Group established in 1999 and headquartered in Shandong Province, China, engaging in the provision of allyl chloride.

Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; Frost & Sullivan Analysis

As of December 31, 2025, there are less than 20 providers of trichloroethylene in China. In terms of sales revenue of trichloroethylene in 2025, the top three providers in China accounted for 63.0%, and our Group ranked first in China with a market share of 36.0%. In terms of production capacity and production volume of trichloroethylene in 2025, our Group both ranked first in China with a market share of 20.5% and 37.1%, respectively.

Top Three Providers of Trichloroethylene in terms of Sales Revenue (China), 2025

Ranking	Company Name	Market Share
1	**Our Group**	**36.0%**
2	Company E[(1)]	15.0%
3	Company F[(2)]	12.0%

Notes:

(1) Company E is a private Group established in 2002 and headquartered in Inner Mongolia Autonomous Region, China, engaging in the provision of fine chemical products.

(2) Company F is a private Group established in 2009 and headquartered in Shandong Province, China, engaging in the provision of chlor-alkali chemicals products and fine chemical products.

Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; Frost & Sullivan Analysis

As of December 31, 2025, there are less than 20 providers of perchloroethylene in China. In terms of sales revenue of perchloroethylene in 2025, the top three providers in China accounted for 62.8%, and our Group ranked first in China with a market share of 41.4%. In terms of production capacity and production volume of perchloroethylene in 2025, our Group both ranked first in China with a market share of 27.3% and 47.1%, respectively.

Top Three Providers of Perchloroethylene in terms of Sales Revenue (China), 2025

Ranking	Company Name	Market Share
1	**Our Group**	**41.4%**
2	Company G[(1)]	15.7%
3	Company H[(2)]	7.1%

Notes:

(1) Company G is a Group established in 1998, headquartered in Shandong Province, China, and listed on the Shenzhen Stock Exchange, engaging in the provision of new chemical materials and chemical products.

(2) Company H is a Group established in 1998, headquartered in Zhejiang Province, China, and listed on the Shanghai Stock Exchange, engaging in the provision of chlor-alkali chemicals products and fluorochemical products.

Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; Annual Reports; Frost & Sullivan Analysis

As of December 31, 2025, there are more than 30 providers of epichlorohydrin in China. In terms of production capacity of epichlorohydrin in China in 2025, our Group ranked eighteenth in China with a market share of 2.3%. In terms of production volume of epichlorohydrin in China in 2025, our Group ranked seventh in China with a market share of 6.8%. In terms of sales revenue of epichlorohydrin in China in 2025, our Group ranked seventh in China with a market share of 8.2%.

Average Prices and Raw Material Prices of Chlor-Alkali Chemicals Products in China

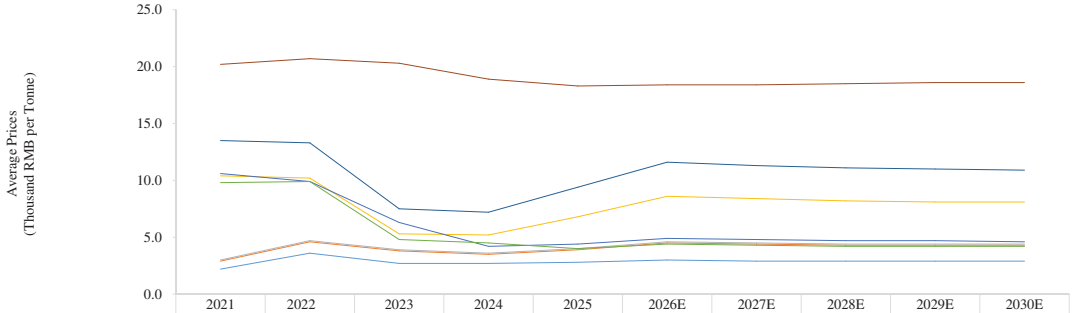
Average prices of China's chlor-alkali chemicals products experienced a significant upward trend in 2021 and 2022, primarily driven by the post-pandemic global economic recovery, which fueled rapid release of downstream demand. At the same time, international supply chain disruptions, surging logistics costs, and elevated bulk raw material prices, combined with the tightening of domestic environmental protection and dual control policy on energy consumption, resulted in supply constraints and a supply-demand imbalance that pushed prices continuously higher. However, in 2023, with the slowdown of global macroeconomic growth and weakening export demand, alongside the concentrated release of new domestic capacity such as allyl chloride and epichlorohydrin, market supply became noticeably looser. Meanwhile, falling international energy and raw material prices as well as declining transportation costs eased overall cost pressures, leading to a significant drop in prices. In 2024, the global macroeconomic recovery fell short of expectations, leading to subdued downstream demand in the chlor-alkali chemicals industry and a slight downward trend in product prices. In 2025, with the rollout of China's anti-involution policy, outdated capacity in the chlor-alkali chemicals industry is being phased out at an accelerated pace. At the same time, downstream demand has stabilized, leading to a gradual rebalancing of supply and demand, and driving an overall upward trend in product prices across the chlor-alkali chemicals industry. Looking ahead, as global macroeconomic conditions stabilize and downstream demand gradually recovers, prices of chlor-alkali chemicals products are expected to show a steady upward trajectory.

Sodium hydroxide is one of the key products in the chlor-alkali chemicals industry. The price of sodium hydroxide is primarily influenced by production costs and supply-demand dynamics. Among these, production costs are closely related to the prices of its raw materials and the demand for its associated product, liquid chlorine. In 2021, due to the impact of the national dual control policy on energy consumption, sodium hydroxide producers reduced operating loads. Concurrently, rising electricity and crude salt prices drove up production costs, resulting in a significant increase

in the average price of sodium hydroxide. In 2022, the continued surge in production costs, coupled with simultaneous growth in export volume and price, as well as expanding downstream demand, particularly from the lithium battery sector, further pushed the average price of sodium hydroxide prices upward. In 2023, with the concentrated release of new production capacity, insufficient operating rates in the downstream alumina sector and heavy reliance on imported bauxite led to an oversupply situation, causing the average price of sodium hydroxide to retreat. In 2024, as production capacity continued to expand and crude salt prices declined, the average price of sodium hydroxide remained on a downward trajectory. In 2025, following the introduction of China's anti-involution policy, outdated production capacity is being phased out at an accelerated pace. Meanwhile, robust growth in downstream demand, particularly from sectors such as lithium batteries, has driven a gradual rebalancing of supply and demand, resulting in an overall upward trend in prices. Looking ahead, the expansion of alumina production capacity is expected to generate new demand, ushering sodium hydroxide into a high prosperity cycle and driving prices upward.

In the chlor-alkali chemicals industry, the production of 1 ton of sodium hydroxide generates approximately 0.886 tons of chlorine. As chlorine is classified as a hazardous chemical, it is difficult to store and transport and entails significant safety risks. Consequently, it must be converted into chlorine-consuming products within a short period after production. In recent years, the rapid expansion of industries such as new energy vehicles and photovoltaics has driven growth in alumina demand, thereby increasing the demand for sodium hydroxide. However, the downstream sectors (such as construction materials, real estate, agrochemicals, and related industries) of chlorine-consuming products including PVC, chlorohydrin process propylene oxide, epichlorohydrin, allyl chloride, trichloroethylene, and perchloroethylene have grown at a slower pace compared with sodium hydroxide downstream demand. This imbalance has led to an oversupply of chlorine-consuming products, prompting enterprises to sell them at low prices in order to sustain sodium hydroxide production, which has caused chlorine-consuming products to generate negative margins. In the future, with supportive policies such as the "Opinions on Continuously Advancing Urban Renewal Initiatives 《關於持續推進城市更新行動的意見》" and "Recommendations of the Central Committee of the Communist Party of China for Formulating the 15th Five-Year Plan for National Economic and Social Development (《中共中央關於制定國民經濟和社會發展第十五個五年規劃的建議》)" stimulating the downstream demand for chlorine-consuming products, the demand for sodium hydroxide and chlorine-consuming products is expected to move toward balance, enabling chlorine-consuming products to reach breakeven.

Average Price (Excluding VAT) of Chlor-Alkali Chemicals Products (China), 2021-2030E



	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E
Liquid Sodium Hydroxide	2.2	3.6	2.7	2.7	2.8	3.0	2.9	2.9	2.9	2.9
Flake Sodium Hydroxide	2.9	4.6	3.8	3.5	3.9	4.5	4.4	4.3	4.3	4.3
Granular Sodium Hydroxide	3.0	4.7	3.9	3.6	4.0	4.6	4.5	4.4	4.4	4.4
Allyl Chloride	10.4	10.2	5.3	5.2	6.8	8.6	8.4	8.2	8.1	8.1
Trichloroethylene	10.6	9.9	6.3	4.2	4.4	4.9	4.8	4.7	4.7	4.6
Perchloroethylene	9.8	9.9	4.8	4.5	4.0	4.4	4.3	4.2	4.2	4.2
Epichlorohydrin	13.5	13.3	7.5	7.2	9.4	11.6	11.3	11.1	11.0	10.9
Hydrogen	20.2	20.7	20.3	18.9	18.3	18.4	18.4	18.5	18.6	18.6

Source: China National Chemical Economic and Technical Development Centre; Frost & Sullivan Analysis

Crude salt, electric power and coal are main raw materials in chlor-alkali chemicals industry. The average price of crude salt in China increased from RMB276.5 per ton in 2021 to RMB281.7 per ton in 2025, with a CAGR of 0.5%. By 2030, the average price of crude salt in China is expected to reach RMB235.2 per ton, with a CAGR of -3.5% from 2025 to 2030. The average price of industrial electric power in China reached RMB0.56 per kWh in 2025. By 2030, the average price of industrial electric power in China is expected to reach RMB0.57 per kWh, with a CAGR of 0.4% from 2025 to 2030. The average price of coal in China rose from RMB1,047.0 RMB per ton in 2021 to RMB708.3 per ton in 2025, representing a CAGR of -2.3%. In 2021, the rapid post-pandemic recovery of industrial activity drove a surge in coal demand, resulting in a sharp rise in coal prices. Subsequently, in 2022, a reduction in coal imports tightened the coal supply, further pushing prices upward.

PROPYLENE OXIDE INDUSTRY IN CHINA

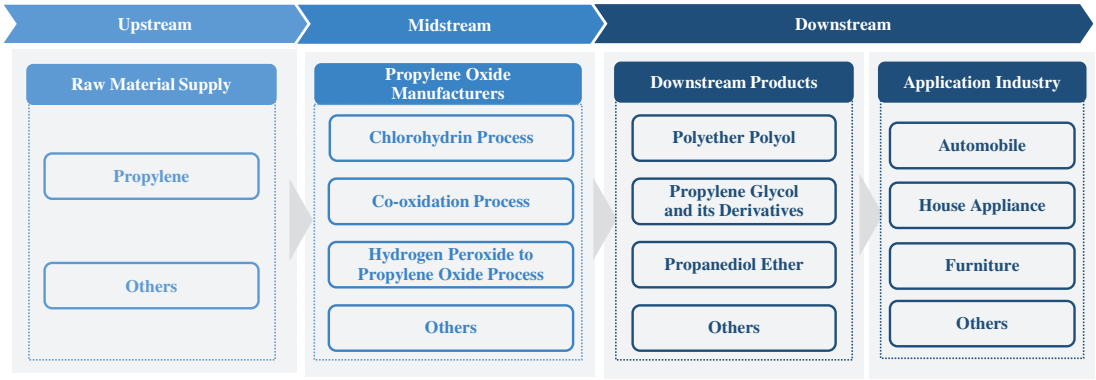
Definition and Classification of Propylene Oxide

Propylene oxide, abbreviated as PO, is the third-largest propylene derivative after polypropylene and acrylonitrile. It is chemically reactive and can undergo reactions with water, ammonia, alcohols, carbon dioxide, and other substances to form corresponding compounds or polymers. As an essential chemical raw material, propylene oxide is primarily used in the production of polyether polyols, propylene glycol, and various non-ionic surfactants. Currently, the mainstream industrialized methods for producing propylene oxide include the chlorohydrin process, co-oxidation process, and Hydrogen Peroxide to Propylene Oxide. The co-oxidation process is further divided into the ethylbenzene co-oxidation method and the isobutane co-oxidation method. The chlorohydrin process for propylene oxide production is technologically mature, with relatively simple process flows, lower capital investment thresholds, and strong adaptability to feedstock quality, which led to its widespread early adoption. However, it relies on chlorine as a key raw material and generates large volumes of by-products and wastewater, resulting in high environmental pressure and compliance costs. In contrast, the co-oxidation process uses peroxides as the oxygen source without chlorine consumption and can co-produce other chemical products, offering superior resource efficiency and environmental performance. Its drawbacks include higher process complexity, substantial capital investment, and strong dependence on stable plant operation and the market performance of co-products, making its overall economics more sensitive to market fluctuations.

Value Chain of Propylene Oxide Industry

The value chain of propylene oxide industry primarily consists of upstream raw material suppliers, midstream propylene oxide manufacturers, and downstream application industries. In upstream, the main raw material for propylene oxide is propylene. The midstream primarily encompasses the chlorohydrin process, co-oxidation process, and hydrogen peroxide to propylene oxide process. Downstream applications of propylene oxide are extensive. As a key intermediate in organic chemical manufacturing, propylene oxide is primarily used in the production of polyether polyols, with strong demand across sectors such as automobile, home appliances, furniture and among others.

Value Chain of Propylene Oxide Industry

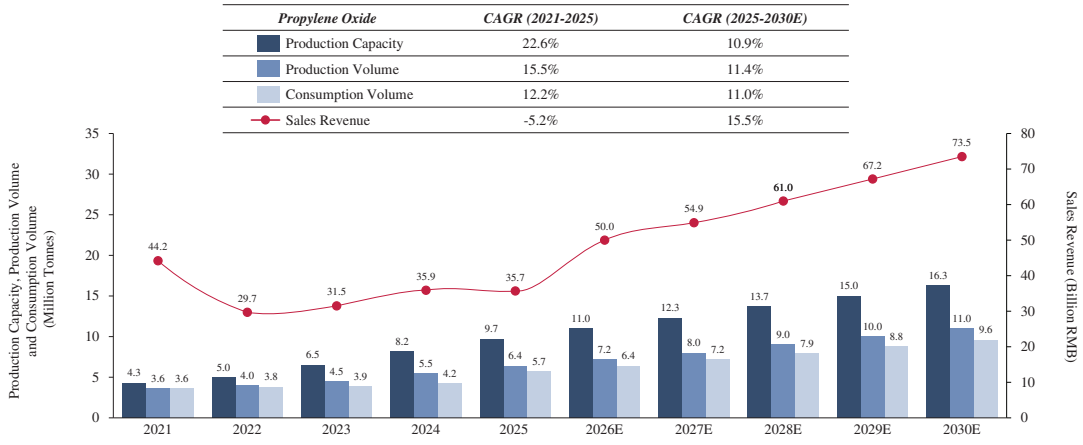


Source: Frost & Sullivan Analysis

Market Size of Propylene Oxide Industry in China

In 2025, the production capacity, production volume, and consumption volume of propylene oxide in China reached 9.7 million tons, 6.4 million tons, and 5.7 million tons, growing at a CAGR of 22.6%, 15.5%, and 12.2% from 2021 to 2025, respectively. The sales revenue of propylene oxide in China grew from RMB44.2 billion in 2021 to RMB35.7 billion in 2025, with a CAGR of -5.2%. In 2020, the COVID-19 pandemic forced some propylene oxide producers to suspend operations, while in 2021 certain producers had yet to fully recover from the pandemic. At the same time, downstream demand for propylene oxide rebounded rapidly in 2021, resulting in a supply shortage and leading to a rapid increase in its average price, thereby driving the sales revenue of propylene to increase. Subsequently, as production capacity gradually came on stream, the average price of propylene oxide declined in 2022, which resulting in the decrease in sales revenue. In 2030, the production capacity, production volume, and consumption volume of propylene oxide in China are expected to reach 16.3 million tons, 11.0 million tons, and 9.6 million tons, with a CAGR of 10.9%, 11.4% and 11.0% from 2025 to 2030, respectively. The sales revenue of propylene oxide in China is projected to reach RMB73.5 billion, with a CAGR of 15.5%.

Production Capacity, Production Volume, Consumption Volume and Sales Revenue of Propylene Oxide (China), 2021-2030E



Source: China National Chemical Economic and Technical Development Centre; Frost & Sullivan Analysis

In 2025, the proportion of chlorohydrin process, co-oxidation process and hydrogen peroxide to propylene oxide process in terms of production capacity of propylene oxide reached 16.5%, 50.5% and 33.0%, respectively. In recent years, the environmental regulations for the chlorohydrin process have become stringent, resulting in the phase-out of outdated capacities that failed to meet the required environmental standards. As a result, the production capacity of chlorohydrin process has witnessed a decrease, with a CAGR of -1.5% from 2021 to 2025. The production capacity of co-oxidation process and hydrogen peroxide to propylene oxide process grew with a CAGR of 23.6% and 59.1% from 2021 to 2025, respectively. By 2030, the proportion of chlorohydrin process, co-oxidation process and hydrogen peroxide to propylene oxide process in terms of production capacity of propylene oxide is expected to reach 7.4%, 50.3% and 42.3%, respectively.

In 2025, the polyether polyol is the main downstream product of propylene oxide, accounted for 88.8% of the consumption volume of propylene oxide. Polyether polyols are essential raw materials to produce polyurethane foams, insulation materials, elastomers, adhesives, and coatings, which are widely used in automobiles, household appliance and furniture sectors.

Market Drivers of Propylene Oxide Industry in China

Supportive Policies. In recent years, the Chinese government has introduced multiple policies to foster a favorable development environment for the propylene oxide industry. In 2024, the Ministry of Industry and Information Technology and other eight departments jointly issued the "Implementation Plan for Innovative Development of the Fine Chemical Industry (2024–2027)" (《精細化工產業創新發展實施方案(2024-2027年)》), which proposed developing the fine chemical industry by extending traditional industrial chains toward the high end, which promoting sustainable development in China's propylene oxide industry.

Downstream Demand Growth. The primary downstream application of propylene oxide is polyurethane, which is widely used in sectors such as automotive, home appliances, and building insulation. In recent years, China's NEV industry has experienced rapid growth, with the sales volume of NEVs rising from 3.3 million units in 2021 to 14.7 million units in 2025, representing a CAGR of 45.3%. Polyurethane products are extensively utilized in NEVs for battery pack insulation, vehicle lightweighting, and interior components, thereby driving demand for propylene oxide. Meanwhile, under the stimulus of government subsidies for appliance replacement programs, the revenue of China's home appliances market increased from RMB754.3 billion in 2021 to RMB893.1 billion in 2025, with a CAGR of 4.3%. The robust performance of end-use industries has not only broadened the application scope of propylene oxide but also provided the industry with long-term, stable growth momentum.

Future Opportunities and Challenges of Propylene Oxide Industry in China

Development of Green Technology. The future development of China's propylene oxide industry will be centered on the continued evolution of green technologies. As the national dual-carbon strategy is further implemented, enterprises are placing greater emphasis on energy conservation and emission reduction throughout the production process, accelerating the industry's transition from a high-consumption, high-emission model to a green and low-carbon pathway. The advancement of green technologies is reflected not only in process optimization and upgrading, but also in innovations across catalyst systems, process intensification, and intelligent control. These improvements have significantly enhanced resource utilization efficiency and reduced environmental impact.

Extension of the Value Chain. China's propylene oxide industry is shifting from a sole focus on capacity expansion to relying on technological innovation to extend high-value integration across the upstream and downstream segments of the industrial chain. This transformation aims to address intensifying competition and unlock new growth opportunities. By applying green technologies, the industry aims to enhance competitiveness and sustainability at the source. Enterprises are expanding deeply into downstream high-end fine chemical sectors to cultivate new growth drivers.

Environmental Pressure. As public awareness of environmental protection grows and government regulations on the chemical industry become stricter, the propylene oxide manufacturers are facing significant environmental pressure. They need proactively take steps to reduce the environmental impact of operations. This requires investing in the research and development of clean production technologies to lower energy consumption, reduce waste emissions, and boost resource utilization. Leading manufactures in the industry are leveraging their strong financial and technological capabilities to develop new environmental technologies and upgrade equipment.

Competitive Landscape of Propylene Oxide Industry in China

China's propylene oxide industry is relatively concentrated. As of December 31, 2025, there were less than 50 market participants in China. In terms of sales revenue of propylene oxide, our Group ranked second, with a market share of 9.5% in China.

Top Three Providers of Propylene Oxide in terms of Sales Revenue (China), 2025

Ranking	Company Name	Market Share
1	Company I[(1)]	10.3%
2	**Our Group**	**9.5%**
3	Company J[(2)]	7.5%

Notes:

(1) Company I is a Group established in 1998 and headquartered in Shandong Province, China, and listed on the Shanghai Stock Exchange, engaging in the provision of new chemical materials.

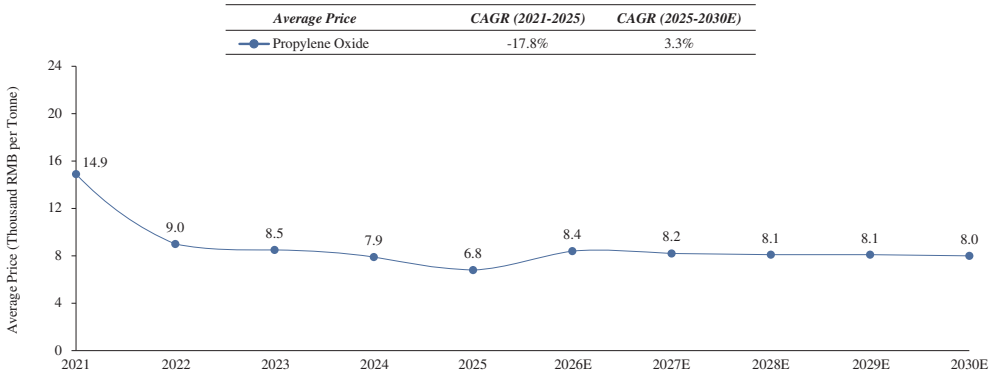
(2) Company J is a private Group established in 2000 and headquartered in Guangdong Province, China, engaging in the provision of propylene oxide and other chemical products.

Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; Annual Reports; Frost & Sullivan Analysis

Average Prices and Raw Material Prices of Propylene Oxide Industry in China

The average price of propylene oxide in China decreased from RMB14.9 thousand per ton to RMB6.8 thousand per ton, with a CAGR of -17.8%, respectively. In 2020, the COVID-19 pandemic forced some propylene oxide producers to suspend operations, while in 2021 certain producers had yet to fully recover from the pandemic. At the same time, downstream demand for propylene oxide rebounded rapidly in 2021, resulting in a supply shortage and leading to a rapid increase in its average price. Subsequently, as production capacity gradually came on stream, the average price of propylene oxide declined in 2022. Looking ahead, with market supply and demand moving toward equilibrium, the price of propylene oxide is expected to stabilize. By 2030, the average price of propylene oxide in China is expected to reach RMB8.0 thousand per ton, with a CAGR of 3.3% from 2025 to 2030, respectively.

Average Price (Excluding VAT) of Propylene Oxide (China), 2021-2030E



Source: China National Chemical Economic and Technical Development Centre; Frost & Sullivan Analysis

Propylene is the main raw material of propylene oxide. From 2021 to 2025, the average price of propylene in China decreased from approximately RMB7.0 thousand per ton to RMB5.7 thousand per ton, with a CAGR of -5.0%. In the future, the average price of propylene in China is expected to reach approximately RMB6.9 thousand per ton in 2030, growing at a CAGR of 3.9% from 2025 to 2030.

C3-C4 CHEMICALS INDUSTRY IN CHINA

Definition and Classification of C3-C4 Chemicals

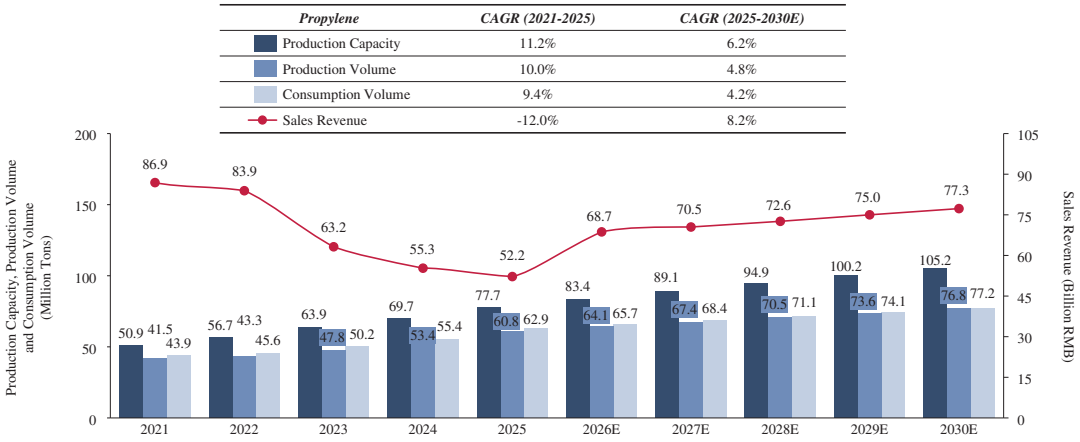
The C3 chemicals industry chain is an integrated industrial system that utilizes C3 hydrocarbons as core raw materials and employs a series of chemical processes, such as propane dehydrogenation (PDH), selective oxidation, and polymerization to produce bulk basic chemicals and high-value-added derivative products. The core value of this industrial chain is to focus on the production and conversion of propylene. As the primary target product of upstream processing, propylene also serves as an indispensable core raw material for the synthesis of numerous downstream chemical products. Therefore, propylene is the most essential and fundamental product of the C3 industry chain. Its extensive range of downstream derivatives includes polypropylene (PP), propylene oxide (PO), acrylonitrile (AN), acrylic acid (AA), and isopropanol (IPA), among others. These products are widely used in industries such as plastics, rubber, textiles, and electronic materials. The C4 chemicals industry chain is an integrated industrial system that utilizes C4 hydrocarbon fractions as its core raw material, and through a series of chemical processes, such as isomerization, alkylation, dehydrogenation, etherification and others, it produces various high-value-added chemical products. Within this industrial chain, the processing pathway for isobutane and its derivative methyl tert-butyl ether (MTBE) constitutes a crucial segment. Isobutane is a high-quality blending component for clean gasoline and is also a key raw material for producing isobutylene, enabling the conversion of low-value alkane into high-value olefins. Through etherification with methanol, isobutylene can be further processed to synthesize Methyl Tert-Butyl Ether (MTBE). Owing to its excellent octane rating and favorable blending properties, MTBE is primarily used as an efficient gasoline additive in the refining industry. Simultaneously, it acts as an important chemical intermediate that can be cracked to produce high-purity isobutylene, which is subsequently utilized in the manufacture of high-value-added chemicals such as butyl rubber and methyl methacrylate.

The primary products in the C3-C4 chemicals industry, such as propylene and MTBE, are essential chemical raw materials. Its production involves high costs for startup and shutdown, with limited operational flexibility, leading to continuous and scaled production. The manufacturers typically formulate production plans based on downstream orders and market demand. The demand for downstream products such as polypropylene, acrylonitrile, and refined fuels remains relatively stable, and the integration between upstream and downstream industrial chains is highly developed, keeping inventory levels relatively low. Additionally, these products are typically gaseous at room temperature and require specialized storage and transportation facilities, resulting in relatively high storage and transportation costs. Therefore, a tightly integrated production and sales model is established between manufacturers and downstream consumers. In the C3-C4 chemicals industry, excluding volumes consumed internally, production-to-sales ratios generally exceed 90%.

Market Size of C3-C4 Chemicals Industry in China

The production capacity, production volume, and consumption volume of propylene in China reached 77.7 million tons, 60.8 million tons and 62.9 million tons in 2025, growing at a CAGR of 11.2%, 10.0%, and 9.4% from 2021 to 2025, respectively. The sales revenue of propylene in China decreased from RMB86.9 billion in 2021 to RMB52.2 billion in 2025, with a CAGR of -12.0%. From 2021 to 2022, rising propylene prices and robust downstream demand jointly drove an increase in propylene market sales revenue. From 2022 to 2025, continuous industry capacity expansion led to overcapacity, resulting in a decline in propylene market sales revenue. In 2030, the production capacity, production volume, and consumption volume of propylene in China are expected to reach 105.2 million tons, 76.8 million tons, and 77.2 million tons, with a CAGR of 6.2%, 4.8% and 4.2% from 2025 to 2030, respectively. The sales revenue of propylene in China is projected to reach RMB77.3 billion in 2030, with a CAGR of 8.2% from 2025 to 2030. In the future, the slowdown in propylene capacity expansion, the gradual phasing out of outdated production facilities, and the deepening integration of the industrial chain will alleviate supply pressures. The downstream demand will continue to grow, the downstream products such as polypropylene and propylene oxide are in expansion cycles, maintaining steady growth in demand for propylene. For instance, the production volume of polypropylene reached 40.2 million tons in 2025 and it is expected to reach 51.0 million tons by 2030, representing a CAGR of approximately 4.9%. Consequently, driven by supply-side restructuring and stable demand growth, the propylene market in China is expected to maintain steady growth.

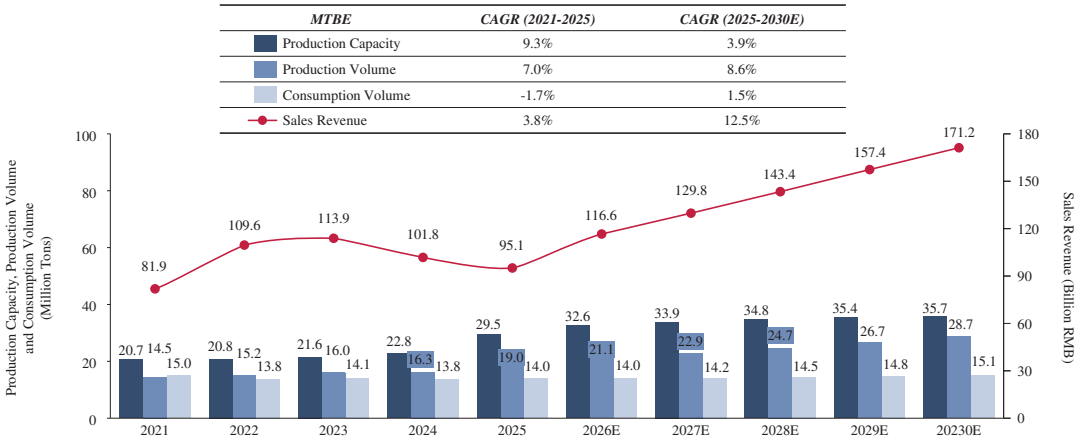
Production Capacity, Production Volume, Consumption Volume and Sales Revenue of Propylene (China), 2021-2030E



Source: China National Chemical Economic and Technical Development Centre; Frost & Sullivan Analysis

The production capacity, production volume, and consumption volume of MTBE in China reached 29.5 million tons, 19.0 million tons, and 14.0 million tons in 2025, growing at a CAGR of 9.3%, 7.0%, and -1.7% from 2021 to 2025, respectively. The sales revenue of MTBE in China grew from RMB81.9 billion in 2021 to RMB95.1 billion in 2025, with a CAGR of 3.8%. From 2021 to 2023, driven by the sustained recovery in gasoline consumption, MTBE emerged as the dominant gasoline additive, with sales revenue demonstrating steady growth. In 2024, a large volume of newly built production capacity was released, resulting in a oversupply in the market and a decline in industry sales revenue. In 2030, the production capacity, production volume, and consumption volume of MTBE in China are expected to reach 35.7 million tons, 28.7 million tons, and 15.1 million tons in 2030, with a CAGR of 3.9%, 8.6% and 1.5% from 2025 to 2030, respectively. The sales revenue of MTBE in China is projected to reach RMB171.2 billion in 2030, with a CAGR of 12.5% from 2025 to 2030. MTBE can be cracked to produce high-purity isobutylene, which is a core raw material for high-end chemical products such as methyl methacrylate (MMA), butyl rubber, and pharmaceutical intermediates. The production volume of MMA reached approximately 1.8 million tons in 2025, with is expected to reach approximately 2.6 million tons in 2030, with a CAGR of approximately 7.6% during this period. Therefore, the expansion of downstream applications will bring development opportunities to the market.

Production Capacity, Production Volume, Consumption Volume and Sales Revenue of MTBE (China), 2021-2030E



Source: China National Chemical Economic and Technical Development Centre; Frost & Sullivan Analysis

Market Drivers of C3-C4 Chemicals Industry in China

Supportive Policy. The government has issued a series of policies encouraging the R&D of energy-saving and carbon-reduction technologies as well as high-value-added new materials, driving the C3-C4 chemicals industrial chain to expand into high-value-added sectors. In July 2024, the Ministry of Industry and Information Technology and other eight ministries jointly issued "the Implementation Plan for the Innovative Development of the Fine Chemical Industry (2024-2027)" (《精細化工產業創新發展實施方案(2024-2027年)》), which proposes to focus on the demand for new energy, new materials, biotechnology and medical equipment, and enhance the supply capacity of key products in fields such as high-end polyolefins, synthetic resins and engineering plastics, and high-performance membrane materials.

Continuous Growth in Downstream Demand. The major products of C3-C4 chemicals market such as propylene and MTBE, leveraging their pivotal position in the chemical industry chain, are widely used in traditional sectors including packaging, automotive, construction and oil refining. Materials derived from propylene, such as polypropylene and propylene oxide, find extensive applications in packaging, lightweight auto parts and construction materials, serving as indispensable raw materials for modern industrial production. MTBE is an important gasoline octane improver, which aligns deeply with the demands of the refining industry and can be further converted into high-value-added fine chemical products.

Technology Innovation. In the field of traditional oil refining and chemical processing, the iterative upgrading of technologies such as catalytic cracking and olefin separation has substantially improved the extraction efficiency and purity of core products like propylene and MTBE, reduced the unit production cost, and enhanced the market competitiveness of the products. Meanwhile, breakthroughs in emerging processes including propane dehydrogenation (PDH) and butane isomerization have broken the dependence of C3-C4 chemicals feedstocks on oil refining by-products, broadened the raw material channels and improved resource utilization efficiency.

Future Opportunities and Challenge of C3-C4 Chemicals Industry in China

Industrial Chain Integration. To secure stable raw material supply and reduce overall costs, manufacturers are enhancing their competitiveness by pursuing integrated and clustered development of the industrial chain. By combining raw material production, intermediate processing, and end-product manufacturing, manufacturers achieve self-sufficiency in key materials, lessen dependence on external markets, and thereby stabilize supply while mitigating exposure to price volatility. The close linkage between different stages of the value chain enhances operational flexibility and scheduling capability, allowing manufacturers to respond swiftly to market changes.

Development of Refined Chemical Products. In the C3-C4 chemicals industry, manufacturers are gradually shifting from large-scale production of bulk chemicals toward developing refined chemical products and new materials characterized by higher technical barriers and greater profit margins. By deeply utilizing key components such as propylene and isobutane within the C3-C4 chemicals industrial chains, manufacturers can produce high-value products including butyl rubber, polymethyl methacrylate (PMMA), high-purity isobutylene, as well as downstream derivatives such as diisobutylene, polyisobutylene, and others. The development of refined products helps optimize product portfolios, effectively improves risk resilience and profitability.

Green and Low-Carbon Transformation. With the deepening implementation of the "Dual Carbon" strategy, the C3-C4 chemicals industries are actively adopting green and low-carbon development models. Manufacturers are implementing comprehensive utilization of by-product hydrogen from propane dehydrogenation (PDH), low-carbon production processes such as butane isomerization, and supporting green power projects like wind-solar hybrid power system to reduce energy consumption and carbon emissions. Manufacturers are actively building resource circulation systems to reintegrate by-products and even waste materials from production processes back into the value chain, achieving resource regeneration and value re-creation. This green transformation effectively addresses environmental regulatory pressures, enhances economic efficiency through cost reduction and operational improvements, and ultimately drives the industry toward high-quality and sustainable development.

Fluctuations in Raw Material Prices. The raw materials for the C3-C4 chemicals industrial chains are primarily derived from crude oil and natural gas, which prices are closely linked to international oil prices, geopolitical factors, and maritime shipping costs. This exposes manufacturers to significant procurement cost pressures and considerable uncertainty in production and operations. Additionally, the domestic C3-C4 chemicals industry exhibit a relatively high dependence on imported raw materials, making the industrial chain vulnerable to changes in the international trade environment and exchange rate fluctuations. To address these challenges, leading manufacturers are enhancing their self-sufficiency in raw materials and strengthening risk resilience through integrated industrial chain.

Entry Barriers of C3-C4 Chemicals Industry in China

Capital Barrier. The C3-C4 chemicals industries are capital intensive industry, requiring substantial financial investment in areas ranging from raw material procurement and storage to the construction of large-scale production facilities. This high capital requirement significantly raises the barrier to entry, limiting competition from players lacking scale and capital strength, thereby reinforcing the competitive advantage of established large enterprises.

Environmental Barrier. With the advancement of the "Dual Carbon" goals, China continues to raise standards for energy consumption, emissions, and waste treatment in the chemical industry, imposing stringent requirements on green production capabilities of manufacturers. New entrants must invest substantial capital in end-of-pipe treatment facilities for wastewater, exhaust gas, waste salts, and other pollutants, and also adopt green production technologies from the process source to replace traditional high-pollution capacity. This significantly increases both initial investment costs and production technology complexity.

Competitive Landscape of C3-C4 Chemicals Industry in China

As of December 31, 2025, there are approximately 500 providers of methyl tert-butyl ether (MTBE) in China. In 2025, the sales revenue of methyl tert-butyl ether (MTBE) in China reached RMB95.1 billion. In terms of sales revenue of methyl tert-butyl ether (MTBE) in China in 2025, our Group ranked second, with a market share of 3.8%.

Top Three Providers of Methyl Tert-Butyl Ether (MTBE) in terms of Sales Revenue (China), 2025

Ranking	Company Name	Market Share
1	Company K[1]	5.0%
2	**Our Group**	3.8%
3	Company L[2]	3.2%

Notes:

(1) Company K is a Group established in 2009 and headquartered in Guangdong Province, China, engaging in the research and development, production, and sale of value-added organic chemical products derived from liquefied petroleum gas.

(2) Company L is a Group established in 2002 and headquartered in Shandong Province, China, engaging in the research and development, production and sales of high-value specialty chemicals derived from C3-C4 feedstocks.

Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; Annual Reports; Frost & Sullivan Analysis

Average Prices and Raw Material Prices of C3-C4 Chemicals Industry in China

From 2021 to 2025, the average price of propylene in China decreased from approximately RMB7.0 thousand per ton to RMB5.7 thousand per ton, with a CAGR of -5.0%. In the future, the average price of propylene in China is expected to reach approximately RMB6.9 thousand per ton in 2030, growing at a CAGR of 3.9% from 2025 to 2030.

From 2021 to 2025, the average price of MTBE in China decreased from approximately RMB5.1 thousand per ton to RMB4.7 thousand per ton, with a CAGR of -2.0%. In the future, the average price of MTBE in China is expected to reach approximately RMB5.8 thousand per ton in 2030, growing at a CAGR of 4.3% from 2025 to 2030.

The key raw material for the C3-C4 chemicals market is liquefied petroleum gas (LPG), and its price is mainly affected by factors such as market supply and demand and international crude oil prices. The average price of LPG in China increased from RMB4,400 per ton in 2021 to RMB4,600 per ton in 2025, with a CAGR of approximately 1.1%. From 2021 to 2022, driven by global economic recovery boosting demand and geopolitical conflicts pushing up international oil prices, prices showed a sustained upward trend. From 2023 to 2024, market supply and demand gradually achieved dynamic equilibrium, leading prices to decline and enter a stable operating range.

WET ELECTRONIC CHEMICALS INDUSTRY IN CHINA

Definition and Classification of Wet Electronic Chemicals

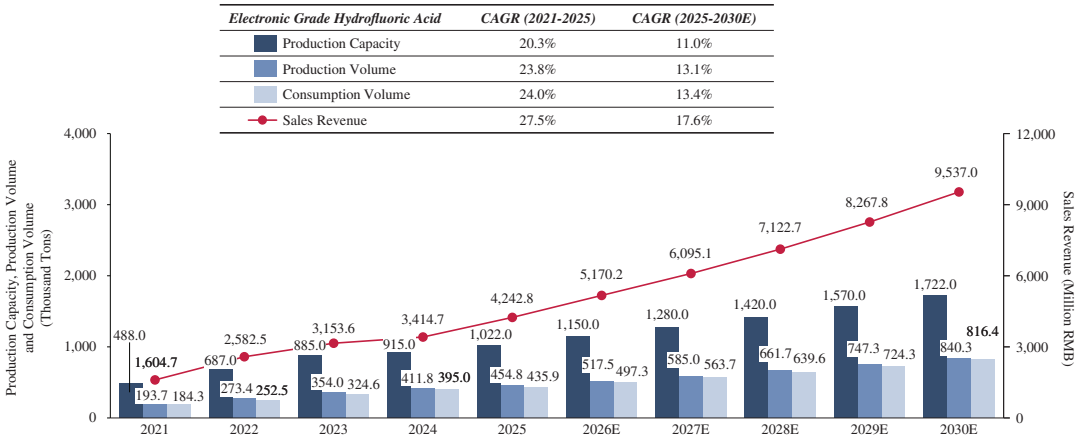
Wet electronic chemicals, also known as high-purity reagents or process chemicals, refer to chemical reagents and whose impurity ions and particle numbers meet strict standards. They are one of the important materials in the semiconductor manufacturing process. According to the applications, the wet electronic chemicals are categorized into general wet electronic chemicals and functional wet electronic chemicals. Among them, general wet electronic chemicals are mainly high-purity solvents, including hydrogen peroxide, hydrofluoric acid, sulfuric acid, phosphoric acid, hydrochloric acid, nitric acid, among others. Functional wet electronic chemicals refer to formula or compound chemicals that achieve special functions and meet the special process requirements in manufacturing through compounding methods, mainly including developing solution, stripper, etchant, among others.

Market Size of Wet Electronic Chemicals in China

The sales revenue of wet electronic chemicals industry in China increased from RMB158.9 billion in 2021 to RMB268.9 billion in 2025, with a CAGR of 14.1%. By 2030, the sales revenue of wet electronic chemicals industry in China is projected to reach RMB437.9 billion, with a CAGR of 10.2% from 2025 to 2030. General wet electronic chemicals are the primary products of the wet electronic chemicals industry, the sales revenue of general wet electronic chemicals industry in China reached RMB236.1 billion in 2025. In terms of sales revenue in 2025, electronic grade hydrofluoric acid accounted for 15.8% and 18% of the sales revenue of wet electronic chemicals industry and the sales revenue of general wet electronic chemicals industry, respectively.

Electronic grade hydrofluoric acid is an important component of electronic chemicals. The production capacity, production volume, and consumption volume of electronic grade hydrofluoric acid in China grew at a CAGR of 20.3%, 23.8% and 24.0% from 2021 to 2025, respectively. The sales revenue of electronic grade hydrofluoric acid in China grew from RMB1,604.7 million in 2021 to RMB4,242.8 million in 2025, with a CAGR of 27.5%. In 2030, the production capacity, production volume, and consumption volume of electronic grade hydrofluoric acid in China are expected to grow at a CAGR of 11.0%, 13.1% and 13.4% from 2025 to 2030, respectively. The sales revenue of electronic grade hydrofluoric acid in China is projected to reach RMB9,537.0 million, representing a CAGR of 17.6% from 2025 to 2030. The electronic grade hydrofluoric acid is one of the key materials for chip etching and cleaning, its demand grows rigidly in line with the expansion of semiconductor manufacturing, particularly for 12-inch wafers and advanced process nodes. In the electronic grade hydrofluoric acid industry, excluding volumes consumed internally, production-to-sales ratios generally exceed 90%.

Production Capacity, Production Volume, Consumption Volume and Sales Revenue of Electronic Grade Hydrofluoric Acid (China), 2021-2030E



Source: China National Chemical Economic and Technical Development Centre; Frost & Sullivan Analysis

Market Drivers of Wet Electronic Chemicals Industry in China

Favorable Policies. Wet electronic chemicals, especially electronic grade hydrofluoric acid industry, is one of the key areas supported by China's policies. For example, in 2023, MIIT issued the "Guiding Catalogue for the First Batch of Secondary Application Demonstrations of Key New Materials (2024 Edition)" (《重點新材料首批次應用示範指導目錄(2024年版)》), which explicitly included ultra-high purity chemical reagents, an important category of wet electronic chemicals. The implementation of a series of national policies has created a favorable policy environment for the sustainable development of the wet electronic chemicals industry.

Technical Advancement. Continuous technical advancements in purification and production technologies are propelling development in the electronic grade hydrofluoric acid industry, enabling higher product purity, improved cost efficiency, and broader application fields. In recent years, leading manufacturers have increased investment in R&D, addressing the constraints of traditional purification methods and accelerating adoption of advanced techniques such as multi-stage distillation, sub-boiling purification, and high-performance membrane filtration. These technologies have substantially lowered energy consumption, improved production stability, and enhanced operational safety, establishing a foundation for large-scale and cost-effective manufacturing. Meanwhile, breakthroughs have been achieved in ultra-high-purity grades such as UPSSS level, where exceptional purity and consistent quality have expanded application in advanced semiconductor processes, display panels, and photovoltaics. These advancements underpin the sustainable growth of China's electronic grade hydrofluoric acid sector.

Future Opportunities of Wet Electronic Chemicals Industry in China

Accelerating Domestication Process. In recent years, China's electronic grade hydrofluoric acid industry has made significant breakthroughs through independent innovation and technology introduction. The localization rate of production technology has improved markedly, with leading manufacturers having mastered both conventional and ultra-high-purity purification routes. Key product indicators such as purity, metallic impurity levels, and particle control have reached advanced international standards. This progress has broken the long-term monopoly of international suppliers and accelerated the substitution of imported electronic grade hydrofluoric acid with domestic alternatives.

Strategic Cooperation with Downstream Customer. In addition to expanding their nationwide footprint, leading electronic grade hydrofluoric acid manufacturers also grow their business by forming joint ventures with major semiconductor manufacturers or building strategic long-term supply partnerships. This requires them to possess competitive advantages in production scale, consistent product quality, advanced purification technology, and reliable supply chain capabilities. Establishing such strategic cooperation helps electronic grade hydrofluoric acid manufacturers strengthen their market competitiveness and enhance their industry presence.

Price Fluctuations. In the electronic grade hydrofluoric acid industry, raw material costs account for a significant portion of total manufacturing expenses. Sharp increases in the prices of key inputs such as fluorite and sulfuric acid present major challenges for many producers. Manufacturers that fail to effectively manage cost fluctuations and stabilize supply channels may experience squeezed profit margins and weakened competitiveness, particularly in periods of volatile raw material and end-product pricing.

Entry Barriers of Wet Electronic Chemicals Industry in China

Capital Barrier. The construction and operation of production facilities of electronic grade hydrofluoric acid require a large amount of capital investment. Existing manufacturers usually have established a solid financial foundation, which is easier to expand production scale. In contrast, it is difficult for new entrants to obtain sufficient investment to acquire production sites, purchase equipment, procure raw materials, and meet operation costs in the initial stage.

Qualification Barrier. Electronic grade hydrofluoric acid is a high-purity electronic chemical material, and its production requires corresponding production qualifications and pollution discharge permits. In particular, the key raw materials such as sulfuric acid used in its synthesis are hazardous chemicals, and the product itself is highly corrosive and toxic. Therefore, manufacturers must obtain hazardous chemicals production permits, safety use licenses, and meet strict environmental and safety regulations. For new market entrants, it is challenging to acquire all necessary certifications and comply with industry regulatory approvals within a short period.

Competitive Landscape of Wet Electronic Chemicals Industry in China

According to their different uses and purity, electronic grade hydrofluoric acid can be divided into EL, UP, UPS, UPSS, and UPSSS (semi G5), among them, UPSSS (semi G5) is the highest level. Currently, semiconductor-grade products are upgrading quickly and have higher requirements for impurity ions and particle counts. The electronic grade hydrofluoric acid (semi G5) industry in China is relatively concentrated. As of December 31, 2025, there were approximately 30 electronic grade hydrofluoric acid manufacturers in China. Due to high technological barriers, the process of electronic grade hydrofluoric acid (semi G5) is still difficult to break through there are few manufacturers that can meet the electronic grade hydrofluoric acid (semi G5) standard, and Our Group is one of the main suppliers of electronic grade hydrofluoric acid (semi G5) in China. In terms of the production capacity of electronic grade hydrofluoric acid as of December 31, 2025, our Group accounted for 0.6% in China. In terms of the production volume of electronic grade hydrofluoric acid in 2025, our Group accounted for 1.4% in China. In terms of the sales revenue of electronic grade hydrofluoric acid in 2025, our Group accounted for 1.5%.

As of December 31, 2025, there are more than 80 providers of wet electronic chemicals in China, in addition, there are approximately 10 providers of electronic grade hydrofluoric acid (semi G5) in China. In 2025, the production capacity, production volume, and sales revenue of electronic grade hydrofluoric acid (semi G5) in China reached 135.0 thousand tons, 74.9 thousand tons, and RMB657.6 million, respectively. In terms of sales revenue of wet electronic chemicals in China in 2025, our Group accounted for approximately 0.2%. In terms of production capacity of electronic grade hydrofluoric acid (semi G5) in China in 2025, our Group ranked sixth, with a market share of 4.4%. In terms of production volume of electronic grade hydrofluoric acid (semi G5) in China in 2025, our Group ranked fifth, with a market share of 8.5%. In terms of sales revenue of electronic grade hydrofluoric acid (semi G5) in China in 2025, our Group ranked fifth, with a market share of 9.6%.

Top Five Providers of Electronic Grade Hydrofluoric Acid (semi G5) in terms of Sales Revenue (China), 2025

Ranking	Company Name	Market Share
1	Company M[(1)]	39.9%
2	Company N[(2)]	23.4%
3	Company O[(3)]	14.1%
4	Company P[(4)]	10.6%
5	**Our Group**	**9.6%**

Notes:

(1) Company M is a Group established in 1999, headquartered in Henan Province, China, and listed on the Shenzhen Stock Exchange, engaging in the provision of inorganic fluorides, electronic chemicals, lithium-ion batteries, and related materials.

(2) Company N is a Group established in 2017, headquartered in Zhejiang Province, China, and listed on the Shanghai Stock Exchange, engaging in the provision of electronic chemical materials for semiconductor industry.

(3) Company O is a private Group established in 2003 and headquartered in Zhejiang Province, China, engaging in the provision of microelectronic etching and cleaning grade materials.

(4) Company P is a private Group established in 2018 and headquartered in Hubei Province, China, engaging in the provision of phosphorus chemical products and fine chemical products.

Source: Interviews Conducted by Frost & Sullivan with Experts from Leading Market Players; Annual Reports; Frost & Sullivan Analysis

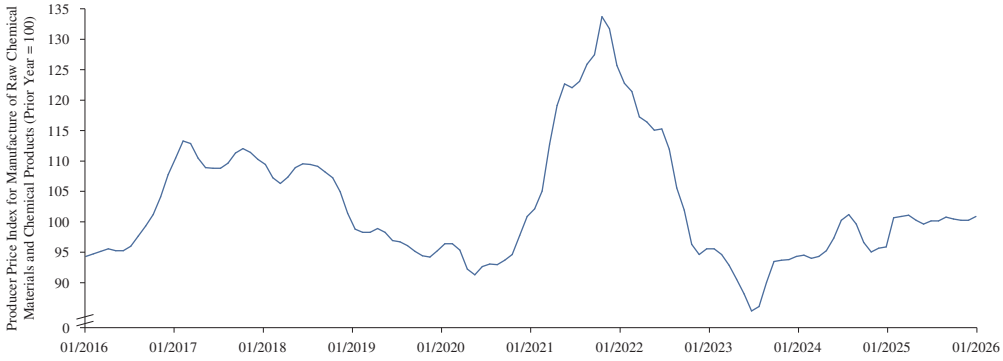
Average Prices and Raw Material Prices of Wet Electronic Chemicals Industry in China

The average prices of electronic grade hydrofluoric acid in China rose from RMB8,707.0 per ton in 2021 to RMB9,733.4 per ton in 2025, representing a CAGR of 2.8%. In 2022, mining enterprises are facing increasingly stringent safety and environmental requirements, resulting in insufficient production of fluorite and insufficient domestic fluorite supply, resulting in a sharp rise in electronic grade hydrofluoric acid prices. Subsequently, in 2023, the abundant supply of fluorite pushed the electronic grade hydrofluoric acid prices downward. Looking ahead, as the demand for electronic grade hydrofluoric acid in China continues to grow, the average price of electronic grade hydrofluoric acid in China is expected to trend upward, reaching RMB11,681.8 per ton by 2030, with a CAGR of 3.7% from 2025 to 2030.

ANALYSIS OF CYCLICAL TREND IN CHINA'S CHEMICAL INDUSTRY

China's chemical industry is characterized by cyclicality. A complete cycle typically spans five to seven years and is driven by multiple factors, including the rhythm of capacity investment, inventory dynamics, and demand fluctuations. From the perspective of capacity investment, during periods of rising industry prosperity and high profitability, enterprises often undertake concentrated capacity expansion. This leads to a subsequent surge in new capacity releases, which, in downturn phases, results in oversupply and consequent price declines. From the inventory perspective, the chemical industry generally follows a cyclical rotation pattern of "active destocking — passive destocking — active restocking — passive restocking". From the demand perspective, chemical products are extensively applied across fundamental sectors of the national economy and are closely linked to macroeconomic performance. As a result, demand fluctuations exert a significant amplifying effect on the industry's cyclical prosperity. During the historical period, the fluctuation trend of our Group's product prices is consistent with the volatility trend of the Producer Price Index for Manufacturing of Raw Chemical Materials and Chemical Products.

Monthly PPI (Producer Price Index) for Manufacturing of Raw Chemical Materials and Chemical Products (Prior Year = 100), 2016-2025



Source: National Bureau of Statistics; Frost & Sullivan Analysis

SOURCE AND RELIABILITY OF INFORMATION

In connection with the [**REDACTED**], we engaged an independent market research consultant, Frost & Sullivan, to conduct an analysis of, and to prepare an industry report on the industries where we operate with a commission fee of RMB680,000. Founded in 1961, Frost & Sullivan is an independent global consulting firm that conducts industry research and prepares industry report on a wide range of industries, among other services. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report with its consent.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the collected data and information, and cross-check each respondent's information and expressions against those of others: (i) detailed primary research, which involved discussing the status of the industry with leading industry participants and industry experts; and (ii) secondary research, which involved reviewing published sources including reports of market participants, independent research reports and data based on Frost & Sullivan's own research database.

Frost & Sullivan adopted the following primary assumptions while making projections for preparing the Frost & Sullivan Report: (i) global economy is likely to maintain steady growth in the next decade; (ii) global social, economic, and political environment is likely to remain stable in the forecast period; and (iii) market drivers like supportive policies, technological innovation driving industry development, industry chain extension and circular economy, among others.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict, or have an impact on such information.

RELEVANT LAWS AND REGULATIONS IN THE PRC

PRC Laws, Regulations and Policy Documents in Relation to the Chemical Industry

Industry classification

According to the Industrial Classification for National Economic Activities (《國民經濟行業分類》) (GB/T 4754-2017) (2019 Revision), the industry in which the Company operates falls under C26 Manufacture of Raw Chemical Materials and Chemical Products.

Industry policies

According to the Opinions on Accelerating the Comprehensive Green Transformation of Economic and Social Development (《關於加快經濟社會發展全面綠色轉型的意見》) promulgated by the Central Committee of the Communist Party of China and the State Council on July 31, 2024, the PRC government vigorously promotes the green and low-carbon transformation of industries such as iron and steel, non-ferrous metals, petrochemicals, chemicals, building materials, papermaking, and printing and dyeing, and promotes energy-saving, low-carbon and clean production technologies and equipment, and fosters the renewal and upgrading of technological processes. We are required to reasonably raise the resource and environmental access thresholds for new, rebuilt and expanded projects, and resolutely curb the blind launch of projects with high energy consumption, high emissions and low levels.

According to the Work Plan for Accelerating the Establishment of a System for Dual Control of Carbon Emissions (《加快構建碳排放雙控制度體系工作方案》) promulgated by the General Office of the State Council on July 30, 2024, focusing on industrial sectors such as electricity, iron and steel, non-ferrous metals, building materials, petrochemicals and chemicals, as well as fields such as urban and rural construction and transportation, carbon emission accounting for key industries will be carried out.

According to the Circular on the Issuance of the Work Plan for Stabilising Growth in the Petrochemical and Chemical Industry (《關於印發<石化化工行業穩增長工作方案>的通知》) promulgated by seven departments, including the Ministry of Industry and Information Technology and the National Development and Reform Commission, on August 18, 2023, during the period from 2023 to 2024, stabilising growth in the petrochemical and chemical industry requires combining stable operation with transformational development, with a focus on promoting the transformation and upgrading of traditional industries and the cultivation and expansion of emerging industries.

According to the Circular on the Issuance of the Benchmark and Baseline Levels of Energy Efficiency in Key Industrial Sectors (2023 Edition) (《關於發布<工業重點領域能效標桿水平和基準水平(2023年版)>的通知》) promulgated by six departments, including the National Development and Reform Commission and the Ministry of Industry and Information Technology, on June 6, 2023, the work of energy conservation and carbon reduction in key sectors shall be promoted through strict energy efficiency constraints. For projects under planning and construction, they shall be constructed and implemented in line with the benchmark levels of energy efficiency, striving to improve energy efficiency to the greatest extent possible and aiming to fully meet the benchmark levels.

According to the Action Plan for Key Petrochemical and Chemical Industries to Strictly Enforce Energy Efficiency Constraints and Promote Energy Conservation and Carbon Reduction (2021-2025) (《石化化工重點行業嚴格能效約束推動節能降碳行動方案(2021-2025年)》) promulgated by five departments, including the National Development and Reform Commission and the Ministry of Industry

and Information Technology, on October 18, 2021, by 2025, through the implementation of energy conservation and carbon reduction actions, the proportion of production capacity in the oil refining, ethylene, synthetic ammonia, and calcium carbide industries that meets the benchmark level will exceed 30%.

According to the Guiding Opinions of the General Office of the State Council on Adjusting the Structure, Promoting Transformation and Increasing the Efficiency of the Petrochemical Industry (《國務院辦公廳關於石化產業調結構促轉型增效益的指導意見》) promulgated by the General Office of the State Council on July 23, 2016, the petrochemical industry is an important pillar industry of the national economy, characterised by wide product coverage, being capital-intensive and technology-intensive, and having a high degree of industrial linkage, playing a significant role in stabilising economic growth, improving people's livelihood, and safeguarding national defence security. To promote the sustainable and healthy development of the petrochemical industry, it is necessary to strictly control new excess capacity, accelerate the elimination of outdated capacity, improve the innovation system, promote safe and green development, encourage foreign investment in the merger and reorganisation of domestic enterprises, and support large-scale domestic petrochemical enterprises in conducting transnational operations.

Laws and Regulations in Relation to the Power Business

Approval and filing of power plant projects

The NDRC promulgated the Administrative Measures for the Approval and Filing of Enterprise Investment Projects (《企業投資項目核准和備案管理辦法》) on March 8, 2017, which was subsequently amended by the Decision of the NDRC on Amending Relevant Rules and Administrative Normative Documents on Investment Management (《國家發展改革委關於修訂投資管理有關規章和行政規範性文件的決定》) published on March 23, 2023 and effective on May 1, 2023. The State Council promulgated the Catalogue of Investment Projects Subject to Government Approval (2016 Version) (《政府核准的投資項目目錄(2016年本)》) (the "Approval Catalogue") on December 12, 2016. Pursuant to the above regulations, fixed asset investment projects constructed by enterprises that are listed in the Approval Catalogue must be submitted to the relevant project approval authorities for approval in accordance with applicable provisions, while fixed asset investment projects constructed by enterprises that are not listed in the Approval Catalogue are subject to filing-based administration. Among them, thermal power plants (including captive power plants) are subject to approval by provincial-level governments, with coal-fired and gas-fired thermal power projects to be approved within the national construction plan formulated based on total volume control. Cogeneration power plants (including captive power plants) are subject to approval by local governments, with extraction and condensing coal-fired cogeneration projects to be approved by provincial-level governments within the national construction plan formulated based on total volume control. Wind power stations are subject to approval by local governments within the national construction plan formulated based on total volume control and the annual development guidance scale.

According to the Measures for the Administration of the Development and Construction of Photovoltaic Power Stations promulgated on November 30, 2022, photovoltaic power station projects shall be subject to filing-based administration in accordance with the investment project management regulations of the State Council. Except for circumstances exempted by the National Energy Administration, photovoltaic power station projects shall obtain an Electricity Business Permit within six months after being connected to the grid.

According to the Interim Measures for the Administration of Wind Power Development and Construction (《風電開發建設管理暫行辦法》) promulgated and implemented by the National Energy Administration on August 25, 2011, the energy department of the State Council is responsible for the administration of national wind power development and construction. The energy departments of the governments of all provinces (autonomous regions and municipalities),

under the guidance and organisation of the energy department of the State Council, are responsible for the administration of wind power development and construction within their respective regions in accordance with relevant national regulations.

According to the Measures for the Administration of the Development and Construction of Distributed Photovoltaic Power Generation (《分布式光伏發電開發建設管理辦法》), promulgated and implemented by the National Energy Administration on January 17, 2025, the National Energy Administration is responsible for the industry administration of the development, construction, and operation of distributed photovoltaic power generation nationwide. The provincial-level energy authorities, under the guidance of the National Energy Administration, are responsible for the industry administration of the development, construction, and operation of distributed photovoltaic power generation within their respective provinces (autonomous regions and municipalities). Distributed photovoltaic power generation projects are subject to filing-based administration.

Electricity business permits

According to the Electricity Law of the PRC (《中華人民共和國電力法》), promulgated by the SCNPC on December 28, 1995, and latest amended on December 29, 2018, the Provisions on the Administration of Electricity Business Permits (《電力業務許可證管理規定》), promulgated by the former State Electricity Regulatory Commission (the "SERC") on October 13, 2005, and latest amended by the NDRC on March 1, 2024. Any entity engaged in the electricity business within the territory of China shall obtain an Electricity Business Permit in accordance with relevant regulations.

Carbon emissions

According to the Interim Regulations on the Administration of Carbon Emission Trading (《碳排放權交易管理暫行條例》) promulgated by the State Council on January 25, 2024 and effective on May 1, 2024, the Rules for the Administration of Carbon Emission Allowance Settlement (for Trial Implementation) (碳排放權結算管理規則(試行)) promulgated by the Ministry of Ecology and Environment on May 14, 2021 and effective on the same day, and the Measures for the Administration of Carbon Emission Trading (for Trial Implementation) (《碳排放權交易管理辦法(試行)》) promulgated by the Ministry of Ecology and Environment on December 31, 2020 and effective on February 1, 2021, the State shall strengthen the control of greenhouse gas emissions, and regulate carbon emission trading and related activities, as well as the registration, trading, and settlement of national carbon emission allowances.

According to the Notice of Implementation of Relevant Work on Distribution and Settlement of National Carbon Emission Rights Trading Quota for 2023 and 2024 for the Power Generation Industry (《關於做好2023、2024年度發電行業全國碳排放權交易配額分配及清繳相關工作的通知》) issued by the Ministry of Ecology and Environment on October 15, 2024, the total quota allocation plan for the national carbon emission trading power generation industry applies to key emission units (hereinafter referred to as the "key emission units") included in the national carbon emission trading market's power generation industry quota management for 2023 and 2024.

As advised by PRC Legal Advisers, based on the certificates of compliance issued by relevant governmental authorities and the confirmation of the Company, during the Track Record Period and up to the Latest Practicable Date, the Company has not received any material penalties, or legal proceedings due to carbon emissions laws and regulations.

Power generation capacity indicator

According to the Opinions on Deepening Supply-side Structural Reform, Further Eliminating Backward Coal Power Capacity, and Promoting Optimization and Upgrading of the Coal Power Industry (《關於深入推進供給側結構性改革進一步淘汰煤電落後產能促進煤電行業優化升級的意見》) issued by the NDRC and the National Energy Administration on March 7, 2019, based on the

national standards for elimination and shutdown, regions are encouraged to further intensify efforts to phase out outdated coal power capacity. The decommissioning of obsolete coal power units should be based on ensuring secure and stable supply of electricity and heat, with local authorities required to properly manage the transition of power and heat supply affected by shutdown units.

Regulations in Relation to Foreign Investment

The Standing Committee of the National People's Congress of the PRC (the "SCNPC") promulgated the Company Law of the PRC (the "Company Law") on December 29, 1993, which was latest amended on December 29, 2023 and took effect on July 1, 2024. It regulates the establishment, operation and management of companies in China (including foreign-invested companies). Unless otherwise provided in foreign investment laws, foreign-invested companies shall comply with the Company Law.

On March 15, 2019, the Second Session of the 13th National People's Congress approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "Foreign Investment Law"), which took effect on January 1, 2020. The PRC government will implement the management system of pre-entry national treatment and the Negative List for foreign investment. The current Negative List is the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》), promulgated by the NDRC and the Ministry of Commerce of the PRC (中華人民共和國商務部) (the "MOFCOM") on September 6, 2024 and effective since November 1, 2024, which lists the special management measures for foreign investment access for industries regulated by the Negative List, such as equity requirements and senior management requirements.

According to the Implementation Regulations for the Foreign Investment Law of the PRC promulgated by the State Council on December 26, 2019, which took effect on January 1, 2020, provisions related to foreign investment formulated before January 1, 2020, that are inconsistent with the Foreign Investment Law and its implementation regulations shall be governed by the provisions of the Foreign Investment Law and its implementation regulations. Additionally, enterprises established before the implementation of the Foreign Investment Law must adjust their organizational forms or organizational structures in accordance with the Company Law and the Partnership Enterprise Law of the People's Republic of China (《中華人民共和國合夥企業法》) (if applicable) by January 1, 2025, and complete the relevant registration changes.

According to the Foreign Investment Information Reporting Method, jointly developed by the MOFCOM and the SAMR, which promulgated on December 30, 2019, foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System and the reporting methods include initial reports, change reports, cancellation reports, and annual reports.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including but not limited to the types of investments subject to review, review scopes and procedures, among others.

Regulations in Relation to Foreign Exchange

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was latest amended on August 5, 2008. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

According to the *Notice on Issues Concerning the Administration of Capital Raised by Domestic Enterprises from Overseas Listings* (《關於境內企業境外上市資金管理有關問題的通知》), promulgated by the People's Bank of China and the State Administration of Foreign Exchange (the "**SAFE**") on December 24, 2025, and implemented on April 1, 2026, domestic companies listed overseas shall submit the registration documents for their overseas listings to the bank located in the registered place to open capital account-settlement accounts regarding their initial or follow-on offerings and share repurchases, and handle the exchange, transfer and remittance of relevant funds through such designated accounts, and the proceeds raised from overseas listings of a domestic company shall, in principle, be promptly remitted into the PRC or deposited overseas, and the use of such proceeds shall be consistent with those set out in the document or other publicly disclosed documents such as the corporate bonds offering documentations, board resolutions or shareholders' resolutions. For share repurchases using domestic funds, companies shall complete the relevant change registration prior to the proposed repurchase.

According to the *Foreign Exchange Business Guidelines for Capital Account (2024 version)* (《資本項目外匯業務指引(2024年版) 》) promulgated by the SAFE on April 3, 2024, and implemented on May 6, 2024, funds raised by domestic companies through overseas listings shall, in principle, be remitted back to China in a timely manner, either in Renminbi or foreign currency. The use of such funds shall be consistent with the relevant content disclosed in public documents such as documents, corporate bond issuance documents, shareholder circulars, or board of directors or shareholders' meeting resolutions. Domestic companies using funds raised from overseas listings for outbound direct investment, overseas securities investment, or overseas lending shall comply with the relevant foreign exchange management regulations.

Regulations in Relation to Overseas Investment

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (企業境外投資管理辦法) issued by the NDRC on December 26, 2017, the PRC government implements an approval and filing system for investment projects where domestic enterprises (the "investing entities") directly or through their controlled overseas enterprises acquire ownership, control rights, management rights, and other related interests in overseas projects (including investments in Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan region) by providing financing or guarantees.

According to the Administrative Measures for Overseas Investments (境外投資管理辦法) issued by the MOFCOM on March 16, 2009, revised on September 6, 2014, enterprises legally established within China that acquire non-financial enterprises overseas or obtain ownership, control rights, management rights, and other interests in existing non-financial enterprises through establishment, mergers and acquisitions, or other means shall be subject to either approval or filing administration by the MOFCOM and provincial commerce authorities, depending on the circumstances of the outbound investment.

Regulations in Relation to Overseas Securities Offering and Listing by Domestic Companies

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Trial Measures") issued by the China Securities Regulatory Commission (the "CSRC") on February 17, 2023 and effective from March 31, 2023, domestic enterprises offering securities overseas and listing shall file with the CSRC in accordance with the Trial Measures. Where issuer makes its initial public offering or listing overseas, it shall file with the CSRC within three (3) working days after submitting the application documents for offering and listing overseas.

According to the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) jointly issued by the CSRC and other departments on

February 24, 2023 and effective on March 31, 2023, in the overseas offering and listing activities of domestic enterprises, domestic enterprises, and securities companies and securities service institutions that provide corresponding services shall strictly comply with the relevant laws and regulations of the People's Republic of China and the requirements of these Provisions, enhance the legal awareness of preserving state secrets and strengthening archives administration, establish and improve the confidentiality and archives work system, and take necessary measures to fulfill the confidentiality and archives administration obligations, and shall not divulge state secrets or work secrets of state organs, or harm the interests of the state and the public. A domestic enterprise that, either directly or through an overseas offering and listing entity, publicly discloses and provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals, documents and materials that involve state secrets or work secrets of state organs, shall obtain approval from the competent department with the power of examination and approval according to the law, and report to the administrative department of confidentiality at the same level for filing. A domestic enterprise that, either directly or through an overseas offering and listing entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulators, and other entities and individuals, other documents and materials whose divulgence will have adverse impact on national security or public interest, shall strictly undergo the relevant procedures in accordance with the relevant regulations of the state.

Regulations in Relation to Enterprise Investment Projects and Construction

Enterprise investment projects

On November 30, 2016, the State Council issued the Regulations on the Administration of Approval and Filing of Enterprise Investment Projects (《企業投資項目核准和備案管理條例》), which came into effect on February 1, 2017, the PRC government implements a pre-approval management on fixed asset investment projects that are invested and constructed by enterprises in the PRC and that have national security concerns or relate to major productivity distribution, strategic resource development and major public interests. The specific project scope, the approval authority and the approval power shall be implemented in accordance with the catalog of investment projects approved by the government, and other projects are subject to the filing registration.

Land use right

According to Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986 with the latest amendment on August 26, 2019, and Civil Code promulgated by the NPC on May 28, 2020, effective on January 1, 2021, any entity that needs land for the purposes of construction must obtain land use right and must register with local counterparts of the Ministry of Natural Resources. Land use right is established at the time of registration.

Environmental protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989 with the latest amendment on April 24, 2014 the PRC Law on Environment Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 with the latest amendment on December 29, 2018, and the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 with the latest amendment on July 16, 2017 and effective on October 1, 2017, any construction project that may affect the environment must undergo an environmental impact assessment. In the event of significant environmental impact, an environmental impact appraisal report shall include a comprehensive appraisal on the possible environmental impact; in the event of slight environmental impact, an environmental impact report shall include an analysis or special appraisal on the environmental impact; and in the event of minimal environmental impact, no environmental impact appraisal is required but an environmental impact form shall be filed.

The SCNPC promulgated the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) on September 5, 1987 with the latest amendment on October 26, 2018, the Law on the Prevention and Control of Water Pollution of the People's Republic of China (《中華人民共和國水污染防治法》) on May 11, 1984 with the latest amendment on June 27, 2017, the Law of the People's Republic of China on the Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》) on December 24, 2021, and the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) on October 30, 1995 with the latest amendment on April 29, 2020 set out the requirements for controlling air, water, noise and solid-waste pollution respectively. Any enterprise that discharges wastewater, solid waste, noise or exhaust gases must obtain the relevant permit under these laws and regulations.

According to the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) issued by the Ministry of Ecology and Environment on April 1, 2024 and effective on July 1, 2024, enterprises, public institutions and other operators subject to permit control must apply for and obtain a pollution-discharge permit and discharge pollutants strictly in accordance with its terms. No pollutant may be discharged without a permit.

According to the Management Regulation on Hazardous Wastes Manifests (《危險廢物經營許可證管理辦法》) promulgated by the State Council on May 30, 2004 with the latest amendment on February 6, 2016 and effective on the same day, any entity undertaking the business activities of collection, storage and disposal of hazardous wastes within the territory of the PRC shall obtain the permit for operation of hazardous wastes in accordance with the provisions of the Measures.

Fire protection

According to the Fire Protection Law of the PRC (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998, last amended on April 29, 2021 and the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) (the "Interim Provisions") promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, last amended on August 21, 2023, the fire protection design and construction of a construction project must comply with the national technical standards for fire protection in engineering construction. Furthermore, such projects are subject to fire protection design review and final acceptance.

Work safety

The Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated by the SCNPC on June 29, 2002 and latest amended on June 10, 2021, is the basic law for governing production safety. It provides that, safety facilities of new building, rebuilding or expanding project shall be designed, constructed and put into operation simultaneously with the main body of the project. Investment in safety facilities shall be included in the budget of the construction project.

The State Council promulgated the Regulations on Safety Production Licence (《安全生產許可證條例》) on January 13, 2004, amended on July 29, 2014 and effective on the same day. The state implements the production safety licencing system to the enterprises ("Enterprises") engaged in mining, construction, production of hazardous chemicals, fireworks and crackers, and civil use explosive articles. No enterprise may engage in such manufacturing activities without a safety production licence.

Occupational disease prevention and control

According to the Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》) promulgated by the SCNPC on October 27, 2001 with the latest amendment on December 29, 2018, the budget for facilities for the prevention and control of occupational diseases of a construction project shall be included in the budget of the project and

those facilities shall be designed, constructed and put into operation simultaneously the main body of the project. According to the Law of the People's Republic of China on Promotion of Basic Medical Care and Health (《中華人民共和國基本醫療衛生與健康促進法》) promulgated by the SCNPC on December 28, 2019, employers must control occupational hazards through engineering controls, personal protection and health management to improve working conditions and the labour environment.

Regulations in Relation to Industrial Products and Hazardous Chemicals

Industrial product production

According to the Administrative Regulations of the People's Republic of China on Production Licenses for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) promulgated by the State Council on July 9, 2005, and amended on July 20, 2023 and the Measures for the Implementation of the Regulation on the Administration of Production License of Industrial Product (《中華人民共和國工業產品生產許可證管理條例實施辦法》) promulgated by the General Administration of Quality Supervision (has been removed) on September 15, 2005, latest amended on March 18, 2025, no enterprise may produce products listed in the Catalog without obtaining a production license. No entity or individual may sell or use in the course of business activities any product listed in the Catalog for which it has not obtained a production license.

Hazardous chemical production and operation

According to the Administrative Regulations on the Safety of Hazardous Chemicals (《危險化學品安全管理條例》) promulgated by the State Council on January 26, 2002, and latest amended on December 7, 2013, the state implements a licensing system for the operation (including storage operations) of hazardous chemicals; no entity or individual may engage in the trade of hazardous chemicals without a license. Chemical enterprises that reach the stipulated usage threshold in their production activities must legally obtain a hazardous chemical safe use permit.

According to the Measures for the Administration of Hazardous Chemicals Business Licenses (《危險化學品經營許可證管理辦法》) promulgated by the State Administration of Work Safety (has been removed) on July 17, 2012, and amended on May 27, 2015, no entity or individual may engage in the trade of hazardous chemicals without obtaining an operation license. However, production enterprises that have legally obtained a hazardous chemical work safety license do not need a separate operation license for selling their own products within the plant area, nor do port operators who have legally obtained a port operation license for engaging in hazardous chemical storage operations within the port area.

According to the Administration Measures for the Registration of Hazardous Chemicals (《危險化學品登記管理辦法》) promulgated by the State Administration of Work Safety (has been removed) on July 1, 2012, all producers or importers of hazardous chemicals listed in the Catalog of Hazardous Chemicals must complete the registration according to law.

Production and operation of non-pharmaceutical precursor chemicals

Pursuant to the Measures for the Licensing for Production and Operation of Non-Pharmaceutical Precursor Chemicals (《非藥品類易制毒化學品生產、經營許可辦法》) promulgated by the former State Administration of Work Safety (now defunct) on April 5, 2006 and effective on April 15, 2006, a licensing system is implemented for the production and operation of Category I non-pharmaceutical precursor chemicals, while a record-filing certificate system is implemented for Category II and Category III chemicals.

Regulations in Relation to Import and Export of Goods

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and latest amended on December 30, 2022, and the Notice of the Enterprise Management and Audit Department on Matters Related to the Filing of Consignees and Consignors of Import and Export Goods (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) promulgated by the General Administration of Customs of the PRC on January 3, 2023 and effective on the same day, applicants for the filing of consignees and consignors of import and export goods shall obtain the qualification of market entity and are not required to obtain foreign trade operator filing.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and latest amended on April 29, 2021, unless otherwise stipulated, the customs declaration and duty payment procedures for import and export goods must be handled by the consignee or consignor themselves or entrusted to a representative. The consignee or consignor of import and export goods and the customs declaration enterprise shall handle customs declaration procedures with the customs authorities according to law.

Pursuant to the Import and Export Control Regulations of the PRC (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council on December 10, 2001, latest amended on March 10, 2024 trade activities involving the importation of goods into the customs territory of the PRC or the exportation of goods out of the customs territory of the PRC shall comply with the aforementioned regulations. Goods prohibited from import or export shall not be imported or exported; the import or export of restricted goods shall be subject to license or quota administration; freely imported and exported goods are not subject to restrictions.

Regulations in Relation to Intellectual Property

Regulations in relation to patent

Patents in China are primarily protected under the Patent Law of the PRC (《中華人民共和國專利法》) (the "Patent Law") promulgated by the SCNPC on March 12, 1984, latest amended on October 17, 2020, and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) (the "Implementing Rules") promulgated by the State Council on June 15, 2001, latest amended on December 11, 2023. The Patent Law and Implementing Rules provide for three types of patents, namely "invention", "utility model" and "design". The duration of a patent right for "invention" is twenty (20) years; the duration of a patent right for "utility model" is ten (10) years; and the duration of a patent right for "design" is fifteen (15) years, all of which duration are from the date of application.

Regulations in relation to trademark

Registered trademarks in China are primarily protected by the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982, latest amended on April 23, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which were promulgated by the State Council on August 3, 2002, latest amended on April 29, 2014. The Trademark Office is responsible for registration and administration of trademarks throughout China. A registered trademark has a validity period of ten (10) years.

Regulations in relation to copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, latest amended on November 11, 2020, works protected by copyright refer to intellectual achievements that can be expressed in a certain form in the fields of

literature, art and science. Copyright is a combination of personal rights and property rights, which includes, among others, the right of publication, the right of attribution, the right of revision, the right of distribution, the right of reproduction, and the right of communication through information networks.

In accordance with the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration of China on February 20, 2002 and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001, latest amended on January 30, 2013, the China Copyright Protection Center issues registration certificates to computer software copyright applicants who satisfy the requirements stipulated in the aforementioned Measures and Regulations.

Regulations in relation to domain names

Domain names are governed by the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017. The MIIT serves as the primary regulatory authority overseeing internet domain names in China. Domain name registration is processed through domain name registration service institutions established in accordance with relevant regulations, and applicants become domain name holders upon successful registration.

Regulations in Relation to Employment and Social Insurance

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and latest amended on December 29, 2018, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, latest amended on December 28, 2012, employers shall enter into written labor contracts with full-time employees.

In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and amended on December 29, 2018, and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and latest amended on March 24, 2019, employers shall contribute social insurance premiums for employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and employment injury insurance.

Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國税地税徵管體制改革方案》) promulgated by the General Office of the CPC Central Committee and the General Office of the State Council on July 20, 2018, from January 1, 2019, the collection of various social insurance premiums has been transferred to the tax authorities for unified collection.

Pursuant to the Regulations on the Administration of Housing Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and latest amended on March 24, 2019, employers shall contribute housing provident fund for their employees.

According to the Interpretation (II) of the Supreme People's Court on issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), which became effective on September 1, 2025, where the employer and the employee agree, or the employee promises the employer, that there is no need to make social insurance contributions, the people's court shall determine that such agreement or promise is invalid. Where the employer fails to make social insurance contributions in accordance with the law, and the employee requests to terminate the labor contract and claim economic compensation in accordance with item (3) of Article 38 of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the people's court shall support such claim.

Regulations in Relation to Taxation

Enterprise income tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the SCNPC on March 16, 2007 and latest amended on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on December 6, 2007, latest amended on December 6, 2024, enterprises established within the territory of the PRC and enterprises established under foreign (regional) laws but with substantive management functions within the territory of the PRC are regarded as Chinese resident enterprises. Resident enterprises shall pay enterprise income tax at the rate of 25% on their income derived from both within and outside the territory of the PRC. Preferential enterprise income tax rates are applicable to enterprises in certain government-supported or government-encouraged industries, with high-tech enterprises supported by the government eligible for a reduced enterprise income tax rate of 15%. Furthermore, qualified small profit-making enterprises enjoy certain preferential tax treatments. According to the Announcement on the Relevant Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households (《關於進一步支持小微企業和個體工商戶發展有關税費政策的公告》) issued on August 2, 2023, small profit-making enterprises with annual taxable income not exceeding RMB1.00 million are allowed to include 25% of their taxable income and will continue to apply the enterprise income tax rate of 20% from January 1, 2023 to December 31, 2027.

Value-added tax

The Standing Committee of the National People's Congress promulgated the Value-added Tax Law of the PRC (《中華人民共和國增值税法》) on December 25, 2024, which will become effective on January 1, 2026. According to the Value-added Tax Law of the PRC, the VAT rate for general taxpayers selling goods, leasing tangible movable property, or importing goods is adjusted to 13%, while the VAT rate for general taxpayers engaged in transportation services, postal services, basic telecommunications services, construction services, real estate leasing and sales, and transfer of land use rights is adjusted to 9%. The Interim Regulations on Value-added Tax of the PRC will be repealed simultaneously upon the effectiveness of the Value-added Tax Law of the PRC (i.e, January 1, 2026).

RELEVANT LAWS AND REGULATIONS IN SINGAPORE

Regulation of Imports and Exports Act

Under the Regulation of Imports and Exports Act 1995 of Singapore ("**RIEA**"), the Minister for Trade and Industry may make regulations for the registration, regulation and control of all or any class of goods imported into, exported from, transhipped in or in transit through Singapore. The Regulation of Imports and Exports Regulations ("**RIER**") provides that, subject to the RIER, no goods shall be imported into Singapore, exported out of Singapore, or transhipped in Singapore, except in accordance with a permit granted by the Director General under this Part of the RIER. In addition, the importation and exportation of specific products into and out of Singapore may be subjected to certain registration requirements imposed by the relevant governmental authorities in Singapore.

Under regulation 23(1) of the RIER, either the Singapore Customs or an authorised organisation (i.e. the Singapore Chinese Chamber of Commerce and Industry, Singapore Indian Chamber of Commerce and Industry, Singapore International Chamber of Commerce, the Singapore Malay Chamber of Commerce and Industry, or Singapore Manufacturing Federation) (each an "**Issuing Authority**", collectively "**Issuing Authorities**") may issue a certificate of origin, on the application of any person, in respect of (a) any goods manufactured, processed or produced in Singapore; or (b) any goods manufactured, processed or produced in any country other than

Singapore that have been or are exported or re-exported from Singapore. The Director-General may require, as a condition precedent to the issuance of the certificate of origin, that the applicant applies to be registered in the register maintained under regulation 21(1) of the RIER.

Certificates of origin issued by an Issuing Authority help to identify and are a relevant reference for the identification of the origin of the goods in the shipment for which such certificate is issued, for the purposes of the importing country's customs or import laws, regulations or procedures (including, without limitation, the trade documents required or any assessment(s) of duties, tariffs or tax under such laws or regulations, if applicable).

Unless specific criteria are met, traders are prohibited from declaring Singapore as the origin of goods. To qualify as originating in Singapore, goods must either be wholly obtained in Singapore or have undergone significant processing or transformation in Singapore which results in a new product. Packaging, labeling, or assembling activities carried out in Singapore where there is no substantial change to the product do not constitute processes that confer origin status. The misuse of terms such as "Made in Singapore" or "Product of Singapore" may constitute a false declaration under the Regulation of Imports and Exports Act, which could lead to penalties or permit suspensions.

Income Tax Act 1947 of Singapore

The Income Tax Act 1947 of Singapore (the "**ITA**") is the main legislation that governs the taxation of income in Singapore. Under the ITA, individuals, companies, and other entities are subject to tax on their income accruing in or derived from Singapore or received in Singapore from outside Singapore. The ITA sets out the rules for determining taxable income, allowable deductions, and tax rates for different types of income. The ITA is administered by the Inland Revenue Authority of Singapore (the "**IRAS**"), which is responsible for assessing and collecting taxes in Singapore.

Some key provisions of the ITA include (i) Tax residency: The ITA defines the criteria for determining an individual or company's tax residency status in Singapore, which determines the amount of tax they are liable to pay; (ii) Taxable income: The ITA sets out the rules for determining what constitutes taxable income, including employment income, business profits and rental income; (iii) Deductions and allowances: The ITA allows for certain deductions and allowances to be claimed to reduce the amount of taxable income, such as expenses related to employment or business operations; (iv) Tax rates: The ITA sets out the tax rates for different types of income and tax residency statuses; and (v) Filing and payment: The ITA requires individuals and companies to file tax returns and make tax payments by specific deadlines.

Goods and Services Tax

Goods and Services Tax ("**GST**") in Singapore is a consumption tax that is levied on import of goods into Singapore, as well as nearly all supplies of goods and services in Singapore at a prevailing rate of 9.0%.

Under section 8(1) of the Goods and Services Tax Act 1993 of Singapore ("**GST Act**"), tax is charged on any supply of goods or services made in Singapore where it is a taxable supply made by a taxable person in the course or furtherance of any business carried on by the taxable person. Section 8(2) provides that a person is a taxable person for the purposes of the GST Act while the person is or is required to be registered under the GST Act.

A person is liable to be registered under section 8(2), read together with section 9 and paragraph 1 of the First Schedule of the GST Act either:

(a) at the end of any quarter the last day of which is a day before January 1, 2019 in which the total value of all its taxable supplies made in Singapore for that quarter and immediately preceding three quarters or calendar year respectively has exceeded S$1 million; or

(b) at the end of the year 2019 or a subsequent calendar year, the total value of all of the following in that calendar year has exceeded S$1 million:

(i) the taxable supplies made in Singapore;

(ii) if the subsequent calendar year is 2022 or later, the taxable supplies in Singapore under paragraph 3(2)(b)(ii) and (3A) of the Seventh Schedule of the GST Act; or

(c) if at any time there are reasonable grounds for believing that the total value of all of the following in the period of 12 months then beginning will exceed S$1 million: (A) the person's taxable supplies made in Singapore; and (B) if the person belongs in Singapore, the person's taxable supplies under paragraph 3(2)(b)(ii) and (3A) of the Seventh Schedule.

Per section 16 of the GST Act, a person who is or is required to be registered under section 9 of the GST Act is required:

(a) to charge GST of 7% from July 1, 2007 to December 31, 2022 (both dates inclusive);

(b) to charge GST of 8% from January 1, 2023 to December 31, 2023 (both dates inclusive); and

(c) to charge GST of 9% from January 1, 2024 to December 31, 2024 (both dates inclusive),

on:

(a) the supply of goods or services (including a reverse charge supply), by reference to the value of the supply as determined under the GST Act; and

(b) the importation of goods, by reference to the value of the goods as determined under the GST Act.

Section 21(1) of the GST Act provides that subject to Sections 21A, 21B and 21C, a supply of goods, where such goods are exported, is zero-rated.

The Employment Act 1968

The Employment Act 1968 of Singapore (the "**EA**") is administered by the Ministry of Manpower and sets out the basic terms and conditions of employment and the rights and responsibilities of employers as well as employees. The term "employee" is defined in the EA to mean a person who has entered into or works under a contract of service with an employer and includes, among others, a workman, but does not include certain specified categories of employees including, among others, any domestic worker. The provisions of the EA include (i) minimum days of statutory annual and sick leave; (ii) paid public holidays; (iii) statutory protection against wrongful dismissal; (iv) provision of key employment terms in writing; and (v) statutory maternity leave and childcare leave benefits. In particular, Part IV of the Employment Act sets out requirements for rest days, hours of work, and other conditions of service for workmen who receive salaries not exceeding S$4,500 a month and employees (other than workmen or persons employed

in managerial or executive positions) who receive salaries not exceeding S$2,600 a month. Section 38(8) of the Employment Act provides that an employee is not allowed to work for more than 12 hours in any one day except in specified circumstances, such as where the work is essential to the life of the community, defense or security, where urgent work is to be done to machinery or plant, or where an interruption of work which was impossible to foresee. In addition, Section 38(5) limits the extent of overtime work that an employee can perform to 72 hours a month.

The Employment of Foreign Manpower Act 1990

The employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act 1990 of Singapore ("**EFMA**") and regulated by the Ministry of Manpower. Under Section 5(1) of the EFMA, no person shall employ a foreign worker unless the foreign worker has obtained a valid work pass from the Controller of Work Passes under Section 7 of the EFMA and in accordance with the Employment of Foreign Manpower (Work Passes) Regulations 2012 ("**EFMR**"). An employer of foreign workers is also subject to, among others, the EA and the Immigration Act 1959. A work pass includes the following: (a) employment pass, for foreign professionals, managers and executives earning at least S$5,000 per month and who have acceptable qualifications; (b) S pass, for mid-level skilled staff who earn at least S$3,000 per month and who meet the assessment criteria; and (c) work permit for foreign worker, for semi-skilled foreign workers.

Any person who contravenes Section 5(1) of the EFMA shall be guilty of an offence and shall: (a) be liable on conviction to a fine not less than S$5,000 and not more than S$30,000 or to imprisonment for a term not exceeding 12 months or to both; and (b) on a second or subsequent conviction: (i) in the case of an individual, be punished with a fine of not less than S$10,000 and not more than S$30,000 and with imprisonment for a term of not less than one (1) month and not more than 12 months; or (ii) in any other case, be punished with a fine of not less than S$20,000 and not more than S$60,000.

OVERVIEW

We are a comprehensive chemical group in China, driven by technological innovation and green low-carbon development. Our business spans three core sectors: chlor-alkali chemicals, C3-C4 chemicals and wet chemicals, supported by a comprehensive product portfolio.

Our history traces back to 1968, when our predecessor, Huimin District Beizhen Chemical Plant* (惠民地區北鎮化工廠), thereafter renamed as Shandong Binzhou Chemical Plant* (山東濱州化工廠), was established as a state-owned enterprise. On May 21, 1998, Shandong Binzhou Chemical Plant* (山東濱州化工廠) was reorganized as a limited liability company and established as Shandong Binzhou Befar Chemical Co., Ltd.* (山東濱州濱化化工有限公司), which later changed its name to Shandong Befar Group Co., Ltd.* (山東濱化集團有限責任公司). On October 10, 2007, our Company was converted to a joint stock company with limited liability. On February 23, 2010, our Company was listed on the Shanghai Stock Exchange (stock code: 601678) (the "**A-Shares Listing**"). Please refer to "— Major Shareholding Changes of Our Company — B. Conversion into Joint Stock Limited Company and Listing on the Shanghai Stock Exchange" for details.

Milestones

The following sets out a summary of our key development milestones:

Year	Milestones
1968	Our predecessor, Shandong Beizhen Chemical Plant* (山東北鎮化工廠) was established and thereafter renamed as Shandong Binzhou Chemical Plant* (山東濱州化工廠).
1992	Binzhou Chemical Plant New District Petrochemical Project (濱州化工廠新區石化項目) was completed and put into production.
1998	Shandong Binzhou Chemical Plant* (山東濱州化工廠) was reorganized as a limited liability company and established as Shandong Binzhou Befar Chemical Co., Ltd.* (山東濱州濱化化工有限公司), which later changed its name to Shandong Befar Group Co., Ltd.* (山東濱化集團有限責任公司).
2010	Our Company was officially listed on the Shanghai Stock Exchange (stock code: 601678).
2019	We ventured into the hydrogen energy industry and built the hydrogen purification and filling demonstration device.
2020	The Binzhou Lingang Chemical Industry Park C3-C4 Comprehensive Utilization Project (碳三碳四綜合利用項目) started construction in Beihai, a strategic expansion to increase our competitiveness.
2022	We have fully implemented organizational structure reform, established five business units and five centers, anchored the "12345" development strategy, and established ourselves as an ecological platform enterprise.

Year	Milestones
2024	Promoting a model that combines new energy-related operations with our core chemical business, where we are committed to building a globally influential national-level new energy chemical industry base in northern Binzhou.
2025	The Binzhou Lingang Chemical Industry Park C3-C4 Comprehensive Utilization Project (碳三碳四綜合利用項目) has been fully put into production.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, the principal business activities, the date and jurisdiction of establishment of each of our major subsidiaries are listed below.

Name of major subsidiaries	Principal business activities	Holdings in the subsidiary	Date and jurisdiction of establishment
Haiyuan Salt	Production and sale of industrial salt and bromine	100%	April 19, 2002, the PRC
Dongrui Chemical	Production and sale of chemical products	83.87%(1)	March 20, 2007, the PRC
Yellow River Delta Thermal	Heat supply; electricity production and supply; electricity sales	78.18%(2)	May 16, 2013, the PRC
Binhua New Materials	Production and sale of chemical products	100%	September 15, 2018, the PRC

Notes:

(1) As of the Latest Practicable Date, the remaining 16.13% equity interests in Dongrui Chemical was held by Xingyin Financial Asset Investment Co., Ltd.* (興銀金融資產投資有限公司).

(2) As of the Latest Practicable Date, the remaining 21.82% equity interests in Yellow River Delta Thermal was held by CDB Development Fund Co., Ltd.* (國開發展基金有限公司).

Our subsidiaries include, in aggregate, over 50 subsidiaries established in various jurisdictions.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

A. Early Development of Our Company

The history of our Group can be traced back to 1968, when our predecessor, Huimin District Beizhen Chemical Plant* (惠民地區北鎮化工廠), thereafter renamed as Shandong Binzhou Chemical Plant* (山東濱州化工廠), was established as a state-owned enterprise. On May 21, 1998, Shandong Binzhou Chemical Plant* (山東濱州化工廠) was reorganized to establish Shandong Binzhou Befar Chemical Co., Ltd.* (山東濱州濱化化工有限公司), a wholly state-owned limited liability company, which later changed its name to Shandong Befar Group Co., Ltd.* (山東濱化集團有限責任公司) in July 1998.

B. Conversion into Joint Stock Limited Company and Listing on the Shanghai Stock Exchange

Upon completion of several rounds of share transfers, pursuant to the promoters' agreement entered into by the then Shareholders, our Company was converted from a limited liability company into a joint stock company with limited liability registered capital of RMB330,000,000 on October 10, 2007. Our then 173 Shareholders consisted of four corporate Shareholders, namely Binzhou Municipal People's Government State-owned Assets Supervision and Administration Commission (濱州市人民政府國有資產監督管理委員會) ("**Binzhou SASAC**"), Shanghai Fosun Chemical and Pharmaceutical Investment Co., Ltd.* (上海復星化工醫藥投資有限公司), Zhejiang Longsheng Group Co., Ltd.* (浙江龍盛集團股份有限公司) ("**Zhejiang Longsheng**") and Ximeng Asset Holdings Co., Ltd* (璽萌資產控股有限公司) ("**Ximeng Asset**") and 169 individual Shareholders.

On February 23, 2010, our A Shares were listed on the Shanghai Stock Exchange (stock code: 601678). For the A-Shares Listing, we issued a total of 110,000,000 A Shares, accounting for 25% of our Company's then total issued Shares immediately following the A-Shares Listing. Immediately upon the completion of the A-Shares Listing, the shareholding structure of our Company was as follows:

No.	Name of Shareholder	Number of Shares	Shareholding Percentage
1.	Binzhou SASAC	33,000,000	7.50%
2.	Shanghai Fosun	33,000,000	7.50%
3.	Zhejiang Longsheng	31,515,000	7.16%
4.	Ximeng Asset	6,600,000	1.50%
5.	169 individual shareholders	225,885,000	51.34%
	Sub-total	**330,000,000**	**75.00%**
	Public A Shareholders	**110,000,000**	**25.00%**
	Total	**440,000,000**	**100%**

C. Our Other Major Shareholding Changes

(i) Capitalization Issue

We underwent several rounds of capitalization issue, the details of which are as follows:

Time	Total share capital prior to capitalization issue	Total share capital after capitalization issue	Basis of capitalization issue	Total number of new Shares
March 2011	RMB440,000,000	RMB660,000,000	5 additional Shares for every 10 Shares	220,000,000
March 2015	RMB660,000,000	RMB990,000,000	5 additional Shares for every 10 Shares	330,000,000
March 2016	RMB990,000,000	RMB1,188,000,000	2 additional Shares for every 10 Shares	198,000,000
April 2018	RMB1,188,000,000	RMB1,544,400,000	3 additional Shares for every 10 Shares	356,400,000

(ii) Issuance of convertible bonds

On April 10, 2020, following the approval from the relevant regulatory authority, we issued an aggregate of 24,000,000 convertible bonds of face value at RMB100. The subscription of convertible bonds raised gross proceeds of approximately RMB2,400 million. The net proceeds were utilized for the first phrase of the Binzhou Lingang Chemical Industry Park C3-C4 Comprehensive Utilization Project (碳三碳四綜合利用項目).

On May 6, 2021, the Shareholders of the Company approved the amendment of the Company's articles on the increase of 183,237,236 A Shares as a result of conversion by the holders of the convertible bonds. Upon its completion of the aforesaid conversion, our total share capital increased from RMB1,544,400,000 to RMB1,727,637,236.

From April 1, 2021 to January 10, 2022, the holders of convertible bonds had converted into an aggregate of 330,399,040 A Shares. On January 11, 2022, the Company redeemed all the remaining outstanding convertible bonds, and on May 10, 2022, the Shareholders of the Company approved the amendment of the Company's articles on the further increase of 330,399,040 A Shares as a result of conversion by the holders of the convertible bonds. Upon its completion of the aforesaid conversion, our total share capital increased from RMB1,727,637,236 to RMB2,058,036,276.

(iii) Repurchase and cancellation of A Shares

In May 2025, our total share capital decreased by RMB1,200,000 from RMB2,058,036,276 to RMB2,056,836,276 as a result of one grantee of share incentives under the 2024 Restricted A Share Incentive Scheme resigned for personal reasons and no longer met the incentive target conditions, resulting in the cancellation of 1,200,000 restricted A Shares. On October 17, 2025, the Company completed its business registration change. For details of the 2024 Restricted Share Incentive Scheme, see "Appendix VI — Statutory and General Information — D. Share Schemes — (1) 2024 Restricted A Share Incentive Scheme."

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

Since February 23, 2010, our Company has been listed on the Shanghai Stock Exchange. As of the Latest Practicable Date, our Directors confirmed that 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 since our listing on the Shanghai Stock Exchange, 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 Stock Exchange. Our PRC Legal Advisers are of the view that the confirmation of our Directors above with regard to our compliance record is accurate and reasonable and that the Company has not been subject to any major administrative penalties for violating relevant laws and regulations relating to its A-Share listing throughout the Track Record Period and up to the Latest Practicable Date.

Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance records of the Company on the Shanghai Stock Exchange.

We seek to be [**REDACTED**] on the Hong Kong Stock Exchange in order to further advance our global strategy, accelerate our overseas business expansion, and strengthen our international brand image and overall competitiveness. Please refer to "Business — Our Strategies" and "Future Plans and Use of [**REDACTED**]" for more details.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Acquisition of Hainan Jinyuan New Materials Co., Ltd.

On September 22, 2023, our Company entered into an agreement to acquire 100% equity interests of Hainan Jinyuan New Materials Co., Ltd.* (海南錦元新材料有限公司) (currently known as Shandong Jinyuan New Materials Co., Ltd.* (山東錦元新材料有限公司)) ("**Jinyuan New Materials**") for a consideration of RMB1,211,000,000, which was determined after taking into account its net assets. The transaction was completed on December 15, 2023, and Jinyuan New

Materials became a wholly-owned subsidiary of our Company after the completion while holding 35.60% equity interest in Lubei Group. Lubei Group is a state-controlled chemical enterprise group which produces chemical products include alumina, titanium dioxide, crude salt, bromine, fertilizers, cement, lithium carbonate, and lithium iron phosphate. By acquiring Jinyuan New Materials and its indirectly interest in Lubei Group, we aimed at securing technology, raw materials or channels along the upstream-downstream industry chain, which is in line with the national industrial policies and our development plan, and will strengthen and expand our core business, enhance our industry position, and improve our market competitiveness. The acquisition has been properly completed and settled and all applicable regulatory approvals have been obtained. As one or more of the applicable ratios exceed 25%, the acquisition of Jinyuan New Materials would have been classified at the date of application for our [**REDACTED**] as a major transaction under Chapter 14 of the Hong Kong Listing Rules, and the relevant pre-acquisition financial information required to be disclosed pursuant to Rule 4.05A of the Hong Kong Listing Rules is set out in Note 37 of Appendix I to this document.

Acquisition of Sodium Hydroxide Assets

On April 2, 2024, Shandong Binhua Haiming Chemical Co., Ltd.* (山東濱化海銘化工有限公司), a subsidiary of our Company, entered into agreements to acquire a 383.87-mu land use right and the 200,000-ton-per-year sodium hydroxide asset (the "**Sodium Hydroxide Asset**") of Shandong Haiming Chemical Co., Ltd.* (山東海明化工有限公司) ("**Haiming Chemical**") (collectively, "**Target Assets**") for a consideration of RMB60,142,600 and RMB89,233,400, respectively. The consideration was determined on the assessed investment value of the Target Assets with reference to an asset valuation report. Haiming Chemical is a wholly-owned subsidiary of Shandong Heying New Materials Co., Ltd.* (山東和盈新材料有限公司) ("**Heying New Materials**"). Mr. Yu Jiang, our Chairman of the Board and executive Director, currently serves as a director of Shandong Binhua Investment Co., Ltd.* (山東濱化投資有限公司), the controlling shareholder of Heying New Materials. In September 2019, Haiming Chemical obtained the registration and filing certificate for its Sodium Hydroxide Asset project in Shandong Province, the PRC. Construction of the Sodium Hydroxide Asset project commenced before our acquisition, but the project is currently halted and is not generating any revenue due to various delays including equipment supply issues. In accordance with the the Notice of the General Office of the Shandong Provincial People's Government on Issuing Several Measures to Resolutely Curb the Blind Development of 'Two High' Projects" (Luzheng Ban Zi [2021] No. 98) (《山東省人民政府辦公廳關於印發堅決遏制"兩高"專案盲目發展的若干措施的通知》(魯政辦字[2021]98號)), the local government has agreed to the continued retention and execution of the Sodium Hydroxide Asset project while limiting the execution of other high energy consuming and high emission projects in the province. Accordingly, the Target Assets possess all requisite permits and qualifications which are scarce amidst the industry's strict controls on setting new sodium hydroxide production capacity. Although Target Assets' production line is currently non-operational and generates no revenue, as a fully-permitted existing project in a tightly restricted market, the Target Assets carry significant investment value. By acquiring the Target Assets, we can expand our sodium hydroxide production capacity, enhance our industry position, and strengthen our core business operations. The acquisition has been properly completed and settled and all applicable regulatory approvals have been obtained. None of the applicable percentage ratios as defined under the Listing Rules in respect of the acquisition of Sodium Hydroxide Assets during the Track Record Period exceeds 25%. Therefore, the pre-acquisition financial information in respect of the acquisition of Sodium Hydroxide Assets is not required to be disclosed.

Save as disclosed above, during the Track Record Period and as of the Latest Practicable Date, our Group did not have any other major acquisitions, disposals or mergers.

OUR SINGLE LARGEST SHAREHOLDER GROUP

As our Company is a public company listed on the Shanghai Stock Exchange with diverse shareholding base, our shareholding structure is subject to changes as a result of trading of A Shares by our Shareholders or investors. Since January 1, 2024 and up to the Latest Practicable Date, our Single Largest Shareholder Group has been Binzhou Heyi and Binzhou Heyuan (as the general partner of Binzhou Heyi). As of the Latest Practicable Date, they in aggregate held approximately 10.96% of the total issued share capital of our Company.

Binzhou Heyi is 99.9% owned by Shandong Binhua Investment Co., Ltd.* (山東濱化投資有限公司) as its limited partner and 0.1% by Binzhou Heyuan, as its general partner. Binzhou Heyuan is owned as to 40%, 30%, and 30% by Mr. Yu Jiang, Mr. Zhang Liying (張立營) and Mr. Li Mintang (李民堂), respectively. To the best knowledge of our Company, there was no acting in concert arrangement nor voting proxy arrangement between the shareholders of Binzhou Heyuan. See "Substantial Shareholders" for details.

Background of Mr. Zhang Liying and Mr. Li Mingtang

Mr. Zhang Liying

From July 2007 to February 2022, Mr. Zhang worked in the office of our Company, with his last position being department supervisor (部門主管). Since February 2022, he has been serving as a office director (辦公室主任) of Shandong Binhua Investment Co., Ltd.* (山東濱化投資有限公司). He has been serving as the Deputy Director of the Board office (董事會辦公室副主任) of our Company since September 2023.

Mr. Li Mingtang

From 1984 to 2020, Mr. Li successively held various positions at our predecessor and the Company, with his last position being deputy general manager of the Chemical Branch and the general manager of Shandong Binhua Dongrui Chemical Co., Ltd.*(山東濱化東瑞化工有限責任公司). From October 2020 to July 2023, he served as the general manager of Shandong Binhua Binyang Petrochemical Co., Ltd.* (山東濱化濱陽燃化有限責任公司). From September 2020 to August 2023, he was a supervisor of our Company.

Our Company had no controlling shareholder (within the meaning of the Listing Rules) and as at the Latest Practicable Date, to the best knowledge of our Company, there was no acting in concert arrangement nor voting proxy arrangement between Binzhou Heyi on one part and any other Shareholder on the other part.

SHARE SCHEMES

We adopted the Employee Shareholding Scheme I in January 2022, the Employee Shareholding Scheme II in December 2023, and the 2024 Restricted A Share Incentive Scheme in November 2024. See "Appendix VI — Statutory and General Information — D. Share Schemes" for details.

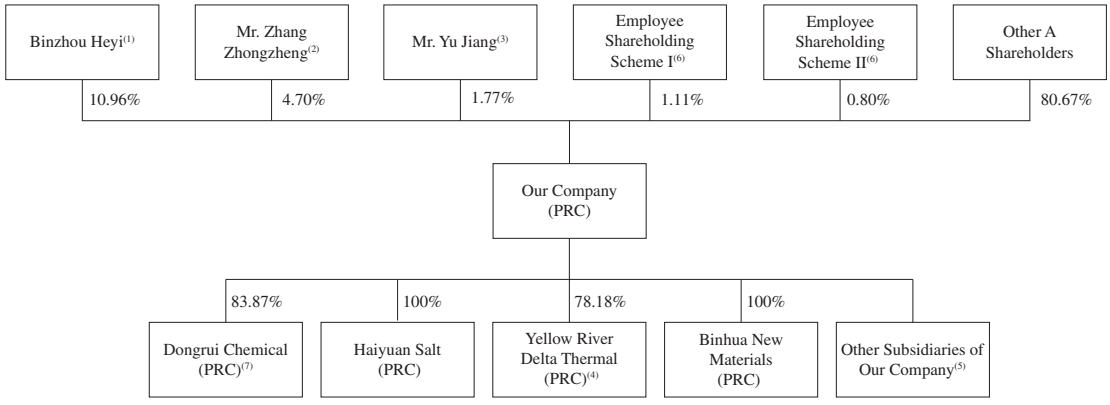
[REDACTED]

[**REDACTED**]

CORPORATE STRUCTURE OF THE COMPANY

Corporate Structure Immediately Before the [**REDACTED**]

The following chart illustrates the simplified shareholding structure and corporate structure of our Group as of the Latest Practicable Date and immediately prior to the completion of the [**REDACTED**] (assuming that no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]):



Notes:

(1) See "Substantial Shareholders" for details. On January 16, 2025, the Company announced that Binzhou Heyi had expressed its intention to further increase its shareholding in the Company, with an aggregate investment amount ranging from RMB140 million to RMB280 million over the following 12 months.

(2) Mr. Zhang Zhongzheng is a former director of our Company.

(3) Mr. Yu Jiang is the chairman of our Board and an executive Director.

(4) As of the Latest Practicable Date, the remaining 21.82% equity interests in Yellow River Delta Thermal was held by CDB Development Fund Co., Ltd.* (國開發展基金有限公司).

(5) Our subsidiaries include, in aggregate, over 50 subsidiaries established in various jurisdictions.

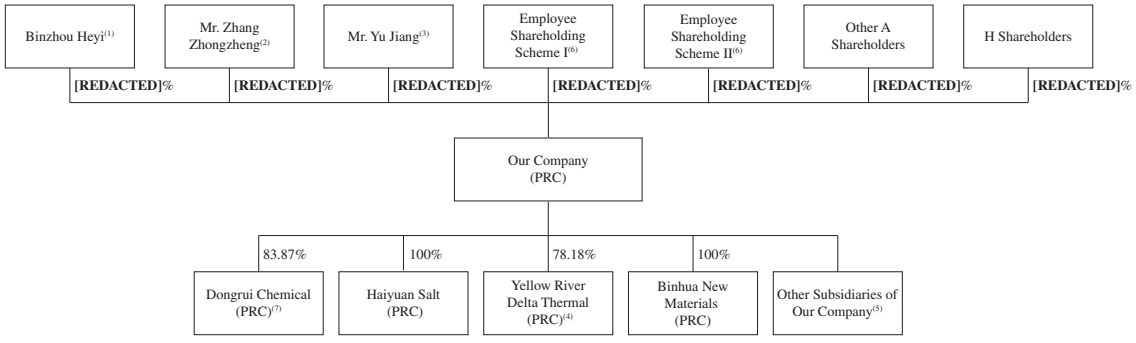
(6) See "Appendix VI — Statutory and General Information — D. Share Schemes" for details.

(7) As of the Latest Practicable Date, the remaining 16.13% equity interests in Dongrui Chemical was held by Xingyin Financial Asset Investment Co., Ltd. (興銀金融資產投資有限公司).

(8) The calculation of the percentage includes 61,450,726 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 2.99% of the total number of A Shares in issue as of the Latest Practicable Date.

Corporate Structure Immediately Following the Completion of the [REDACTED]

The following chart illustrates the shareholding structure and corporate structure of our Group immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]):



Notes: Please refer to the notes (1) to (8) to the paragraph headed "Corporate Structure Immediately Before the [**REDACTED**]" above for more information.

OVERVIEW

Who We Are

We are a comprehensive chemical group in China, driven by technological innovation and green low-carbon development. Founded in 1968, we have over 50 years of experience in the chemical industry. Our business spans three core sectors: chlor-alkali chemicals, C3-C4 chemicals and wet electronic chemicals, supported by a comprehensive product portfolio. Our key products include, among others, sodium hydroxide, propylene oxide, MTBE, and electronic grade hydrofluoric acid.

Industry position: We hold leading positions in multiple products. According to Frost & Sullivan, we are China's largest producer of granular sodium hydroxide, food-grade flake sodium hydroxide, trichloroethylene, perchloroethylene and allyl chloride and second largest producer of propylene oxide in terms of revenue in 2025, with a market share of approximately 38.1%, 71.9%, 36.0%, 41.4%, 23.8% and 9.5%, respectively. We are also one of the few domestic producers capable of manufacturing electronic grade hydrofluoric acid for advanced semiconductor processes.

Innovation-driven: We foster core competitiveness through technological innovation. We have adopted the globally advanced process technologies for our key production facilities, and we further optimize them to deliver operational efficiency. 15 self-developed or jointly developed technologies have been recognized as reaching domestic or international leading or advanced levels, such as the "liquid-solid circulating fluidized bed process for direct oxidation of allyl chloride with hydrogen peroxide to produce epichlorohydrin (液固循環流化床雙氧水直接氧化氯丙烯生產環氧氯丙烷工藝)" (the "**FHPECH Process**") and the "catalytic wet oxidation process for treating high-salt wastewater (催化濕式氧化法高鹽廢水治理工藝)". As of the Latest Practicable Date, we held 164 patents and had participated in drafting seven national or industrial standards, maintaining a leading position in the industry.

Green development: We achieve sustainable growth momentum through green and low-carbon initiatives. We have been accredited as a "National Green Factory (國家級綠色工廠)", ranked as an "energy efficiency leader" in the national sodium hydroxide industry for ten consecutive years, and listed among the national key water-consuming enterprises with leading water efficiency. We are a "pioneer enterprise" in China's industrial carbon peaking initiatives, and the first enterprise to complete carbon footprint certification for granular sodium hydroxide in China. We are also the lead editor in developing China's first carbon footprint standard for sodium hydroxide.

We are advancing a model that combines new energy-related operations with our core chemical business to accelerate the green and low-carbon transition of our energy supply. Our approved "source-grid-load-storage integrated project (源網荷儲一體化項目)" (including 160MW wind power, 100MW photovoltaic power, 130MW/260MWh energy storage and 110kV step-up substation) is among Shandong Province's first pilot projects. Upon completion, it will generate 424 million kWh of self-consumed electricity annually, with green power accounting for over 60% of the electricity consumption of our Beihai Base. For details on this project, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

Our Business and Products

Our business spans across three core sectors: chlor-alkali chemicals, C3-C4 chemicals, and wet electronic chemicals.

Chlor-alkali chemicals sector has been our fundamental business. We have built a diversified, synergistic product portfolio with strong competitiveness, contributing to effective cost control and flexible production adjustments based on market conditions. As of the Latest Practicable Date, we had an annual sodium hydroxide capacity of 610,000 tons. According to Frost & Sullivan, in terms

of revenue in 2025, we are China's largest producer of industrial-grade granular sodium hydroxide and food-grade flake sodium hydroxide, with a domestic market share of 60.0% and 71.9%, respectively. We also have a comprehensive portfolio of downstream chlorine-based products, including propylene oxide, trichloroethylene, perchloroethylene and epichlorohydrin, widely used in polyurethane, refrigerants, and high-end manufacturing. This allows us to adjust production volume flexibly in response to market demand, effectively mitigating risks from industry cyclical fluctuations.

C3-C4 chemicals sector is a key new business we have developed in recent years. We operate core facilities including propane dehydrogenation ("**PDH**"), butane isomerization, and integrated propylene oxide/methyl tert-butyl ether ("**PO/MTBE**") unit, all of which have achieved full capacity utilization in 2025. Revenue from this sector increased significantly from RMB3,385.9 million for the year ended December 31, 2024 to RMB6,855.2 million for the year ended December 31, 2025. In addition, the export sales of C3-C4 chemicals such as MTBE continuous to increase, with our products gaining increasing recognition in international market and driving a continuous expansion of our overseas sales.

In 2018, we strategically entered wet electronic chemicals sector with our 6,000 tons/year electronic grade hydrofluoric acid production capacity as a breakthrough. Wet electronic chemicals market is a vital market for the global semiconductor industry with electronic grade hydrofluoric acid mainly used in the manufacturing processes of memory chips, logic chips, and automotive power semiconductors. Leveraging stable production processes and solid customer reputation, we are building up the production capacities for high-value functional chemicals, such as etching solutions (蝕刻液) and stripping solutions (剝離液). In addition, we are accelerating our research and development capabilities and production layout in wet electronic chemicals including electronic grade hydrochloric acid, ammonia water and sulfuric acid. This expansion not only enriches our product portfolio in the wet electronic chemicals sector but also strengthens our ability to provide integrated material solutions to customers and drive further scale growth of this business sector.

Our Measures Adopted for Advancing Sustainable Development

We prioritize corporate governance, environmental protection and social responsibility as core pillars of our operations. We continuously refine our ESG governance framework to solidify the foundation for sustainable development, firmly uphold the concept of green development, conduct diverse environmental protection practices, actively fulfill our responsibilities, and strive to contribute to society through steady progress.

Guided by green development and technological innovation, we promote a model that combines new energy-related operations with our core chemical business, aim to build a zero-carbon industrial system and fully embrace the low-carbon era.

- **Environment**: guided by green development and technological innovation, we promote a model that combines new energy-related operations with our core chemical business, aim to build a zero-carbon industrial system, and fully embrace the low-carbon era.

- **Social responsibility**: we prioritize employee development and well-being, establish a fair and equitable strive to salary incentive system, uphold the vision of "serving the country through industry," and promote common progress between the enterprise and society.

- **Corporate governance**: we continuously improve our corporate governance structure, establish a solid internal control system, standardize operations, deepen compliance management and risk control mechanisms, actively protect the legitimate rights and interests of investors, disclose information in a timely, accurate and comprehensive manner, and pursue value sharing with investors.

OUR STRENGTHS

We consolidate our industry position through a diversified and integrated product portfolio

We have built a multi-category, circular product portfolio with deep synergy across product chains, strong customer resources and brand influence, enabling us to maintain leading positions in multiple product categories.

Leading positions in multiple product sectors

Our large-scale production capacity and diversified product portfolio have enabled us to hold leading positions across the following product categories:

- China's largest producer of granular sodium hydroxide in terms of revenue in 2025, with a 38.1% market share, including a 60.0% share in industrial-grade granular sodium hydroxide.

- China's largest producer of food-grade flake sodium hydroxide in terms of revenue in 2025, with a market share of 71.9%.

- China's largest producer of trichloroethylene in terms of revenue in 2025, with a market share of 36.0%, and we accounted for 76.5% of China's total trichloroethylene exports, making us a price benchmark for trichloroethylene in China.

- China's largest producer of allyl chloride in terms of revenue in 2025, with a market share of 23.8%.

- China's largest producer of perchloroethylene in terms of revenue in 2025, with a market share of 41.4%.

- We ranked fifth among producers of electronic grade hydrofluoric acid (semi G5) in China in terms of revenue in 2025, with a 9.6% market share. Our product has been successfully adopted by leading domestic semiconductor manufacturers and exported to overseas markets including Japan, South Korea, Singapore, gaining high recognition for its quality.

Multi-category, circular product portfolio with deep synergy across product chains

We have built a multi-category, circular product portfolio with deep synergy across product chains. Our chlor-alkali chemicals sector offers diversified, synergistic downstream chlorine-based products directly used in polyurethane foam, insulation materials, metal cleaning agents, refrigerants and organic solvents, spanning end industries such as automotive, furniture, coatings, high-end manufacturing, organic chemicals and light industry. This effectively mitigates risks from fluctuations in a single market. Since our A-share listing, the chlor-alkali chemicals sector has maintained profitability with strong risk resilience. In the C3-C4 chemicals sector, our production facilities are interconnected and complementary, enabling efficient utilization of by-products to maximize the value of the production chain. For example, isobutane is produced from our butane isomerization facility sold as a standalone product. Meantime, it is also a key feedstock for our integrated PO/MTBE unit, where it is processed to produce both MTBE and propylene oxide. This integration not only optimizes the utilization of our internal raw material resources but also enables us to flexibly allocate isobutane between external sales and internal conversion, depending on market conditions and profitability.

Our diversified product portfolio and extensive downstream applications allow us to balance input and output based on market conditions. We also have a flexible production management system to adjust output in response to market demand, enabling us to mitigate market volatility risks and seize opportunities in emerging markets.

Customer resources and brand reputation further strengthen our industry position

Our customers are mainly leading enterprises in downstream industries, including large alumina enterprises, leading polyether manufacturers and top semiconductor producers. We have established long-term and stable strategic relationships with many core customers, with the cooperation period with most of whom exceeding 10 years. As of December 31, 2025, our products has been exported to over 100 countries and regions worldwide, including Europe, America, Southeast Asia and Africa.

We innovatively provide "futures + spot (期貨+現貨)" integrated services to customers in the industrial chain. We were approved as one of the first designated delivery warehouses for propylene futures by the Zhengzhou Commodity Exchange, allowing upstream and downstream enterprises hedge price fluctuation risks, optimize production and operation decisions, and jointly promote the chemical industry toward greater efficiency, stability and sustainability. We provide warehouse receipt trading services to our customers. In response to customer requirements, our Physical Trading Department sources and arranges physical commodities, while our Futures Management Department issues corresponding warehouse receipts. The selling price of such warehouse receipts is determined at a level higher than the product costs, primarily taking into account our product costs, market expectations, and other factors. This pricing mechanism enables us to effectively hedge against potential risks arising from market price fluctuations while providing services to our customers.

Throughout our operating history, we have continuously enhanced the value of the "Binhua (濱化)" brand in terms of quality, technological innovation, market presence, service, and social responsibility. Following our A-share listing in 2010, our influence in the chemical industry has continued to grow. In recent years:

- 14 of our products have received the "China Export Commodity Brand Certificate (中國出口商品品牌證書)" issued by the China Council for the Promotion of International Trade;
- our sodium hydroxide and propylene oxide were included in the first batch of "High-Quality Shandong (好品山東)" brand list released by the Shandong Provincial Government.
- our trichloroethylene was named a "Shandong Famous Brand (山東省知名品牌)"; and
- our subsidiary, Dongrui Chemical, was included in the 2024 list of key enterprises for high-end brand development in Shandong Province.

We maintain solid technological innovation capabilities, enabling us to build a technological moat

Since our establishment, we have consistently regarded technological innovation as the cornerstone of building core competitiveness. Adhering to innovation-driven development, we have fostered technological advantages and built a solid technological moat.

We boast advanced research and development capabilities and technological expertise. We own three provincial-level research and development platforms: the "Shandong Provincial Enterprise Technology Center (山東省企業技術中心)," "Shandong Provincial Engineering Technology Research Center for Water Treatment Chemicals (山東省水處理化學品工程技術研究中

心)," and "Shandong Provincial Postdoctoral Innovation Practice Base (山東省博士後創新實踐基地)," as well as seven municipal-level research and development platforms. We have also established the "Strategic Innovation Research Institute (戰略創新研究院)" to conduct comprehensive research and development and application of key products and technologies. These initiatives include, among others, ion-exchange membrane electrolyzer electrodes (離子膜電解槽電極), perfluorosulfonic acid resin as a raw material for ion-exchange membranes, epichlorohydrin production through direct oxidation of allyl chloride with hydrogen peroxide and 6N-grade electronic grade chlorine gas.

We have undertaken one national key research and development program and seven provincial-level or above scientific research projects, and won over 20 provincial/municipal-level science and technology progress awards and patent awards. As of the Latest Practicable Date, we held 164 patents, including 50 invention patents, 113 utility model patents and one design patent, and 11 software copyrights, and have participated in drafting seven national or industrial standards.

In recent years, we have achieved multiple technological breakthroughs, including one achievement reaching international leading level, nine reaching international advanced level and five reaching domestic leading level. Key achievements include:

- **Novel process**: Jointly developed with a chemical physics research institute of a national research institution in China, the FHPECH Process is a world-first fluidized bed process enabling one-step direct synthesis of epichlorohydrin. It achieves 99.7% hydrogen peroxide conversion rate, 96.6% epichlorohydrin selectivity and 99.8% effective hydrogen peroxide utilization rate. This technology has passed the achievement appraisal by the China Petroleum and Chemical Industry Federation and has been recognized as reaching international leading level.

- **Green technology application**: The "catalytic wet oxidation process for treating high-salt wastewater" project was recognized by the China Environmental Protection Federation as reaching domestic leading level. We are the first enterprise in China to reuse treated high-salt wastewater from glycerol-based epichlorohydrin unit in ion-exchange membrane sodium hydroxide facilities. This project won the "Second Prize for Science and Technology Progress (科技進步二等獎)" from the All-China Environmental Federation (中華環保聯合會).

- **Energy efficiency leadership**: Our "calcium saponification process for propylene oxide by chlorohydrin method (氯醇法環氧丙烷鈣法皂化工藝)" successfully passed expert acceptance organized by the China Chlor-Alkali Industry Association in 2025, making us the first domestic enterprise to validate this process for chlorohydrin-based propylene oxide production. It achieves dual breakthroughs in recycled water technology innovation and energy conservation and carbon reduction for production facilities, reducing freshwater consumption per unit product to less than 10 tons (33.33% lower than the national standard of 15 tons) and waste residue generation to less than 95 kg (a 5% reduction compared to the national standard of 100 kg).

- **High-value utilization of by-products**: The "efficient separation and value-added utilization of allyl chloride by-products (氯丙烯副產物高效分離及價值化利用)" project achieved independent development and application of complete technologies and equipment and was recognized as reaching international advanced level. The project can be used to producing three high-purity products, including trans-dichloropropene, cis-dichloropropene, and dichloropropane, which are widely applied in pharmaceuticals, new pesticides, and solvents.

- **Key breakthrough in semiconductor materials**: We led a key research and development program (Major Technological Innovation Project) in Shandong Province, tackling key technologies such as "rectification and purification for ultra-high-purity electronic grade hydrofluoric acid preparation." We successfully developed G5-grade electronic grade hydrofluoric acid (the highest international grade), for advanced semiconductor processes, which holds significant strategic importance for the development of China's semiconductor industry.

We have introduced the globally advanced process technologies and equipment for key production, which we further optimize to achieve operational efficiency. Key examples are as below:

- We imported advanced foreign ion-exchange membrane electrolyzers, with project design and consumption indicators reaching international leading levels. Through continuous technological iteration and optimization, we reduced the comprehensive energy consumption per unit product to 285.2 kgce/t, far exceeding the national energy efficiency benchmark of 315 kgce/t. We have been awarded the title of "Energy Efficiency Leader" in the national sodium hydroxide industry for 11 consecutive years as of 2025.

- Our PDH unit has undergone technological upgrades based on the original process, achieving lower reaction temperatures and longer operation cycles compared to other similar PDH units in the market.

- Our butane isomerization unit adopts low-temperature isomerization technology (≤200°C) and is currently the world's largest single-unit production facility of its kind. Compared to high-temperature (≥320°C) and medium-temperature (200-320°C) isomerization processes, it features lower energy consumption and longer operation cycles.

- Our PO/MTBE unit adopts the co-oxidation process of propylene and isobutane to produce both propylene oxide and MTBE simultaneously, achieving "integrated output." We also innovatively developed an efficient by-product separation process to improve raw material utilization and form a diversified product structure, delivering significant economic benefits.

- We achieved technological breakthroughs in key equipment for electronic grade hydrofluoric acid. We developed precision rectification control systems, classified regeneration processes for cation and anion resins, on-line product analysis systems, and automated cleaning equipment. Our electronic grade hydrofluoric acid achieves a 30% reduction in metal ion content and 30% reduction in particle content compared to domestic counterparts, with key performance indicators benchmarking against world-class enterprises.

- We achieved in-depth independent optimization of core equipment for flake/granular sodium hydroxide facilities. By adjusting the ratio of gold, palladium, platinum and adding other trace elements, we achieved independent control of spray basket equipment. We also developed magnetic filters to fill the domestic gap in equipment for adsorbing impurities in high-temperature, high-concentration sodium hydroxide solutions, solving issues of low purity and high metal ion content in flake/granular sodium hydroxide and enhancing product competitiveness.

We possess an integrated operation model of "Energy + Raw Materials + Port + Factory"

We have built an integrated operation model of "Energy + Raw Materials + Port + Factory." This synergistic system enables us to control costs and quality from the source, seamlessly connect all links through an efficient logistics arrangement, and deliver precise services to end markets.

Energy

We are located in the Lubei Saline-Alkali Beach Wind-Solar-Storage-Transmission Integrated Base (魯北鹽鹼灘塗地風光儲輸一體化基地), one of Shandong Province's five major clean energy bases, which boasts abundant wind and solar resources. The total installed capacity of wind and solar power in the base is planned to reach 21.18 million kW during the 14th and 15th Five-Year Plans. With an annual average of 1,250 hours of solar radiation and 2,450 hours of wind utilization, the base generates approximately 30.3 billion kWh of green electricity annually. Leveraging the abundant local resources, we are launching a model that combines new energy-related operations with our core chemical business and are advancing the source-grid-load-storage integrated project to gradually achieve green transformation through clean energy.

In addition, we have put into operation a 350MW large-scale unit and a 50MW small-scale unit for generating electricity. The 50MW unit is a self-owned power plant, supplying electricity directly to the core product production in our major production facilities and creating significant cost advantages. The 350MW unit has successfully connected to the grid, generating additional power generation revenue for us.

Raw materials

Raw materials are critical to chemical enterprises, and we hold substantial advantages in terms of raw material resources. Located in Shandong Province's second-largest sea salt production base, we own approximately 210,000 mu of salt pans, with an annual production capacity of approximately 500,000 tons of crude salt and 5,750 tons of bromine. Crude salt is a key raw material for our chlor-alkali chemical operations. The resources from our self-owned salt pans can meet 50% of the crude salt demand of our chlor-alkali chemicals sector, effectively controlling costs and ensuring the stability of raw material supply.

Furthermore, we are adjacent to the "Bozhong 19-6 condensate gas field," the largest condensate gas field in eastern China, which is planned to produce a peak of three million cubic meters of condensate oil and three billion cubic meters of natural gas annually. This provides us with stable, efficient, and low-transport-cost access to key raw materials and utilities.

Port

Leveraging convenient port resources, we have adopted a "port-front factory-back" layout, with Binzhou Port serving as a hub connecting domestic and international cycles. Binzhou Port is currently advancing the expansion of its waterway from 30,000 tonnage to 50,000 tonnage, which will significantly enhance its capacity to absorb bulk raw materials and distribute end products upon completion in 2026.

We have built four low-temperature liquefied petroleum gas ("**LPG**", primarily including propane and butane) storage tanks and four normal-temperature storage tanks with a total capacity of 332,000 cubic meters at Binzhou Port, connected to the factory in our Beihai Base. This establishes a stable "artery" for marine raw material supply, ensuring reliable supply of propane and butane. By importing petrochemical raw materials through sea and transporting them directly to our major production facilities through long-distance pipelines, we convert the traditional "logistics end" into a "production end". Compared to road and railway transportation, this model offers significant advantages in logistics costs, raw material supply, operational efficiency and industrial agglomeration.

Factory

We have achieved the transformation to "Digital Binhua (數字濱化)," building a dual engine of intelligent production and smart management. By the end of 2024, we were successfully selected into the first batch of "Excellent-Level Smart Factories" by MIIT, passed the MIIT's smart manufacturing demonstration factory acceptance, and we were included in the "2024 MIIT 5G Factory Directory."

We have achieved 100% coverage of control systems for production facilities, with simulation optimization design and verification covering all facilities. Key pumps and compressors are equipped with on-line monitoring systems for real-time condition analysis. Advanced technologies such as fully automated palletizing for flake/granular sodium hydroxide facilities and long-distance cross-road transportation have improved production quality and efficiency.

Through our safety production management platform, we leverage industrial internet technology to implement automated inspections, real-time risk early warning, and efficient data collection and analysis. This enhances our comprehensive awareness and management capabilities for production safety, significantly improving safety control accuracy and production efficiency.

Our integrated operation model of "Energy + Raw Materials + Port + Factory" not only forms the cornerstone of our cost leadership but also serves as a key pillar for ensuring supply chain security, building resilience against market fluctuations, and providing stable and reliable products to our customers.

We have a management team with strong strategic vision and profound industry experience

Mr. Yu Jiang, our Chairman, possesses outstanding management capabilities, profound industry experience, and capital operation expertise. Having joined us for over 30 years, he is primarily responsible for business development and overall strategic planning, and led our A-share listing in 2010. Over the years, Mr. Yu has vigorously promoted the development direction of "Technology Binhua, Digital Binhua, International Binhua and Happy Binhua," successfully transforming us into a comprehensive chemical group with focused core businesses and a complete industrial chain. His proposed "Beikun Plan" development strategy has been included in the key development plans of the local government, accelerating our technology-driven and green development layout. As our leader, Mr. Yu has been awarded the "Shandong May 1st Labor Medal" and "Shandong Social Responsibility Entrepreneur," elected as a deputy to the 14th Shandong Provincial People's Congress, and won the "Entrepreneurship Award" at the 20th China Listed Companies Board "Golden Round Table Awards" by "The Board" magazine in 2025.

Mr. Dong Hongbo (Vice Chairman and President), Mr. Liu Hong'an (Vice Chairman), and other executive directors and senior management have all served in our Group for over 30 years, forming a solid foundation for us to grasp market trends and continuously consolidate our leading position. In addition, the appointments of Ms. Sun Shufang as Chief Financial Officer and Mr. Sun Qingwei as the secretary of our Board have strengthened our capabilities in capital market operations and financial strategy.

As of December 31, 2025, we had 3,765 employees, including 698 with intermediate or higher professional titles, three senior principal technicians, 89 senior technicians and 863 technicians. Meantime, over 100 of our employees have received provincial or above honors such as "National Petroleum and Chemical Industry Technical Expert," "Taishan Industry Leader," and "Qilu Chief Technician." We have maintained a good relationship and expect to maintain an amicable relationship in the future with our employees. Our team maintains stable personnel structure, with an annual turnover rate of less than 2.5%.

Under the leadership of our management team with strong strategic vision and profound industry experience, we have forged a corporate culture grounded in "innovation and hard work" and fostered a core team capable of addressing industrial challenges and efficiently delivering projects implementation. For example, the construction and commissioning of our PO/MTBE unit took 18 months, from groundbreaking to producing qualified products, shorter than the industry average for similar units. Furthermore, in response to China's urgent need for breakthroughs in high-purity wet electronic chemicals to support the domestic semiconductor industry, we not only overcame international technological barriers in electronic grade ultra-high-purity technologies and achieved an innovative leap — advancing from laboratory research to stable industrial-scale production — but also rapidly ramped up to full capacity and achieved complete sell-through. This comprehensive achievement, from market insight and technological breakthrough to mass production and customer validation, fully demonstrates our strong comprehensive capabilities in converting innovative achievements into market leadership.

We have a stable, reliable, and efficiently synergistic management system

We have absorbed international management standards, integrated our years of management experience, and pursued continuous innovation to develop an efficient, synergistic management system that covers the entire operational chain. This system enables full-process control of quality, environment, occupational health and safety, food safety and energy management systems, effectively ensuring stable production and cost control. It serves as our advantage in cost reduction, efficiency improvement, and building a stable profit source and diversified customer base. For example, we implement a "cash-on-delivery" sales model for major products and adopt efficient inventory management, continuously optimizing capital turnover efficiency and enhancing cash flow stability. For the year ended December 31, 2025, our trade and bills receivables turnover days were 20 days, lower than the average level of comparable companies.

Our total assets grew from RMB7.3 billion as of December 31, 2015 to RMB24.3 billion as of December 31, 2025, representing a CAGR of 12.8%. Our revenue increased from RMB4.8 billion for the year ended December 31, 2015 to RMB14.8 billion for the year ended December 31, 2025, with a CAGR of 11.9%. Since our A-share listing, our asset-liability ratio has remained below 55%, we have maintained annual net profit, and our annual operating activities have consistently generated positive cash inflows.

OUR STRATEGIES

During the 15th Five-Year Plan period, we are committed to evolving into a leading international technology-driven chemical enterprise and a zero-carbon demonstration enterprise. To this end, we will implement the "Beikun Plan" strategic framework, focusing on five systems of "innovation leadership, zero-carbon industry, smart manufacturing, open empowerment and social responsibility" to build industrial clusters, technology incubation clusters and talent wisdom clusters. Our specific goals include: (i) focusing on core products while diversifying our product portfolio and market reach; (ii) consolidating our existing market advantages while further expanding our overseas presence, with an aim to building a market model anchored in the domestic market and featured by mutually reinforcing domestic and international dual circulation; and (iii) accessing international capital markets, integrating businesses through capital operations, expanding financing channels, and further enhancing industrial development. To achieve these goals, we will implement the following strategic initiatives.

Promote the upgrade of port-advantaged chemical industry clusters and expand domestic and international markets

Leveraging our mature and comprehensive product portfolio, we plan to further extend and strengthen the industrial chain to enhance our product value.

Extending the industrial chain

In the chlor-alkali chemicals sector, we plan to advance the construction of the "Binzhou Lanrun 600,000 tons/year industrial waste salt resource utilization project (Phase I)," a national regional hazardous waste centralized disposal center project. Leveraging waste salt resource utilization alongside our advantages in technology, management and brand, having laid a foundation for our future expansion of sodium hydroxide production capacity. In addition, we will accelerate research and development of high-end equipment such as ion-exchange membrane electrolyzers and materials such as perfluorosulfonic acid resin to advance the dual-chain development of the industrial chain and equipment chain. To further expand our product portfolio, we will increase crude salt and bromine production, and plan to layout high-value-added downstream bromine products.

In the C3-C4 chemicals sector, we will strengthen the layout of high-value-added downstream products, focusing on developing sectors such as ethylene propylene diene monomer (EPDM) rubber and polyisobutylene (PIB). These products command stronger pricing power and have more stable demand, allowing us to mitigate risks from upstream cost fluctuations and supply chain disruptions. We plan to allocate [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) to enhance our research and development capabilities, part of which will be dedicated to the research and development of these products. For details, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

In the wet electronic chemicals sector, leveraging the brand influence of our electronic grade hydrofluoric acid, we will expand production capacity and diversify product portfolio. We will commit to achieve breakthroughs in formulation technologies for semiconductor-grade copper, aluminum, and stripping solutions and etching solutions, and advance the construction of high-end electronic chemicals production capacity in Yangxin, Binzhou. We plan to use approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) for the construction of this production facility. For details, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document. Relying on our chlorine gas and hydrochloric acid products, we will accelerate the research and development and commercialization of 6N-grade electronic grade chlorine gas, electronic grade hydrochloric acid, and electronic grade hydrogen fluoride.

Expanding overseas sales

We plan to establish overseas integrated zero-carbon demonstration industrial bases centered on advancing a model that combines new energy-related operations with our core chemical business, a strategic move aimed at accelerating our overseas capacity expansion while aligning with global low-carbon development trends. These bases will break the traditional separation of our energy supply and chemical production by integrating green energy resources, such as solar, wind, or hydropower, with chemical manufacturing processes, enabling us to achieve near-zero carbon emissions throughout the production cycle of chemical products. We plan to construct a manufacturing base in Egypt for the production of chlor-alkali chemicals. For details, please refer to "Business — Our Production — Production Facilities — Expansion plans" in this document. In Southeast Asia, we plan to adopt a market-oriented expansion strategy, leveraging our core competitive advantages in multiple dimensions to enhance our regional market presence. Specifically, we will rely on our mature sodium hydroxide production technology, efficient operational management experience and established brand reputation to deploy new sodium hydroxide production capacity in a timely manner.

Meantime, we will carry forward the integration of our product brands into the "Binhua" brand by standardizing the use of "Binhua" brand across our core product lines, while intensifying efforts in international certification and brand promotion to enhance our brand influence in the global market.

Strengthen innovation leadership and build a "dual-driver" innovation system

We plan to systematically enhance our technological innovation capabilities through a "dual-driver" approach, combining internal research and development and external incubation, to build sustainable innovation momentum for the future.

We plan to continuously increase research and development investment and focus on cutting-edge technologies breakthroughs. With new quality-driven development and green transformation as core drivers, we will strengthen research and development of new technologies and products, focusing on the following key areas:

- **Synthetic biology and bio-based materials**: focus on developing bio-based pentamethylenediamine and isocyanate (PDI) to synthesize bio-based polyurethane, build a green and low-carbon new material industrial chain, and conduct pilot and industrialization work;

- **New energy and low-carbon technologies**: Accelerate the research and development of 2,000 Nm^3/h square alkaline water electrolyzers for hydrogen production, which have now met pilot-scale indicators and are expected to complete pilot verification within 2025; advance research and development of products such as perchloroethylene and fourth-generation refrigerant perchloroethylene (R1234yf), which have completed laboratory-scale trials and are expected to complete pilot-scale trials by 2027; and

- **High-value-added chemicals**: Relying on our existing salt and bromine resources, develop pharmaceutical intermediates (biphenylacetic acid, sacubitril), polyisobutylene (PIB), and high-performance special polyether.

We plan to allocate [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) to enhance our research and development capabilities, part of which will be dedicated to the research and development of above-mentioned technologies and products. For details, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

In addition, we will strengthen in-depth industry-academia-research collaboration and build an open innovation system that aggregates global wisdom to accelerate the industrialization of scientific and technological achievements. We plan to adopt the following plans:

- To establish research and development centers with multiple universities and research institutes, focusing on advancing the construction of the "Key Laboratory of Chemical Engineering and Low-Carbon Technology" and the "Key Laboratory of Basic Theory and Application of Advanced Semiconductor Electronic Chemicals."

- To establish pilot bases to provide key support for the transformation of scientific and technological achievements, facilitating the transition from laboratory technology to industrial production.

- To aggregate innovation resources through systematic initiatives. We plan to launch the "Beikun Young Scientists Award" covering a number of well-known universities and research institutes to select outstanding young scientists and identify high-quality technological achievements; collaborate with the China Association for Science and Technology to host the "Innovation China" Binzhou Special Roadshow to screen high-quality projects for incubation and industrialization; and conduct international scientific and technological cooperation, launch the "Binhua Innovates for the World" initiative, and promote technology "introduction" and "export."

Accelerate green transformation and deepen the digital strategy

We plan to further construct a model that combines new energy-related operations with our core chemical business and achieve the green transformation of our energy supply. Our source-grid-load-storage integrated project (including 160MW wind power, 100MW photovoltaic power, 130MW/260MWh energy storage and 110kV step-up substation) has been approved by the relevant authorities to construct. As one of Shandong Province's first pilot projects, it will generate 424 million kWh of self-consumed electricity annually upon completion, with green power accounting for over 60% of the electricity consumption of our Beihai Base. In accordance with the "Beikun Plan (北鯤計劃)," during the 15th Five-Year Plan period, we will leverage the abundant saline-alkali beach resources, sufficient wind and solar resources, oil and gas resources, and Binzhou Port resources in the Lubei region to build the "Binzhou Beihai Port-Industry-Ship-Trade Integrated Green Zero-Carbon High-End Chemical Industrial Park." We plan to use approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) for the construction of this project. For details, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document. In terms of carbon asset management, we plan to establish a carbon footprint management system and accelerate the acquisition of international authoritative green and low-carbon certifications such as EcoVadis. With carbon asset management as the core, we will achieve the "zero-carbon" goal through initiatives such as energy-carbon synergy and industrial carbon reduction.

We plan to establish a digital operation system. By deploying a full-domain perception network and a unified data platform, we expect to achieve intelligent operation covering research and development, production, supply chain, and marketing. These initiatives primarily include:

- Build an enterprise-level data warehouse (EDW) and business intelligence (BI) system to enable real-time insight into business performance and multi-dimensional, visualized in-depth analysis. This will drive the transformation of management decision-making from "experience-driven" to "data-driven."

- Actively explore AI-enabled research and development to accelerate the screening and development of new materials and formulations, shorten research and development cycles, reduce trial-and-error costs, and initiate a new paradigm of digital research and development.

Implement talent development and incentive plans to stimulate team vitality

We adopt a dual-track talent strategy of "external recruitment and internal development" to systematically build a well-structured, tiered talent system, and always regard talent advantages as the core of the enterprise. We plan to recruit experienced experts and senior professionals to optimize the core research and development team. Relying on the Shandong Provincial Postdoctoral Innovation Practice Base, we plan to introduce talents during the 15th Five-Year Plan period. We also place significant emphasis on the development and cultivation of internal talent. We plan to build a learning-oriented structure, strengthen the communication of corporate culture and values, and comprehensively enhance employees' professional quality and management capabilities through multi-level training systems such as the "Pioneer Development Program" and "Star Employee Development Program." During the 15th Five-Year Plan period, we plan to increase the proportion of employees with intermediate or higher professional titles to 35% and the proportion of professional and technical personnel to 35%. We will optimize the organizational structure, improve performance appraisal and promotion mechanisms, and innovate incentive and compensation models to fully stimulate employee enthusiasm and innovation vitality.

We intend to establish a more comprehensive talent incentive mechanism, including the continuous implementation of employee stock ownership plans and the improvement of technological innovation incentives.

Deepen management empowerment and enhance social value

Management empowerment

We will improve the organizational structure and management system, and enhance digital management capabilities. We plan to conduct a comprehensive review and improvement of the entire management system, including strategic management, process management, performance management, and talent development and incentives. We will promote institutionalization, processization, and standardization of management to achieve efficient system operation and enhance overall organizational capabilities. Meantime, we will continue to invest heavily in the construction of digital infrastructure and platforms to promote digitalization of business processes, visualization of data, and intelligent decision-making. By upgrading management systems such as ERP, we will empower refined management and forward-looking decision-making.

Enhance social value

In addition, we expect to enhance social value and build a clean, efficient and circular low-carbon sustainable development system. We plan to steadily advance our low-carbon transformation and establish an ESG full-process operation and management mechanism centered on carbon asset management. This will cover a complete system of greenhouse gas accounting, carbon emission monitoring, data management, and information disclosure. We will conduct accounting and disclosure of Scope 1 and Scope 2 emissions, and explore the full-life-cycle carbon footprint management of chemical products. As the first domestic enterprise to complete carbon footprint certification for granular sodium hydroxide, we aim to complete independent carbon footprint accounting for all products and establish a group carbon footprint factor database by 2027. We will continue to promote collaborative carbon reduction in the industrial chain, build a sustainable supply chain system, and contribute to green and low-carbon chemical products. Meanwhile, we will actively explore internal carbon pricing and energy-carbon synergy management to ensure high carbon asset operation efficiency. We will strengthen risk control over key environmental factors, promote more stable operation of environmental protection facilities, and ensure 100% compliance with pollutant discharge standards.

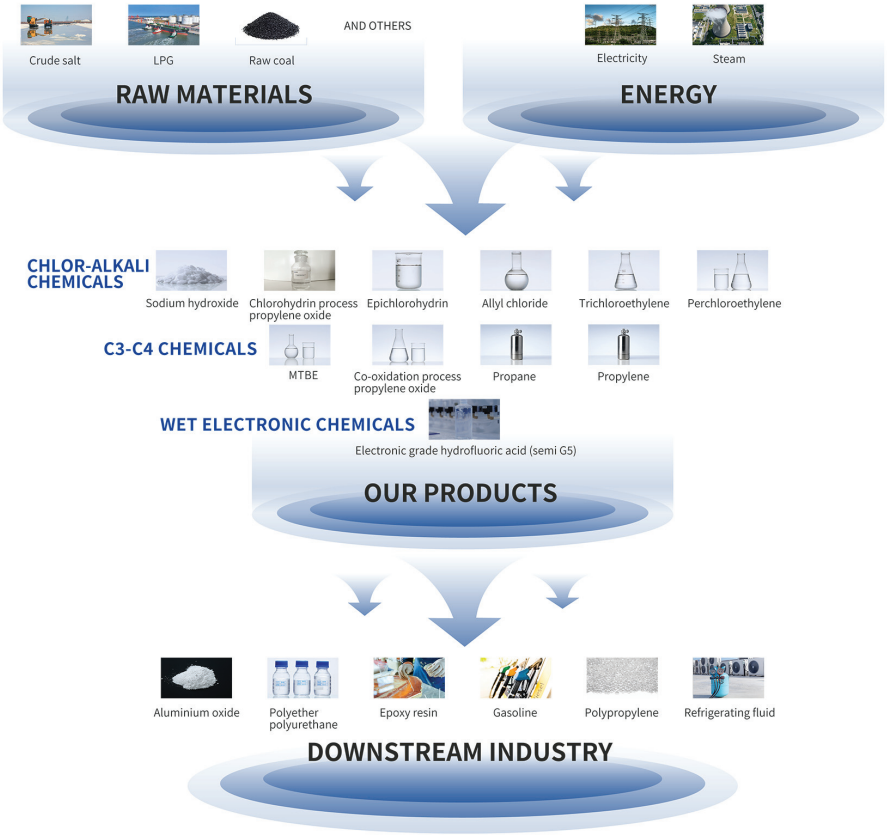
We will continue to strengthen employee care. Centered on "Happy Binhua," we will continuously improve the mutual aid medical fund mechanism and love mutual aid fund mechanism, establish a multi-dimensional welfare care system, and explore a premium medical insurance mechanism for our employees.

We are committed to continuously enhancing our corporate social responsibility efforts. We plan to promote the "Xiaohe Plan (小荷計劃)" public welfare education initiative, and strengthen value creation and humanistic spirit through platforms such as the Shandong Cifu Public Welfare Foundation, Binhua Red Cross Pioneer Rescue Team, and Binhua Group Social Responsibility Council.

OUR BUSINESS MODEL

We are primarily engaged in the production, processing and sale of organic and inorganic chemicals. Our operations are structured covering three core sectors including (i) chlor-alkali chemicals; (ii) C3-C4 chemicals; and (iii) wet electronic chemicals. In addition, we also generated a portion of our revenue from energy sales during the Track Record Period. Among our product offerings, allyl chloride, trichloroethylene, sodium hydroxide, and food-grade flake sodium hydroxide hold leading market shares in China. Meanwhile, our sodium hydroxide and propylene oxide have been accredited as part of the "High-Quality Shandong" high-end chemical brand. As advised by Frost & Sullivan, we are China's largest producer of granular sodium hydroxide, food-grade flake sodium hydroxide, trichloroethylene, perchloroethylene and allyl chloride and second largest producer of propylene oxide in terms of revenue in 2025, with a market share of approximately 38.1%, 71.9%, 36.0%, 41.4%, 23.8% and 9.5%, respectively.

The following diagram illustrates the critical aspects of our business model.



Benefiting from our access to abundant upstream resources, including crude salt and electricity, we have built a diversified and collaborative product portfolio, covering multiple downstream application fields such as alumina and epoxy resin. Across our product lines, we implement industrial synergy and resource recycling, a model under which the production processes and resources of different products complement and reuse one another. This approach not only enhances resource utilization efficiency, reduces waste discharge, and lowers overall production costs in our manufacturing processes, but also strengthens our resilience against industry cyclical fluctuations and positions us to capture opportunities arising from the global energy structure transformation and the shift toward a low-carbon economy.

OUR PRODUCTS

The following table sets forth the breakdown of revenue by major products during the Track Record Period:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chlor-alkali chemicals	**6,469,175**	**88.4**	**6,115,071**	**59.8**	**6,285,523**	**42.4**
– Sodium hydroxide	2,143,742	29.3	2,000,972	19.6	2,205,242	14.9
– Chlorohydrin process propylene oxide	1,900,990	26.0	1,800,624	17.6	1,407,275	9.5
– Epichlorohydrin	484,062	6.6	522,677	5.1	680,700	4.6
– Allyl chloride	350,671	4.8	356,704	3.5	475,386	3.2
– Trichloroethylene	462,255	6.3	326,392	3.2	360,455	2.4

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
– Perchloroethylene	316,707	4.3	319,746	3.1	291,836	2.0
– Other chlor-alkali chemicals[(1)]	810,748	11.1	787,956	7.7	864,629	5.8
C3-C4 chemicals	**293,883**	**4.0**	**3,385,890**	**33.0**	**6,855,223**	**46.2**
– MTBE	–	–	25,131	0.2	3,615,592	24.4
– Co-oxidation process propylene oxide	–	–	–	–	2,000,411	13.5
– Propane	112,723	1.5	1,547,067	15.1	311,576	2.1
– Propylene	173,374	2.4	1,619,944	15.8	609,990	4.1
– Other C3-C4 chemicals[(2)]	7,786	0.1	193,748	1.9	317,654	2.1
Wet electronic chemicals	**40,624**	**0.6**	**45,292**	**0.4**	**63,396**	**0.4**
– Electronic grade hydrofluoric acid (semi G5)	40,624	0.6	45,292	0.4	63,396	0.4
Energy	**142,706**	**2.0**	**211,601**	**2.0**	**822,008**	**5.5**
– Electricity (350MW)	–	–	66,451	0.6	534,035	3.6
– Steam	142,706	2.0	145,150	1.4	287,973	1.9
Others[(3)]	**359,516**	**5.0**	**470,208**	**4.8**	**810,292**	**5.5**
Total revenue	**7,305,904**	**100.0**	**10,228,062**	**100.0**	**14,836,442**	**100.0**

Notes:

(1) Other chlor-alkali chemicals primarily represented bromine, hydrogen peroxide, auxiliaries and hydrogen gas.

(2) Other C3-C4 chemicals primarily represented butane and isobutane.

(3) Others primarily represented other chemicals as well as other services provided by us.

The following table sets forth a breakdown of the sales volume and average selling price of our major products for the periods indicated:

		For the year ended December 31,					
		2023		2024		2025	
	Unit	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
		units	*RMB per unit*	*units*	*RMB per unit*	*units*	*RMB per unit*
Chlor-alkali chemicals							
– Sodium hydroxide	tons	684,625	3,131.3	714,035	2,802.3	708,654	3,111.9
– Chlorohydrin process propylene oxide	tons	229,790	8,272.7	232,770	7,735.6	209,770	6,708.7
– Epichlorohydrin	tons	67,214	7,201.8	74,504	7,015.4	74,741	9,107.4
– Allyl chloride	tons	64,432	5,442.5	66,723	5,346.0	69,431	6,846.8
– Trichloroethylene	tons	82,885	5,577.1	85,960	3,797.0	86,313	4,176.1
– Perchloroethylene	tons	76,474	4,141.4	78,512	4,072.6	79,901	3,652.5
C3-C4 chemicals							
– MTBE		–	–	5,212	4,821.8	776,691	4,655.1
– Co-oxidation process propylene oxide	tons	–	–	–	–	300,284	6,661.7
– Propane	tons	23,090	4,881.9	313,498	4,934.9	75,162	4,145.4
– Propylene	tons	29,810	5,816.0	265,833	6,039.8	104,628	5,830.1

		For the year ended December 31,					
		2023		2024		2025	
	Unit	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
		units	*RMB per unit*	*units*	*RMB per unit*	*units*	*RMB per unit*
Wet electronic chemicals							
– Electronic grade hydrofluoric acid (semi G5)	tons	4,128	9,841.1	5,214	8,686.6	6,901	9,186.3
Energy							
– Electricity (350MW)	kWh	–	–	174,955,000	0.4	1,282,468,553	0.4
– Steam	kWh	691,610	206.3	742,912	195.4	1,463,264	196.8

Chlor-alkali chemicals

Chlor-alkali chemicals are a core category of basic inorganic chemicals produced through the ion-exchange membrane electrolysis process, which decomposes saturated brine (sodium chloride solution) into sodium hydroxide, chlorine gas and hydrogen gas. Chlor-alkali chemicals are indispensable raw materials for sectors including chemicals, textiles, metallurgy, and pharmaceuticals. During the Track Record Period, our sales of chlor-alkali chemicals primarily included: (i) sodium hydroxide; (ii) chlorohydrin process propylene oxide; (iii) epichlorohydrin; (iv) allyl chloride; (v) trichloroethylene; and (vi) perchloroethylene.

Sodium hydroxide

Sodium hydroxide (NaOH) is a foundational inorganic chemical product with extensive industrial and food-grade application value. It can be directly used to produce alumina and is widely applied across a wide range industries including chemicals, textiles, food processing and water treatment. We are a leading sodium hydroxide enterprise in Shandong Province, with a comprehensive product portfolio covering industrial-grade and food-grade sodium hydroxide, available in both liquid and solid forms, and multiple specifications, to meet the diversified needs of downstream sectors. We primarily produce sodium hydroxide products at Bincheng Base. As of the Latest Practicable Date, we had an aggregate designed annual production capacity of 610,000 tons of sodium hydroxide.

Our liquid sodium hydroxide production is underpinned by advanced ion-exchange membrane sodium hydroxide plant technology (離子膜燒鹼裝置技術), and we were the first enterprise in China to adopt membrane filtration technology for brine purification (膜過濾鹽水精製技術). This technology has significantly enhanced the quality and stability of refined brine, addressed long-standing industry challenges including poor brine quality and short ion-exchange membrane service life. Our sodium hydroxide products have been included in the "High-Quality Shandong" High-End Chemical Series ("好品山東"高端化工系列), a prestigious regional certification. Among our offerings, our ion-exchange membrane liquid sodium hydroxide products achieve a 100% pass rate in ex-factory quality inspections and a 100% pass rate in quality supervision and sampling inspections conducted by national, provincial, and municipal authorities. In the meantime, as advised by Frost & Sullivan, we ranked first among food-grade flake and granular sodium hydroxide manufacturers in China in terms of sales revenue in 2025, with a market share of approximately 71.9% and 38.1%, respectively.

Chlorohydrin process propylene oxide

Propylene oxide (C_3H_6O) is a core basic organic chemical intermediate, serving as an indispensable raw material for downstream sectors including polyether polyurethane, fine chemicals, and surfactants. Our propylene oxide has been one of our core products. Under our chlor-alkali chemicals business sector, we primarily produce propylene oxide using the

chlorohydrin process. This is primarily attributable to the co-productive nature of the chlor-alkali chemicals production process, which is a defining feature of the chlor-alkali chemical industry. Specifically, in the core process of producing sodium hydroxide, a significant amount of chlorine gas is generated as a co-product. Thus, we produce our chlorohydrin process propylene oxide utilizing the co-produced chlorine gas. Following the commissioning of our PO/MTBE unit officially in early 2025, we further expanded our propylene oxide business by commencing the production and sale of propylene oxide through the co-oxidation process. For details on chlorohydrin process propylene oxide, please refer to the section headed "— Co-oxidation process propylene oxide" below.

We primarily produced chlorohydrin process propylene oxide at Bincheng Base and co-oxidation process propylene oxide at Beihai Base. As of the Latest Practicable Date, we had an aggregated annual designed production capacity of 270,000 tons of chlorohydrin process propylene oxide.

Our propylene oxide product has been listed in the "High-Quality Shandong" High-End Chemical Series, a recognition of our products' compliance with high industry standards and contribution to industrial chain development. Backed by strict quality management systems (ISO 9001 compliant) and professional after-sales services, our propylene oxide maintains a 100% pass rate in ex-factory inspections and third-party sampling, securing long-term customer trust. As advised by Frost & Sullivan, we ranked second among propylene oxide producers in China in terms of revenue in 2025.

Epichlorohydrin

Epichlorohydrin (C_3H_5ClO) is a versatile basic organic chemical raw material. It serves as a primary raw material for manufacturing high-molecular materials such as epoxy resins and chlorohydrin rubber. We primarily produce epichlorohydrin at our Bincheng Base. As of the Latest Practicable Date, we had a designed annual production capacity of 75,000 tons of epichlorohydrin.

Allyl chloride

Allyl chloride (C_3H_5Cl) is a key unsaturated organochlorine compound, presenting as a colorless, volatile liquid with a pungent odor. Beyond serving as a raw material for manufacturing epichlorohydrin and fluor propylene, it is also a feedstock for pesticides and pharmaceuticals. We primarily produce allyl chloride at our Bincheng Base. As of the Latest Practicable Date, we had an aggregate designed annual production capacity of 60,000 tons with purity over 99.5%.

We have adopted an advanced control system for allyl chloride production, achieving a high degree of automation and intelligence. Through continuous technological advancement, we have secured seven utility models and one provincial-level technical achievement certification for our allyl chloride products. Our comprehensive energy consumption in allyl chloride manufacturing is also among the industry's lowest, and our capabilities in environmental protection and high-value by-product extraction are among the sector's most advanced. As advised by Frost & Sullivan, we ranked first among allyl chloride producers in China in terms of sales revenue in 2025, with a market share of approximately 23.8%.

Trichloroethylene

Trichloroethylene (C_2HCl_3) is an organic compound, presenting as colorless and volatile transparent liquid. It is an indispensable chemical product in the fine chemical and high-end manufacturing sectors, and is widely used in downstream industries including metal processing, refrigeration, pharmaceuticals, and pesticides. We primarily produce trichloroethylene products at Bincheng Base. As of the Latest Practicable Date, we had an aggregate designed annual capacity of 80,000 tons of trichloroethylene, with product purity of over 99.99%.

Since the commencement of production of our trichloroethylene products, we have consistently maintained advanced product quality. Our trichloroethylene products are exported to over 60 countries and regions worldwide. As of the Latest Practicable Date, our premium-grade product rate, outgoing product quality inspection pass rate, and regulatory random sampling inspection pass rate for this product have all remained at 100%, reflecting our strict quality control standards throughout the production and inspection processes. According to Frost & Sullivan, we ranked first among trichloroethylene producers in China in terms of sales revenue in 2025, with a market share of approximately 36.0%.

Perchloroethylene

Perchloroethylene (C_2Cl_4) is a colorless, non-flammable transparent liquid with a mild ether-like odor. It has core characteristics of high chemical stability, strong solubility and low volatility, making it an ideal industrial solvent and organic synthesis intermediate, widely recognized in fields requiring high-purity, low-toxicity solvent applications. We primarily produce perchloroethylene products at our Bincheng Base. As of the Latest Practicable Date, we had an aggregate designed annual production capacity of 80,000 tons of perchloroethylene, with product purity of over 99.7%.

C3-C4 Chemicals

The C3-C4 chemicals product line is one of our developing business sectors. During the Track Record Period, our C3-C4 chemicals mainly included methyl tert-butyl ether ("**MTBE**") and co-oxidation process propylene oxide. We primarily produce our C3-C4 chemicals products at our Beihai Base.

MTBE

MTBE ($C_5H_{12}O$) is a colorless, low-toxicity organic compound, which is a key oxygenated additive and chemical intermediate in the petrochemical industry. Our MTBE products are produced through MTBE unit of our integrated propylene oxide/methyl tert-butyl ether ("**PO/MTBE**") unit, which was put into trial operation in December 2024 and officially put into operation in early 2025. This integrated facility optimizes the operational efficiency of our production lines, reducing waste disposal costs and environmental impact and enhancing the economic efficiency of our C3-C4 chemicals product line. As of the Latest Practicable Date, we had an aggregated designed annual production capacity of 742,000 tons of MTBE.

Co-oxidation process propylene oxide

We expanded our propylene oxide business by commencing the production and sale of propylene oxide through the co-oxidation process through the integrated PO/MTBE unit, which was put into trial operation in December 2024 and officially put into operation in early 2025. The co-oxidation process features distinct advantages and it uses organic peroxides as oxidants to react with propylene, generating propylene oxide while co-producing high-value chemicals, such as tert-butanol. This "by-product utilization" model improves overall resource efficiency and brings economic benefits. Meanwhile, the process operates under mild reaction conditions, with lower corrosion to equipment compared to the chlorohydrin process, reducing long-term maintenance costs and enhancing production stability.

We mainly produced co-oxidation process propylene oxide at Beihai Base. As of the Latest Practicable Date, we had an aggregated annual designed production capacity of 240,000 tons of co-oxidation process propylene oxide. This expansion not only enrich our technical routes for propylene oxide production but also enhance the flexibility of our product supply, enabling us to better adapt to changes in market demand and industrial policies.

Propane

Propane (C_3H_8) is a colorless, odorless, flammable hydrocarbon, a key component of natural gas and liquefied petroleum gas (LPG). Valued for its high energy density and clean combustion properties, it is widely used in energy, industrial and residential sectors.

During the Track Record Period, we primarily procured propane from external parties and stored in our storage tanks for: (i) further processing into propylene through our PDH unit; or (ii) selling directly to external parties. We generally adjusted the ratio of propane sold externally to that consumed internally based on our own production needs and market conditions.

Propylene

Propylene (C_3H_6) is a foundational component in the chemical industry, presenting as a high-purity unsaturated hydrocarbon in the olefin family. Our propylene is produced through propane dehydrogenation ("**PDH**") unit, which was put into trial operation in June 2023 and officially put into operation at the end of 2023. All of our propylene products meet the polymer-grade, with a propylene level volume fraction of $\geq$ 99.6%. As of the Latest Practicable Date, we had an aggregate designed annual production capacity of 600,000 tons of propylene.

Wet Electronic Chemicals

Wet electronic chemicals are chemical reagents whose purity and impurity ions and particle numbers meet strict standards. They are one of the important materials in the wafer manufacturing process and are widely used in the wet process of microelectronics and optoelectronics. During the Track Record Period, our primary wet electronic chemicals product was electronic grade hydrofluoric acid (semi G5).

Electronic grade hydrofluoric acid (semi G5)

Electronic grade hydrofluoric acid (semi G5) is a core wet electronic chemical in semiconductor and microelectronics manufacturing. Its primary applications focus on key technical processes such as cleaning and etching in high-tech industries including integrated circuits. We primarily produce our electronic grade hydrofluoric acid (semi G5) products at our Bincheng Base. As of the Latest Practicable Date, we had an aggregate designed annual production capacity of 6,000 tons of electronic grade hydrofluoric acid (semi G5).

Our electronic grade hydrofluoric acid product achieves purity with strict control over key impurities: metallic ion content $\leq$ 3 ppt, anion content $\leq$ 1 ppb, and particles ($\geq$ 0.2 μm) $\leq$ 5 Pcs/ml. These specifications exceed the requirements of SEMI C12, the international standard for the highest grade (G5) of wet electronic chemicals. Our product demonstrates significant performance advantages: metallic ion content is reduced by 30% and particulate matter by 30%. Such metrics place its core performance at a domestically leading level. Recognized for its technical excellence, our electronic grade hydrofluoric acid product was awarded the title of "2024 Shandong Provincial Excellent Achievement (2024年山東好成果)". We have supplied electronic grade hydrofluoric acid products to leading domestic semiconductor enterprises, providing material support for the localization of high-end chips.

Energy

During the Track Record Period, we also generated revenue from sale of energy, primarily including electricity and steam. Our electricity was directly sold to state grid in strict compliance with the electricity pricing policies by national and local authorities. Our steam was delivered and sold to external customers through pipeline in accordance with the prevailing market price.

OUR PRODUCTION

Production Facilities

We proactively align with China's "dual carbon" strategy, and deeply integrate the dual carbon goals into our green development initiatives. We have been awarded as a "National-Level Green Factory (國家級綠色工廠)." As of December 31, 2025, we had three manufacturing bases located in China and a production team of over 2,400 personnel to support our manufacturing activities. Building on our established industrial base and the locational advantages, we are steadfast in strengthening the foundation for green electricity utilization. Each of our manufacturing bases is designed to produce designated products with built-in flexibility. The following table sets forth the key information of our manufacturing bases as of December 31, 2025:

Manufacturing Bases	Location	Aggregate Site Area	Primary Products Manufactured
Bincheng Basic Chemicals and Electronic Chemicals Base (濱城基礎化工和電子化學品基地) ("**Bincheng Base**") . .	Binzhou, Shandong Province	1,781.87 mu	Sodium hydroxide, propylene oxide, allyl chloride, perchloroethylene, epichlorohydrin, trichloroethylene, electronic grade hydrofluoric acid
Beihai New Materials Base (北海新材料基地) ("**Beihai Base**") .	Binzhou, Shandong Province	2,606.76 mu	MTBE, propylene oxide, propylene
Zhanhua New Energy Base (沾化新能源基地) ("**Zhanhua Base**")	Binzhou, Shandong Province	208,661 mu	Crude salt, bromine (溴素)

Production capacity and utilization rate

The following tables set forth a summary of our production capacity in terms of designed production capacity and utilization rates of our major products for the periods indicated:

	For the year ended December 31,								
	2023			2024			2025		
	Designed production capacity[1]	Production volume	Utilization rate[2][7]	Designed production capacity[1]	Production volume	Utilization rate[2][7]	Designed production capacity[1]	Production volume	Utilization rate[2][7]
	tons	*tons*	*%*	*tons*	*tons*	*%*	*tons*	*tons*	*%*
Chlor-alkali chemicals									
– Sodium hydroxide	610,000	759,600	124.5	610,000	787,800	129.2	610,000	788,100	129.2
– Chlorohydrin process propylene oxide	270,000	272,700	101.0	270,000	277,100	102.6	270,000	266,100	98.6
– Epichlorohydrin	75,000	68,600	91.5	75,000	73,600	98.1	75,000	74,400	99.2
– Allyl chloride	60,000	64,400	107.3	60,000	66,900	111.5	60,000	69,500	115.8
– Trichloroethylene	80,000	82,700	103.4	80,000	85,200	106.5	80,000	86,300	107.9
– Perchloroethylene	80,000	77,200	96.5	80,000	77,900	97.4	80,000	79,700	99.6
C3-C4 chemicals									
– MTBE[3]	N/A	N/A	N/A	N/A	N/A	N/A	742,000	817,300	110.2
– Co-oxidation process propylene oxide[3]	N/A	N/A	N/A	N/A	N/A	N/A	240,000	299,500	124.8
– Propylene[4]	600,000	69,500	11.6	600,000	444,100	74.0	600,000	520,200	86.7
Wet electronic chemicals									
– Electronic grade hydrofluoric acid (semi G5)	6,000	4,200	69.8[6]	6,000	4,900	81.2	6,000	6,400	106.7

Notes:

(1) The designed production capacity is primarily calculated based on a standard annual operating time of 8,000 hours, equivalent to 330 days per year. Meanwhile, considering the core process parameters of the production facilities (such as reaction efficiency, material conversion rate and equipment handling capacity), safety operation specifications and industry-common design standards. The designed capacity scale of each product is ultimately determined on a comprehensive basis.

(2) Utilization rates are calculated by dividing the production during the period by production capacity of the period.

(3) Production unit was put into trial production in December 2024 and officially commenced production in early 2025.

(4) Production unit was put into trial production in June 2023 and officially commenced production at the end of 2023.

(5) The relatively low utilization rate of epichlorohydrin in 2022 was primarily attributable to the significant increase in raw material prices that year. In response, we proactively chose to moderately adjust production to conduct maintenance of key equipment.

(6) The relatively low utilization rate for electronic grade hydrofluoric acid (semi-G5) in 2023 was primarily due to a decrease in our overseas sales. In 2024, as we successfully developed certain new leading domestic and overseas companies as customers, operating rates of our electronic grade hydrofluoric acid (semi-G5) units increased.

(7) During the Track Record Period, certain of our products achieved capacity utilization exceeding 100% primarily because the designed production capacity is calculated based on standard operating conditions, while we optimized production schedules, reduced maintenance downtime, and refined process to increase production volume. This overrun was to meet customer demand, utilize scale effect and lower production cost.

Production expansion plans

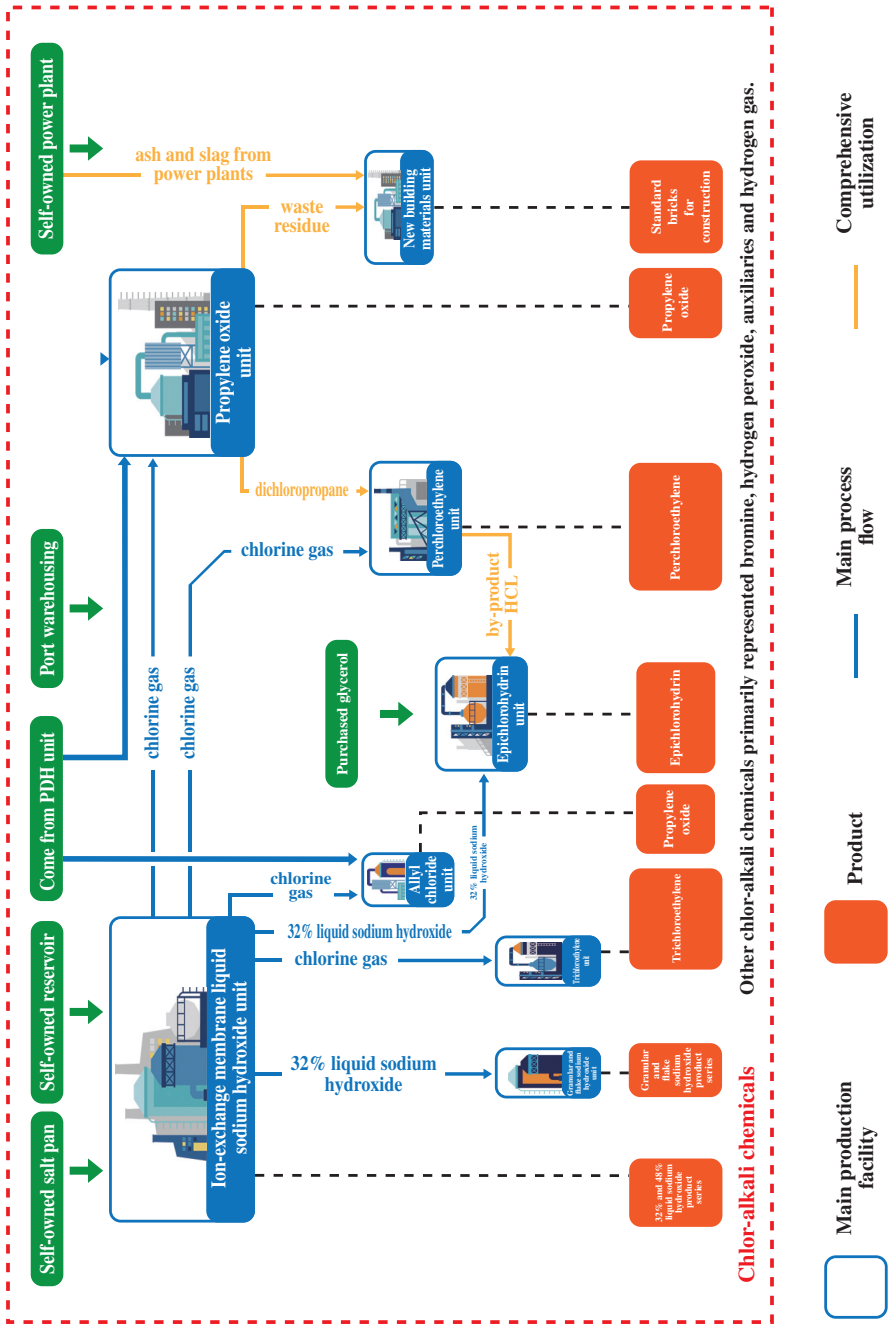
As of the Latest Practicable Date, we were planning a manufacturing base in Egypt for the production of chlor-alkali chemicals. Egypt possesses abundant wind energy, solar energy and chemical raw material resources. We intend to fully leverage Egypt's advantages in energy, transportation, market access and policies to develop Egypt's first zero-carbon chemical demonstration park. Our Egyptian chlor-alkali chemicals manufacturing base is planned to be developed a construction of a 60,000-ton per annum (tpa) ion-exchange membrane (IEM) sodium hydroxide unit and by utilizing the peer-to-peer (P2P) model under trial operation by the Egyptian government, the project will obtain green electricity resources at high cost-efficiency. This will enable us to establish a future green chemical production park and certification center, thereby facilitating the exploration of an integrated full-chain implementation model for green chemicals. As of the Latest Practicable Date, this project was still at the early planning stage. We expect to commence construction in the third quarter of 2026, and trial operations are anticipated to commence by the end of 2027. The estimated total capital commitment of the project is approximately RMB844.6 million. We intend to use cash generated from operating activities, bank borrowings, or equity and debt fund raising to fund this project.

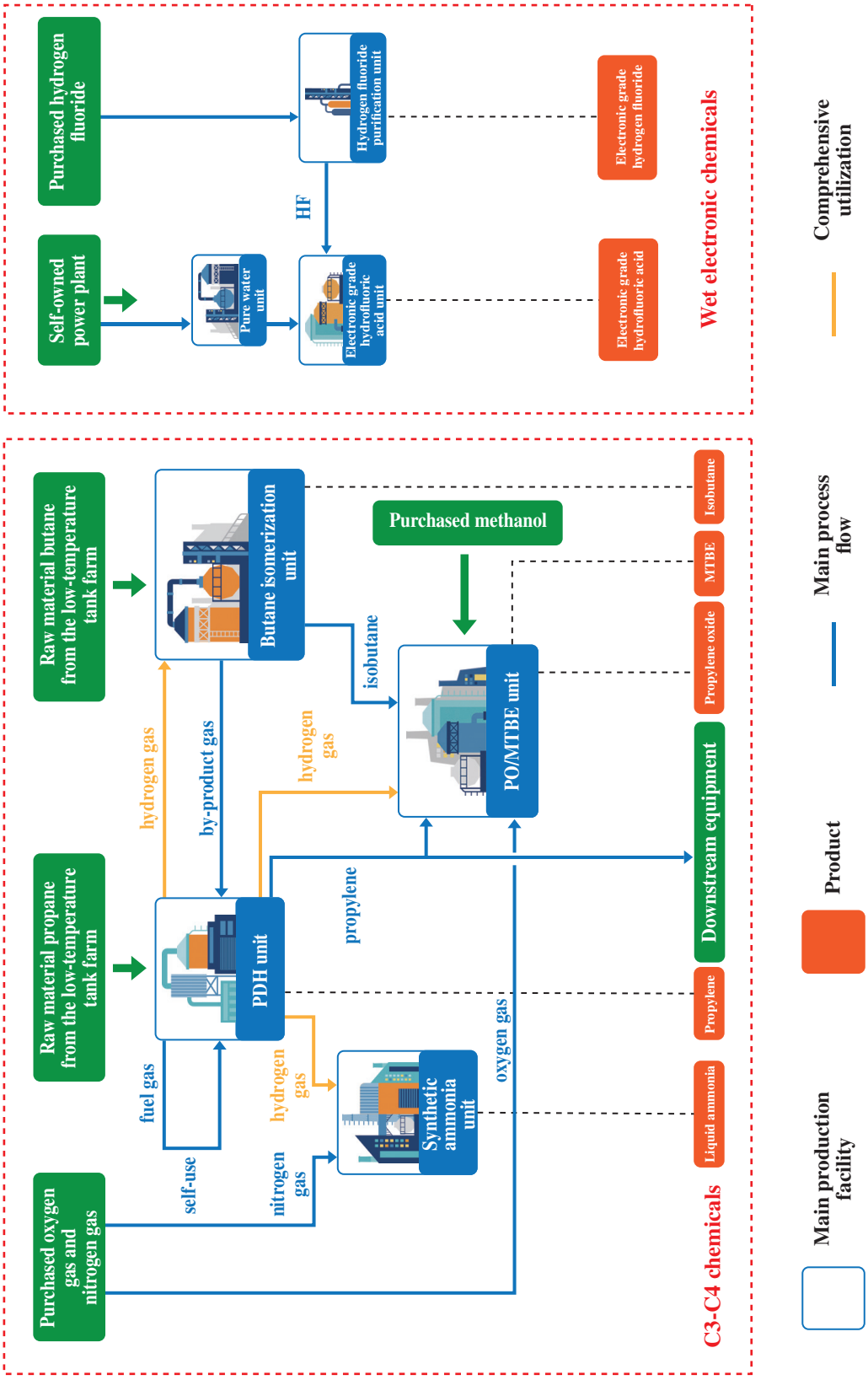
In chlor-alkali chemicals sector, we plan to advance the construction of the "Binzhou Lanrun 600,000 tons/year industrial waste salt resource utilization project (Phase I)" in Binzhou, a national regional hazardous waste centralized disposal center project. Leveraging waste salt resource utilization alongside our advantages in technology, management and brand, having laid a foundation for our future expansion of sodium hydroxide production capacity. We have obtained the filing approval reply for the Hazardous Waste Operation Permit from the Shandong Provincial Department of Ecology and Environment. We commenced certain preliminary construction work in early 2026, and anticipate completing commissioning and acceptance by 2027. Phase I of the project involves construction of 150,000 tons/year of industrial waste salt resource with estimated total capital expenditure of approximately RMB605.1 million. Meanwhile, we have secured an maximum investment subsidy of RMB50.0 million from the National Development and Reform Commission for pollution control. We intend to use cash generated from operating activities, bank borrowings, or equity and debt fund raising to fund this project.

We also intend to expand our production through construction of the source-grid-load-storage integrated project in Beihai Economic Development Zone of Binzhou, and a high-end electronic chemicals production facility in Yangxin, Binzhou, using the [**REDACTED**] from the [**REDACTED**], cash generated from operating activities, bank borrowings, or equity and debt fund raising. For details, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

Production Process

Our production process is designed to maximize efficiency and enhance profitability. The following diagrams sets forth the principal steps of our primary products.




Purchased hydrogen fluoride
Hydrogen fluoride purification unit
Electronic grade hydrogen fluoride
HF
Self-owned power plant
Pure water unit
Electronic grade hydrofluoric acid unit
Electronic grade hydrofluoric acid
Wet electronic chemicals
Raw material butane from the low-temperature tank farm
Butane isomerization unit
Isobutane
Purchased methanol
MTBE
Propylene oxide
PO/MTBE unit
hydrogen gas
by-product gas
isobutane
hydrogen gas
Raw material propane from the low-temperature tank farm
PDH unit
propylene
Downstream equipment
Propylene
fuel gas
hydrogen gas
Synthetic ammonia unit
oxygen gas
Liquid ammonia
self-use
nitrogen gas
Purchased oxygen gas and nitrogen gas
C3-C4 chemicals
Comprehensive utilization
Main process flow
Product
Main production facility

We have built a multi-category, circular product portfolio with deep synergy across product chains. We proactively adjust the output of each product category in response to market fluctuations, such as allocating more resources to products with steady market demand. These synergies not only optimize the utilization of our internal raw material resources and reduce overall costs but also enable us to flexibly allocate products between external sales and internal conversion based on market conditions and profitability, enhancing our resilience toward industry dynamics.

Major machinery and equipment

Production equipment and production lines form the foundational support for our manufacturing operations. Our production lines are equipped with advanced manufacturing equipment. We primarily purchase our major production machinery and equipment from reputable domestic and overseas suppliers. Our major machinery and equipment fall into five categories, namely dynamic equipment, static equipment, electrical equipment, instrumentation equipment and special equipment: (i) Dynamic equipment: rotating equipment driven by a driver or mechanical equipment whose main functional components are in motion, which are used to meet the requirements of energy or flow conversion and transmission of media in the production process; (ii) Static equipment: non-rotating or non-moving equipment without a driver, as well as machinery whose main functional components are stationary or have minimal movement; (iii) Electrical equipment: equipment and related systems that generate, transmit, distribute, convert, control, and measure electrical energy; (iv) Instrumentation equipment: devices encompassing various detection instruments, control and monitoring instruments, actuators, process control computer systems, alarm instruments, interlock protection system instruments, online analytical instruments, laboratory analytical instruments, flammable (toxic) gas detection and alarm devices, and their auxiliary units, which are utilized in production and operation processes; and (v) Special equipment: boilers, pressure vessels (including gas cylinders), and pressure pipelines that pose significant risks to personal and property safety.

We have established comprehensive inspection, maintenance and testing policies for our production facilities. We conduct regular maintenance and inspections on our machinery and equipment and maintain maintenance records in our system. We also perform seasonal maintenance on certain equipment as required. During the Track Record Period and up to the Latest Practicable Date, there had been no prolonged suspensions of production processes or significant disruptions to our operations caused by equipment failure or malfunction.

SALES AND CUSTOMERS

Our marketing center is responsible for the overall management of our sales and marketing activities, which operates with a well-defined division of responsibilities among our secondary departments. Our sales department takes charge of customer development and maintenance in the domestic market, while the international sales department specializes in the expansion and service of overseas customers. Our customer and marketing management department focuses on customer relationship management and marketing support, and the futures department is responsible for the development of our futures business. Our marketing center enhances the team's capabilities by means of training, skill improvement, and digital empowerment, equipping each of our sales departments with the ability to better respond to market competition and evolving customer demands. As of December 31, 2025, we had a sales and marketing team of 93 employees.

We adopt a sales model primarily based on direct sales and supplemented by distribution sales. We balance production and sales through a combination of long-term contracts and spot transactions. Leveraging our advantages in production capacity and product quality, we have established long-term relationships with leading downstream customers for bulk chemicals, such as sodium hydroxide and propylene oxide. We also leverage distribution networks to broaden our sales channels and explore overseas markets.

During the Track Record Period, we actively participated in market promotion initiatives such as participating in industry exhibitions in China and overseas to attract potential customers and gather the latest market trends and customer preferences. We also place significant emphasis on establishing relationships with existing customers through regular visits and direct communications. As of December 31, 2025, the average cooperation period with our major customers has exceeded ten years.

Sales Models

During the Track Record Period, we primarily sold our products through direct sales, with distribution as a supplementary channel. The following tables sets forth the breakdown of our revenue by sales channels during the Track Record Period:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales	5,466,623	74.8	6,855,617	67.0	12,973,388	87.4
Distribution sales	1,839,281	25.2	3,372,445	33.0	1,863,054	12.6
Total	**7,305,904**	**100.0**	**10,228,062**	**100.0**	**14,836,442**	**100.0**

Direct sales

During the Track Record Period, we primarily sold our products directly to end users across wide range of industries such as chemical companies, food manufacturing and processing companies, pharmaceutical companies and animal feed producing companies in China and overseas. During the Track Record Period, direct sales accounted for a majority of our total revenue, accounting for 74.8%, 67.0% and 87.4% for the years ended December 31, 2023, 2024 and 2025, respectively.

Distribution sales

We primarily adopt a direct sales model. For certain of our products, where the downstream customer base is relatively fragmented, we also distribute such products through distributors. Such products mainly include flake and granular sodium hydroxide, MTBE, propylene, allyl chloride and trichloroethylene. These distributors are expected to distribute or resell our products to end users. We do not have any sub-distributors. This approach not only enables us to better control our costs but also allows us to allocate a greater proportion of our sales and marketing resources to broader customer base. During the Track Record Period, sales to distributors accounted for approximately 25.2%, 33.0% and 12.6% of our total revenue for the years ended December 31, 2023, 2024, and 2025, respectively.

During the Track Record Period, our distributors were primarily chemicals trading companies, which further sold the chemicals products purchased from us to chemical or other manufacturing enterprises with demand for use in their production processes. The adoption of such a distribution model is a market practice among chemical enterprises in China. We believe this distribution model does not give rise to material market cannibalization risks, primarily considering that: (i) our pricing for sales to these distributors is consistent with that for end customers, and their resale prices do not offer greater advantages than ours; and (ii) these distributors usually possess established sales networks and market expertise in China's chemical industry or specific downstream sectors, with customer profiles that generally do not overlap with ours. Meanwhile, given the inherent hazardous nature of our major chemical products, distributors generally refrain from maintaining large inventories to avoid incurring additional storage costs and risks. As such, the risk of channel stuffing is minimal. Furthermore, we have also adopted the following measures

to mitigate such risk through: (i) evaluating distributors' historical transaction records, payment performance, and other relevant factors prior to entering into sales agreement; and (ii) implementing a stringent return policy under which product returns are not permitted except in cases of material quality issues. During the Track Record Period, we did not experience significant returns from distributors.

Agreements with distributors

Our relationship with these distributors is buyer and seller, whereby the ownership of the products is transferred to our distributors upon their purchase. We generally do not enter into specific distribution agreements with distributors. Instead, we execute sales agreements with them on an order-by-order basis, which is a common industry practice that provides flexibility for both parties and aligns with the transactional nature of bulk chemical sales, as advised by Frost & Sullivan. The key terms thereof are substantially consistent with those of the sales orders concluded with our direct sale customers. Set forth below is a summary of key terms of the typical sales agreement signed with our distributors:

Duration	:	Order-by-order basis
Product specification	:	Quantity and specification of products are specified in each sales order and no minimum purchase amount or sales target are required.
Sub-distributor	:	We generally do not restrict our distributors from engaging sub-distributors.
Payment	:	We generally require our distributors for payment before shipment, without granting additional credit terms. We generally accept bank transfer or bank's acceptance bills.
Delivery	:	We generally require customers to arrange for self-collection and the costs of loading, unloading and transportation are borne by the customers. The risk is generally transferred at our factory.
Return policy	:	Our return policy is consistent with that of direct-sale customers, and we do not accept returns except in cases of major quality issues, which is in line with the industry norms
Liability for breach of contract	:	In general, if our customer fails to pay the purchase price in accordance with the terms of the contract, we shall have the right to unilaterally terminate the contract. Our customer shall pay liquidated damages to us equivalent to 20% of the payable purchase price.
Termination	:	Generally, the contract may be terminated by mutual consent or if force majeure prevents either party from fulfilling its obligations.

Distributors movement

The table below set forth the movement in number of our distributors during the periods indicated.

	For the year ended December 31,		
	2023	2024	2025
Number of distributors at the beginning of the period	771	1,085	1,378
Number of newly added distributors	314	293	–
Number of distributors at the end of the period	**1,085**	**1,378**	**1,378**

During the Track Record Period, we typically entered into contracts with distributors on an order-by-order basis rather than distributorship agreements. Consequently, we did not formally terminate our cooperative relationships with any distributors. During the Track Record Period, the number of distributors that placed orders with us but had no subsequent orders for more than six months amounted to 605.

During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with distributors nor any material breach of contracts between us and the distributors.

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, all our distributors had been independent third parties, and none of our distributors had been controlled by any of our former or present employees, used our brand/name or had received any material advance or financial assistance from us during the Track Record Period and up to the Latest Practicable Date.

Pricing Policies

The pricing of our products is based on the reference to the prevailing market price. Pricing is largely subject to market fluctuations, with adjustments made upward or downward relative to the prevailing market price. The final transaction price is determined through adjustments to the market price. Leveraging our product quality, supply guarantee capabilities, regional advantages and brand value, we possess a certain degree of pricing power. For instance, the quotation price of our allyl chloride products is announced on a weekly basis through our official WeChat account and industry consulting websites. As the credibility and fairness of the prices set by us continue to improve in the market, our allyl chloride has become a benchmark in the industry and our quotation prices have become a primary reference when domestic peers conduct pricing.

After-sale Services

We place great emphasis on after-sales responses to customers to ensure that their inquiry, feedback or request is addressed with due attention and efficiency. Upon receipt of a customer compliant, our customer and marketing management department will conduct verification of the complaint details, initiate formal tracking procedures, formulate a corrective action plan, and provide feedback on such plan to the customer within ten working days of receiving the complaint, with a view to securing the customer's understanding. In addition, on a monthly basis, our customer and marketing management department will compile and analyze information in respect of customer complaints, including but not limited to the categories and root causes of the complaints, the progress and completion status of corrective actions, and customer feedback on the resolution results. It will also circulate and notify the compiled summary to relevant internal departments, such as the production, quality control and logistics departments, to facilitate cross-departmental collaboration in addressing systemic issues and optimizing relevant business processes. During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaints.

Seasonality

Our products are generally not affected by persistent and long-term seasonal fluctuations due to our diverse client composition from a geographical and end-product perspective. We supply our products to participants in both the PRC market and the global market, and our customers use our products for a variety of purposes. These characteristics effectively limit our exposure to significant seasonality fluctuations.

Our Customers

Our customer base consists of direct-sale customers and distributors across various industries including chemical, food manufacturing and processing, pharmaceutical, light industry, textile and metallurgical industries. As of December 31, 2025, we had delivered our products in China and more than 100 countries and regions in the global market, including the United States, Canada, Japan, South Africa, the United Kingdom and India. The table below sets forth the breakdown of our revenue by destination locations where the products are delivered for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chinese Mainland	6,911,682	94.6	9,875,856	96.6	13,312,476	89.7
Hong Kong and overseas	394,222	5.4	352,206	3.4	1,523,966	10.3
Total	**7,305,904**	**100.0**	**10,228,062**	**100.0**	**14,836,442**	**100.0**

Major terms of our agreement with customers

Direct-sale customers

We generally enter into framework agreements with our major customers, who place purchase orders in accordance with their actual demand under such agreement. The framework agreements typically outline key commercial terms such as product categories, quality standards, planned delivery quantities, pricing mechanisms and delivery arrangements. We then sign sales agreement with customers on an order-by-order basis. While the terms of contracts may vary depending on the specifics of each customer, they generally include the following key terms:

Duration:	Determined based on customer requirements and our company's production status.
Pricing:	Prices of our products are determined by a number of factors. For details, please refer to "— Pricing Policies" above.
Quality indicators and technical requirements:	The products are inspected in accordance with national standards specified in written contracts.
Delivery arrangements:	We generally deliver our domestic products at our production facilities or places designated by our customers. Overseas delivery are usually conducted in accordance with relevant Incoterms provisions.
Credit term and payment method:	We generally require payment before shipment, without granting additional credit terms. We are usually paid by way of telegraphic transfer, bill for collection or letter of credit.

Inspection:	We are required to provide products that meet the specifications stipulated in our sales agreements. The customer may inspect the products upon collection, including quantity and quality, within a specified period.
Return policy:	We do not accept returns except in cases of major quality issues, which is in line with the industry norms.
Liability for breach of contract:	In general, if our customer fails to pay the purchase price in accordance with the terms of the contract, we shall have the right to unilaterally terminate the contract and entitled with compensation. If we fail to deliver the products on time, we are liable for the corresponding compensation to customers.

Distributors

For details, please refer to "— Sales Model — Agreement with distributors" above.

Major customers

For the years ended December 31, 2023, 2024 and 2025, revenue from the five largest customers in each year during the Track Record Period was RMB1,603.4 million, RMB1,825.5 million and RMB3,171.1 million, respectively. For the same years, revenue from the largest customer in each year during the Track Record Period was RMB708.8 million, RMB600.6 million and RMB1,486.9 million, respectively.

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

For the year ended December 31, 2023

Rank	Customer	Customer's background	Customer type	Major products provided	Year of commencement of business relationship with us	Revenue derived from the customer	Percentage of total revenue
						RMB'000	*%*
1.	Customer A	An A share listed company engaged in polyether selling	Direct-sale customer	Propylene oxide	14	708,842	9.7
2.	Customer B[(1)]	Engaged in polyether selling	Direct-sale customer	Propylene oxide	15	349,841	4.8
3.	Customer F[(1)]	An A share listed company engaged in polyether selling	Direct-sale customer	Propylene oxide	21	184,989	2.5
4.	Customer G[(1)]	An A share listed company engaged in polyether selling	Direct-sale customer	Propylene oxide	19	182,063	2.5
5.	Customer H[(1)]	An A share listed company engaged in dimethyl carbonate (碳酸二甲酯) selling	Direct-sale customer	Propylene oxide	21	177,683	2.4
					Total	**1,603,418**	**21.9**

For the year ended December 31, 2024

Rank	Customer	Customer's background	Customer type	Major products provided	Year of commencement of business relationship with us	Revenue derived from the customer	Percentage of total revenue
						RMB'000	*%*
1. . .	Customer A	An A share listed company engaged in polyether selling	Direct-sale customer	Propylene oxide	14	600,641	5.9
2. . .	Customer B[(1)]	Engaged in polyether selling	Direct-sale customer	Propylene oxide	15	378,216	3.7
3. . .	Customer I[(1)]	Engaged in polypropylene selling	Direct-sale customer	Propylene	3	350,171	3.4
4. . .	Customer J[(1)]	Engaged in propylene oxide selling	Distributor	Propylene	3	252,365	2.5
5. . .	Customer K[(1)]	Engage in oil refining	Direct-sale customer	Propane	2	244,146	2.4
					Total	**1,825,539**	**17.9**

For the year ended December 31, 2025

Rank	Customer	Customer's background	Customer type	Major products provided	Year of commencement of business relationship with us	Revenue derived from the customer	Percentage of total revenue
						RMB'000	*%*
1. . .	Customer A	An A share listed company engaged in polyether selling	Direct-sale customer	Propylene oxide	14	1,486,899	10.0
2. . .	Customer L[(1)]	Engaged in electricity selling	Direct-sale customer	Electricity	2	534,035	3.6
3. . .	Customer G[(1)]	An A share listed company engaged in polyether selling	Direct-sale customer	Propylene oxide	21	419,973	2.8
4. . .	Customer B[(1)]	Engaged in polyether selling	Direct-sale customer	Propylene oxide	15	382,360	2.6
5. . .	Customer F[(1)]	An A share listed company engaged in polyether selling	Direct-sale customer	Propylene oxide	2	347,851	2.3
					Total	**3,171,118**	**21.3**

Note:

(1) This customer includes a group of companies that are under the common control of the same ultimate shareholder.

The credit term that we provided to our five largest customers for each year during the Track Record Period generally ranged from nil to 45 days, with payments made through bank transfers bills or letter of credit. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our five largest customers for each year during the Track Record Period were all independent third parties. To the best of our knowledge, none of our Directors, their close associates or any shareholders who own more than 5% of the issued share capital of our Company, had any interest in any of our five largest customers for each of the years during the Track Record Period.

Overlapping of major customers and suppliers

During the Track Record Period, we had the following instances of overlapping of major customers and suppliers:

- During the Track Record Period, we purchased electricity from Customer L/Supplier A for our operations. In the meantime, we owned in-house power generation facilities. Apart from the electricity used for our own operations, we also connected our 350MW unit to the power grid in November 2024 and sold the electricity generated back to Customer L/Supplier A. This arrangement is consistent with national policy and market practice for chemical enterprises with substantial electricity consumption needs in China. For the years ended December 31, 2023, 2024 and 2025, our purchase of electricity from Customer L/Supplier A was RMB1,060.7 million, RMB1,355.7 million and RMB1,285.4 million, respectively; and revenue from selling electricity back to Customer L/Supplier A was nil, RMB66.5 million and RMB534.0 million for the same respective year.

- During the Track Record Period, we conducted mutual sales and procurement transactions with Supplier I, Supplier J and Supplier N for LPG, primarily propane and butane, being basic chemical raw materials (collectively, the "**LPG Partners**"). Both Supplier I and Supplier J are domestically leading chemical groups, while Supplier N is a globally leading energy group. We primarily use LPG, the source of which is heavily dependent on overseas imports, to produce our C3-C4 chemicals products. This arrangement is a common practice in the chemical industry chain (including LPG sector), driven by: (i) the large single-vessel scale for international LPG procurement, which requires enterprises to split procurement orders with other domestic chemical enterprises that have substantial long-term demands for LPG, to achieve cost optimization and stable supply; and (ii) temporary shortages or surpluses of LPG in daily operations, particularly when the quality or shipment schedule of procured LPG fails to meet expectations. In addition, we also sold chlor-alkali chemicals products to Supplier I and Supplier J during the Track Record Period. The sales and procurement contracts for such arrangements were entered into legally independently, with prices determined in accordance with the prevailing market price at the time of each transaction.

  For the years ended December 31, 2023, 2024 and 2025, total revenue generated from the LPG Partners was RMB38.5 million, RMB152.2 million and RMB36.4 million, respectively; and total purchases from them was RMB54.8 million, RMB3,466.4 million and RMB5,456.8 million for the same respective year.

- During the Track Record Period, we conducted mutual sales and procurements transactions for various chemicals products and raw materials (other than LPG) with certain major customers or suppliers. These customers and suppliers are primarily large-scale chemical and energy groups, including Customer A, Customer E/Supplier D, Customer H, Customer J, Customer M, Supplier B, Supplier E, Supplier F and Supplier H (collectively, the "**Business Groups**"). These Business Groups generally have business coverage spanning the upstream, midstream and downstream of the chemical industry chain, and frequently engage in a variety of other business activities (such as

construction services). We usually enter into transactions separately with entities responsible for different business segments within these Business Groups, which makes us customers and suppliers of each other at the group level. All sales to and purchases from these Business Group were negotiated through separate processes, conducted in the ordinary course of business, and carried out on commercial terms that were negotiated at arm's length basis. Such inter transactions among large chemical groups are relatively common in the industry.

For the years ended December 31, 2023, 2024 and 2025, total revenue from the Business Groups was RMB1,103.0 million, RMB1,545.4 million and RMB2,015.8 million, respectively; and total purchase amounts from them were RMB964.0 million, RMB601.7 million and RMB294.7 million for the same respective year.

All of the transactions that we entered into with the above overlapping major customers and suppliers were on an arm's-length, mutually independent basis under normal commercial terms and are not inter-related. According to Frost & Sullivan, having such overlaps is normal in the chemical industry chain.

PROCUREMENT AND SUPPLIERS

Raw Materials

Our raw materials primarily include crude salt, LPG (primarily propane and butane), raw coal and others. During the Track Record Period, we primarily procured raw materials from suppliers both in China and overseas. In addition, leveraging our integrated industrial chain layout, we are also capable of independently producing a portion of the raw materials required for our production operations, primarily including: (i) our Zhanhua Base has an annual designed crude salt production capacity of approximately 500,000 tons, which meets approximately 50% of our total crude salt consumption for our sodium hydroxide production; and (ii) our Beihai Base has an annual designed propylene production capacity of approximately 600,000 tons, which is sufficient to cover all of our propylene consumption used in our propylene oxide production. These self-owned resources enable us to ensure a stable supply of raw materials, effectively control costs, and enhance resilience toward market fluctuations. For the years ended December 31, 2023, 2024 and 2025, our raw material costs amounted to RMB3,377.8 million, RMB4,710.5 million and RMB8,312.0 million, respectively, accounting for 55.5%, 49.2% and 62.1% of our total cost of sales during the respective periods.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any shortage of raw materials that resulted in interruptions in our production, nor did we experience any quality issues in respect of our raw materials that would materially affect our operations. We believe our stable relationships with our suppliers will continue to ensure a sufficient and reliable supply of raw materials and components, while also helping to mitigate fluctuations in raw materials going forward.

Utilities

Our production process requires a stable and sufficient supply of utilities, primarily electricity, natural gas and water. During the Track Record Period, we primarily procured electricity from regional power grids and other utilities from local public utility companies. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material shortage of power or disruption in our utilities supply that caused a material adverse impact on our production.

We are located in the Lubei Saline-Alkali Beach Wind-Solar-Storage-Transmission Integrated Base, one of Shandong Province's five major clean energy bases, which boasts abundant wind and solar resources. We have also established our own power generation facilities to both support our

operation consumption and sales externally. In addition, we are advancing construction of "source-grid-load-storage integrated project (源網荷儲一體化項目)" (including 160MW wind power, 100MW photovoltaic power, 130MW/260MWh energy storage and 110kV step-up substation). Upon completion, it will generate 424 million kWh of self-consumed electricity annually, with green power accounting for over 60% of the electricity consumption of our Beihai Base. For details on the project, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

Our Suppliers

During the Track Record Period, our suppliers mainly included raw materials supplier and utilities suppliers in China and overseas. We carefully select our suppliers and require them to meet certain evaluation and assessment criteria.

We plan our procurement of raw material based on our sales target, production capacity as well as market conditions. We typically enter procurement agreement with our suppliers, stipulating commercial terms such as procurement price, product categories, quality standards, planned delivery quantities, and delivery arrangements. Below is a summary of the key terms of typical procurement arrangements we entered into during the Track Record Period:

Duration:	Our raw materials and supplies contracts generally do not exceed one year and may be one-off, quarterly or annual framework agreements. Framework agreements for engineering construction and maintenance services typically follow a "1+1+1" structure with a maximum term of three years, a rolling contract structure featuring a "fixed term (typically one year) plus two times of renewal options".
Pricing:	The specific product prices are determined by each individual purchase order and contract, in accordance with prevailing market price.
Minimum purchase amounts:	We are not subject to any minimum purchase requirements.
Quality Indicators and Technical Requirements:	We inspect raw materials in accordance with the national standards or the incoming inspection standards specified in the written contracts.
Delivery arrangements:	We generally accept and inspect materials at locations designated by us, such as our factories. Suppliers are responsible for delivering materials to our manufacturing bases or place designated by us and bear the associated transportation risks and costs. For materials procured overseas, we usually adopted delivery terms at FOB or CIF.

Credit term and payment method: .. Depending on the category of procurement, we may make payments in advance or after delivery of goods or completion of services and receipt of invoices. We primarily settle payments with suppliers through bank transfers, bank acceptance bills or letters of credit.

Inspection: ..... We usually conduct an acceptance inspection on the quantity, appearance and quality of products upon the receipt. If the product quality fails to meet our requirements, we are entitled with right for a return, replacement or termination of the contract. All losses resulting therefrom shall be borne by the supplier.

Termination: ..... Agreements can generally be terminated by either party through a notice, or fulfill respective obligations.

Major suppliers

For the years ended December 31, 2023, 2024 and 2025, purchases from the five largest suppliers in each year during the Track Record Period was RMB1,936.5 million, RMB5,390.2 million and RMB7,998.6 million, respectively. For the same years, purchases from the largest supplier in each year during the Track Record Period was RMB1,060.7 million, RMB2,296.4 million and RMB3,198.5 million, respectively.

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

For the year ended December 31, 2023

Rank	Supplier	Supplier's background	Major products purchased	Years of business relationship with us	Purchase amounts paid to the suppliers	Percentage of total purchase amounts
					RMB'000	*%*
1.	Supplier A[(1)]	Engaged in electricity selling	Electricity	Over 50	1,060,734	15.2
2.	Supplier F[(1)]	An A share listed company engaged in fuel gas selling	LPG (primarily propane and butane)	3	252,968	3.6
3.	Supplier G	Engaged in the trade, warehousing and logistics of petroleum products	Propylene	3	236,546	3.4
4.	Supplier D[(1)]	An A share and H share listed company engaged in the petrochemical industry	Acrylonitrile, propylene, installation and construction services	12	194,801	2.8
5.	Supplier H	Engaged in the research and development, production and sales of new building materials chemicals	Propylene	5	191,483	2.7
				Total	**1,936,532**	**27.7**

For the year ended December 31, 2024

Rank	Supplier	Supplier's background	Major products purchased	Years of business relationship with us	Purchase amounts paid to the suppliers	Percentage of total purchase amounts
					RMB'000	*%*
1.	Supplier I[(1)]	An A share listed company engaged in chemicals trading and distributing and supply chain management in the Asia-Pacific region	LPG (primarily propane and butane)	2	2,296,367	19.8
2.	Supplier A[(1)]	Engaged in electricity selling	Electricity	Over 50	1,355,727	11.7
3.	Supplier J[(1)]	Engaged in the manufacturing of basic chemical raw materials and chlor-alkali chemicals	LPG (primarily propane and butane)	2	1,170,029	10.1
4.	Supplier D[(1)]	An A share and H share listed company engaged in the petrochemical industry	Acrylonitrile, propylene, installation and construction services	12	356,609	3.1
5.	Supplier K[(1)]	An A share listed company engaged in the research and development, production and sales of modified plastics	LPG (primarily propane and butane)	2	211,471	1.8
				Total	**5,390,203**	**46.5**

For the year ended December 31, 2025

Rank	Supplier	Supplier's background	Major products purchased	Years of business relationship with us	Purchase amounts paid to the suppliers	Percentage of total purchase amounts
					RMB'000	*%*
1.	Supplier I[(1)]	An A share listed company engaged in chemicals trading and distributing and supply chain management in the Asia-Pacific region	LPG (primarily propane and butane)	2	3,198,510	17.3
2.	Supplier A[(1)]	Engaged in electricity selling	Electricity	Over 50	1,285,361	6.9
3.	Supplier L	Engaged in the global trade and distribution of energy products	LPG (primarily propane and butane)	1	1,256,463	6.8

Rank	Supplier	Supplier's background	Major products purchased	Years of business relationship with us	Purchase amounts paid to the suppliers	Percentage of total purchase amounts
					RMB'000	*%*
4.	Supplier J[(1)]	Engaged in the manufacturing of basic chemical raw materials and chloralkali chemicals	LPG (primarily propane and butane)	2	1,239,893	6.7
5.	Supplier N	Engaged in the trading, purchase and integrated delivery of LPG	LPG (primarily propane and butane)	1	1,018,393	5.5
				Total	**7,998,620**	**43.2**

Note:

(1) This supplier includes a group of companies that are under the common control of the same ultimate shareholder.

The credit term that we are generally provided by our five largest suppliers for each year during the Track Record Period generally ranged from nil to 60 days, with payments made through bank transfers bills or letter of credit. To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, our five largest suppliers for each year during the Track Record Period were all independent third parties. To the best of our knowledge, none of our Directors, their close associates or any shareholders who own more than 5% of the issued share capital of our Company, had any interest in any of our five largest suppliers for each of the years during the Track Record Period.

QUALITY CONTROL

We are committed to providing high-quality and reliable products to our customers. As of December 31, 2025, we had a quality control and analysis team of 281 personnel, who hold the required qualifications and experience. Our quality control and analysis team are responsible for establishing the quality control systems and inspection guidelines for our production, while the respective teams at our production bases are responsible for implementing the quality control standards and procedures. Our quality control and analysis teams also conduct performance reviews and statistical analysis and provide training on quality standards and inspection techniques to ensure the effectiveness of our overall quality control system. We are required to comply with a variety of domestic and international guidelines on product quality and production safety. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material product claims with our customers.

We have put in place a strict quality control system for the entire production process, from the inspection of raw materials through to our finished products for delivery.

Inspection of Raw Materials

The incoming raw materials and auxiliary raw materials are fully inspected and tested upon delivery according to our quality control requirements and specifications. Our internal quality control protocol, Regulations on the Management of Chemical Raw Materials Entering the Factory (《進廠化工原材料管理規定》), stipulates detailed inspection items, detection indicators, as well as inspection methods. Raw materials are only stored in our warehouses after they have passed the quality control tests. Solvents that have passed our quality control tests are transported through a tanker pipeline system and pumped into storage tanks for use.

Production Process Control

We strictly follow our customers' detailed specifications and demands for high-quality products, and adhere to all relevant industry standards for the production of our products, including national standards and our internal quality standards. We implement an internal quality control system and detailed protocol, such as Regulations on Product Monitoring (《產品監測規定》), and Regulations on Authorization Management for Product Surveillance and Measurement (《產品監視與測量授權管理規定》) to perform various inspections over the course of the entire production process. At designated checkpoints of our production lines, our quality control team conducts periodic tests and inspections of semi-finished products in accordance with our internally designed quality control processes. These tests are intended to ensure that our products, at each stage of the production process, meet the quality standards and specifications set both by us and our customers. Defective products identified by such tests and inspections will not be further processed and will be returned to the production process for reprocessing or discarded. We are certified to ISO 9001:2015 and ISO 22000 quality management standards, demonstrating that our quality control system is aligned with international practices.

Inspection of Finished Products

Our quality control team performs a set of routine inspections on the finished product before leaving the factory. All products need to undergo can sealing sampling and full-item inspection, and release documents should be signed in accordance with the Product Quality Management Regulations (《產品品質管制規定》). Meanwhile, based on our internal Regulations on Product Identification and Traceability Management (《產品標識與可追溯性管理規定》), all procedures require traceable records to ensure that product quality is effectively controlled throughout the process.

Any product which fails our quality tests and inspections will be immediately isolated and properly marked. At the same time, the "Non-conforming Product Report (《不合格品報告》)" should be filled out, and the competent department will organize and carry out the review work. Disposal methods include: rework, downgrading, concession acceptance, scrapping or return.

Warehousing

Our finished products are first packaged and stored at our warehouses before being transported and delivered. Additionally, we take safety measures to minimize fire hazards, water damage and other similar risks to our products.

Delivery

Our quality control team collaborates with relevant production team to ensure that our packaging is well-designed and sufficient to safeguard the integrity of our finished products during their transportation. Packaging thereby tends to vary with the volume and sensitivity of each product.

We believe that these quality control measures enable us to provide our customers with high-quality products. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material sales returns by our customers nor receive any product liability or other legal claims in connection with the quality of our products.

INVENTORY MANAGEMENT

Our inventory consists mainly of raw materials, finished products and packing materials. We have adopted and implemented comprehensive policies and control procedures for the management and protection of our inventories. Finished products are stocked in accordance with their respective sales plans, while raw materials are held in line with our procurement strategies. We also designed

and organized our warehouses to align with the nature, size and shelf life of different materials, featuring clear classification, marking and placement of such materials, maintenance of real-time inventory records and conduct of regular stock checks, to enhance the safety and accuracy of inventory storage.

For the years ended December 31, 2023, 2024 and 2025, our inventories and contract costs turnover days amounted to 34 days, 32 days and 34 days, respectively.

RESEARCH AND DEVELOPMENT

We place great emphasis on research and development to strengthen our industry competitiveness and to improve and diversify our products. As of December 31, 2025, we had a research and development team of 687 personnel. For the years ended December 31, 2023, 2024 and 2025, our research and development costs amounted to RMB68.4 million, RMB120.3 million and RMB173.2 million, respectively.

We have established five major research and development centers and one achievement transformation center, with support from our resource transformation, scientific research management and general management departments. Each research and development center operates under a flat management structure, led by the respective research team leader, to align with our industrial development priorities.

We apply a stage-gate management system for process manufacturing, divided into four phases: idea initiation, feasibility study, pre-research/lab-scale test, and pilot-/industrial-scale test. Advancement to each subsequent phase requires approval of the preceding phase. Each stage has key control points and evaluation forms, and the entire system is built into our digital research platform with continuous market technology tracking and risk — management mechanisms. This ensures effective control over project schedule, cost, and quality, enabling the efficient delivery of research goals and mitigation of research and development risks.

We own a comprehensive chemical engineering design and research institute. Currently, we hold a suite of prestigious qualifications, including Grade A Engineering Design Qualification for Chemical Engineering in the Chemical, Petrochemical and Pharmaceutical Industries (化工石化醫藥行業化工工程專業甲級設計資質), Grade B Engineering Design Qualification for the Chemical, Petrochemical and Pharmaceutical Industries (化工石化醫藥行業乙級工程設計資質), Grade B Engineering Consulting Qualification for Chemical, Petrochemical and Architectural Specialties (化工石化建築專業工程諮詢乙級資質), Design Qualification for GB2/GC/GCD-class Pressure Pipelines (GB2/GC/GCD類壓力管道設計資質) and Design Qualification for A1/A2/A3-class pressure.

Our research and development efforts have produced a number of technological achievements which are material for our production. Our independently designed propylene oxide production technology has been awarded as the Second Prize of Provincial Science and Technology Progress (省科技進步二等獎). As of the Latest Practicable Date, we had 164 registered patents and 104 patents under application. Among these registered patents, there are 50 invention patents, 113 utility model patents and one design patent. Among these patents under application, there are 72 invention patents and 32 utility model patents.

The table below summarizes representative technologies developed by us.

Technology	Significance	Patent	Year of grant
Ultra-purification technology for semiconductor-grade G5 hydrofluoric acid (半導體用G5級氫氟酸純化技術)	Breaks the foreign monopoly and achieves domestic substitution Selected for provincial-level major innovation project	A new cleaning device for electronic chemical product packaging barrels A method for testing the cleanliness of HDPE packaging materials	2024
Hydrogen-peroxide epichlorohydrin (ECH) fluidized-bed process technology (雙氧水法ECH流化床工藝技術)	Obtained external technology licensing, creating a sustained capability for technology licensing and promotion This process has been assessed as being at an internationally leading level	A catalyst-concentration monitoring device for fluidized-bed reaction systems producing epichlorohydrin A cyclic de-acidification and dewatering device for producing epichlorohydrin using the hydrogen-peroxide process	2025
Key technology for catalytic wet oxidation (催化濕式氧化關鍵工藝技術) . .	Shandong Provincial Major Science and Technology Innovation Project Second Price for Science and Technology (All-China Environment Federation) Domestically leading level Provincial major innovation project	A membrane-filtration catalyst-recovery device for the wet-oxidation process	2023
Upgraded saponification process for the chlorohydrin propylene-oxide process using the calcium method (氯醇法環氧丙烷鈣法皂化工藝升級)	Reduces fresh water consumption per unit of product to below 10 tons and waste residue generation to below 95 kg, significantly lower than the national standards of 15 tons of water and 100 kg of waste residue	Technical secret (trade secret)	N/A

Technology	Significance	Patent	Year of grant
Functional polyether preparation technology (功能性聚醚製備技術)	Meets customers' customized requirements	Mostly technical secret (trade secret)	2024
		Patent of preparation method for high-carbon-alcohol polyether ester used in defoamers	
Alkaline electrolyze hydrogen-production equipment technology (鹼性電解槽製氫裝備技術)	Supports the development of the company's new-energy technology business	An alkaline water electrolysis hydrogen-production device	2023 and 2024
		A steam-distribution device for heating alkaline hydrogen-production electrolysis cells	
Key technologies for hydrogen filling, analysis and other equipment (氫氣充裝、分析等裝備關鍵技術)	Supports the development of the company's hydrogen-energy business	A device for co-producing high-purity, power and industrial hydrogen from by-product hydrogen of the chlor-alkali chemicals process	
		A hydrogen filling equalising device	2024
		A device to remove hydrogen accumulation in compressor packing water to eliminate safety hazards	

Collaborative Research and Development Projects

We have strengthened our innovation capabilities by deepening collaboration with over 20 leading domestic universities and research institutes to develop our research and development capabilities. We consider that these research and development collaborations act as a driver for us to develop new technological solutions tailored to our product manufacturing processes, while also enhancing our capability to explore cutting-edge technologies, know-how and expertise.

Under a typical research and development cooperation agreement, (i) our partners are generally responsible for providing product synthesis formula and manufacturing route, and we are responsible for industrialization research of the products; (ii) we generally either solely own or share the ownership of the know-how, designs and other intellectual property rights generated from

these collaborative arrangements with the other parties; and (iii) we are usually responsible for the research and development expenses incurred. During the Track Record Period, the costs incurred by us in respect of such research and development cooperative projects totaled approximately RMB17.9 million.

Through these research and development collaborations, the intellectual property rights co-owned by us and our collaboration partners are primarily focused on the optimization of production processes and the accumulation of technological reserves for future market-oriented directions. Notably, the co-owned intellectual property rights do not involve the core production technologies currently used in our production facilities. For instance, the FHPECH Process, a new propylene oxide production technology co-developed and co-owned by us and a chemical physics research institute of a national research institution in China, has completed the laboratory-scale development of catalysts and process technologies as of the Latest Practicable Date. We are currently collaborating with the institute to advance the pilot-scale testing project. Compared with the fixed-bed process, the FHPECH Process has distinct technological advantages, which achieves 99.7% hydrogen peroxide conversion rate, 96.6% epichlorohydrin selectivity and 99.8% effective hydrogen peroxide utilization rate. The FHPECH Process is currently designated by us as a technological reserve for our future propylene oxide production processes.

INTELLECTUAL PROPERTY

We rely on our proprietary technologies and production know-how to maintain our competitive position in the markets where we operate, and we generate intellectual property through our extensive research and development activities. We hold a portfolio of intellectual property rights in both China and overseas. As of the Latest Practicable Date, we held 27 registered trademarks, 164 registered patents and 93 patents under application. For details, please refer to "Appendix VI — Statutory and General Information — B. Further Information about the Business — 2. Intellectual Property" in this document.

We believe protecting and enforcing our intellectual property rights are of significant importance to our business operations, reputation and branding. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. We have entered into confidential agreements with our senior management team members as well as research and development team members, which require these personnel to strictly comply with our confidentiality requirements. These agreements also require our employees to assign to us all of the inventions, designs and technologies developed in connection with their employment with us.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we had not been subject to any material intellectual property claims which could have a material adverse effect on our business operations.

INFORMATION TECHNOLOGY

Information technology systems are essential to competitiveness and efficient operations. We have completed the establishment and commissioning of systems including the digital carbon asset management platform, intelligent safety control system, smart business management system and smart energy control systems. These initiatives are integral to our "Digital Binhua" transformation, which has been recognized through several key milestones: by the end of 2024, we were selected into the first batch of "Excellent-Level Smart Factories" by MIIT, passed the ministry's smart manufacturing demonstration factory acceptance, and were included in the "2024 MIIT 5G Factory Directory." We have achieved 100% coverage of control systems for production facilities, implemented online monitoring for key equipment, and introduced advanced automation technologies — all of which could strengthen production safety, quality, and operational efficiency.

In 2025, we were included in the list of "Gongfu Baijing (工賦百景)" Pilot Projects for Digital Transformation of the Manufacturing Industry released by Shandong provincial MIIT. This represents authoritative recognition of our practical achievements in the field of digital transformation and also provides replicable and promotable "Binhua Experience (濱化經驗)" for the digital upgrading of the chemical industry.

COMPETITION

We primarily operate in the chemical market, with a diverse range of downstream products that serve extensive end markets. The major markets where we operate, such as chlor-alkali chemicals, C3-C4 chemicals and wet electronic chemicals markets, are relatively concentrated. These markets are driven by factors including safety, efficient and green development, technological innovation, and industrial chain extension. Additionally, they typically feature high barriers, such as technological, customer, and geographical barriers. Leveraging our industry experience, product quality, and technological innovation capabilities, we have achieved a leading position in the market across a variety of our products, including granular sodium hydroxide, food-grade flake sodium hydroxide, allyl chloride, trichloroethylene and perchloroethylene.

PROPERTIES

As of December 31, 2025, we owned the land use rights of 59 parcels of land in China with an aggregate site area of approximately 4,438,054.12 sq.m. We primarily use these properties for our production facilities and office premises. All these land parcels have been granted land use right certificates. In addition, we held the right to use three areas of water and tidal flat for aquaculture, with a total area of approximately 11,458 hectares, as well as the right to use six sea areas, covering an area of approximately 36.3224 hectares. As of December 31, 2025, we owned 165 properties in China with title certificates, with an aggregate site area of approximately 417,002.76 sq.m., primarily used for our production facilities and office premises.

As of December 31, 2025, we leased (i) two parcels of land in China with an aggregate site area of approximately 618.58 mu primarily used for our production; and (ii) four properties with an aggregate gross floor area of approximately 261.38 sq.m. in China, with are primarily used for our production and operations.

As of the Latest Practicable Date, these four properties leased by us in China have not been registered in accordance with the relevant government authorities. As advised by our PRC Legal Advisers, the lack of registration will not affect the validity and enforceability of these lease agreements. For risks associated with our leasehold interests, please refer to the section headed "Risk Factors — Risks Relating to our Business and Industry — Failure to protect our leasehold interests or comply with the relevant regulation regarding our lease may subject us to fines" in this document.

As of December 31, 2025, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include any valuation report in this document. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

IMPACT OF GLOBAL TRADE TENSIONS

In 2025, the United States imposed multiple rounds of tariffs on a wide range of goods imported from various countries. In response, impacted economies, such as the European Union, China, Japan and Korea, implemented retaliatory tariffs on certain U.S. goods and introduced

additional trade measures. The evolution of these tariff policies may further exacerbate international trade frictions, which could have an adverse impact on the global economy, the global chemical industry chain, and our own business operations.

During the Track Record Period and up to the Latest Practicable Date, international trade frictions, including various tariff, international trade policies, sanctions and other export and import restrictions, did not have a material impact on our business operations and financial performance.

Specifically, the direct and indirect impacts arising from tariffs, international trade policies, sanction risks and other import and export restrictions did not exert significant adverse effects on our business operations, customer demand nor raw material supply. In terms of raw material supply, we mainly procure core raw materials through domestic channels and stable and diversified international supply chains, and has established effective risk mitigation mechanisms including overseas resource deployment and risk hedging through our subsidiary in Singapore, which ensures the stability of raw material supply unaffected by trade frictions. Meanwhile, our overseas business covers a wide range of countries and regions, with diversified customer structure, further reducing the potential impact of trade frictions in individual regions on the overall business. As a result, our production and operation remained stable. We believe that the global trade tensions will not materially and adversely affect our operations, financial conditions and prospects, having considered:

- Limited reliance on overseas exports. For the years ended December 31, 2023, 2024 and 2025, our overseas sales accounted for 5.4%, 3.4% and 10.3% of total revenue for the same respective year. Our overseas business covers a wide range of countries and regions with a diversified customer structure, spanning more than 80 countries and regions such as the United Kingdom, South Africa and Hong Kong. The U.S. market is not our primary market. For the years ended December 31, 2023, 2024 and 2025, revenue from U.S. market accounted for approximately 0.1%, 0.0% and 0.2% of our total revenue, respectively. To further mitigate potential impacts on future overseas sales expansion, we plan to strategically focus on the markets with low exposure to tariff risks; and

- Diversified raw material procurement and enhanced reserve capacity. The major raw material we procure from overseas is LPG (primarily propane and butane). The procurement price of LPG has shown an overall downward trend in 2025 and has not been adversely affected by international trade frictions such as tariffs. For example, the price of propane decreased from RMB5,530.0 per ton in January to RMB4,820.0 per ton in December; and the price of butane decreased from RMB5,299.0 per ton in January to RMB4,650.0 per ton in December. We have also adopted measures to reduce our reliance on supplies from a single region, including expanding diversified procurement channels and establishing a multi-source procurement network. In addition, we have built four low-temperature LPG storage tanks and four normal-temperature storage tanks with a total capacity of 332,000 cubic meters. These facilities have effectively enhanced our ability to reserve key raw materials, enabling us to mitigate the impact of short-term price fluctuations caused by tariff adjustments, as well as to ensure stable supply during periods of supply shortages.

- As a chemicals manufacturer, our major products are bulk chemicals, which were not included in the major product catalogues targeted by special tariffs, sanctions, import and export restrictions implemented during the Track Record Period.

- Our products have a wide range of downstream applications and stable market demand. We has therefore adopted a production-to-sales model. Customer demand for our products in the market has not been significantly adversely affected by international trade frictions, nor is it likely to be in the foreseeable future.

We will continue to monitor changes in global tariff policies and geopolitical developments, and adjust our overseas sales strategy, procurement network and raw material reserve plan in a timely manner. For the associated risks, please refer to "Risk Factors — Risks Relating to our Business and Industry — Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may materially and adversely affect our business, financial condition and results of operations" in this document.

THIRD-PARTY PAYMENT ARRANGEMENTS

During the Track Record Period, we accepted payments made on behalf of three customers through the accounts of third-party payors designated by the relevant customers. To the best knowledge of us, these customers entrusted third parties, who were their business partners or related parties, to make payments to us primarily due to payment convenience and flexibility for commercially sound reasons.

During the Track Record Period, the aggregate amount of our transactions involving third-party payment arrangements was approximately RMB23.0 million, accounting for less than 0.07% of our total revenue during the Track Record Period.

Our Directors confirmed that, during the Track Record Period, (i) each of these relevant customers and their designated-party payors were independent third parties with us; (ii) we did not provide any fee, commission, rebate, discount, financial assistance or any other similar arrangement to these customers or their designated third-party payors to facilitate or incentivize the third-party payment arrangements; and (iii) the principal terms of the arrangements with these customers were in line with our other customers that were not involved in the third-party payment arrangements.

As advised by our PRC Legal Advisers, provided that the receipt of payment was performed solely as settlement of sale of products which are genuine transactions and not related to any criminal or illegal proceeds or gains, the third-party payments of us during the Track Record Period are not in breach of mandatory requirements of current applicable laws and regulations in China.

As of the Latest Practicable Date, we have ceased all third-party payment arrangements. We have implemented various internal control policies in order to prevent the reoccurrence of these circumstances including: (i) requesting our employees not to accept any third-party payment arrangements, alongside regular training sessions on fraud prevention and anti-money laundering practices; (ii) requesting our employees to verify whether the payment details match the contracting party's information. In cases of discrepancy, customers will be notified to make the payment again using the correct account. Having considered the above-mentioned factors, our Directors are of the view that the discontinuation of the third-party payment arrangements will not have any material adverse effect on our business, results of operations and financial condition.

We are subject to various risks in relation to the third-party payment arrangements. For details, please refer to "Risk Factors — Risks Relating to our Business and Industry — We are subject to risks relating to our third-party payment arrangements during the Track Record Period" in this document.

INSURANCE

We maintain various insurance covering our properties, manufacturing facilities, equipment and machinery. We also maintain insurance coverage for our employees, including pension insurance, medical insurance, employment insurance, work-related insurance and maternity insurance. We consider our insurance coverage to be adequate and in accordance with the commercial practices in the industries where we operate. We will continue to review and assess our risk portfolio and make necessary and appropriate adjustment to our insurance plans to align with our needs and with industry practice. During the Track Record Period, we did not make any material insurance claims in relation to our business.

However, there can be no guarantee that we will not incur losses or suffer claims beyond the limits, or outside the relevant coverage, of our insurance policies. For details, please refer to "Risk Factors — Risks Relating to our Business and Industry — We may not have adequate or any insurance coverage for losses and liabilities arising from various operational risks and hazards that we are subject to" in this document.

IMPACT OF COVID-19 ON OUR BUSINESS PERFORMANCE

In 2020, the outbreak of the COVID-19 gave rise to a global public health emergency, which in turn had an adverse impact on the global economy as a whole. During the Track Record Period, our business operations and financial performance were not materially affected by the COVID-19.

Our primary production activities remained largely unaffected, with us maintaining a high operating rate and no production suspension caused by the COVID-19 during the Track Record Period. For instance, the production utilization rates of our sodium hydroxide were 122.1% and 124.5% in 2022 and 2023, respectively. For details on utilization rates of our major products during, see "— Our Production — Production Facilities — Production capacity and utilization rate" in this section.

In 2022, the spread of the pandemic in China was quickly brought under control, and the resumption of work and production was steadily advanced. In contrast, some overseas regions faced significant production capacity constraints due to the lingering pandemic and rising energy costs. This resulted in some overseas orders shifting to China. For instance, China's sodium hydroxide export volume reached 3.25 million tons in 2022 from 1.48 million tons in 2021.

Moreover, in 2021 and 2022, post-pandemic global economic recovery fueled rapid release of downstream demand, which contributed to the increase in the selling prices of chlor-alkali chemicals products in China. For instance, the selling prices of liquid sodium hydroxide increased to RMB2,200 per ton in 2021 and RMB3,600 per ton in 2022 from RMB1,600 per ton in 2021.

EMPLOYEES

As of December 31, 2025, we had a total of 3,765 employees. Substantially all our employees are located in China. The following tables set forth a breakdown of our employees by function as of the same date:

Function	Number of employees	Percentage
		%
Production	2,441	64.8
Technology	712	18.9
Administration	470	12.5
Sales	93	2.5
Finance	49	1.3
Total	**3,765**	**100.0**

We have always adhered to the core philosophy that "our employees are our most valuable asset." We prioritize the growth and well-being of our employees, have established a fair and impartial remuneration and incentive system, and support the professional development of our employees.

To enrich our talent pool, we recruit primarily through campus recruitment and social recruitment. We maintain long-term cooperative relationships with a number of well-known institutions and organize diverse campus activities to attract talent. We have formulated detailed recruitment processes and criteria to ensure that every candidate undergoes a fair and impartial assessment, and we prohibit all forms of discrimination.

We provide our employees with a wide range of welfare policies. In addition to statutory holidays, we have introduced supplementary leave entitlements, including parental birthday leave, accompanying leave for college/gaokao examinations (for employees with children taking such exams), and flexible leave (for work-hour adjustment). We also offer various training programs to comprehensively enhance our employees' individual capabilities. For instance, in 2024, we launched the "Beikun Program (北鲲班)" to cultivate future interdisciplinary talents for our Group.

Our employees in China are represented by a labor union. We have maintained a good relationship and expect to maintain an amicable relationship in the future with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any strikes, protests or other material labor conflicts that may materially and adversely affect our business, financial condition or results of operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ESG Governance

We have established a three-tier ESG governance structure covering the decision-making, management, and implementation levels, clearly defining the responsibilities at each level.

- The Board, as the highest decision-making body, is responsible for formulating the our strategic plans and institutional policies regarding ESG and bears the ultimate responsibility for ESG work.

- The Development Strategy Committee under the Board acts as the management layer, responsible for ESG strategy-related research, determining ESG codes of conduct and assessment frameworks, and responding to stakeholder concerns. The Development Strategy Committee regularly reports to the Board or provides decision-making suggestions on ESG-related matters and oversees our ESG management and information disclosure.

- The implementation level consists of heads of various departments, responsible for integrating ESG work into daily operations and business activities, conducting regular information collection, reporting, and review work to ensure the effective implementation of ESG initiatives.

We place high importance on ESG-related risk management, and proactively identify environmental, social, and climate-related risk factors and their impacts. We have established an ESG risk identification and management process, requiring all departments to focus on environmental and social risks during operations, identify potential impactful events and corresponding risk factors, and take appropriate mitigation measures.

We are committed to complying with the reporting requirements regarding ESG after [**REDACTED**] and proactively communicating our ESG practices and performance with stakeholders.

Environmental Responsibility

Environmental management

We continuously improve our environmental management system, formulating and implementing a series of environmental management systems including the Environmental Protection Management System, Pollutant Prevention and Control Regulations, Environmental Factor Identification and Evaluation Management Rules, and Environmental Risk Hidden Danger Investigation and Management Rules. Our capital investment in environmental technology upgrades in 2023, 2024 and 2025 were approximately RMB3.9 million, RMB17.2 million and RMB30.9 million, respectively.

We have integrated the concept of environmental protection into multiple aspects of daily operational management, establishing an Environmental Protection Committee to set strategic environmental direction and goals and provide unified management of our environmental work. The Environmental Management Department of the Safety & Environmental Protection Center is responsible for executing environmental protection-related work, with duties covering the entire process from organizing daily environmental affairs to supervising the implementation of various environmental measures. We have established environmental management agencies at various bases and business divisions, equipped with environmental management personnel to meet production and operation needs. Each facility has dedicated safety and environmental engineers responsible for environmental affairs. As of the Latest Practicable Date, a total of ten of our entities and subsidiaries had obtained ISO 14001:2015 environmental management system certification.

As confirmed by our PRC Legal Advisers, (i) during the Track Record Period and up to the Latest Practicable Date, we had not violated any national or local environmental laws or regulations that had a material adverse impact on our business operations; and (ii) during the Track Record Period, we did not receive any material penalties, claims, or legal proceedings due to environmental laws and regulations.

Use of energy and greenhouse gas emissions

We have formulated institutional documents, such as the Energy Management System and the Energy Data Measurement and Statistical Analysis Management Regulations to optimize our energy structure, continuously improve equipment energy efficiency management, and constantly enhance energy utilization efficiency.

We have established a carbon asset management department, setting dual-carbon goals and transition plans, and coordinating their implementation. We have built a dual-carbon management system, formulating and implementing a series of institutional documents. We have completed the setup of an internal carbon measurement management system and conduct monthly notarization of carbon emission data, completed our independent carbon emission inventory and review of the energy consumption structure, and formulated phased carbon reduction strategies.

Our energy-saving and emission-reduction initiatives mainly include the following:

- Continuously improving the energy management system: We have established an energy management leadership group and working group, regularly conduct energy reviews, and achieve full-process control from energy input to end-use.

- Adopting waste heat and pressure, and energy cascade utilization: We achieve energy cascade utilization by recovering waste heat from boiler flue gas to heat materials and produce steam.

- Introducing energy-saving technologies and equipment: We introduce advanced ion-exchange membrane electrolysis technology and control systems, effectively reducing consumption of electricity, steam, and other energy sources; all of our energy-saving equipment meets or exceeds National Energy Efficiency Standard Level 2. We regularly inspect energy-consuming equipment and plan to phase out old, high-energy-consumption equipment.

- Optimizing energy structure: We actively promote wind power, photovoltaic, and biomass cogeneration projects to increase the proportion of use of clean energy and continuously reduce greenhouse gas emissions.

During the Track Record Period, the breakdown of our main energy consumption is as follows:

	For the year ended December 31,		
	2023	2024	2025
Total Integrated Energy Consumption (thousand tons of standard coal equivalent)	601.6	903.1	1,488.4
Purchased Electricity (GWh)	1,849.5	2,041.9	2,245.1
Purchased Raw Coal (thousand tons)	493.9	859.8	1,628.5
Natural Gas Consumption (million cubic metres)	15.9	26.7	37.04
Total Integrated Energy Consumption per Unit of Output Value (tons of standard coal equivalent per RMB million revenue)	82.8	88.7	100.3
Direct Greenhouse Gas Emissions (Scope 1) (thousand tons CO_2 equivalent)	903	1,250	3,512.0
Indirect Greenhouse Gas Emissions (Scope 2) (thousand tons CO_2 equivalent)	1,535	1,902	1,237.8
Total Greenhouse Gas Emissions (Scope 1 and 2) (thousand tons CO_2 equivalent)	2,438	3,152	4,749.8
Carbon Emission Intensity per Unit of Output Value (tons CO_2 equivalent per RMB million revenue)	335.5	309.5	320.1

Notes:

(i) The statistical scope of the above data covers our headquarters, all production bases and subordinate subsidiaries.

(ii) From 2023 to 2025, our purchased electricity, purchased raw coal, and natural gas consumption all showed an upward trend, mainly due to the further expansion of our chemical product production scale, which was in line with our overall business development. Among them, our purchased raw coal consumption increased significantly in 2024 and 2025, mainly because our propylene production unit was put into operation at the end of 2023; MTBE and propylene oxide were put into trial production in December 2024 and began formal production from the beginning of 2025. Meanwhile, at the end of 2024, the 350MW unit boiler was ignited and entered the start-up procedure.

We refer to GHG Protocol, the most widely used international emission accounting tool in pervasive and classify greenhouse gas emissions into three categories or three "ranges." Scope 1 refers to the direct emissions generated by the emission sources we own or control, mainly from the use of purchased raw coal and natural gas; scope 2 refers to the indirect emissions generated by our use of purchased electricity; and scope 3 includes all other indirect emissions generated by the enterprise in the value chain.

Based on the Greenhouse Gas Accounting System's "Corporate Value Chain (Scope 3) Standard", we assessed the Scope 3 emission categories relevant and material to our Group in light of our value chain activities. We subsequently conducted data collection and accounting for corresponding Scope 3 greenhouse gas emissions. In 2023, 2024 and 2025, our Scope 3 greenhouse gas emissions were 177.7 thousand metric tons of CO_2 equivalent, 211.9 thousand metric tons of CO_2 equivalent, and 305.8 thousand metric tons of CO_2 equivalent, respectively. These emissions encompass three categories: "Category 1 — Purchased Goods and Services," "Category 6 — Business Travel," and "Category 9 — Downstream Transportation and Distribution."

Product carbon footprint management

We maintain a continuous focus on industrial decarbonization, having established a carbon asset management department and issued and implemented the Implementation Plan for Building a Product Carbon Footprint Management System. We have completed independent accounting for products including sodium hydroxide, propylene, liquid ammonia, hydrogen peroxide, propylene oxide, and hydrogen.

In 2024, we engaged a third-party organization to evaluate the carbon footprint of our granular sodium hydroxide product based on international standards ISO14067 and PAS2050 and lifecycle assessment methodologies. We obtained a Product Carbon Footprint Certification and a Product Carbon Footprint Assessment Report issued by the third-party organization.

Water resource management

We formulate internal systems including the Water Resource Management Measures, establish a water resource management system defining the management responsibilities of various departments, and simultaneously adopt a series of measures to improve water resource utilization efficiency. Since the commencement of trial operation in 2023, cumulative use of reclaimed water has exceeded 10 million cubic meters.

In 2023, 2024, and 2025, our water consumption was 631.5 million m^3, 996.6 million m^3 and 1,292.6 million m^3, respectively, and our water consumption intensity was 86.9 thousand m^3/RMB million revenue, 97.9 thousand m^3/RMB million revenue and 87.1 thousand m^3/RMB million revenue.

Pollutant and waste management

We have formulated the Pollution Prevention and Control Management Regulations to implement scientific control over the treatment and discharge of various pollutants and wastes. We adopt effective measures to monitor and treat waste gas, wastewater, and solid waste, strictly ensuring that the concentration of wastewater and waste gas discharges, as well as the total amount of waste, comply with legal and regulatory requirements. No major environmental pollution incidents occurred during the Track Record Period.

- Waste Gas Management: The waste gas generated from our operations primarily includes air pollutants such as Particulate Matter (PM), Nitrogen Oxides (NO_x), Sulfur Dioxide (SO_2), and Volatile Organic Compounds (VOCs). We reduce waste gas generation by optimizing equipment operations, enhancing the efficiency of pollution control facilities, and adjusting coal blending ratios. Concurrently, we have established

standardized operating rules, upgraded incineration equipment, introduced advanced VOCs treatment technologies, optimized dust control methods, and upgraded waste gas treatment installations to ensure that emissions meet standards.

- Wastewater Management: The wastewater generated from our operations primarily contains substances such as Chemical Oxygen Demand (COD), Ammonia Nitrogen (NH_3-N), and Total Phosphorus (TP). We continuously optimize the wastewater treatment process, upgrade wastewater treatment technologies, and consistently enhance emergency wastewater storage capacity to ensure compliant wastewater treatment and discharge.

- General Solid Waste Management: We strictly regulate the solid waste treatment process, achieving whole-process supervision from entity qualifications, process supervision, tracking disposal, storage management, to record-keeping. We implement information traceability for all stages of the solid waste lifecycle, including generation, collection, storage, transportation, utilization, and disposal, continuously improving our solid waste management level.

- Hazardous Waste Management: By deploying intelligent management equipment, we have built an information-based supervision system covering the entire process from hazardous waste intake, weighing, labeling, to outbound shipping. Utilizing digital means such as electronic scale weighing, electronic tag tracking, and electronic record data collection, we achieve visual and refined management of the hazardous waste storage process. We have constructed 5 hazardous waste incinerators, achieving a self-disposal rate for hazardous waste as high as 97.2%. We actively promote the upgrade of hazardous waste management from "end of life disposal" to "value conversion," recycling hazardous waste with resource recovery value, such as waste catalysts, waste oil, and waste lead-acid batteries.

During the Track Record Period, the status of our pollutant and waste generation was as follows:

	For the year ended December 31,		
	2023	**2024**	**2025**
Waste Gas Pollutant Emissions (tons)	167.1	294.4	733.1
SO_2 Emissions (tons)	32.0	80.2	195.6
NOx Emissions (tons)	127.6	199.0	496.8
PM Emissions (tons)	5.1	12.5	30.0
Total Wastewater Discharge (thousand tons)	16,839.5	16,493.7	17,608.5
Total Non-Hazardous Waste (thousand tons)	684.9	840.4	846.1
Saponification Residue (thousand tons)	404.4	424.8	125.3
Fly Ash (thousand tons)	81.9	163.5	349.1
Lime Residue (thousand tons)	94.6	101.0	22.5
Total Hazardous Waste (tons)	2,405.4	1,678.8	3,446.8
Spent Catalyst (tons)	235.7	232.2	232.5
Heavier Component (tons)	52.6	80.6	39.5
Vaporizer Residue (tons)	67.6	79.1	78.9

Notes:

(1) The statistical scope of the above data covers our headquarters, all production base and subordinate subsidiaries.

(2) The official commencement of operations of PO/MTBE unit in early 2025 introduced new emission sources, resulting in an increase in waste gas pollutant emissions compared to previous years. We will implement rational and effective emission reduction measures subsequently to lower the waste gas pollutant emissions.

Chemical management

In accordance with the Guidance on the Compilation of Safety Data Sheet for Chemical Products and the General Rules for Preparation of Precautionary Label for Chemicals, we compile and regularly update Chemical Safety Technical Data Sheets for all chemical products and intermediate products. We conduct comprehensive or specialized inspections of chemical safety management every quarter, thoroughly identifying and investigating safety risks associated with chemicals, strengthening the entire-chain safety management of chemicals, and rigorously ensuring chemical safety.

We continuously improve our work safety management system and, based on the requirements of regulations such as the Regulations on the Safety Administration of Dangerous Chemicals, have established various lists including the Chemical General Survey Registration Form and the Hazardous Chemicals Inventory. We actively promote the informatization and intelligent management of work safety, achieving dynamic monitoring and early warning of hazard sources. We also provide safety education and training for employees. Furthermore, we have developed comprehensive chemical accident emergency response plans and conduct regular emergency drills; necessary emergency rescue equipment and supplies are provided to prevent potential occupational health hazards.

Metrics and targets

We have established a set of metrics, targets, and evaluation measures to manage environmental risks impacting our business and continuously track the implementation progress of these targets. We will include the carbon emissions level of the main products in the control, and the current setting is based on the reduction of the unit production carbon emissions intensity (tCO_2e/t) of the major products as an important goal for us to reduce carbon emissions, and finally integrate it into the weighted carbon emissions intensity index of us. The reference factors considered when setting environmental goals mainly include: (i) our data performance during the Track Record Period; (ii) the potential impact of business development plans on indicators, such as planned new projects and new energy use plans; and (iii) our peers have targets and control plans for GHG emissions and water resources.

We will assess the year 2024 as base year, which can effectively reflect our efforts in low-carbon transformation. For existing projects, we assess that under the premise of continuous production and ensuring customer supply demand, carbon emissions intensity decreases year by year through energy-saving and carbon reduction, and the application of advanced green technology. For incremental projects, we assess their continuous optimization of production technology level and explore the carbon reduction potential of new production devices.

- Our greenhouse gas emission management target is: Using 2024 as the base year, we aim to reduce our carbon emission intensity per unit of output value (tons of CO_2 equivalent per RMB million revenue) by 3% by 2030. As we further advance our low-carbon transition through initiatives such as optimizing our energy structure, increasing the proportion of clean energy, and applying green and low-carbon technologies, this target is expected to be achieved.

- Our water resource management target is: Using 2024 as the base year, we plan to reduce our water consumption intensity (cubic metres per RMB million revenue) by 3% compared to the 2024 level between 2024 and 2028. Our water reuse rate for the years

2023, 2024 and 2025, was 97.27%, 97.93%, and 98.05%, respectively. We will also continuously update advanced equipment and optimize production processes to reduce our water consumption intensity.

- Our pollutant and waste treatment targets are: Maintaining standard-compliant discharge of pollutants and achieving a 100% rate of compliant and legal disposal of solid waste.

Addressing climate change

Referencing the Task Force on Climate-related Financial Disclosures (TCFD) framework, and through policy research, peer benchmarking, and expert consultation, we have identified climate-related risks and opportunities and are actively taking measures to enhance our resilience to climate risks.

Physical Risks: We face physical risk such as typhoons, floods, rising average temperatures, rising sea levels, etc., which can cause equipment damage or malfunction, leading to production interruption and decreased production efficiency; It will also affect the normal operation of logistics and supply chain, resulting in inventory shortages or orders cannot be delivered on time, causing losses. We have established systems and emergency elements such as the "Detailed Rules for Environmental Risk and Hidden Danger Investigation and Treatment;" Fully assess the local climate risk and geographical location when selecting the site, and avoid the risks that may be caused by natural disasters; Strengthen supply chain management, assess supplier risks, cooperate with supplier from multiple origins, and avoid the risk of supply interruption caused by disasters in a single region.

Transition Risks: With the increasingly strict policies and requirements related to GHG emissions, green and low-carbon transformation will have higher low-carbon technology requirements for our related business, mainly including: consumers and downstream customers have increasingly higher requirements for product carbon footprint and green supply chain, promoting enterprises to increase the exploration and application of green chemical technology, otherwise they may be at a disadvantage in market competition; the management of energy and carbon emissions is becoming more and more strict, which requires enterprises to improve energy efficiency and adopt cleaner production processes. If enterprises lack the ability to develop green technologies, they may face challenges such as high emission costs and lagging transformation. By constructing a systematic dual carbon management system, optimizing the energy structure, promoting the coupling application of "new energy+chemical", developing and applying low-carbon chemical technology, upgrading green processes such as waste heat recovery, and strengthening the optimization of water circulation system, we will continuously improve and update the low-carbon transformation plan based on the actual situation of our industrial development, and meet the requirements of national policies, domestic and foreign markets and customers for higher carbon technology level.

Opportunities: More efficient production, sales processes and resources, energy use will lower our operating costs and increase operating income. We continuously optimize and transform existing key energy consuming equipment, processes, and technologies, improve the level of energy and resource conservation management, and purchase energy-saving production equipment to use waste heat and pressure, energy cascade utilization, and improve the efficiency of energy and resource utilization.

Social Responsibility

Occupational health and safety

We have formulated and annually updated internal systems including the "Plan and Implementation Plan for the Prevention and Control of Occupational Disease Hazards" and the "Annual Occupational Health Training Plan".

We regularly conduct occupational disease hazard monitoring and evaluation, organize occupational disease examinations for employees, and establish electronic occupational health surveillance records. We have established an Occupational Health Management Leading Group. For positions with occupational disease hazard risks, we implement pre-employment, in-service, and post-employment occupational health examinations.

We place emphasis on emergency drills. At its Bincheng Base in 2023, we organized a total of 53 drills with cumulative employee participation exceeding 790 person-times; in 2024, we organized a total of 87 drills with cumulative employee participation exceeding 900 person-times; and in 2025, we organized a total of 45 drills with cumulative employee participation exceeding 1,150 person-times.

We formulate and strictly implements an annual safety inspection plan, conducting specialized inspections, comprehensive inspections during key periods, and seasonal comprehensive inspections according to the scheduled timeline. During the Track Record Period, our safety production committee conducted a total of 111 safety inspections, achieving a 100% rectification rate for identified safety hazards.

During the Track Record Period, we did not have any material safety accidents, work-related fatalities, work-related injuries, nor lost workdays due to material work-related injuries.

Labor rights protection

We have formulated multiple management systems, including the "Employee Management System." We have established standardized and detailed recruitment processes and criteria to ensure that candidates undergo fair and impartial assessment. During the preliminary stages of employee recruitment, we strictly verify candidates' identity information and age to ensure all employees meet the legal working age stipulated by national laws and regulations, resolutely eliminating illegal practices such as the employment of child labor.

Employees of us are entitled to various statutory holidays in accordance with the law. Employees who work on statutory holidays or undertake overtime are compensated at three times their normal wage as stipulated; those who work extended hours are promptly provided with time-off in lieu; annual leave schedules are formulated, and employees are arranged to take leave according to the plan, effectively safeguarding employees' rest and leave rights and enhancing their well-being.

Training and development

In accordance with the annual work plan and the business requirements of various departments, we adopt a combined approach of "bringing in and going out" to conduct leadership enhancement programs, professional skills and technical improvement learning. Depending on the training objectives and themes, we employ different training methods, advancing work through various approaches such as offline lectures, skills competitions, project practice, and case studies.

We contribute to social insurance and housing provident fund for employees in accordance with the law, while also establishing an Employee Mutual Medical Aid and a Love Relief Fund, thereby establishing a relatively comprehensive welfare protection system.

DATA PRIVACY AND SECURITY

We collect and store business, management and transaction data generated in or related to our operations, including information pertaining to our business activities and transactions with customers, suppliers and other relevant parties. Our business operations do not involve the processing of personal data. During the Track Record Period and up to the Latest Practicable Date, we had not engaged in any cross-border data transfers or provided any data to third parties.

Our Information Technology Department is responsible for organizing the formulation of standards for various master data, the construction of operation and maintenance systems, the supervision and execution of master data-related work, as well as providing relevant technical support. Any changes involving data information or permissions must be confirmed by the corresponding departments and then uniformly operated by the Information Technology Department. We have implemented a comprehensive data security and internal control framework. Such framework includes a tiered "least privilege" access control system, supported by regular reviews and timely revocation of access rights. It also features logging mechanisms to monitor data access, modification and export activities, as well as real-time alerts for abnormal operations. We implement data desensitization measures and restrict the use of raw data to necessary scenarios. We maintain data backup and retention policies in compliance with applicable PRC laws where data undergoes periodic backups and all data is automatically deleted or archived once its retention period expires.

As advised by our PRC Legal Advisers, based on credit reports issued by the relevant government authorities and our Company's confirmation, during the Track Record Period and up to the Latest Practicable Date, our Company has not been subject to any administrative penalties for violations of applicable data-security laws and regulations.

TAX INCIDENT

In the course of its daily self-inspection for tax compliance in 2025, we conducted a special review on the relevant tax treatments in respect of our convertible corporate bonds publicly issued in 2020. Following the self-inspection, we should make a supplementary payment of enterprise income tax of approximately RMB24.5 million and late payment fees in respect of such enterprise income tax of approximately RMB16.8 million, totaling approximately RMB41.3 million (the "**Tax Incident**").

The Tax Incident arose primarily from our adoption of the tax treatment commonly practiced by listed companies at the relevant time in respect of the interest expenses of the convertible corporate bonds. In practice, there are differing views in practice regarding whether the pre-tax deduction of interest expenses on convertible bonds shall be determined by multiplying the amortized cost of the bonds by the effective interest rate or by multiplying the par value of the bonds by the coupon rate. Tax authorities have not issued more detailed regulatory provisions or targeted implementation guidelines regarding the pre-tax deduction of interest expenses related to convertible bonds. We referred to the treatment of pre-tax deduction of interest expenses related to convertible bonds adopted by other listed companies at the relevant time, claimed the pre-tax deduction of such interest expenses calculated as "the amortized cost of the bonds multiplied by the effective interest rate", and deducted such expenses during the final settlement and payment of enterprise income tax.

In 2025, we observed that a number of A-Share listed companies had successively issued announcements, where the tax supplementary payment matters involved were all related to the tax treatment of interest expenses on convertible bonds. Specifically, such announcements reflected that due to the differences between accounting and tax treatments for interest expenses on convertible bonds, the relevant companies paid supplementary taxes and late payment fees. We also conducted a self-inspection in relation to the issuance of its convertible bonds and made tax adjustments based on the interest expenses determined by multiplying the "par value of the bonds by the coupon rate"

in accordance with the current prevailing policy implementation interpretation of tax authorities. Accordingly, we paid supplementary taxes of approximately RMB24.5 million and late payment fees of approximately RMB16.8 million, totaling RMB41.3 million. The supplementary tax payment does not constitute a material prior-period accounting error and does not involve the retrospective adjustment of prior-period financial data.

View of the Tax Consultant

Our Tax Consultant is of the view that: (i) our failure to timely pay the relevant taxes on the interest of convertible corporate bonds was attributable to our adoption of the tax treatment commonly practiced by listed companies, and there was no intention to deliberately evade or avoid taxes; (ii) As of the Latest Practicable Date, we had fully settled all relevant taxes and late payment fees in respect of the tax matter, and such matter did not constitute a tax administrative penalty; (iii) as of the Latest Practicable Date, the tax treatment of the interest expenses arising from the convertible corporate bonds was in compliance with the requirements of China's tax laws and regulations, and neither we nor our directors have any intent to deliberately evade or underpay taxes, or to obtain tax benefits through fraudulent means; and (iv) as of the Latest Practicable Date, we have established and improved a sound tax internal control system. By continuously refining the internal control framework and defining standardized operating procedures for the entire tax filing process, we ensure that our business execution is aligned with regulatory requirements. Meanwhile, we have established a regular and normalized self-inspection mechanism and strengthened communication and collaboration with tax authorities. This system has been fully implemented and is operating effectively, which can effectively prevent the recurrence of similar incidents.

View of the PRC Legal Advisers

As advised by our PRC Legal Advisers, the supplementary payment of enterprise income tax and late payment fees by us did not involve any administrative penalties. Based on the certificates of compliance issued by relevant governmental authorities and the confirmation of our Company, during the Track Record Period and up to the Latest Practicable Date, (i) we have not, in all material respects, violated any national or local tax laws or regulations; (ii) we have not received any material penalties, or legal proceedings due to tax laws and regulations; and (iii) we have not, in all material respects, incurred any material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations as a result of the Tax Incident.

View of the Directors and the Joint Sponsors

Our Directors are of the view, and the Joint Sponsors concur, that the Tax Incident was an isolated incident, which would not negatively impugn on the competence and integrity of the Directors under Rules 3.08 and 3.09 of the Listing Rules for the following reasons: (i) the Tax Incident do not involve willful intent of the Directors or our Company to evade tax, but was primarily attributable to our adoption of the tax treatment commonly practiced by listed companies at the relevant time with respect to the pre-tax deduction of interest expenses related to its convertible bonds; (ii) as advised by our PRC Legal Advisers, the supplementary payment of enterprise income tax and late payment fees by us did not involve any administrative penalties; (iii) our Directors were not involved in the tax filing related to the convertible bonds. As confirmed by our PRC Legal Advisers, none of the Directors had been penalized or ruled unsuitable to serve as a director of us by any regulatory authorities in the PRC as of the Latest Practicable Date; and (iv) as of the Latest Practicable Date, we have fully paid the relevant supplementary tax and late payment fees, and the foregoing circumstances do not result in a material adverse impact on the our operations.

We have adopted the following enhanced measures which our Directors believe, and the Joint Sponsors concur, are adequate and effective to prevent the recurrence of similar non-compliant tax practices going forward:

- establishing a regular communication mechanism with the relevant tax authorities to continuously monitor updates to tax policies and regulations; and

- our finance department shall conduct at least one tax self-examination each year to check and verify the tax declaration status.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. Our approach to risk management and internal control is designed to safeguard our assets, ensure operational continuity, and promote compliance with industry regulations. Through a structured framework, we identify, evaluate, and mitigate risks across our business activities, aligning our practices with best-in-class standards and regulatory requirements. This framework allows us to proactively manage potential risks that could impact our operations, financial performance, and reputation in the market.

We have put in place a set of internal control and risk management policies and procedures to address potential operational, financial, legal and market risks identified in relation to our operations. We also periodically review these procedures to ensure their effectiveness. Our policies and procedures relate to managing our procurement and production, as well as monitoring our sales performance and product quality. To monitor the ongoing implementation of our risk management policies and corporate governance measures after the redacted, we have adopted, or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, please refer to "Directors and Senior Management — Board Committees — Audit Committee" in this document;

- adopt policies to ensure compliance with the Listing Rules and local laws and regulations, including but not limited to aspects related to risk management, connected transactions and information disclosure;

- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;

- provide trainings periodically to our senior management and employees on professional behavior requirements and ethics standards to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in our employee discipline measures and supervision guidelines;

- our Audit and Compliance Department is responsible for supervising and inspecting anti bribery and anti money laundering work, and organizing relevant training sessions. The Financial Management Department regularly analyzes the money laundering risks of all businesses and evaluates the effectiveness of risk prevention and control mechanisms;

- provide enhanced training programs on quality assurance and product safety procedures; and

- distribute employee handbooks to enhance employees' awareness of complying with laws and regulations.

Hedging Activities

To mitigate operational risks associated with fluctuations in the prices of major products and raw materials, we may employ hedging strategies for certain bulk commodities such as sodium hydroxide, propylene and LPG (primarily propane and butane). Our hedging strategies are generally approved by the Board annually. For 2025, the Board has approved that the margin to be deployed

for the proposed futures hedging activities would not exceed RMB80.0 million, and the maximum contract value held on any single trading day would not exceed RMB400.0 million. The margin limit may be used on a revolving and rolling basis within the authorized 12 months-period. The fund source for such activities is primarily our own working capital. We will closely track the changes in both the futures price trends and the bulk commodity markets, pre-determine loss-limiting thresholds and prepare summary reports for our management team's review on a regular basis.

Our sodium hydroxide and propylene are eligible for trading on the designated futures exchanges in China, and we leverage futures contracts traded on the relevant exchanges against the risk exposure to product price fluctuations. We usually adopt short hedging when we anticipate a potential decline in products' prices, where we will enter into the relevant futures contracts to mitigate the risks of a potential decline in selling prices. All our hedging transactions rely on standardized futures contracts, which are consistent with the relevant exchanges' official specifications for our traded products. For the year ended December 31, 2024, the trading volume of long positions in the hedging account amounted to 72 contracts, and the trading volume of short positions totaled 571 contracts. For the year ended December 31, 2025, the trading volume of long positions in the hedging account amounted to 1,856 contracts, and the trading volume of short positions totaled 6,474 contracts. During the Track Record Period, we maintained no risk exposure through the integration of futures and physical operations.

Propane and butane are our primary raw materials to produce MTBE chemicals, and their price volatility in the spot market directly impacts our production costs and profit margins for MTBE. To mitigate risks of price fluctuations of propane and butane, we implement targeted hedging strategies using propane and butane futures contracts, traded on eligible domestic and international futures exchanges. Generally, we adopt long hedging if we forecast a future increase in propane and butane spot prices, and purchase propane and butane futures contracts with terms matching the delivery timeline and production needs of our MTBE products, ensuring hedging effectiveness. For the year ended December 31, 2024, the trading volume of long positions in the hedging account amounted to 540 contracts, and the trading volume of short positions totaled 626 contracts. For the year ended December 31, 2025, the trading volume of long positions reached 2,223 contracts, with the trading volume of short positions at 1,959 contracts. During the Track Record Period, we maintained no risk exposure through the integration of futures and physical operations.

We did not have hedging activities in 2023. For the years ended December 31, 2024 and 2025, we recorded gains of approximately RMB17.4 million and RMB90.7 million from hedging activities, respectively. As of December 31, 2023, 2024 and 2025, we had derivative financial instruments with respect of commodity futures of nil, RMB5.2 million and RMB8.8 million, respectively. For details, please refer to Note 22 to the Accountants' Report as set out in Appendix I to this document.

Our engagement in futures hedging activities is solely for the purpose of mitigating risks associated with price fluctuations of underlying commodities, and not for arbitrage or speculation purpose. Nevertheless, futures hedging transactions may still be exposed to risks, including but not limited to market risk, capital risk, technology risk, operational risk, and default risk. For more information, please refer to "Risk Factors — Risks Relating to our Business and Industry — We may be exposed to risks from our hedging activities in relation to the commodity prices of our raw materials" in this document. To mitigate these risks, we have adopted the following internal control measures:

- we have formulated strict management systems for futures hedging activities, which clearly specify the organizational structure setup and responsibilities, authorization management, execution procedures, risk handling processes;

- we have established a sound organizational structure, including a hedging leading group, a management group, an execution group, and a supervision group. The head of our Futures Management Department is responsible for the first-level risk control and

oversees the implementation of risk control measures for futures transactions. The head of the Marketing Center is responsible for the second-level risk control and supervises the execution of risk control measures by the Futures Management Department. Our senior management is accountable for controlling the overall capital risk.

- we have also allocated professional personnel responsible for investment decision-making, business operation, and risk control, clearly defined the responsibilities of the relevant personnel, and established trading, communication, and information service facilities that meet regulatory requirements. As of December 31, 2025, our Futures Management Department had four employees, all of whom held a bachelor's degree or above and possess extensive industry experience. For instance, the head of our Futures Management Department graduated from China University of Petroleum with a bachelor's degree in chemical engineering and technology. Prior to joining us, he worked at a futures fund, and has obtained professional qualifications including the Futures Practitioner Qualification Certificate, the Futures Investment Consulting Qualification Certificate and the Fund Practitioner Qualification Certificate. The head of our Singapore team has years of experience in LPG international trade and risk management, being fully responsible for the physical procurement and sales of LPG business as well as the overall coordination of futures operations, with a profound understanding of the global LPG market.

- we will reasonably allocate funds for hedging activities, strictly control the capital scale of hedging, reasonably plan and utilize margins, and formulate and implement a strict stop-loss mechanism;

- Our Finance Department provides auxiliary oversight of the execution of transactions and the utilization of funds and is responsible for verifying the accuracy of fund positions. Any handling personnel who identify an error in the billing documents must promptly report such error to the Futures Management Department and the Finance Department.

- we will continuously strengthen training for our employees to improve their professional skills and competence, as well as enhance their risk management and prevention awareness; and

- we will only cooperate with brokerage firms with good credit standing and strong business capabilities to avoid credit risks.

LICENSES AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all licenses, approvals, permits and certificates that are material and necessary for our business operations in jurisdictions where we operate, and such licenses, permits, approvals and certificates are valid and subsisting. The following table sets forth details of the material licenses, approvals and permits necessary to conduct our business operations currently held by us:

Holder	License/permit	License/permit No.	Issuing date	Expiry date
Our Company	Pollutant Discharge Permit	91370000166926751k002V	2025.04.29	2030.04.28
Our Company	Pollutant Discharge Permit	91370000166926751k001Q	2025.02.27	2030.02.26
Our Company	Work Safety License	(Lu)WH Anxuzhengzi [2026]160001 ((魯)WH安許證字[2026]160001號)	2026.03.03	2029.03.02

Holder	License/permit	License/permit No.	Issuing date	Expiry date
Dongrui Chemical . . .	Pollutant Discharge Permit	91371602660168220M001V	2024.12.13	2029.12.12
Dongrui Chemical . . .	Work Safety License	(Lu)WH Anxuzhengzi [2024] 160156 ((魯)WH安許證字[2024]160156號)	2024.03.23	2027.03.22
Haiyuan Salt	Work Safety License	(Lu)WH Anxuzhengzi [2025] 160100 ((魯)WH安許證字[2025]160100號)	2023.05.05	2026.05.04
Yellow River Delta Thermal	Pollutant Discharge Permit	91371600687385464001P	2024.01.04	2029.01.03
Yellow River Delta Thermal	Electric Power Business Licenses	1910625-01305	2025.02.07	2045.02.06
Binhua New Materials .	Pollutant Discharge Permit	91371600MA3N8GYJ23001P	2024.12.25	2029.12.24
Binhua New Materials .	Work Safety License	(Lu)WH Anxuzhengzi [2025] 160369 ((魯)WH安許證字[2025]160369號))	2024.04.10	2027.04.09
Binhua New Materials .	Hazardous Chemicals Operating License	Lubin(North)weihuajing(2023)0004 (魯濱(北)危化經(2023)0004號)	2023.06.21	2026.06.20

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time be subject to various legal or administrative claims and proceedings arising from the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any administrative penalties, bankruptcy or receivership proceedings), which we believe would have a material adverse effect on our business, results of operations or financial condition.

As of the Latest Practicable Date, we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors, which we believe would have a material adverse effect on our business, results of operations or financial condition. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

AWARDS AND RECOGNITIONS

We have received a number of awards in recognition of our products, business operations as well as quality management systems. The following table sets forth the details of some of the notable awards and recognitions which we have received:

Awards/recognitions	Issuer of award	Year of receipt
2023 China's Top 10 Green and Low-Carbon Development Enterprises in the Fine Chemical Industry (2023年度中國精細化工綠色低碳發展企業十強)	National Fine Chemical Raw Materials and Intermediates Industry Coordination Group & China Chemical Information Association (全國精細化工原料及中間體行業協作組及中國化工情報資訊協會)	2023

Awards/recognitions	Issuer of award	Year of receipt
2023 China's Top 100 Fine Chemical Enterprises (2023年度中國精細化工百強企業)	National Fine Chemical Raw Materials and Intermediates Industry Coordination Group & China Chemical Information Association (全國精細化工原料及中間體行業協作組及中國化工情報資訊協會)	2023
Technological Innovation Demonstration Enterprise of China's Petroleum and Chemical Industry (中國石油和化工行業技術創新示範企業)	China Petroleum and Chemical Industry Federation (中國石油和化學工業聯合會)	2023
2023 China's Top 100 Private Enterprises in the Petroleum and Chemical Industry (by Sales Revenue) — Befar Group (2023中國石油和化工民營企業百強(銷售收入) — 濱化集團)		
2023 and 2024 Energy Efficiency Leader Benchmark Enterprise (Sodium Hydroxide) (2023年度及2024年度能效領跑者標桿企業(燒鹼))	China Petroleum and Chemical Industry Federation (中國石油和化學工業聯合會)	2024 and 2025
2024 Key Enterprises for High-end Brand Cultivation in Shandong Province (2024年山東省高端品牌重點培育企業名單)	Shandong Provincial Market Supervision Bureau (山東省市場監督管理局)	2024
Leading Enterprise in Carbon Peaking for China's Industry (中國工業碳達峰"領跑者"企業)	China Federation of Industrial Economics (中國工業經濟聯合會)	2024
2025 Shandong Provincial Advanced-Level Smart Factory (2025年山東省先進級(省級)智能工廠)	Shandong Provincial MIIT	2025
China Export Commodity Brand Certificate (中國出口商品品牌證明書)	The China Council for the Promotion of International Trade (中國國際貿易促進委員會)	2025

OVERVIEW

Upon [**REDACTED**], transaction between members of our Group and our connected person will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSON

We have entered into certain transactions with the following connected person, which will constitute our continuing connected transactions upon [**REDACTED**]:

Connected Persons	Connected Relationship
Shandong Binhua Investment Co., Ltd.* (山東濱化投資有限公司) ("**Binhua Investment**") . .	As of the Latest Practicable Date, Binhua Investment was owned as to 59.20% equity interest by Binzhou Zhichangwen Enterprise Management Partnership Enterprise (Limited Partnership)* (濱州知常穩企業管理合夥企業(有限合夥)) ("**Binzhou Zhichangwen**"), which was controlled as to approximately 1.27% by Shandong Hetai Enterprise Management Co., Ltd.* (山東和泰企業管理有限公司) ("**Hetai Enterprise**") as its general partner which was in turn owned as to 44.94% by Mr. Yu Jiang (our chairman of the Board and executive Director).
Shandong Binhua Industrial Co., Ltd. (山東濱化實業有限責任公司) ("**Binhua Industrial**")	As of the Latest Practicable Date, Binhua Industrial was wholly-owned by Binhua Investment.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Lease of Premises by our Group to Binhua Industrial

Our Group has entered into lease agreements with Binhua Industrial, pursuant to which we agreed to lease to Binhua Industrial certain premises for staff dormitory purposes, and we expect to renew such lease agreements upon mutual consent of both parties subject to compliance with the requirements of the Listing Rules and applicable laws and regulations. The rent shall be determined by the parties at arm's length negotiations with reference to prevailing market rent of comparable properties available to independent third parties, which is in the best interests of our Company and our Shareholders as a whole. Such lease agreements were entered into and has been conducted in the ordinary and usual course of business and on normal commercial terms or better, and all applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. Therefore, the lease of premises by our Group to Binhua Industrial will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.34 and 14A.76(1) of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Sales and Procurement Framework Agreement

Parties

(1) Our Company; and

(2) Binhua Investment

Principal terms

On [●], 2026, our Company entered into a framework agreement for procurement and sales of products and services with Binhua Investment pursuant to which, our Group may from time to time purchase from, and sell to, Binhua Investment and/or its subsidiaries various types of products (such as sale of sodium hydroxide, hydrogen, natural gas, additives and equipment) and services (such as design, installation and shipping services, operation and maintenance services and property management services).

The Sales and Procurement Framework Agreement will be valid for a term commencing from the date of signing and expiring on December 31, 2026, subject to renewal upon its expiration by mutual consent and negotiation between the parties and compliance with the requirements of the Listing Rules and applicable laws and regulations.

Relevant subsidiaries of both parties will enter into separate agreements which will set out the specific terms and conditions according to the principles and conditions provided in the Sales and Procurement Framework Agreement.

Pricing Basis

The price shall be determined through arm's length negotiations between the parties based on the historical fees of such services or products, the nature of the services or products, the frequency for purchasing such services or products from Binhua Investment and/or its subsidiaries or vice versa and comparable market rates. If there is no comparable market price, the price shall, in principle, be determined based on actual costs plus a reasonable profit. The pricing terms under the Sales and Procurement Framework Agreement will be no less favorable to our Group than terms available to independent third parties (if applicable), and the fees are in line with market rates and in the best interests of our Company and our Shareholders as a whole.

Reasons for the transaction

Our business covers the production, processing, and sales of organic and inorganic chemical products, with major products including sodium hydroxide and propylene oxide. We therefore need various services to support our business, some of which are supplied by Binhua Investment and/or its subsidiaries in the ordinary and usual course of business. Further, Binhua Investment requires certain of our products and services. Owing to the strategic business relationship, Binhua Investment and/or its subsidiaries has acquired a comprehensive understanding of our business and operational requirements, and we have established a great foundation for mutual trust. Taking into consideration our previous sales and purchasing experience with Binhua Investment and/or its subsidiaries, we believe that the transactions are intended to leverage the complementary strengths of resources between the Company and Binhua Investment, which helps reduce procurement costs and expand sales channels.

Historical transaction amounts

Set out below are the historical amounts of the relevant sales and procurement of goods and services by our Group to Binhua Investment and its subsidiaries:

	Historical figures (RMB in million)		
	2023	**2024**	**2025**
Sales of goods and provision of services .	27.0	24.0	11.36
Procurement of goods and services	34.1	58.4	75.37

Annual Caps

The proposed annual caps for the transactions contemplated under the Sales and Procurement Framework Agreement for the years ending December 31, 2026 are as follows:

	Annual caps (RMB in million)
	2026
Sales of goods and provision of services	15.54
Procurement of goods and services	132.96

In determining such annual caps, our Directors have considered the following factors: (i) the historical amounts of the transactions between our Group and Binhua Investment and its subsidiaries during the Track Record Period; and (ii) our projected procurement of property management services and procurement of natural gas in 2026.

Implication under the Listing Rules

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5% on an annual basis, pursuant to Rule 14A.76(2) of the Listing Rules, the transactions contemplated under the Sales and Procurement Framework Agreement will be exempt from the circular (including the opinion and recommendation from an independent financial adviser) and the independent shareholders' approval requirements, but will be subject to the annual reporting, annual review and announcement requirements.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant agreement(s) for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from independent third parties, and are carried out under normal commercial terms, our procurement team will be responsible for maintaining and reviewing our list of designated suppliers on an annual basis. Additionally, we will adopt the following internal control procedures:

(i) we have adopted and implemented a management system on connected transactions, and our Board and our various internal departments will be responsible for the control and daily management in respect of the continuing connected transactions;

(ii) our various internal departments will be jointly responsible for evaluating the terms under the framework agreement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;

(iii) our various internal departments will regularly monitor the fulfilment status of the annual caps and the transaction updates under the framework agreement; and

(iv) our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the framework agreement, on normal commercial terms and in accordance with the relevant pricing policies.

WAIVER GRANTED BY THE STOCK EXCHANGE

The Directors, including the independent non-executive Directors, consider that disclosure and approval of the partially exempt continuing connected transactions described above in full compliance with the Listing Rules would be impracticable and, in particular, would add unnecessary administrative costs to our Company. In addition, the Directors, including the independent non-executive Directors, believe that it is in the interest of our Company to continue to enter into these transactions with its connected persons described above after the [**REDACTED**].

Given that the continuing connected transactions as described above under the Sale and Procurement Framework Agreement are expected to be carried out on a recurring basis, our Directors consider that strict compliance with the aforesaid announcement requirement will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. As a result, pursuant to Rule 14A.105 of the Hong Kong Listing Rules, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement requirement under Rule 14A.35 (in respect of the partially exempt continuing connected transactions), subject to the condition that the annual transaction values shall not exceed their respective estimated annual caps (as stated above) and we are required to comply with the relevant requirements under Chapter 14A of the Listing Rules in relation to continuing connected transactions.

In addition, the Directors confirm that our Company will comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules and will immediately inform the Hong Kong Stock Exchange if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of the transactions. Save for the continuing connected transactions for which a waiver [has been granted], the Directors confirm that our Company will comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules.

The independent non-executive Directors and auditors of the Company will review whether the above transactions under the continuing connected transactions are entered into in accordance with the major terms and pricing policy of the relevant agreements. The confirmation letters of the independent non-executive Directors and auditors will be disclosed on an annual basis according to the requirements under the Listing Rules.

DIRECTORS' CONFIRMATION

Our Directors (including the independent non-executive Directors) are of the view that the partially exempt continuing connected transactions set out above have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, are fair and reasonable and in the interest of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of partially exempt continuing connected transactions are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

THE JOINT SPONSORS' CONFIRMATION

The Joint Sponsors have (i) reviewed the relevant documents and information provided by our Company in relation to the above partially exempt continuing connected transactions; and (ii) participated in the due diligence and discussions with the management of our Group. Based on the above, the Joint Sponsors are of the view that the aforesaid partially exempt continuing connected transactions, for which a waiver has been sought, have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps in respect of the partially exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Upon [**REDACTED**], our Board will consist of nine Directors, including four executive Directors, one non-executive Director and four independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office. The following table sets forth information regarding our Directors.

Name	Age	Position(s)	Date of appointment as Director	Time of joining our Group	Responsibilities	Relationship with other Directors and senior management
Mr. Yu Jiang (于江)	53	Chairman of our Board, executive Director and secretary of the Party Committee of our Company	February 2011	July 1992	Responsible for overseeing the overall and strategic development and investment planning of our Group	None
Mr. Dong Hongbo (董紅波)	51	Vice chairman of our Board, executive Director and president	December 2024	August 1997	Responsible for daily production and operation management of our Group	None
Mr. Ren Yuanbin (任元濱)	58	Executive Director	December 2021	July 1990	Responsible for overseeing the overall operation and management of our Group	None
Dr. Liu Hongan (劉洪安)	56	Vice chairman of our Board, executive Director and senior vice president	December 2021	July 1992	Responsible for the planning and development of the petrochemical business division, as well as the marketing activities of our Group	None
Mr. Song Shuhua (宋樹華)	54	Non-executive Director and employees' representative Director	June 2025	June 1991	Responsible for the safety management, of our Bincheng Base	None
Mr. Hao Yinping (郝銀平)	56	Independent non-executive Director	December 2021	December 2021	Responsible for supervising and providing independent opinion to our Board	None
Ms. Li Haixia (李海霞)	49	Independent non-executive Director	December 2021	December 2021	Responsible for supervising and providing independent opinion to our Board	None

Name	Age	Position(s)	Date of appointment as Director	Time of joining our Group	Responsibilities	Relationship with other Directors and senior management
Mr. Wang Qian (王謙)	54	Independent non-executive Director	May 2024	May 2024	Responsible for supervising and providing independent opinion to our Board	None
Mr. Cao Chunmeng (曹春萌)	54	Independent non-executive Director	[**REDACTED**]	[**REDACTED**]	Responsible for supervising and providing independent opinion to our Board	None

Executive Directors

Mr. Yu Jiang (于江), aged 53, is the chairman of our Board, executive Director and secretary of the Party Committee of our Company. He is primarily responsible for overseeing the overall and strategic development and investment planning of our Group.

Mr. Yu first joined our Company's predecessor in July 1992, and after our Group was established, he has successively held various positions in our Group since then, including vice general manager, secretary of the Board, vice chairman of our Board and vice secretary of the Party Committee. Mr. Yu has been serving as our Director since February 2011, the chairman of our Board since December 2021, and our secretary of Party Committee since April 2022. Mr. Yu was redesignated as our executive Director in October 2025 with effect from the [**REDACTED**]. Mr. Yu also currently holds directorship positions at certain subsidiaries of our Group.

Mr. Yu obtained a bachelor's degree in Chinese from Shandong University (山東大學) in July 1992 and a master's degree in software engineering from Wuhan University (武漢大學) in July 2005.

Mr. Yu was elected as a deputy (人大代表) to the 12th Binzhou Municipal People's Congress and a deputy (人大代表) to the 14th Shandong Provincial People's Congress (山東省第十四屆人民代表大會) in February 2022 and January 2023, respectively. He was recognized as a "Shandong Social Responsibility Entrepreneur" by Shandong Provincial State-owned Assets Supervision and Administration Commission (山東省人民政府國有資產監督管理委員會) in January 2024 and received a "Shandong Province May 1st Labor Medal (山東省五一勞動獎章)" from the Shandong Federation of Trade Unions* (山東省總工會) in April 2024 and the 20th "Round Table (金圓桌)" Award for Boards of Directors of Chinese Listed Companies, awarded by the Directors & Boards Magazine.

Mr. Dong Hongbo (董紅波), aged 51, is a vice chairman of our Board, executive Director and the president. He is primarily responsible for daily production and operation management of our Group.

Mr. Dong first joined our Company's predecessor in August 1997, and after our Group was established, he has successively held various positions in our Group since then, including deputy chief engineer, general manager of our production base, senior vice president and general manager of chlor-alkali industry department, and assistant to president and vice president of our Company. Mr. Dong has been serving as our executive Director and president since December 2024. Mr. Dong was redesignated as our executive Director in October 2025 with effect from the [**REDACTED**]. Mr. Dong was also appointed as the vice chairman of our Board in January 2026. Mr. Dong also currently holds directorship positions at certain subsidiaries of our Group.

Mr. Dong obtained a bachelor's degree in inorganic chemical engineering from Qingdao University of Science and Technology (青島科技大學) (previously known as Qingdao Institute of Chemical Technology (青島化工學院)) in July 1997.

Mr. Dong was recognized as an engineer by Binzhou Professional and Technical Personnel Administration Office (濱州市專業技術人員管理處) in December 2003, and a Chief Technician of Shandong Province by People's Government of Shandong Province in January 2007.

Mr. Ren Yuanbin (任元濱), aged 58, is our executive Director. He is primarily responsible for overseeing the overall operation and management of our Group.

Mr. Ren first joined our Company's predecessor in July 1990, and after our Group was established, he successively held various positions in our Group since then, including the assistant to the general manager, our vice president and president. Mr. Ren has been serving as our Director since December 2021 and the vice chairman of our Board since December 2024. He was redesignated as our executive Director in October 2025 with effect from the [**REDACTED**]. Mr. Ren also currently holds directorship positions at certain subsidiaries of our Group.

Mr. Ren obtained a bachelor's degree in engineering in organic chemical technology from Qingdao University of Science and Technology in July 1990, and a master's degree in engineering in materials science from East China University of Science and Technology (華東理工大學) in March 2003.

Mr. Ren was recognized as a senior engineer by Shandong Provincial Department of Personnel* (山東省人事廳), currently known as Shandong Provincial Department of Human Resources and Social Security in September 2003, and the Outstanding Talents of Excellent Enterprises of Bohai in Binzhou City (濱州市渤海英才企業傑出人才) by both Binzhou Committee of the Communist Party of China (中共濱州市委) and Binzhou Municipal People's Government (濱州市人民政府) in January 2022. He once served as the chairman of Shandong Chlor-Alkali Industry Association* (山東氯碱行業協會) and the chairman of Binzhou Association for the Control of Precursor Chemicals* (濱州市易制毒化學品行業協會).

Dr. Liu Hongan (劉洪安), aged 56, is a vice chairman of our Board, our executive Director and senior vice president. He is primarily responsible for the planning and development of the petrochemical business division, as well as the marketing activities of our Group.

Dr. Liu first joined our Company's predecessor in July 1992, and after our Group was established, worked as a supervisor since September 2007 to July 2018. Dr. Liu has been serving as our vice president since July 2018, as our Director since December 2021, and as a vice chairman of our Board since December 2024. He was redesignated as our executive Director in October 2025 with effect from the [**REDACTED**]. Dr. Liu also currently holds directorship positions at certain subsidiaries of our Group. He has been serving as a director and the vice chairman of the board of directors of China Offshore Bitumen Co., Ltd.* (中海瀝青股份有限公司) since August 2019, the vice chairman of the board of directors of CNOOC Binzhou New Energy Co., Ltd.* (中海油濱州新能源有限公司) since July 2020, a director of Shandong Bohai Bay Ganghua Port Co., Ltd.* (山東渤海灣港港華碼頭有限公司) since February 2024, a director of Binhua New Materials since December 2021, and a director of Hainan Befar Changxin since December 2022.

Dr. Liu obtained a bachelor's degree in petroleum processing, a master's degree in chemical engineering, and a doctoral degree in chemical engineering and technology from China University of Petroleum (East China) (中國石油大學(華東)) in July 1990, June 2005, and December 2012, respectively.

Dr. Liu received 2024 Silver Lion Award for outstanding entrepreneurs from the Binzhou Entrepreneurs Convention (濱州市企業家大會).

Non-executive Director

Mr. Song Shuhua (宋樹華), aged 54, is our non-executive Director and employees' representative Director. He is primarily responsible for the safety management of our Bincheng Base.

Mr. Song first joined the Company's predecessor in June 1991, and after our Group was established, he successively held various positions in our Group since then, including the deputy officer of our allyl-chloride workshop, officer of our raw material and finished product workshop, head of production department of our Company, and the assistant to general manager of our Bincheng Base. Mr. Song has been serving as the vice general manager of our Bincheng Base since February 2025 and an employees' representative Director of our Company since June 2025. He was redesignated as our non-executive Director in October 2025 with effect from the [**REDACTED**].

Mr. Song obtained an associate degree in Chinese language and literature from Shandong Normal University (山東師範大學) in December 1994.

Mr. Song was recognized as a senior technician by China Petroleum and Chemical Industry Federation in October 2017, and an Registered Certified Safety Engineer (中級註冊安全工程師) by the Ministry of Human Resources and Social Security of the PRC and the Ministry of Emergency Management of the PRC in November 2019.

Independent Non-executive Directors

Mr. Hao Yinping (郝銀平), aged 56, is our independent non-executive Director. He is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Hao has been serving as our independent Director since December 2021. Since September 2006, Mr. Hao has also been serving as the chief accountant of Wuhai Huarui Certified Public Accountants Co., Ltd.* (烏海市華銳會計師事務所有限責任公司). Since June 2015, he has been serving as the executive general partner of Inner Mongolia Huaxing Asset Appraisal Firm (General Partnership)* (內蒙古華興資產評估事務所(普通合夥)). Since July 2020, he has also been serving as an independent director of Inner Mongolia Junzheng Energy and Chemical Industry Co., Ltd.* (內蒙古君正能源化工集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601216).

Mr. Hao obtained a bachelor's degree in accounting from Inner Mongolia University of Finance and Economics (內蒙古財經大學) (previously known as Inner Mongolia Institute of Finance and Economics (內蒙古財經學院)) in December 2002. Mr. Hao was recognized as a certified public accountant by Chinese Institute of Certified Public Accountants in June 1997, and a senior accountant by Department of Personnel of Inner Mongolia* (內蒙古自治區人事廳), currently known as Office of Human Resources and Social Security of Inner Mongolia Autonomous Region (內蒙古自治區人力資源和社會保障廳) in July 2001.

Ms. Li Haixia (李海霞), aged 49, is our independent non-executive Director. She is primarily responsible for supervising and providing independent opinion to our Board.

Ms. Li has been serving as our independent Director since December 2021. From July 1999 to April 2020, she served in several positions at Shandong Chiway Industry Development Co., Ltd. (山東中銳產業發展股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002374), with her last position as a director, executive deputy secretary of the party committee and secretary of the board. From May 2020 to August 2025, she served in several positions at Yilala Group Co., Ltd.* (衣拉拉集團股份有限公司), with her last position as a director and secretary of the board. Since November 2024, Ms. Li also has been serving as the general manager of Hunchun

Taipu International Supply Chain Co., Ltd.* (琿春泰普國際供應鏈有限公司). Since December 2024, she has been serving as a director and the manager of Gaolebao (Shandong) Trading Co., Ltd.* (高樂堡(山東)商貿有限公司).

Ms. Li obtained a bachelor's degree in enterprise management from Shenyang University of Chemical Technology (瀋陽化工大學) (previously known as Shenyang Institute of Chemical Technology (瀋陽化工學院)) in July 1999.

Mr. Wang Qian (王謙), aged 54, is our independent non-executive Director. He is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Wang has been serving as our independent Director since May 2024. From December 2008 to July 2015, he served as the general manager and deputy secretary of the party committee of Shandong Provincial Transportation Group Co., Ltd.* (山東省交通運輸集團有限公司). From July 2015 to February 2019, Mr. Wang held several positions in Shanghai Qi Lu Industrial (GROUP) Co., Ltd. (上海齊魯實業(集團)有限公司), including the secretary of the party committee, general manager and chairman of the board. He also served as a director of the same company form December 2023 to September 2025. From November 2017 to February 2019, he served as the chairman of the board and secretary of the party committee of Shenzhen Donghua Industry (Group) Co., Ltd.* (深圳市東華實業(集團)有限公司). From February 2019 to June 2023, he served as the executive deputy general manager, general manager and secretary of the party committee of Yongfeng Group Co., Ltd.* (永鋒集團有限公司). From October 2021 to June 2023, he served as the chairman of the board of Shandong Yankuang International Coking Co., Ltd. (山東兗礦國際焦化有限公司). Since October 2023, Mr. Wang also has been serving as a director of Haidai Jiahui (Shandong) Investment Management Co., Ltd.* (海岱嘉會(山東)投資管理有限公司).

Mr. Wang obtained a bachelor's degree in machinery manufacturing from Shandong University of Science and Technology (山東科技大學) (previously known as Shandong Institute of Mining Industry (山東礦業學院)) in July 1993, and a master's degree in business administration from Shandong University in December 2002.

Mr. Cao Chunmeng (曹春萌), aged 54, is our independent non-executive Director. He is primarily responsible for supervising and providing independent opinion to our Board.

From July 2012 to May 2018, Mr. Cao had been serving as an executive director and president of China Innovationpay Group Limited, a company listed on the Hong Kong Stock Exchange (now known as China Youzan Limited, stock code: 08083). From May 2018 to December 2021, he served as an executive director and the president of China Youzan Limited. From December 2014 to May 2023, Mr. Cao served as a director of Haier Consumer Finance Co., Ltd. (海爾消費金融有限公司). During his tenure in Haier Consumer Finance Co., Ltd., he also served as the chairman of the information technology committee and a member of the risk management committee, the strategy committee, and the audit Committee.

Since January 2022, Mr. Cao has been serving as the chairman of the board and an executive director of ISP Global Limited, a company listed on the Hong Kong Stock Exchange (stock code: 08487).

Mr. Cao obtained a bachelor's degree in computer and its applications from Shandong University (山東大學) in July 1994 and a master's degree in Executive Business Administration (EMBA) from Peking University (北京大學) in July 2006.

Save as disclosed in this document, each of our Directors confirms with respect to himself or herself, to the best of his or her knowledge, information and belief, that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date; (2) had no other relationship with any Directors, senior management or substantial

Shareholders of our Company as at the Latest Practicable Date; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

SUPERVISORY COMMITTEE

Pursuant to our 2024 annual general meeting held on May 26, 2025, our Shareholders approved a resolution that our Company would no longer set up the supervisory committee from May 26, 2025, and the powers of the supervisory committee will be exercised by the Audit Committee. Accordingly, the term of our current supervisors and the supervisory committee would be terminated after the date of general meeting. Our PRC Legal Advisers have confirmed that such arrangements comply with the relevant PRC laws and regulations.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group:

Name	Age	Position(s)	Date of appointment as senior management	Time of joining our Group	Responsibilities	Relationship with other Directors and senior management
Mr. Dong Hongbo (董紅波). . . .	51	Vice chairman of our Board, executive Director and president	September 2022	August 1997	Responsible for daily production and operation management of our Group	None
Dr. Liu Hongan (劉洪安). . . .	56	Executive Director, vice chairman of our Board and senior vice president	July 2018	July 1992	Responsible for the planning and development of the petrochemical business division, as well as the marketing activities of our Group	None
Dr. Cai Yinghui (蔡穎輝). . . .	44	Senior vice president	October 2022	October 2022	Responsible for the planning and development of special chemicals division, and our Group's operation and management in Singapore	None
Mr. Sun Huiqing (孫惠慶). . . .	55	Vice president	April 2023	September 1995	Responsible for safety management, environmental protection, and emergency management of our Group	None

Name	Age	Position(s)	Date of appointment as senior management	Time of joining our Group	Responsibilities	Relationship with other Directors and senior management
Mr. Qiao Xusheng (喬緒升). . . .	48	Vice president	December 2024	December 2023	Responsible for the industrial integration work of our Group in northern Binzhou	None
Ms. Sun Shufang (孫淑芳). . . .	54	Chief financial officer and joint company secretary	December 2024	December 2024	Responsible for the overall finance, investment and financing, and supply chain management of our Group	None
Mr. Sun Qingwei (孫慶偉). . . .	41	Vice president and secretary of our Board	January 2026	December 2025	Responsible for securities affairs	None

Mr. Dong Hongbo (董紅波), aged 51, is our executive Director and president. See "— Board of Directors — Executive Directors" for his biographical details.

Dr. Liu Hongan (劉洪安), aged 56, is our executive Director, vice chairman of our Board and vice president. See "— Board of Directors — Executive Directors" for his biographical details.

Dr. Cai Yinghui (蔡穎輝), aged 44, is our senior vice president. He is primarily responsible for the planning and development of special chemicals division, and our Group's operation and management in Singapore.

Dr. Cai has been serving as our vice president since October 2022, and as the vice chairman of the board of Binhua New Materials since February 2023. He previously worked at our Group and successively held several positions, including vice manager of our technology research and development department and our chief process engineer, during the period from August 2007 to September 2018. From October 2018 to August 2022, Dr. Cai successively held several positions in Shandong Jingbo Holding Co., Ltd. (山東京博控股集團有限公司), including the deputy director of the technology development center and general manager of the innovation center. From February 2020 to September 2022, he served as the general manager of Yellow River Delta Jingbo Chemical Research Institute Co., Ltd.* (黃河三角洲京博化工技術研究院有限公司). He has also been serving as a director of Binlan New Materials (Gansu) Co., Ltd.* (濱蘭新材料(甘肅)有限公司) since July 2023.

Dr. Cai obtained a bachelor's degree in chemical engineering and technology from Xi'an Jiaotong University (西安交通大學) in July 2003, and a doctoral degree in Philosophy from the National University of Singapore in February 2008.

Dr. Cai was recognized as Senior Engineer (高級工程師) by Shandong Provincial Department of Human Resources and Social Security in March 2023.

Mr. Sun Huiqing (孫惠慶), aged 55, is our vice president. He is primarily responsible for safety management, environmental protection, and emergency management of our Group.

Mr. Sun first joined the Company's predecessor in September 1995 and after our Group was established, he has successively held various positions in our Group since then, including deputy chief engineer, our supervisor and assistant to the president. Mr. Sun has been serving as our safety

director since December 2021 and our vice president since April 2023. He has also been serving as an executive director of Binzhou Binhua Safety Consulting Service Co., Ltd.* (濱州濱化安全諮詢服務有限公司) since December 2021.

Mr. Sun obtained an associate degree in inorganic chemical from Shanghai Institute of Technology (上海應用技術大學) (previously known as Shanghai College of Chemical Technology (上海化工高等專科學校)), and a bachelor's degree in chemical engineering and technology from China University of Petroleum (East China) in July 2011.

Mr. Sun was recognized as the Chief Technician of the Shandong Chemical Industry in 2008 by Shandong Petroleum and Chemical Industry Association. He was also awarded with the title of "National Model Worker of the Petroleum and Chemical Industry" conferred jointly by the Ministry of Human Resources and Social Security of China and the China Petroleum and Chemical Industry (中國石油和化學工業聯合會).

Mr. Qiao Xusheng (喬緒升), aged 48, is our vice president. He is primarily responsible for the industrial integration work of our Group in northern Binzhou.

Mr. Qiao joined our Group in December 2023, and has been serving as our vice president since December 2024. Mr. Qiao also currently holds directorship and management positions at certain subsidiary of our Group. Mr. Qiao has been serving as a director of China Enterprise News* (《中國企業報》股份有限公司) since June 2018.

Mr. Qiao also worked at various investment banks and institutions, including at Ping An Securities Ltd. (平安證券股份有限公司) from May 2008 to August 2011, at ChinaLin Securities Co., Ltd. (華林證券股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 002945)) from September 2011 to February 2017, at Caida Securities Co., Ltd. (財達證券股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 600906)) from March 2017 to May 2020, at Caitong Securities Co., Ltd. (財通證券股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 601108)) from June 2020 to November 2021, and at China Greatwall Securities Co., Ltd. (長城證券股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 002939)) from December 2021 to December 2023.

Mr. Qiao obtained a bachelor's degree in law from China University of Petroleum (East China) in July 2011, and a master's degree in business administration from Tsinghua University (清華大學) in July 2017.

Mr. Qiao received a certified public accountant qualification by the Shandong Institute of Certified Public Accountants (山東省註冊會計師協會) in December 2010.

Ms. Sun Shufang (孫淑芳), aged 54, is our chief financial officer and joint company secretary. She is primarily responsible for the overall finance, investment and financing and supply chain management of our Group.

Ms. Sun joined our Group in December 2024 and has been serving as our chief financial officer since then. Ms. Sun also currently holds directorship positions at certain subsidiaries of our Group. From December 1993 to January 2002, she served as a staff member of the operation and financial department of Administration Bureau of Jinan-Qingdao High-speed-way* (濟青高速公路管理局). From January 2002 to December 2024, she successively held various positions in Shandong Hi-Speed Investment Holdings Co., Ltd. (山東高速投資控股有限公司), including the deputy chief accountant, head of the planning and finance department, chairman of the labour union and director.

Ms. Sun obtained an associate degree in accounting from Shandong University of Finance and Economics (山東財經大學) (previously known as Shandong Institute of Economics (山東經濟學院)) in July 1997, and a bachelor's degree in Chinese language and literature from Shandong University in July 2005.

Ms. Sun was recognized as a senior accountant by Shandong Provincial Department of Human Resources and Social Security in March 2010.

Mr. Sun Qingwei (孫慶偉), aged 41, is our vice president and the secretary to our Board. He is primarily responsible for securities-related affairs of our Group.

From July 2009 to July 2011, Mr. Sun served as a reporter at Qingdao Daily Newspaper Group (青島日報報業集團). From July 2011 to August 2013, he served as a staff member of the investment and development department of Shandong Hi-Speed Cultural Media Co., Ltd. (山東高速文化傳媒有限公司). From August 2013 to March 2019, he served as a staff member and subsequently a deputy director of the office of Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司). From March 2019 to March 2021, he served as a member of the Party Committee and a deputy general manager of Shandong Hi-Speed Investment Holding Co., Ltd. (山東高速投資控股有限公司). From March 2021 to October 2022, he served as a deputy secretary of the Party Committee and the chief operating officer of China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司), a company listed on the Hong Kong Stock Exchange (now known as Shandong Hi-Speed Holdings Group Limited (山高控股集團有限公司), stock code: 00412). From October 2022 to December 2024, he served as a deputy secretary of the Party Committee and the chief operating officer of Shandong Hi-Speed Holdings Group Limited. From May 2022 to February 2025, he also served as the secretary of the Party Committee and an executive director of Shandong Hi-Speed New Energy Group Limited (山高新能源集團有限公司), a subsidiary of Shandong Hi-Speed Holdings Group Limited which is listed on the Hong Kong Stock Exchange (stock code: 01250). From December 2024 to December 2025, he served as a deputy secretary of the Party Committee, the general manager, and an executive director of Shandong Hi-Speed Yellow River Industrial Investment Group Co., Ltd. (山東高速黃河產業投資集團有限公司).

Mr. Sun obtained a bachelor's degree in drama, film, and television literature in June 2007, and a master's degree in communication studies in June 2009, both from Wuhan University (武漢大學).

JOINT COMPANY SECRETARIES

Ms. Sun Shufang (孫淑芳), is our chief financial officer and a joint company secretary of our Company. See "— Senior Management" above for her biographical details.

Ms. Leung Hoi Yan (梁皚欣), is a joint company secretary of our Company. Ms. Leung brings over 14 years of expertise in company secretarial services and corporate governance for listed companies in Hong Kong. Ms. Leung currently serves as the Assistant Manager, Entity Solutions at Computershare Hong Kong Investor Services Limited. Ms. Leung holds a degree of bachelor of commerce (honours) in accounting from Hong Kong Shue Yan University. She is an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of Mr. Hao Yinping, Ms. Li Haixia and Mr. Wang Qian, with Mr. Hao Yinping serving as the chairperson of the committee.

The primary function of the Audit Committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things:

- proposing to the Board of Directors the appointment and replacement of external audit firms;
- supervising the implementation of our internal audit system;
- liaising between our internal audit department and external auditors;
- reviewing our financial information and related disclosures; and
- other duties conferred by the Board of Directors.

Remuneration and Performance Appraisal Committee

We have established the Remuneration and Performance Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The Remuneration and Performance Appraisal Committee consists of Ms. Li Haixia, Mr. Yu Jiang, Mr. Hao Yinping, Mr. Wang Qian and Mr. Cao Chunmeng with Ms. Li Haixia serving as the chairperson of the committee.

The primary function of the Remuneration and Performance Appraisal Committee is to develop remuneration policies for our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements which include, amongst other things:

- establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management;
- determining the terms of the specific remuneration package of each Director and members of senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and
- other duties conferred by the Board of Directors.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of Mr. Yu Jiang, Mr. Hao Yinping, Ms. Li Haixia and Mr. Wang Qian, with Mr. Wang Qian serving as the chairperson of the committee.

The primary function of the Nomination Committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of our independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment, re-appointment, and removal of our Directors; and
- other duties conferred by the Board of Directors.

Development Strategy Committee

We have established the Development Strategy Committee with written terms of reference. The primary duties of the Development Strategy Committee are to conduct research and make recommendations to our Board on the Company's medium and long-term development strategies, major investment decisions, sustainable development, and ESG policies. The Development Strategy Committee comprises five members, namely Mr. Yu Jiang, Mr. Ren Yuanbin, Dr. Liu Hongan, Mr. Hao Yinping and Mr. Wang Qian, with Mr. Yu Jiang serving as the chairperson of the Development Strategy Committee.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as at the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on October 11, 2025, and (ii) understands all the requirements under the Listing Rules that are applicable to him or her as a director of a listed issuer and the possible consequences of making a false statement or providing false information to the Stock Exchange.

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 the Company or its subsidiaries or any connection with any core connected person of the 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 appointment.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code after the [**REDACTED**].

Board Diversity

The Board [has] adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Company recognizes and embraces the benefits of having a diverse Board. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and experience and/or length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

As at the Latest Practicable Date, our Board consists of eight male members and one female member with ages ranging from 49 years old to 58 years old. Our Directors have a balanced portfolio of knowledge and skills, including organic chemical technology, petroleum processing, enterprise management, and machinery manufacturing etc. They obtained degrees in various fields such as software engineering, business administration and organic chemical technology. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

Upon [**REDACTED**], the Nomination Committee will from time to time review the Board Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. The Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report.

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our Directors and senior management members, emolument in the form of salaries, allowances, bonuses and benefits in kind. Our independent non-executive Directors receive emolument based on their responsibilities.

The aggregate amount of remuneration which was paid or payable to our Directors (including director's fees, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payment expenses) for the years ended December 31, 2023, 2024 and 2025 were approximately RMB13.1 million, RMB14.6 million and RMB42.3 million, respectively.

The aggregate amount of remuneration which was paid or payable to our top five individuals for the years ended December 31, 2023, 2024 and 2025 included three, two and three Directors, respectively. The emoluments (including salaries and other benefits, performance based bonuses, retirement benefit scheme contributions and share-based payment expenses) of the remaining two, three and two individual(s) for the same years were RMB3.9 million, RMB5.6 million and RMB5.1 million, respectively.

It is estimated that the aggregate amount of remuneration (including director's fees, salaries and other benefits, performance based bonuses, retirement benefit scheme contributions and share-based payment expenses) payable to Directors for the year ending December 31, 2026 will be approximately 19.6 million under arrangements in force at the date of this document.

None of our Directors, our former Director or any of our five highest paid individuals has been paid any sum of money for the years ended December 31, 2023, 2024 and 2025 as (a) an inducement to join or upon joining the Company; or (b) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

Except for Mr. Zhang Zhongzheng and Ms. Wang Shuhua, there has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended December 31, 2023, 2024 and 2025.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Group during the Track Record Period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 9 and 10 of the Accountants' Report in Appendix I to this document.

COMPLIANCE ADVISER

We have appointed Gram Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual [**REDACTED**] and [**REDACTED**] or other issues under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser will commence on the [**REDACTED**] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [**REDACTED**].

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the following persons will have interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to the 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 issued voting shares of our Company.

				Assuming the [REDACTED] is not exercised		Assuming the [REDACTED] is fully exercised	
Name	**Nature of Interest**	**Class and number of Shares directly or indirectly held**	**Approximate % of shareholding in our A Shares as at the Latest Practicable Date**	**Approximate % of shareholding in our A Shares immediately after the [REDACTED][(4)]**	**Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED][(4)]**	**Approximate % of shareholding in our A Shares immediately after the [REDACTED][(4)]**	**Approximate % of shareholding in the total share capital of our Company immediately after the [REDACTED][(4)]**
Binzhou Heyi	Beneficial owner[(2)]	225,428,572 A Shares	10.96%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Binzhou Heyuan . .	Interest in controlled corporation[(2)]	225,428,572 A Shares	10.96%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Binhua Investment .	Interest in controlled corporation[(2)]	225,428,572 A Shares	10.96%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Binzhou Zhichangwen . . .	Interest in controlled corporation[(2)]	225,428,572 A Shares	10.96%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Hetai Enterprise . .	Interest in controlled corporation[(2)]	225,428,572 A Shares	10.96%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Mr. Yu Jiang	Beneficial interest[(2)(3)]	36,331,000 A Shares	1.77%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
	Interest in controlled corporation[(2)]	225,428,572 A Shares	10.96%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Mr. Zhang Zhongzheng (張忠正)	Beneficial owner	96,639,937 A Shares	4.70%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) All interests stated are long positions.

(2) As at the Latest Practicable Date, Binzhou Heyi was owned as to 0.10% by Binzhou Heyuan as its general partner and 99.90% by Shandong Binhua Investment Co., Ltd.* (山東濱化投資有限公司) ("**Binhua Investment**") as its limited partner. Binhua Investment was owned as to 59.20% equity interests by Binzhou Zhichangwen Enterprise Management Partnership Enterprise (Limited Partnership)* (濱州知常穩企業管理合夥企業(有限合夥)) ("**Binzhou Zhichangwen**"), which was owned as to approximately 1.27% by Shandong Hetai Enterprise Management Co., Ltd.* (山東和泰企業管理有限公司) ("**Hetai Enterprise**") as its general partner which in turn owned as to 44.94% by Mr. Yu Jiang. Binzhou Heyuan was owned as to 40% by Mr. Yu Jiang. As such, Binzhou Heyuan, Binhua Investment, Binzhou Zhichangwen, Hetai Enterprise and Mr. Yu Jiang are deemed to be interested in the Shares held by Binzhou Heyi upon the completion of the [**REDACTED**] under the SFO.

As of the Latest Practicable Date, Binzhou Heyi pledged 72,000,000 A Shares to CITIC Securities Co., Ltd. (中信証券股份有限公司) and China Construction Bank Corporation (中國建設銀行股份有限公司) as collateral for its commercial and general corporate purpose and such pledged A Shares accounted for approximately 3.50% of our total issued shares as at the Latest Practicable Date (including treasury shares).

(3) As of the Latest Practicable Date, Mr. Yu Jiang (i) directly held 15,831,000 A Shares, and (ii) was interested in (a) 20,500,000 restricted A Shares granted to him under the 2024 Restricted A Share Incentive Scheme, of which 10,250,000 shares vested on December 19, 2025 and the remaining 10,250,000 shares are subject to vesting, and (b) 3,300,000 A Shares as a participant of the Employee Shareholding Scheme II. Mr. Yu Jiang pledged 6,300,000 A Shares as collateral for his personal use and such pledged A Shares accounted for approximately 0.31% of our total issued shares as at the Latest Practicable Date.

(4) The calculation is based on the total number of [**REDACTED**] Shares, consisting of 2,056,836,276 A Shares and [**REDACTED**] H Shares in [**REDACTED**] immediately after completion of the [**REDACTED**]. The calculation of the percentage includes 61,450,726 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 2.99% of the total number of A Shares in issue as of the Latest Practicable Date.

For further information on any person who will be, immediately following completion of the [**REDACTED**], directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, see section headed "Appendix VI — Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 1. Disclosure of Interest — (b) Interests of Substantial Shareholders" in this document.

SHARE CAPITAL

Immediately before the [REDACTED]

As of the Latest Practicable Date, the registered share capital of the Company was 2,056,836,276 A Shares of nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange.

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares in issue*	2,056,836,276	100.00%

Note: Including 61,450,726 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 2.99% of the total number of A Shares in issue as at the Latest Practicable Date.

Upon the Completion of the [REDACTED]

Immediately following the completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
A Shares in issue*	2,056,836,276	[**REDACTED**]%
H Shares to be [**REDACTED**] pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100.00%**

Note: Including 61,450,726 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 2.99% of the total number of A Shares in issue as at the Latest Practicable Date.

Immediately following the completion of the [**REDACTED**], assuming that the [**REDACTED**] is exercised in full, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
A Shares in issue*	2,056,836,276	[**REDACTED**]%
H Shares to be [**REDACTED**] pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100.00%**

Note: Including 61,450,726 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 2.99% of the total number of A Shares in issue as at the Latest Practicable Date.

OUR SHARES

Our H Shares in [**REDACTED**] upon completion of the [**REDACTED**], and our A Shares, are ordinary Shares in our share capital and are considered as one class of Shares. Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between Chinese Mainland and Hong Kong. Our A Shares can be subscribed for and traded by Chinese Mainland investors, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. 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 investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. Our H Shares can be [**REDACTED**] for or [**REDACTED**] by Hong Kong and other overseas [**REDACTED**] and qualified domestic institutional [**REDACTED**]. If our H Shares are eligible securities under the Southbound Trading Link, they can also be [**REDACTED**] for and [**REDACTED**] by Chinese Mainland [**REDACTED**] in accordance with the rules and limits of Shenzhen-Hong Kong Stock Connect or Shanghai-Hong Kong Stock Connect.

RANKING

Our H Shares and 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 A Shares will receive 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 [**REDACTED**] 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 October 16, 2025 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 [**REDACTED**] pursuant to the [**REDACTED**] (before the exercise of the [**REDACTED**]). The number of H Shares to be [**REDACTED**] pursuant to the full exercise of the [**REDACTED**] shall not exceed [**REDACTED**]% of the 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 Chinese Mainland and other [**REDACTED**] in compliance with regulatory requirements.

(iv) [**REDACTED**] ***basis***. Fully considering the interests of the Company's existing shareholders, the acceptability of [**REDACTED**], the risks related to the [**REDACTED**], and adopting a [**REDACTED**] method in line with the international practices, market [**REDACTED**], [**REDACTED**] and [**REDACTED**] results.

(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 October 16, 2025.

There are no other approved [**REDACTED**] plans for our Shares except the [**REDACTED**].

SHAREHOLDERS' GENERAL MEETINGS

For details of the circumstances under which a Shareholders' general meeting is required, see "Appendix V — Summary of Articles of Association — Shareholders and Shareholders' Meeting" in this document.

SHARE SCHEMES

See "History, Development and Corporate Structure — Share Schemes" and "Appendix VI — Statutory and General Information — D. Share Schemes" for details and principal terms of the share schemes adopted by our Company.

You should read the following discussion and analysis in conjunction with our audited consolidated financial statements included in the Accountants' Report set out in Appendix I to this document, with the accompanying notes. The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current view with respect to future events and financial performance that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical events, current conditions and expected future developments, as well as factors that 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 comprehensive chemical group in China, driven by technological innovation and green low-carbon development. Founded in 1968, we have over 50 years of experience in the chemical industry. Our business spans three core sectors: chlor-alkali chemicals, C3-C4 chemicals and wet electronic chemicals, supported by a comprehensive product portfolio. Our key products include sodium hydroxide, propylene oxide, MTBE, electronic grade hydrofluoric acid and others.

For the years ended December 31, 2023, 2024 and 2025, our revenue was RMB7,305.9 million, RMB10,228.1 million and RMB14,836.4 million, respectively.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**").

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and historical financial condition and results of operations have been affected by a number of important factors, which we believe will continue to affect our financial condition and results of operations in the future, including:

General Economic Conditions in the PRC

We primarily operate in the chemical industry, which demonstrates a high degree of alignment with the development of the national economy, given that the products are widely used across various sectors of the national economy. Our products are used in the production of or are incorporated into various end-products that are sold into a number of end markets, including, among others, aerospace, humanoid robot, semiconductor fabrication, furniture and home appliances, automobile and coatings. Therefore, domestic economic development and the cyclical fluctuation of economy have a significant impact on various aspects of our operations, including, among others, the demand for our products, the price and supply of raw materials, as well as the selling, distribution and administrative expenses. In addition, changes in national or local policies relating to energy consumption, environmental protection and safety production may bring forth further risks to our operations.

Fluctuations in Prices of Our Products and End Market Demands

We are principally engaged in the production and sale of organic and inorganic chemicals with an extensive product portfolio. Fluctuations in prices of these products and changes in downstream and end-product demand may materially impacts our financial condition, results of operations and cash flows.

Product price fluctuations are primarily driven by market supply and demand dynamics, raw material costs and macroeconomic conditions. The average prices of China's chlor-alkali chemical products experienced a significant upward trend in 2021 and 2022, primarily driven by the post-pandemic global economic recovery, which fuelled rapid release of downstream demand. However, in 2023, the prices dropped significantly attributable to factors including, among others, the slowdown of global macroeconomic growth and weakening export demand, the concentrated release of new domestic capacity, and falling raw material processes. In addition, the average prices of propylene oxide in China experienced a rapid increase in 2021 primarily attributable to a shortage in propylene oxide supply due to the impact of COVID-19. Subsequently, as production capacity gradually came on stream, the average price of propylene oxide declined and stabilized since 2022. For details, please refer to "Industry Overview — Chlor-alkali Chemicals Industry in China — Average Prices and Raw Material Prices of Chlor-Alkali Chemicals Products in China" and "Propylene Oxide Industry in China — Average Prices and Raw Material Prices of Propylene Oxide Industry in China" in this document.

Our products are used in the production of or are incorporated into various end-products that are sold into a number of downstream and end markets. To adapt to demand fluctuations, we have been expanding our product portfolio to diversify our downstream customer base. In 2025, our PO/MTBE unit were put into operations, which increased annual production of approximately 240,000 tons of propylene oxide and 742,000 tons of MTBE. However, if demand for our products in key downstream industries declines significantly or we fail to adapt to changes in market demand in a timely manner, we may face challenges such as inventory accumulation, underutilization of production capacity or reduced market share, which could adversely affect our financial performance.

Cost Control and Operation Efficiency

Our business results, profitability and future growth are closely linked to our ability to enhance operation efficiency and optimize cost management. Our costs of sales primarily comprise raw materials, utilities, labor costs and depreciation and amortization. For the years ended December 31, 2023, 2024 and 2025, our cost of sales were RMB6,089.4 million, RMB9,574.1 million and RMB13,380.9 million, respectively.

For the years ended December 31, 2023, 2024 and 2025, cost of raw materials constituted 55.5%, 49.2% and 62.1% of our total costs of sales for the respective periods. Fluctuations in raw material prices may increase our costs of sales and so as to impact our profitability. We have adopted various measures to mitigate the adverse impact imposed by the price fluctuations. For instance, our industrial waste salt treatment equipment is capable of processing industrial waste salt into brine, which can be directly used as a raw material for the production of our sodium hydroxide and other products. This process not only realizes the harmless treatment of industrial waste salt but also achieves the recycling of salt resources, reducing our external raw material procurement cost and in line with our environmental protection and sustainable development strategies. We also adopt hedging strategies for certain major raw materials, such as LPG (primarily including propane and butane). For details, please refer to "Business — Risk Management and Internal Control — Hedging Activities" in this document. Any future fluctuations in raw material costs may impact our results of operations and profitability. For details, please refer to "Risk Factors — Risks Relating to our Business and Industry — Fluctuation or changes in price, availability and quality of our raw materials, such as LPG (primarily propane and butane), could adversely affect our business, financial condition and results of operations" in this document.

Expansion and Management of Production Capacity

Our competitiveness and long-term growth prospects are significantly dependent upon our ability to effectively manage and expand our production capacity while maintaining high utilization rates. As of December 31, 2025, we operated three manufacturing bases located in China. During the Track Record Period, we maintained relatively high utilization rates across our key production lines, enabling us to meet market demand and achieve economies of scale.

Looking forward, we are actively expanding our production capacities to seize growth opportunities in both traditional and emerging chemical sectors. Although these expansion projects requires substantial capital, we believe that the successful commissioning and ramp-up of these new capacities will enhance our overall cost competitiveness, extend our industrial chain, and further consolidate our market share in the key markets we operate in.

We believe that our strategic expansion, coupled with our commitment to maintaining high operational efficiency and utilization rates will support our sustainable growth and strengthen our market positions in the competitive chemical industry. For further details regarding our production facilities and expansion plans, please refer to "Business — Our Production" and the section headed "Future Plans and Use of [**REDACTED**]" in this document.

Strategic Investments and Acquisitions

We may from time to time pursue strategic investment and acquisition opportunities with an aim to strengthen our market positions in industries where we operate or for us to expand into industries that we identify as fast-growing and complementary to our existing business. For more information, please refer to "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers" in this document.

Investments and acquisitions may result in an increase in costs and expenses, including increase in financing, operation and transition costs, but without an immediate increase in revenue and/or profit. Acquisitions of entities with different margin compositions against our margins will also have an effect on our overall margins. In addition, the performance of acquired entities and businesses may be worse than expected, which may cause an adverse effect on our results of operations. We will carefully evaluate suitable and complementary acquisition opportunities that can provide long-term value to our shareholders.

Increasingly Stringent Environmental and Policy Regulations

As a chemical manufacturing enterprise, our operations and financial performance are significantly influenced by the evolving regulatory landscape in the PRC, which encompasses environmental protection, energy consumption, and production safety. The industry is characterized by continuously tightening compliance requirements, which are reshaping competitive dynamics and leading to potentially sustained increases in operational costs. While the government implements supportive policies to encourage industrial upgrading and high-quality development, the associated compliance obligations present both challenges and opportunities for market participants.

The PRC government has introduced a series of pivotal policies and regulations. These include the "Energy Conservation and Carbon Reduction Action Plan for 2024-2025" (《2024-2025年節能降碳行動方案》) issued by the State Council, which mandates strict adherence to industrial policies and accelerates energy-saving upgrades within the sector. Furthermore, NDRC, MIIT and MEE's "Cleaner Production Standard — Sodium Hydroxide and Polyvinyl Chloride Industry" (《燒鹼、聚氯乙烯行業清潔生產評價指標體系》) sets comprehensive standards for energy consumption, raw material conservation, recycling, and emission control. The "Action Plan for Industrial Carbon Peaking" (《工業領域碳達峰實施方案》) jointly issued by NDRC, MIIT and MEE promotes efficient resource use and the adoption of green technologies. Notably, the "Guidance Catalogue for Industrial Restructuring (2024 Edition)" (《產業結構調整指導目錄(2024年本)》) explicitly restricts or phases out outdated processes, compelling technological transformation and industry consolidation.

These regulatory developments provide a supportive framework and incentives for us to develop high-value-added, environmentally friendly products and advanced processes, which aligns with our strategic initiatives in new material industrial chain and may open new growth avenues. Meantime, they necessitate substantial and continuous capital and operational investment to comply with stricter standards on emissions, energy efficiency, and production safety. This includes investment in environmental protection facilities, process upgrades to meet benchmark energy efficiency levels, and ongoing costs related to green power consumption and safety management systems. Such investments, while crucial for long-term business sustainability, may contribute to increased operational expenditures.

Nevertheless, the regulatory framework remains dynamic. Any future introduction of more stringent standards, unexpected changes in policy incentives, or delays in technological adoption could further increase our compliance costs and capital requirements, potentially adversely affecting our profitability and operational results. We therefore remain vigilant in monitoring regulatory developments and adapting our strategies accordingly.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Impairment of Non-current Assets

At the end of each reporting period, we review the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. At the end of each reporting period, we review the carrying amounts of our non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

As of each reporting date during the Track Record Period, the parameters of the principal CGU are as follows:

(a) The CGU of Yellow River Delta Thermal

	As of December 31,		
	2023	2024	2025
Annual revenue growth rate during the forecast period	0.00%	2.75%	2.07%
Growth rate beyond the forecast period	0.00%	0.00%	0.00%
Profit margin	16.96%-21.57%	10.87%-11.30%	11.88%-12.95%
Pre-tax discount rate	11.09%	13.10%	13.06%

The headroom measured by the excess of the recoverable amount over the carrying amounts of the CGU of Yellow River Delta Thermal as of December 31, 2023, 2024 and 2025 are RMB985.9 million, RMB191.8 million and RMB524.3 million, respectively.

(b) The CGU of Binhua New Materials

	As of December 31,		
	2023	2024	2025
Annual revenue growth rate during the forecast period	0.00%	2.42%	2.80%
Growth rate beyond the forecast period	0.00%	0.00%	0.00%
Profit margin	(8.62)%-9.91%	1.55%-4.05%	4.26%-12.86%
Pre-tax discount rate	12.44%	12.21%	12.90%

The headroom measured by the excess of the recoverable amount over the carrying amounts of the CGU of Binhua New Materials as of December 31, 2023, 2024 and 2025 are RMB394.7 million, RMB20.7 million and RMB76.6 million, respectively.

(c) Sensitivity analysis

Management have undertaken sensitivity analysis on the impairment test of the CGU of Yellow River Delta Thermal and Binhua New Materials. The following table sets forth the hypothetical pre-tax discount rate and the hypothetical profit margin during the forecast that would, in isolation, have removed the remaining headroom respectively as of December 31, 2023, 2024 and 2025:

The CGU of Yellow River Delta Thermal

	As of December 31,		
	2023	2024	2025
Profit margin	8.44%-10.73%	7.91%-9.12%	6.31%-7.07%
Pre-tax discount rate	20.37%	14.93%	18.29%

The CGU of Binhua New Materials

	As of December 31,		
	2023	2024	2025
Profit margin	(8.92)%-9.61%	1.53%-4.01%	4.23%-12.77%
Pre-tax discount rate	12.83%	12.25%	13.00%

Our management determined that there was no impairment of its CGU as of each of the reporting date of the Track Record Period.

Our Directors are of the opinion that, except for the CGU of the Binhua New Materials, a reasonably possible change in a key parameter will not cause the carrying amount of the relevant CGU to exceed the respective recoverable amounts as of December 31, 2023, 2024 and 2025.

For details on our other material accounting policies and estimates, please refer to Note 2 to the Accountants' Report as set out in Appendix I to this document.

DESCRIPTION OF KEY CONSOLIDATED STATEMENTS OF PROFIT OR LOSS ITEMS

The following table sets out a summary of our consolidated statements of profit or loss during the Track Record Period, which are derived from the Accountants' Report as set out in Appendix I to this document:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	7,305,904	100.0	10,228,062	100.0	14,836,442	100.0
Cost of sales	(6,089,359)	(83.3)	(9,574,110)	(93.6)	(13,380,867)	(90.2)
Gross profit	**1,216,545**	**16.7**	**653,952**	**6.4**	**1,455,575**	**9.8**
Other net income	65,220	0.9	57,192	0.6	76,166	0.5
Selling expenses	(27,994)	(0.4)	(24,267)	(0.2)	(25,594)	(0.2)
General and administrative expenses	(589,667)	(8.1)	(474,588)	(4.6)	(536,539)	(3.6)
Research and development costs	(68,420)	(0.9)	(120,316)	(1.2)	(173,193)	(1.2)
Impairment losses on trade and other receivables	(949)	(0.0)	(4,541)	(0.0)	(5,890)	(0.0)
Other gains/(losses)	40,857	0.6	(148,211)	(1.4)	44,721	0.3
Profit/(loss) from operations	**635,592**	**8.7**	**(60,779)**	**(0.6)**	**835,246**	**5.6**
Finance Costs	(153,810)	(2.1)	(258,543)	(2.5)	(310,534)	(2.1)
Share of profits/(losses) of associates	2,372	0.0	440,749	4.3	(169,050)	(1.1)
Profit before taxation	**484,154**	**6.6**	**121,427**	**1.2**	**355,662**	**2.4**
Income tax	(85,250)	(1.2)	95,828	0.9	(120,170)	(0.8)
Profit for the year	**398,904**	**5.5**	**217,255**	**2.1**	**235,492**	**1.6**

During the Track Record Period, our financial performance was closely correlated with cyclical fluctuations of China's chemical industry. In 2024, the domestic chemical industry was in the trough of its cycle, characterized by slowing market demand growth and compressed profit margins across the industry. Against this backdrop, our profit for the year decreased from RMB398.9 million in 2023 to RMB217.3 million in 2024. This was also partially attributable to the initial commissioning phase of our C3-C4 chemical products during the year, which had not yet generated effective profit contribution. In 2025, as the domestic chemical industry gradually emerged from the cyclical trough and entered a steady recovery phase, market demand for chemical products picked up, and the selling prices of most of our major chemical products gradually rebounded. Concurrently, our PO/MTBE unit in the C3-C4 chemicals sector entered the formal operation phase in 2025, which effectively supplemented our profit growth. Benefiting from the combined effect of the above positive factors, our profit for the year rebounded to RMB235.5 million in 2025, and our operating profit improved significantly from a loss of RMB60.8 million in 2024 to RMB835.2 million in 2025.

The specific reasons for the decline in our profit for the year in 2024 are as follows:

- ***The cyclical downturn of the chemical industry*:** The prosperity cycle of China's chemical industry typically spans five to seven years. The growth rate of capital expenditure in China's chemical industry in the previous cycle peaked in 2021, while the growth rate of industry scale expansion reached its peak in 2023. Against the backdrop of intensive release of new production capacity and slowing demand growth, the supply-demand imbalance in the chemical industry has become prominent, placing persistent pressure on the product pricing and profitability of enterprises and subsequently leading to a gradual contraction in industry-wide capital expenditure. Starting from 2022, China's chemical industry entered the fourth cyclical downturn phase since the beginning of the 21st century. For details, please refer to "Industry Overview — Analysis of Cyclical Trend in China's Chemical Industry" in this document.

- ***The imbalance between market supply and demand of the major products:*** The pricing of our products primarily follows the market-driven principle and fluctuates in line with market dynamics. Starting from 2022, the supply-demand imbalance in the chemical industry has become prominent, which has led to a decline in the selling prices. Please refer to "— Revenue" below for detailed analysis.

- ***The initial commissioning phase of C3-C4 chemicals business:*** Our C3-C4 chemicals business was in the initial commissioning phase during the Track Record Period, which temporarily weighed on our overall profitability. Our PDH unit in C3-C4 chemicals sector entered the trial production phase in June 2023 and was officially commissioned by the end of 2023. However, given that the downstream propylene oxide and MTBE facilities (PO/MTBE unit) had not yet been commissioned at that time, we were unable to fully absorb its propylene production internally. Additionally, the increase in regional propylene production capacity resulted in limited profit margins for the product. Our PO/MTBE unit was put into operation in early 2025. Equipped with the advanced production facilities, we maintain a low unit production cost structure. Notably, our co-oxidation process propylene oxide product recorded positive gross profit margins amid low-price market environment. In contrast, the MTBE product recorded gross loss, primarily attributable to intensified market competition arising from the successive commissioning of multiple new MTBE production facilities by other market participants during the same period. During the initial commissioning phase of the facilities, we experienced a gradual improvement in operational efficiency, which had a significant impact on our results of operations during the period. In 2025, with the commissioning of PO/MTBE unit, the gross profit margin of our C3-C4 chemicals category has gradually improved. Specially, it turned from a gross loss of RMB214.3 million in 2024 to a gross profit of RMB12.2 million in 2025.

Revenue

We are principally engaged in the production and sale of organic and inorganic chemical products, with primary products across three sectors: (i) chlor-alkali chemicals; (ii) C3-C4 chemicals; and (iii) wet electronic chemicals. In addition, we also generated a portion of our revenue from energy sales during the Track Record Period. The following table sets forth the breakdown of our revenue by major products:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chlor-alkali chemicals	**6,469,175**	**88.4**	**6,115,071**	**59.8**	**6,285,523**	**42.4**
– Sodium hydroxide	2,143,742	29.3	2,000,972	19.6	2,205,242	14.9
– Chlorohydrin process propylene oxide	1,900,990	26.0	1,800,624	17.6	1,407,275	9.5
– Epichlorohydrin	484,062	6.6	522,677	5.1	680,700	4.6
– Allyl chloride	350,671	4.8	356,704	3.5	475,386	3.2
– Trichloroethylene	462,255	6.3	326,392	3.2	360,455	2.4
– Perchloroethylene	316,707	4.3	319,746	3.1	291,836	2.0
– Other chlor-alkali chemicals[(1)]	810,748	11.1	787,956	7.7	864,629	5.8
C3-C4 chemicals	**293,883**	**4.0**	**3,385,890**	**33.0**	**6,855,223**	**46.2**
– MTBE	–	–	25,131	0.2	3,615,592	24.4

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
– Co-oxidation process propylene oxide	–	–	–	–	2,000,411	13.5
– Propane	112,723	1.5	1,547,067	15.1	311,576	2.1
– Propylene	173,374	2.4	1,619,944	15.8	609,990	4.1
– Other C3-C4 chemicals[(2)]	7,786	0.1	193,748	1.9	317,654	2.1
Wet electronic chemicals	**40,624**	**0.6**	**45,292**	**0.4**	**63,396**	**0.4**
– Electronic grade hydrofluoric acid (semi G5)	40,624	0.6	45,292	0.4	63,396	0.4
Energy	**142,706**	**2.0**	**211,601**	**2.0**	**822,008**	**5.5**
– Electricity (350MW)	–	–	66,451	0.6	534,035	3.6
– Steam	142,706	2.0	145,150	1.4	287,973	1.9
Others[(3)]	**359,516**	**5.0**	**470,208**	**4.8**	**810,292**	**5.5**
Total revenue	**7,305,904**	**100.0**	**10,228,062**	**100.0**	**14,836,442**	**100.0**

Notes:

(1) Other chlor-alkali chemicals primarily represented bromine, hydrogen peroxide, auxiliaries and hydrogen gas.

(2) Other C3-C4 chemicals primarily represented butane and isobutane.

(3) Others primarily represented other chemicals as well as other services provided by us.

Our sales volume is primarily driven by our production capacity and market demand for our products, which is in turn primarily affected by the development of downstream industries, industry policies and product quality. Average selling price of our products is largely affected by market price in the industry, which are further affected by the supply-demand dynamics and raw material prices. The following table sets forth a summary of the sales volume and average selling price of our major products during the Track Record Period:

		For the year ended December 31,					
		2023		2024		2025	
	Unit	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
		units	*RMB per unit*	*units*	*RMB per unit*	*units*	*RMB per unit*
Chlor-alkali chemicals							
– Sodium hydroxide	tons	684,625	3,131.3	714,035	2,802.3	708,654	3,111.9
– Chlorohydrin process propylene oxide	tons	229,790	8,272.7	232,770	7,735.6	209,770	6,708.7
– Epichlorohydrin	tons	67,214	7,201.8	74,504	7,015.4	74,741	9,107.4
– Allyl chloride	tons	64,432	5,442.5	66,723	5,346.0	69,431	6,846.8
– Trichloroethylene	tons	82,885	5,577.1	85,960	3,797.0	86,313	4,176.1
– Perchloroethylene	tons	76,474	4,141.4	78,512	4,072.6	79,901	3,652.5
C3-C4 chemicals							
– MTBE	tons	–	–	5,212	4,821.8	776,691	4,655.1
– Co-oxidation process propylene oxide	tons	–	–	–	–	300,284	6,661.7
– Propane	tons	23,090	4,881.9	313,498	4,934.9	75,162	4,145.4
– Propylene	tons	29,810	5,816.0	265,833	6,093.8	104,628	5,830.1
Wet electronic chemicals							

		For the year ended December 31,					
		2023		2024		2025	
	Unit	Sales volume	Average selling price	Sales volume	Average selling price	Sales volume	Average selling price
		units	*RMB per unit*	*units*	*RMB per unit*	*units*	*RMB per unit*
– Electronic grade hydrofluoric acid (semi G5)	tons	4,128	9,841.1	5,214	8,686.6	6,901	9,186.3
Energy							
– Electricity (350MW)	kwh	–	–	174,955,000	0.4	1,282,468,553	0.4
– Steam	tons	691,610	206.3	742,912	195.4	1,463,264	196.8

Fluctuation of the average selling price, sales volume and revenue of our major products during the Track Record Period was generally in line with the prevailing industry trend.

Chlor-alkali chemicals

We are deeply rooted in the chlor-alkali chemicals industrial chain. Our chlor-alkali chemicals sector features an integrated production process, with strong synergy and dynamic balance across all product categories. We proactively adjust the production volume of each category in response to market fluctuations.

During the Track Record Period, sales volume of our major chlor-alkali chemical products remained relatively stable. By virtue of the characteristics of the chemical industry, as well as our product quality, brand strengths and long-standing relationships with customers, we have achieved a state of "high production and high sales" through a production-to-sale model. In 2024, despite the intense competition in the market which led to a decrease in market price, sales volume of our chlor-alkali chemicals products still increased. This was primarily due to our strategy of maintaining high production capacity utilization rate. Such strategy not only helps us leverage economies of scale to mitigate cost pressures amid market price downturns, but also ensures timely supply to customers, thus consolidating long-term and stable cooperative relationships. In 2025, the decrease in our sales volume of chlorohydrin process propylene oxide was primarily attributable to following factors: (i) the other chlorine-consuming products generated comparatively higher profit margins than propylene oxide. We therefore proactively increased the production utilization of such higher-margin chlorine-consuming products while correspondingly reducing our production volume of propylene oxide; and (ii) improved sales of polyether products resulted in higher internal consumption of propylene oxide as a raw material, which consequently reduced the volume of propylene oxide available for external sale.

Pricing of our chlor-alkali chemicals follows the market-driven principle, which fluctuates in line with market dynamics. In 2024, average prices of our major chlor-alkali chemical products decreased, which was in line with the industry trend, primarily because: (i) selling prices of China's chlor-alkali chemicals experienced a significant upward trend in 2021 and 2022, primarily driven by the post-pandemic global economic recovery, which fuelled rapid release of downstream demand; (ii) selling prices of China's chlor-alkali chemicals started to decrease from 2023 primarily attributable to: (a) looser market supply driven by a slowdown in global macroeconomic growth and weakening export demand, as well as the concentrated release of the domestic production capacity; and (b) decrease in international energy and raw material prices. Lower energy and raw material prices reduce chlor-alkali producers' production costs. In a highly competitive and commoditized market, such cost savings are usually passed on to buyers, leading to a decrease in selling prices. Specifically:

- *Sodium hydroxide*: From 2023 to 2024, the market price of sodium hydroxide exhibited a downward trend, primarily attributable to the imbalance between supply and demand. As the COVID-19 pandemic gradually subsided in 2021, the operating rates of

downstream industries of sodium hydroxide increased, driving growth in market demand. The utilization rate of China's alumina (the primary downstream sector of sodium hydroxide) increased from 77.6% in 2020 to 82.1% in 2021. Coupled with the implementation of the national dual control policy on energy consumption, certain high-energy-consuming sodium hydroxide production capacities were restricted, resulting in insufficient effective production capacity and sustaining sodium hydroxide prices at a high level. Supported by substantial profit margins, producers continued to expand production capacity, leading to a significant increase in market supply in 2023 and 2024. On the demand side, apart from the alumina industry, demand in other downstream sectors such as food manufacturing, textile manufacturing and chemical products manufacturing remained weak. For example, the utilization rate of food manufacturing sector in China in 2023 and 2024 reached approximately 70.3% and 69.8%, respectively; the utilization rate of textile manufacturing sector in China in the same respective periods reached approximately 76.4% and 78.5%; and the utilization rate of chemical products manufacturing sector in China in the same periods reached approximately 75.3% and 76.3%, respectively. Additionally, the easing of the energy crisis in Europe led to improved operating rates of overseas sodium hydroxide plants, resulting in a decline in China's sodium hydroxide exports. Taking these factors together, the market became oversupplied, thereby exerting sustained downward pressure on prices during the year.

- *Chlorohydrin process propylene oxide*: Since 2022, the market price of propylene oxide has been on a downward trend, primarily attributable to the substantial expansion of production capacity through advanced technologies. For instance, in 2024 alone, the domestic newly released production capacity of propylene oxide reached approximately 1.7 million tons per annum, driving the total industry capacity to exceed 8.0 million tons per annum. The concentrated release of new production capacity has led to an oversupply in the market. Consequently, in Shandong Province, China's core production and sales hub for propylene oxide, the average market price of propylene oxide dropped by approximately 6.8% compared to 2024.

In 2025, average selling price of our major chlor-alkali chemicals (except for chlorohydrin process propylene oxide and perchloroethylene) rebounded compared to 2024, as the domestic chemical industry gradually recovered and the supply-demand balance continued to improve. Specially, supported by the implementation of China's anti-involution policy, the phase-out of outdated production capacity in the chlor-alkali sector accelerated. Meanwhile, downstream demand has steadied, contributing to a gradual rebalancing of market supply and demand conditions, which in turn has driven an overall upward trend in chlor-alkali chemicals prices. For instance, China had significant planned alumina production capacity additions in 2025, and the expansion of alumina production capacity has directly driven consumption of sodium hydroxide.

In 2025, average selling price of our chlorohydrin process propylene oxide decreased primarily attributable to the intensifying market competition. Meanwhile, the production capacity of propylene oxide in the industry continued to expand, while demand growth showed limited improvement, leading to a further decline in propylene oxide prices. In addition, according to Frost & Sullivan, the price of propylene oxide is expected to rebound gradually in 2026, as a number of industry players have scaled back production driving the market supply and demand to move toward equilibrium. Average selling price of our perchloroethylene decreased in 2025, primarily driven by the following factors: (i) continuous decrease in demand from the downstream R125 refrigerant sector due to environmental protection policies; and (ii) the termination of anti-dumping duties on imported perchloroethylene in China, which allowed imported products to capture a portion of the domestic market share.

As advised by Frost & Sullivan, the fluctuation of average selling prices of our major chlor-alkali chemicals during the Track Record Period was in line with the industry trend. For details on industry-related information, please refer to the section headed "Industry Overview" in this document.

C3-C4 chemicals

Our C3-C4 facilities have been gradually put into operations during the Track Record Period. Our PDH unit for producing propylene was put into trial operation in June 2023 officially put into operations at the end of 2023; and our PO/MTBE unit for producing MTBE and co-oxidation process propylene oxide was officially put into operation in early 2025. The overall pricing of our C3-C4 chemicals products is subject to the impact of industry market prices, and the profitability thereof is also affected by the cyclical nature of China's chemical industry and the macroeconomic environment. C3-C4 chemicals business is a core pillar of the our development strategies, with the following rationale:

- *Expand capacity of major products and enhance market share:* Propylene oxide is one of our major products. The production of chlorohydrin process propylene oxide primarily uses chlorine and propylene as raw materials. Our ion-exchange membrane sodium hydroxide facilities generate chlorine as a by-product, ensuring a stable internal supply of this raw material. Prior to entering the C3-C4 chemicals business, we relied on external procurement to meet our propylene demand for an extended period, exposing us to risks of supply shortages and price fluctuations in the propylene market. The expansion into the C3-C4 chemicals sector enables us to address such risks through vertical integration and optimized raw material sourcing.

- *Mitigate risks associated with upstream raw material supply and impact of price volatility:* we possess extensive production experience in propylene oxide and a solid customer base. However, we have increasingly faced capacity constraints, with our existing production lines no longer fully meeting market demand. The expansion into the C3-C4 chemicals business will enable us to scale up the production capacity of our core propylene oxide product, thereby consolidating our market position and enhancing our competitiveness. Prior to the expansion, we exclusively adopted the chlorohydrin process for propylene oxide production. Through our C3-C4 chemicals business, we have introduced the propylene-isobutane co-oxidation process for propylene oxide manufacturing, with MTBE produced as a co-product. This diversification of production processes reduces our reliance on a single technology and strengthens our resilience against industry-specific risks, such as changes in regulatory policies, technological innovations, or restrictions on raw material supply.

- *Enrich our product portfolio and extend the industrial chain:* The expansion enables us to fully leverage our existing utility facilities and raw material resources, thereby extending our industrial chain. MTBE, as a high-performance octane booster and anti-knock agent for gasoline, enjoys strong market demand. The addition of MTBE to our product portfolio further diversifies our product offerings, reduces business concentration risk, and enhances our overall profitability and risk resistance capabilities.

Propane can be further processed into propylene through our PDH unit. Therefore, during the Track Record Period, we adjusted the ratio of propane sold externally to that consumed internally based on our own production needs and market conditions. In 2025, our propane sales volume decreased significantly, primarily due to the official commissioning of our PO/MTBE unit where propylene oxide production requires large quantities of propylene, so a substantial amount of propane was used for internal production of propylene. Meanwhile, our propylene sales volume also decreased correspondingly during 2025.

As advised by Frost & Sullivan, the average selling prices of our C3-C4 chemicals during the Track Record Period was generally in line with the industry trend.

Wet electronic chemicals

In 2024, our sales volume increased, primarily because we successfully acquired a number of new domestic and international customers, many of whom are leading enterprises in the industry, to broaden our customer base. In addition, the increased production capacity of certain major customers also contributed to the growth in demand for our electronic grade hydrofluoric acid (semi G5) products. In 2025, sales volume of our electronic grade hydrofluoric acid (semi G5) further increased, primarily attributable to the successful development of new domestic customers and overseas orders supported by our product quality advantage.

As advised by Frost & Sullivan, the fluctuation of average selling prices of our electronic grade hydrofluoric acid (semi G5) during the Track Record Period was in line with the industry trend.

Energy

Our 350MW unit power project obtained the project approval and energy assessment approval, and were put into trial operation by the end of 2023. In April 2024, we secured the approval for the grid-connection line project of the 350MW unit and commenced the project construction. The unit achieved its first grid-connected power generation and was put into trial operation in November 2024 and officially put into use in early 2025. This development has led to a substantial increase in our electricity sales volume for the year ended December 31, 2025. Our average selling prices remained relatively stable during the Track Record Period.

We have built steam production facilities at our Bincheng Base and Beihai Base. Beyond meeting part of our internal steam demand, we also supply steam to surrounding customers through pipeline networks. During the Track Record Period, the growth in our external steam sales was primarily driven by the increasing demand from these customers. The fluctuation on average selling prices of steam during the Track Record Period was in line with the price of raw coal purchased by us.

Revenue by geographic region

The following table sets forth a breakdown of our revenue by destination locations where the products are delivered for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Chinese Mainland	6,911,682	94.6	9,875,856	96.6	13,312,476	89.7
Hong Kong and overseas	394,222	5.4	352,206	3.4	1,523,966	10.3
Total	**7,305,904**	**100.0**	**10,228,062**	**100.0**	**14,836,442**	**100.0**

During the Track Record Period, we primarily generated revenue from customers in China. For the years ended December 31, 2023, 2024 and 2025, revenue from Chinese Mainland accounted for 94.6%, 96.6% and 89.7% of our total revenue, respectively.

Cost of sales

Our cost of sales consists primarily of raw material costs, utilities, depreciation and amortization and labor costs. The table below sets forth a breakdown of our cost of sales by nature, both in actual amounts and as a percentage of total cost of sales for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw material costs	3,377,777	55.5	4,710,528	49.2	8,311,976	62.1
Utilities	1,476,873	24.3	1,825,134	19.1	2,272,094	17.0
Depreciation and amortization	440,081	7.2	726,887	7.6	1,033,918	7.7
Labor costs	415,525	6.8	443,801	4.6	436,598	3.3
Others[(1)]	379,103	6.2	1,867,760	19.5	1,326,282	9.9
Total	**6,089,359**	**100.0**	**9,574,110**	**100.0**	**13,380,867**	**100.0**

Note:

(1) Others primarily represents transportation costs, maintenance purchase of propane and butane for further sales and other costs.

Raw material costs primarily consist of procurement for the raw materials for our production activities. Utilities primarily represent energy and power costs of our manufacturing operations. Depreciation and amortization primarily represent depreciation of property and plant and equipment and right-of-use assets. Labor costs primarily represent salaries and other staff-related costs of our manufacturing operations.

Raw material costs was the largest component of our cost of sales, which accounted for 55.5%, 49.2% and 62.1% of our cost of sales for the years ended December 31, 2023, 2024 and 2025, respectively. During the Track Record Period, the overall prices of these key raw materials such as raw salt exhibited a downward trend, which alleviated our production costs. The following table sets forth the sensitivity analysis of raw material costs on our gross profit margin for the periods indicated.

Hypothetical fluctuations in fluctuations in costs of sales	**For the year ended December 31,**		
	2023	**2024**	**2025**
	Change in gross profit margin		
+5%	-0.4%	-1.3%	-1.9%
-5%	+0.4%	+1.3%	+1.9%

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales, and our gross profit margin represents our gross profit divided by revenue, expressed as a percentage. The table below sets forth a breakdown of our gross profit by product type, and our gross profit margin for the periods indicated:

	For the 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*	*%*
Chlor-alkali chemicals	**1,162,506**	**18.0**	**917,304**	**15.0**	**1,295,481**	**20.6**
– Sodium hydroxide	1,082,732	50.5	1,008,274	50.4	1,235,495	56.0
– Chlorohydrin process propylene oxide	(10,783)	(0.6)	(82,048)	(4.6)	(156,060)	(11.1)
– Epichlorohydrin	(138)	(0.0)	37,635	7.2	47,460	7.0
– Allyl chloride	(24,733)	(7.1)	(24,719)	(6.9)	132,130	27.8
– Trichloroethylene	36,233	7.8	(82,679)	(25.3)	2,774	0.8
– Perchloroethylene	(1,504)	(0.5)	(2,162)	(0.7)	(8,276)	(2.8)
– Other chlor-alkali chemicals[1]	80,699	10.0	63,003	8.0	41,958	4.9
C3-C4 chemicals	**23,421**	**8.0**	**(214,312)**	**(6.3)**	**12,184**	**0.2**
– MTBE	–	–	(56,905)	(226.4)	(99,760)	(2.8)
– Co-oxidation process propylene oxide	–	–	–	–	110,846	5.5
– Propane	(2,545)	(2.3)	52,887	3.4	(23,319)	(7.5)
– Propylene	24,096	13.9	(211,280)	(13.0)	17,769	2.9
– Other C3-C4 chemicals[2]	1,870	24.0	986	0.5	6,648	2.1
Wet electronic chemicals	**(11,507)**	**(28.3)**	**(13,267)**	**(29.3)**	**(1,008)**	**(1.6)**
– Electronic grade hydrofluoric acid (semi G5)	(11,507)	(28.3)	(13,267)	(29.3)	(1,008)	(1.6)
Energy	**37,103**	**26.0**	**38,716**	**18.3**	**224,660**	**27.3**
– Electricity (350MW)	–	–	(8,492)	(12.8)	104,283	19.5
– Steam	37,103	26.0	47,208	32.5	120,377	41.8
Others[3]	**5,022**	**1.4**	**(74,489)**	**(15.8)**	**(75,742)**	**(9.3)**
Total	**1,216,545**	**16.7**	**653,952**	**6.4**	**1,455,575**	**9.8**

Notes:

(1) Other chlor-alkali chemicals primarily represented bromine, hydrogen peroxide, auxiliaries and hydrogen gas.

(2) Other C3-C4 chemicals primarily represented butane and isobutane.

(3) Others primarily represented other chemicals as well as other services provided by us.

Chlor-alkali chemicals

For the year ended December 31, 2024, the gross profit margin of our chlor-alkali chemicals decreased to 15.0% from 18.0% for the year ended 31, 2023, which was generally in line with the industry trend. The decrease was primarily driven by intensified market competition amid changes in market supply and demand, which led to a decline in our average selling price of major chlor-alkali chemicals. This overall impact was partially offset by decrease in prices of certain key raw materials, such as crude salt. For the year ended December 31, 2025, the gross profit margin increased to 20.6%, primarily attributable to an increase in selling prices for most of our major products in chlor-alkali chemicals sector.

As one of our fundamental products, sodium hydroxide's gross profit margin remained relatively high and stable for the year ended December 31, 2023 and 2024 at 50.5% and 50.4%, respectively. For the year ended December 31, 2025, our gross profit margin of sodium hydroxide increased to 56.0% primarily attributable to an increase in the average selling price in line with the industry trend. In 2025, following the implementation of China's anti-involution policy, outdated production capacity of sodium hydroxide was being phased out at an accelerated pace. Meanwhile, robust growth in downstream demand, particularly from sectors such as lithium batteries, has driven a gradual rebalancing of supply and demand, resulting in an overall upward trend in prices of sodium hydroxide.

Our chlorohydrin process propylene oxide products recorded negative gross profit margins during the Track Record Period, which was in line with the industry trend. Despite incurring negative gross margins, we maintained relatively high utilization rates throughout the Track Record Period. This is primarily attributable to the co-productive nature of the chlor-alkali chemicals production process, which is a defining feature of the chlor-alkali chemicals industry. Specifically, in the core process of producing sodium hydroxide, a significant amount of chlorine gas is generated as a co-product. Due to its highly toxic, corrosive and oxidizing properties, chlorine gas requires specialized storage, transportation and treatment to ensure safety and compliance. In this industry, as advised by Frost & Sullivan, sodium hydroxide producers generally adopt two approaches to handle chlorine gas: (i) selling chlorine gas to third-party enterprises with direct demand; or (ii) for enterprises with an integrated chlor-alkali industrial chain, such as us, internally absorbing chlorine gas to produce downstream chlorine-containing products. During the Track Record Period, driven by the expansion of sodium hydroxide production capacity and the limited production capacity of chlorine downstream products, the market price of chlorine remained persistently negative, where chlorine-consuming enterprises generally required subsidies to accept chlorine. The cost of external sales of chlorine was higher than that of internal absorption. Against this backdrop, we maintained a relatively high operating rate for the production of chlorohydrin process propylene oxide and other chlorine-consuming products, such as allyl chloride, epichlorohydrin, trichloroethylene and perchloroethylene, utilizing the co-produced chlorine gas. While this strategy resulted in negative gross margins for such products themselves amid challenging market conditions, it ensured the effective utilization of chlorine gas, thereby avoiding the aforementioned additional costs. Notably, this strategy is consistent with industry norms in the chlor-alkali chemicals market. The negative gross margin of the chlorohydrin process propylene oxide products does not reflect the overall profitability of our chlor-alkali chemicals sector.

Since 2023, our gross profit margin for epichlorohydrin gradually reached breakeven, primarily driven by our improvement of glycerol (as a key raw material for producing epichlorohydrin) storage capacity, resulting in a reduction of raw material costs. Gross profit margin for epichlorohydrin remained relatively stable at 7.2% and 7.0% for the years ended December 31, 2024 and 2025, respectively.

In 2023 and 2024, we recorded gross loss for our allyl chloride products. This was mainly because the production facilities of several market players for allyl chloride were successively put into operation since 2022, adding large amount of production capacity in the short term, which led to a rapid decline in market prices. In 2025, some backward production capacities were gradually phased out, leading to a rebound in the market price of allyl chloride, and we recorded a positive gross profit margin of 27.8%.

For the year ended December 31, 2024, we recorded gross loss for our trichloroethylene products primarily due to the decreasing selling prices of trichloroethylene, in line with industry trend. Specially, the period from 2020 to 2022 was the quota-locked period for the downstream refrigerant industry. During this period, the downstream refrigerant industry operated at a high capacity with robust demand, which resulted in a continuous increase in the price of trichloroethylene. Starting from 2023, the downstream refrigerant industry entered a quota-locked phase. Refrigerant manufacturers adjusted their operating rates continuously based on market demand and prices, which led to an overall declining trend in both the price and demand of trichloroethylene. In addition, the trichloroethylene production plants maintained a high operating rate throughout 2024, which led to a continuous decline in trichloroethylene prices in 2024. For the year ended December 31, 2025, we recorded gross profit margin for trichlorethylene products of 0.8%, primarily due to an increase in selling prices in line with the industry trend. The increase was primarily attributable to stronger overseas market demand for trichloroethylene products, as well as continued favorable market conditions and rising demand in the domestic downstream R134 refrigerant market, which together supported the increase in selling prices of trichloroethylene products in 2025.

During the Track Record Period, our perchloroethylene products recorded a negative gross margin. The downstream demand for our perchloroethylene is mainly driven by R125 refrigerant, and its demand is heavily influenced by the operating rate of R125 refrigerant production. In 2024, due to decreasing sales of R125 products and reduced overseas exports, the overall operating rate of R125 production remained low, with manufacturers primarily consuming existing inventories. This led to a decline in the market price of perchloroethylene, resulting in us recording a slight negative gross profit margin. In 2025, the gross loss from our perchloroethylene increased, mainly due to a decline in selling prices driven by the following factors: (i) continuous decrease in demand from the downstream R125 refrigerant sector due to environmental protection policies; and (ii) the termination of anti-dumping duties on imported perchloroethylene in China, which allowed imported products to capture a portion of the domestic market share.

C3-C4 chemicals

During the Track Record Period, fluctuations in the gross profit margin were primarily driven by the gradual commissioning of our C3-C4 chemicals facilities between 2023 and 2025.

Our PO/MTBE unit commenced trial operation in 2024, with a relatively low operating load. The capacity was gradually released after it was officially put into operation in early 2025, which led to a significant increase in MTBE sales in 2025 compared to 2024. The gross loss of our MTBE was primarily attributed to a concentrated release of production capacity across the industry, resulting in a temporary oversupply in the market. Meanwhile, slower growth in downstream gasoline consumption also exerted downward pressure on the market prices of MTBE. Our co-oxidation process propylene oxide recorded gross profit margin of 5.5% in 2025.

The price of propane is highly correlated with international crude oil prices and import costs. In 2024, the gross profit margin of propane increased mainly due to the reduction in the spot supply and the increase in the selling price of international LPG (primarily including propane and butane) caused by the centralized maintenance of refineries in the Middle East. In 2025, our propane products recorded a gross loss, primarily attributable to volatility in LPG market prices and unfavorable spot price differentials arising between our procurement and sales activities.

In 2024, we recorded gross loss for our propylene products, because the PO/MTBE unit had not yet been officially commissioned in 2024, and the steam co-generated by the PDH unit remained unutilized, with all associated costs being fully allocated to propylene products. In 2025, with the commissioning of the PO/MTBE unit under the C3-C4 facilities, steams generated from PDH unit were utilized for internal production and fixed asset depreciation was further allocated across more production lines. This optimized cost distribution led to a decrease in production costs and turned our gross profit margin positive.

Wet electronic chemicals

During the Track Record Period, we recorded negative gross profit margin for our electronic grade hydrofluoric acid (semi G5), primarily attributable to: (i) the single product portfolio and high construction costs for this product line led to a high allocation of fixed costs; and (ii) anhydrous hydrogen fluoride is the key raw material for electronic grade hydrofluoric acid, and its upstream raw material is fluorite. In recent years, the price of fluorite has shown an increasingly trend, which increased the production cost of electronic grade hydrofluoric acid. In addition, in 2023, adjustments to the supply sources of certain overseas customers for this sector led to a decline in our overseas sales. This, in turn, resulted in a decrease in both of the sales volume and average selling price of our products. Since 2024, we have proactively developed a number of new customers both domestically and internationally many of whom are leading enterprises in the industry. Meanwhile, the production capacity of some key customers has been expanded, driving an increase in demand for this sector. In 2025, both sales volume and average selling price rebounded, and our margin continued to improve.

Energy

Gross profit margin for our energy sales remained relatively stable during the Track Record Period. For the year ended December 31, 2024, our electricity sales recorded a negative gross profit margin of 12.8%, mainly due to the fact that our 350MW unit commenced operation in November 2024. During the initial start-up phase, the operational load was unstable and the unit consumption of key raw materials such as raw coal was relatively high, resulting in a gross loss.

Measures to improve overall gross profit margins

Against the backdrop of the gradual recovery of the chemical industry from its cyclical trough, we will proactively implement the following measures to enhance the overall level of our gross profit margin.

For chlor-alkali chemicals, we will digitize production processes to improve operational efficiency and reduce production costs, maintain high utilization rates of production facilities to leverage economies of scale and strengthen cost advantages, and expand overseas markets as well as emerging downstream application scenario to enhance revenue stability and profit margins.

For C3-C4 chemicals, we will optimize facility operational efficiency to lower production costs, continuously expand overseas markets, broaden sales channels and improve selling prices, with the overseas sales volume of MTBE products indicating an increasing trend in 2025. We will also optimize the energy supply system by establishing a direct green power connection model for plants to reduce energy costs. For details, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

For wet electronic chemicals, we will improve operational efficiency, including upgrading production equipment to enhance product yield, enrich the product portfolio by developing stripping solutions and etching solutions, and build economies of scale through scaled-up operations. For details, please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document.

Other Net Income

Our other net income primarily consists of dividend income, interest income from bank deposits, government grants and compensation income. The following table sets forth a breakdown of our other net income for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Dividend income	21,037	32.3	19,632	34.3	20,192	26.5
Interest income from bank deposits	19,857	30.4	26,714	46.7	13,332	17.5
Government grants	7,135	10.9	7,656	13.4	12,456	16.4
Compensation income	13,262	20.3	1,025	1.8	10,742	14.1
Income from the transfer of Carbon emissions quota	–	–	–	–	15,647	20.5
Others	3,929	6.1	2,165	3.8	3,797	5.0
Total	**65,220**	**100.0**	**57,192**	**100.0**	**76,166**	**100.0**

Dividend income primarily represents dividends received from our investments in certain unlisted equity securities designated at FVOCI. For details, please refer to Note 18 to the Accountants' Report as set out in Appendix I to this document.

The government grants we received mainly include those for energy supply, environmental protection such as energy conservation and pollution prevention, economic stability and growth, job retention and special funds for safety and emergency response.

Compensation income mainly represents the compensation we received from suppliers due to their breaches of contract, or compensation provided to us by other parties. In 2023, the land for which we held the land use right fell within the scope of the local government's planned national highway construction. As a result, the local government paid us a sum of amounts for the use of such land, with no facilities constructed on such land, which was recorded as compensation income.

Income from the transfer of Carbon emissions quota was mainly derived from the disposal of free carbon asset allowances obtained by us.

Selling Expenses

Our selling expenses primarily consist of employee compensation, travelling and development expenses and advertising and promotion expenses. The following table sets forth a breakdown of our selling and marketing expenses, each expressed as an absolute amount and as a percentage of our total selling expenses, for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation	21,358	76.3	19,770	81.5	20,142	78.7
Travelling and development expenses	2,252	8.0	1,546	6.4	2,562	10.0
Advertising and promotion expenses	1,596	5.7	647	2.7	383	1.5
Others	2,788	10.0	2,304	9.4	2,507	9.8
Total	**27,994**	**100.0**	**24,267**	**100.0**	**25,594**	**100.0**

Employee compensation was the largest component, accounting for 76.3%, 81.5% and 78.7% of total selling expenses for the years ended December 31, 2023, 2024 and 2025, respectively.

General and Administrative Expenses

Our general and administrative expenses consist of employee compensation, depreciation and amortization, taxes, equity incentive expenses, business development expenses and other expenses related to the general administration. The following table sets forth a breakdown of our administrative expenses, each expressed as an absolute amount and as a percentage of our total administrative expenses, for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation	238,036	40.4	245,048	51.6	233,128	43.5
Depreciation and amortization	102,287	17.3	79,493	16.7	85,768	16.0
Taxes	72,758	12.3	78,931	16.6	79,530	14.8
Equity incentive expenses	43,576	7.4	(27,742)[1]	(5.8)	44,938	8.4
Business development expenses	37,460	6.4	25,730	5.4	22,351	4.2

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Technical service and development	34,360	5.8	17,952	3.8	20,105	3.7
Travel expenses	15,980	2.7	13,065	2.8	8,668	1.6
Office expenses	9,881	1.7	13,930	2.9	5,270	1.0
Rental expenses	5,495	0.9	3,867	0.8	3,989	0.7
Others	29,834	5.1	24,314	5.2	32,792	6.1
Total	**589,667**	**100.0**	**474,588**	**100.0**	**536,539**	**100.0**

Note:

(1) The equity incentive expense for the year was recorded as negative, which was due to the failure to meet the incentive conditions in the current year.

Employee compensation was the largest component, accounting for 40.4%, 51.6% and 43.5% of total general and administrative expenses for the years ended December 31, 2023, 2024 and 2025, respectively.

Research and Development Costs

Our research and development costs primarily consist of employee compensation, materials and power, depreciation and amortization, and commissioned research and development expenses. The following table sets forth a breakdown of our research and development costs, each expressed as an absolute amount and as a percentage of our total research and development costs, for the periods indicated:

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee compensation	36,708	53.7	63,569	52.8	104,574	60.4
Materials and power	16,074	23.5	22,157	18.4	43,486	25.1
Commissioned research and development expenses	7,416	10.8	23,036	19.1	9,503	5.5
Depreciation and amortization	704	1.0	6,084	5.1	8,286	4.8
Others	7,518	11.0	5,470	4.6	7,344	4.2
Total	**68,420**	**100.0**	**120,316**	**100.0**	**173,193**	**100.0**

Research and development costs comprise all costs that are directly attributable to our research and development activities. We attach great importance to recruitment and maintenance of research and development talents, and the wages of research and development personnel accounted for a large portion of our total research and development expenses during the Track Record Period.

Impairment losses on trade and other receivables

Our impairment losses on trade and other receivables comprise impairment losses under ECL model. The following table sets forth a breakdown of our impairment losses for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	(598)	5,874	4,695
Other receivables	1,547	(1,333)	1,195
Total	**949**	**4,541**	**5,890**

Other Gains/(Losses)

The following table sets forth a breakdown of our other gains and losses for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Foreign exchange gains/(losses), net	(2,550)	(52,732)	(52,907)
Gains from financial assets measured at FVTPL	11,567	34,400	94,390
Losses on disposal of an associate	(8,712)	–	–
Impairment losses of property, plant and equipment	(1,607)	(82,970)	–
(Losses)/gains on disposal or scrapping of property, plant and equipment, net	51,891	(42,358)	25,095
Late payment fees of income tax	–	–	(16,813)
Others	(9,732)	(4,551)	(5,044)
Total	**40,857**	**(148,211)**	**44,721**

The net foreign exchange gain or losses mainly arises from the foreign exchange differences generated by foreign currency purchase and letter of credit payment for goods.

Finance Costs

Our finance costs primarily comprise interest expense. The following table sets forth a breakdown of our finance costs for the periods indicated:

	For the year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on bank and other borrowings	210,076	311,307	310,120
Interest on lease liabilities	14,117	14,216	11,893
Less: interest expense capitalized	(70,383)	(66,980)	(11,479)
Total	**153,810**	**258,543**	**310,534**

Share of profits/(losses) of associates

For the year ended December 31, 2025, we recorded share of losses of associates of RMB169.1 million. For the years ended December 31, 2023 and 2024, we recorded share of profit of associates of RMB2.4 million and RMB440.7 million, respectively. Our share of profits/(losses) of associates primarily reflected our investment in an associate and our share of such associate's results of operations using the equity method of accounting. For details of our investments in associate, please refer to Note 17 of the Accountants' Report as set out in Appendix I to this document.

Income Tax

Income tax expense primarily represents our total current and deferred tax expenses under the relevant income tax rules in the jurisdictions where we operate. For the years ended December 31, 2023 and 2025, our effective tax rate was 17.6% and 33.8%, respectively. For the year ended December 31, 2024, we recorded negative income tax of RMB95.8 million, primarily due to the non-deductible income arising from share of profit from associate of us.

Our taxation arising from other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions. During the Track Record Period, we complied with the relevant laws and regulations when filing taxes. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any unresolved tax issues with the relevant tax authorities.

We carry out certain intra-Group transactions in the PRC and overseas. We have engaged an independent Transfer Pricing Consultant to perform transfer pricing review on our cross-border intra-Group transactions for the year ended December 31, 2024 and 2025, with no such transactions incurred in 2022 and 2023, to conduct benchmarking studies on the intra-Group transactions and ensure compliance with the relevant transfer pricing regulations and guidelines. Based on the analysis of the Transfer Pricing Consultant, the arrangement for the related-party transactions of cross-border purchase and sale of goods conducted by us was not inconsistent with the arm's length principle.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 45.1% from RMB10,228.1 million for the year ended December 31, 2024 to RMB14,836.4 million for the year ended December 31, 2025, primarily attributable to the commissioning of the PO/MTBE unit within our C3-C4 facilities. The production and sales of MTBE and co-oxidation process propylene oxide primarily contributed to this revenue growth. Meanwhile, revenue for our chlor-alkali chemicals sector remained stable growth.

For detailed analysis on revenue fluctuation of our major products, please refer to "— Revenue" above.

Cost of sales

Our cost of sales increased by 39.8% from RMB9,574.1 million for the year ended December 31, 2024 to RMB13,380.9 million for the year ended December 31, 2025, primarily in line with our production expansion, accompanied by an increase in the amortized depreciation expenses after the production equipment for C3-C4 facilities was put into use.

Gross profit and gross profit margin

As a result of the cumulative effect of the factors described above, our gross profit increased by 122.6% from RMB654.0 million for the year ended December 31, 2024 to RMB1,455.6 million for the year ended December 31, 2025.

Our gross profit margin increased from 6.4% for the year ended December 31, 2024 to 9.8% for the year ended December 31, 2025. The improvement was mainly attributable to the ongoing recovery in the chemical industry cycle, accompanied by gradual price improvements across most of our major products. In particular, the gross profit margin of our chlor-alkali chemicals sector increased to 20.6% from 15.0% in 2024, while our C3-C4 chemicals sector, having commenced full-scale production, turned in a positive gross profit margin during the year.

For details on analysis of fluctuation of gross profit margin for our major products during the Track Record Period, please refer to "— Gross Profit and Gross Profit Margin" above.

Other net income

Our other net income increased by 33.2% from RMB57.2 million for the year ended December 31, 2024 to RMB76.2 million for the year ended December 31, 2025, primarily attributable to an increase in income from the transfer of carbon emissions quota.

Selling expenses

Our selling expenses increased by 5.5% from RMB24.3 million for the year ended December 31, 2024 to RMB25.6 million for the year ended December 31, 2025, in line with our business expansion.

General and administrative expenses

Our general and administrative expenses increased by 13.1% from RMB474.6 million for the year ended December 31, 2024 to RMB536.5 million for the year ended December 31, 2025, primarily due to an increase in expenses arising from the granted equity incentive plans.

Research and development costs

Our research and development expenses increased by 43.9% from RMB120.3 million for the year ended December 31, 2024 to RMB173.2 million for the year ended December 31, 2025, primarily due to increased investments in research and development personnel, direct materials and core process. Major research and development initiatives covered the development of core processes for ultra-high purity electronic-grade hydrofluoric acid, ultra-high purity electronic-grade hydrogen chloride and other products for advanced semiconductor manufacturing processes.

Impairment losses on trade and other receivables

Our impairment losses on trade and other receivables increased by 29.7% from RMB4.5 million for the year ended December 31, 2024 to RMB5.9 million for the year ended December 31, 2025, primarily due to the expansion of our business, resulting in an increase in trade and other receivables. Given the expected credit loss rate remained relatively stable, the provision for impairment losses on trade and other receivables increased accordingly.

Other gains/(losses)

For the year ended December 31, 2025, we recorded other gains of RMB44.7 million, compared to a loss of RMB148.2 million for the year ended December 31, 2024. This improvement was primarily attributable to (i) gains from financial assets measured at FVTPL, primarily attributable to the proceeds from the closing of futures positions during the period; and (ii) gains on disposal or scrapping of property, plant and equipment, primarily attributable to government compensation received in connection with the relocation of our brine-extracted bromine project. The improvement was partially offset by an increase in net foreign exchange losses.

Finance costs

Finance costs increased by 20.1% from RMB258.5 million for the year ended December 31, 2024 to RMB310.5 million for the year ended December 31, 2025. This was primarily attributable to the progressive completion of our self-constructed projects, which resulted in the related borrowing costs no longer qualifying for capitalization and instead being recognized as finance costs.

Share of profits/(losses) of associates

For the year ended December 31, 2025, we recorded share of losses of RMB169.1 million, compared to share of profits of RMB440.7 million for the year ended December 31, 2024. This was primarily attributable to the performance of our major associate. This associate is primarily engaged in the production and sale of alumina. The price of alumina increased sharply and peaked in 2024, while it dropped sharply this year, resulting in losses incurred by the associate. The decline in alumina prices is primarily attributed to the gradual easing of upstream bauxite supply constraints in 2025, coupled with an expansion of alumina production capacity across the industry and limited growth in demand from downstream electrolytic aluminum. For details, please refer to Note 17 to the Accountants' Report as set out in Appendix I to this document.

Income tax

For the year ended December 31, 2025, we recorded income tax of RMB120.2 million, compared to negative income tax of RMB95.8 million for the year ended December 31, 2024, primarily attributable to an increase in taxable profit.

Profit for the year

As a result of the foregoing, profit for the year increased by 8.4% from RMB217.3 million for the year ended December 31, 2024 to RMB235.5 million for the year ended December 31, 2025.

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

Revenue

Our revenue increased by 40.0% from RMB7,305.9 million for the year ended December 31, 2023 to RMB10,228.1 million for the year ended December 31, 2024, primarily attributable to the increase in revenue of C3-C4 chemicals. It was primarily driven by the commissioning of some of our C3-C4 facilities for manufacturing products such as propylene, thereby driving revenue growth. The increase was partially offset by the slight decrease of revenue of major chlor-alkali chemical products.

For detailed analysis on revenue fluctuation of our major products, please refer to "— Revenue" above.

Cost of sales

Our cost of sales increased by 57.2%, from RMB6,089.4 million for the year ended December 31, 2023 to RMB9,574.1 million for the year ended December 31, 2024, primarily attributable to the increasing sales volume of propylene and other C3-C4 chemicals products following the commissioning of PDH unit.

Gross profit and gross profit margin

As a result of the cumulative effect of the factors described above, our gross profit decreased by 46.2% from RMB1,216.5 million for the year ended December 31, 2023 to RMB654.0 million for the year ended December 31, 2024.

Our gross profit margin decreased from 16.7% for the year ended December 31, 2023 to 6.4% for the year ended December 31, 2024, primarily attributable to (i) the decrease in gross profit margin of chlor-alkali chemical products, mainly driven by intense market competition and overcapacity, which led to a decrease in selling prices. The slight decrease in raw materials prices during the period was insufficient to offset the downward pressure on selling prices; and (ii) the trial operation of certain C3-C4 facilities contributed to the sales of new products. However, these new products incurred relatively high allocated costs, which was attributable to the start-up phase of the aforementioned production line.

Other net income

Our other net income decreased by 12.3% from RMB65.2 million for the year ended December 31, 2023 and RMB57.2 million for the year ended December 31, 2024, primarily because in 2023, the land for which we held the land use right fell within the scope of the local government's planned national highway construction. As a result, the local government paid us a sum of amounts for the use of such land, with no facilities constructed on such land, which was recorded as compensation income.

Selling expenses

Selling expenses decreased by 13.3% from RMB28.0 million for the year ended December 31, 2023 to RMB24.3 million for the year ended December 31, 2024, primarily attributable to a decrease in employee compensation driven by a decrease in incentives provided to the selling personnel.

General and administrative expenses

Our general and administrative expenses decreased by 19.5% from RMB589.7 million for the year ended December 31, 2023 to RMB474.6 million for the year ended December 31, 2024, primarily attributable to negative equity incentive expenses, arising from adjustments to the originally estimated expenses for share-based incentive plans.

Research and development costs

Our research and development costs increased by 75.8% from RMB68.4 million for the year ended December 31, 2023 to RMB120.3 million for the year ended December 31, 2024, primarily attributable to an increase in employee compensation for research and personnel employees. In 2024, anchored in our existing product portfolio and industrial chain layout, we launched several research and development projects in respect of new products and process technologies, including the development of new polyether polyol products and the hydrogen peroxide-based epichlorohydrin process. We have increased investment in research and development personnel, equipment, materials and electricity to build the laboratory for the research and development project of C3-C4 chemicals products. To accelerate the development of high value-added products, we have collaborated with research institutes, resulting in an increase in research and development expenses.

Impairment losses on trade and other receivables

The impairment losses on trade and other receivables increased to RMB4.5 million for the year ended December 31, 2024 from RMB0.9 million for the year ended December 31, 2023. This was primarily attributable to an increase in impairment losses on trade and bills receivables, mainly due to the increase in the balance of trade receivables.

Other gains/(losses)

For the year ended December 31 2024, we recorded other losses of RMB148.2 million, as compared to other gains of RMB40.9 million for the year ended December 31, 2023. This was primarily attributable to the following factors: (i) impairment loss of property, plant and equipment as well as gain on disposal or scrap of property, plant and equipment arising from disposal of obsolete equipment in relation to a technological transformation project in 2024. This technological transformation project was mainly carried out for the commissioning preparation of the large units in our Bincheng base involving the replacement of obsolete equipment; and (ii) an increase in foreign exchange losses, mainly due to the commissioning of some of our C3-C4 facilities, which led to an increasing procurement of imported raw materials and, in turn, an increase in the amount of foreign exchange purchase.

Finance costs

Our finance costs increased by 68.1% from RMB153.8 million for the year ended December 31, 2023 to RMB258.5 million for the year ended December 31, 2024, primarily due to an increase in interest expenses as we increased the level of borrowings.

Share of (losses)/profits of associates

Our share of profits of associates increased sharply from RMB2.4 million for the year ended December 31, 2023 to RMB440.7 million for the year ended December 31, 2024, primarily resulting from the profits in results of operations of our major associate that acquired by us in December 2023. This associate is primarily engaged in the production and sale of alumina. Benefiting from the gradual increase in alumina prices in 2024, the associate recorded substantial profits. For details, please refer to Note 17 of the Accountants' Report as set out in Appendix I to this document.

Income tax

For the year ended December 31, 2024, we recorded negative income tax of RMB95.8 million, primarily due to the non-deductible income arising from share of profit from associate of us.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 45.5%, from RMB398.9 million for the year ended December 31, 2023 to RMB217.3 million for the year ended December 31, 2024.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Historically, we funded our operations primarily with cash generated from operating activities, bank borrowings and equity and debt fund raising. Our cash and cash equivalents primarily consist of cash on hand and bank balances. Taking into account the financial resources available to us, including our existing cash and cash equivalents, availability of banking facilities, estimated [**REDACTED**] from the [**REDACTED**] and cash flows from our operations, our Directors are of the view that, after due and careful inquiry, we have sufficient working capital for at least the next 12 months commencing from the date of this document.

Our future cash requirements will depend on many factors, including our operating income, capital expenditures on property, plant and equipment and intangible assets, market acceptance of our products or other changing business conditions and future developments, including any

investments or acquisitions we may decide to pursue. We may require additional cash due to changing business conditions or other future developments. If our existing cash is insufficient to meet our requirements, we may seek to issue equity and/or debt securities or borrow from lending institutions.

Cash Flows

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

	For the year ended December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	931,407	486,063	2,865,408
Net cash used in investing activities	(2,229,156)	(1,762,229)	(727,136)
Net cash generated from/(used in) financing activities	957,753	903,850	(890,991)
Cash and cash equivalents at beginning of the year	1,187,263	846,512	475,715
Effect of foreign exchange rate changes	(755)	1,519	(21,408)
Cash and cash equivalents at end of the year	846,512	475,715	1,701,588

Net cash generated from operating activities

Net cash generated from operating activities for the year ended December 31, 2025 amounted to RMB2,865.4 million, primarily reflecting (i) profit before taxation of RMB355.7 million; (ii) positive total adjustments before movements in working capital of RMB1,547.4 million, which in turn primarily reflected RMB1,064.5 million of positive adjustment for depreciation of property, plant and equipment and RMB310.5 million of positive adjustment for finance costs; and (iii) net increase in working capital of RMB1,081.0 million. Such increase in working capital was primarily due to an increase in trade and bills payables, accrued expenses and other payables of RMB1,253.3 million, primarily attributable to increased procurement volume for raw materials for our production activities.

Net cash generated from operating activities for the year ended December 31, 2024 amounted to RMB486.1 million, primarily reflecting (i) profit before taxation of RMB121.4 million; (ii) positive total adjustments before movements in working capital of RMB709.8 million, which in turn primarily reflected RMB781.3 million of positive adjustment for depreciation of property, plant and equipment and RMB258.5 million of positive adjustment for finance costs, which was partially offset by RMB440.7 million of negative adjustment for share of profits of associates; and (iii) net decrease in working capital of RMB257.2 million. Such decrease was primarily due to an increase of RMB518.7 million in inventories representing purchase of stock for production, which was partially offset by an increase of RMB279.0 million in trade and bills payables, accrued expenses and other payments representing procurement of raw materials.

Net cash generated from operating activities for the year ended December 31, 2023 amounted to RMB931.4 million, primarily reflecting (i) profit before taxation of RMB484.2 million; (ii) positive total adjustments before movements in working capital of RMB689.5 million, which in turn primarily reflected RMB531.8 million of positive adjustment for depreciation of property, plant and equipment and RMB153.8 million of positive adjustment for finance costs; and (iii) net decrease in working capital of RMB87.3 million. Such decrease was primarily due to an increase of RMB1,670.8 million in trade receivables, prepayments, deposits and other receivables mainly due

to the increase of input value-added tax deductible, and an increase of RMB162.1 million in inventories, partially offset by an increase of RMB1,745.6 million in trade and bills payables, accrued expenses and other payables.

Net cash used in investing activities

Net cash used in investing activities for the year ended December 31, 2025 was RMB727.1 million. The cash outflow from investing activities was primarily derived from: payments for the purchase of property, plant and equipment and intangible assets of RMB829.0 million, and acquisition of financial assets at FVTPL of RMB97.5 million. This was partially offset by proceeds from disposal of financial assets at FVTPL of RMB183.1 million.

Net cash used in investing activities for the year ended December 31, 2024 was RMB1,762.2 million. The cash outflow from investing activities was primarily derived from: payments for the purchase of property, plant and equipment and intangible assets of RMB2,019.4 million, and refund of equity investment intent deposit of RMB200.0 million.

Net cash used in investing activities for the year ended December 31, 2023 was RMB2,229.2 million. The cash outflow from investing activities was primarily derived from: payments for the purchase of property, plant and equipment and intangible assets of RMB2,403.4 million, and acquisition of subsidiaries, net of cash acquired, of RMB906.8 million. This was significantly offset by proceeds from disposal of financial assets at FVTPL of RMB4,824.2 million.

Net cash (used in)/generated from financing activities

Net cash used in financing activities for the year ended December 31, 2025 was RMB891.0 million. The cash outflow from financing activities was primarily derived from: repayment of bank and other borrowings of RMB4,664.9 million, which was partially offset by proceeds from bank and other borrowings of RMB3,798.6 million.

Net cash generated from financing activities for the year ended December 31, 2024 was RMB903.9 million. The cash outflow from financing activities was primarily derived from: proceeds from bank and other borrowings of RMB5,453.1 million, partially offset by (i) repayment of bank and other borrowings of RMB3,773.5 million and (ii) payment of bill deposits of RMB640.3 million.

Net cash generated from financing activities for the year ended December 31, 2023 was RMB957.8 million. The cash outflow from financing activities was primarily derived from: proceeds from bank and other borrowings of RMB5,932.2 million, partially offset by (i) repayment of bank and other borrowings of RMB2,975.6 million and (ii) payment of bill deposits of RMB1,323.0 million.

CAPITAL EXPENDITURES

Our capital expenditures were RMB2,403.4 million, RMB2,019.4 million and RMB829.0 million for the years ended December 31, 2023, 2024 and 2025, respectively. Our capital expenditures primarily relate to additions to property, plant and equipment and intangible assets.

CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Current Assets and Liabilities

The following table sets forth 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 and contract costs	521,478	1,071,798	1,356,853	1,239,966
Trade and bills receivables	827,704	678,518	917,798	967,819
Financial assets measured at fair value through profit or loss ("**FVTPL**")	–	5,243	14,060	22,992
Prepayments, deposits and other receivables	618,396	1,091,798	433,075	471,675
Restricted deposits	1,220,310	283,231	662,305	624,156
Cash and cash equivalents	846,512	475,715	1,701,588	1,709,682
Total current assets	**4,034,400**	**3,606,303**	**5,085,679**	**5,036,290**
Current liabilities				
Bank and other borrowings	3,727,483	3,553,412	4,489,262	4,651,767
Trade and bills payables	1,104,390	1,362,412	2,257,142	1,967,864
Accrued expenses and other payables	844,432	562,205	374,887	509,032
Contract liabilities	86,251	136,659	139,200	283,993
Lease liabilities	138,391	31,315	9,269	12,757
Current taxation	19,675	17,792	33,815	13,856
Total current liabilities	**5,920,622**	**5,663,795**	**7,303,575**	**7,445,269**
Net current liabilities	**1,886,222**	**2,057,492**	**2,217,896**	**2,408,979**

Our net current liabilities increased from RMB1,886.2 million as of December 31, 2023 to RMB2,057.5 million as of December 31, 2024, primarily attributable to a decrease in restricted deposits, which was partially offset by an increase in inventories and contract costs mainly due to an increase in raw material procurement for the commissioning of certain C3-C4 facilities.

Our net current liabilities increased from RMB2,057.5 million as of December 31, 2024 to RMB2,217.9 million as of December 31, 2025, primarily attributable to (i) an increase in bank and other borrowings, and (ii) an increase in trade and bills payables, reflecting increasing procurement of raw materials for our production activities; which was partially offset by an increase in cash and cash equivalents and restricted deposits.

Our net current liabilities remained relatively stable at RMB2,217.9 million as of December 31, 2025 and RMB2,409.0 million as of February 28, 2026.

We expect to further improve our net current liabilities position through the following measures:

- prioritize repayment of high-interest current liabilities, such as high-interest bank working capital loans, so as to reduce interest expenses and the balance of liabilities;
- improve our operating cash flows and increase the net cash generated from operating activities primarily as a result of enhanced profitability arising from the implementation of strategies and measures;
- continue to regularly review and update our liquidity and funding policies to ensure that such policies remain aligned with our business plans and financial position. We will also utilize other financial resources available to us, including the [**REDACTED**] from the [**REDACTED**], our current cash and cash equivalents and our net cash flows from operating activities, which would further lower our current liabilities by reducing current borrowings from banks and other financial institutions repayable within one year;
- improve our trade and bills payables management. We expect to enhance our bargaining power over our suppliers as we scale up our business, and we plan to negotiate better credit terms with our suppliers for extended payment cycles;
- maintain stable relationships with banks so as to timely obtain bank borrowings on acceptable terms once necessary. In addition, we are actively discussing with banks to increase the proportion of long-term loans in our financing structure to better match the life cycle of our capital expenditures and enhance financial stability.

Property, Plant and Equipment

The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Plant and Buildings	1,795,656	1,707,084	2,506,671
Machinery and equipment	5,946,091	7,556,047	10,883,967
Vehicles	21,951	24,417	26,538
Electronic equipment and others	132,660	92,830	149,325
Construction in progress	3,873,127	4,601,510	472,668
Total	**11,769,485**	**13,981,888**	**14,039,169**

Our property, plant and equipment increased by 18.8% from RMB11,769.5 million as of December 31, 2023 to RMB13,981.9 million as of December 31, 2024, primarily attributable to our increase procurement of machinery and equipment, especially for our C3-C4 facilities under construction. Our property, plant and equipment remained relatively stable at RMB14,039.2 million as of December 31, 2025.

Right-of-use Assets

The following table sets forth the breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest in leasehold land held for own use	813,287	984,569	1,059,285
Leasehold land, properties and equipment leased for own use	505,334	345,615	339,066
Total	**1,318,621**	**1,330,184**	**1,398,351**

Our right-of-use assets primarily represents our lease rights in land, properties and equipment. During the Track Record Period, our rights-of-use assets remained relatively stable at RMB1,318.6 million, RMB1,330.2 million and RMB1,398.4 million as of December 31, 2023, 2024 and 2025, respectively.

Interests in Associates

As of December 31, 2023, 2024 and 2025, our interests in associates amounted to RMB1,884.6 million, RMB2,335.8 million and RMB2,185.4 million, respectively. On December 15, 2023, we acquired 35.6% equity interest in Lubei Group through one of our subsidiaries. As Lubei Group has business synergies with us, in particular possessing significant crude salt resources, we believed such acquisition could further strengthen and expand our core business, enhance our industry position and boost our market competitiveness. For details, please refer to "— Financial Information of Jinyuan New Materials" below and Note 17 to the Accountants' Report as set out in Appendix I to this document.

Equity Securities Designated at FVOCI

As of December 31, 2023, 2024 and 2025, we recorded equity securities designated at FVOCI of RMB677.4 million, RMB677.4 million and RMB710.8 million, respectively. Our equity securities designated at FVOCI primarily represented our investments in unlisted equity securities for strategic purposes. We received dividends of RMB21.0 million, RMB19.6 million and RMB20.2 million on this investment for the years ended December 31, 2023, 2024 and 2025, respectively.

Inventories and Contract Costs

The following table sets forth the breakdown of our inventories and contract costs as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	345,266	843,756	931,801
Finished goods	123,296	263,398	421,793
Goods in transit	5,499	12,868	9,700
	474,061	1,120,022	1,363,294
Less: write-down of inventories	(9,975)	(62,063)	(25,551)
	464,086	1,057,959	1,337,743
Contract costs	57,392	13,839	19,110
Total	**521,478**	**1,071,798**	**1,356,853**

Our inventories and contract costs increased significantly by 105.5% from RMB521.5 million as of December 31, 2023 to RMB1,071.8 million as of December 31, 2024, primarily attributable to an increase in propane procurement for the commissioning of certain C3-C4 facilities. Our inventories and contract costs further increased by 26.6% to RMB1,356.9 million as of December 31, 2025, primarily attributable to the commencement of our co-oxidation process propylene oxide and MTBE production.

Aging analysis

The following table sets forth the aging analysis of inventories and contract costs based on the date of receipt of goods and net of loss allowance as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
Within 1 year	513,590	1,061,834	1,348,164
1-2 years	257	2,843	467
2-3 years	7,631	111	1,491
Over 3 years	–	7,010	6,731
Total	**521,478**	**1,071,798**	**1,356,853**

Turnover days

The following table sets forth our inventories and contract costs turnover days during the Track Record Period:

	For the years ended December 31,		
	2023	**2024**	**2025**
		Days	
Inventories and contract costs turnover days[(1)]	34	32	34

Note:

(1) Inventories and contract costs turnover days are calculated based on the average balance of inventories and contract costs divided by cost of sales multiplied by the number of days during the respective year.

During the Track Record Period, our inventories and contract costs turnover days remained relatively stable at 34 days, 32 days and 34 days for the years ended December 31, 2023, 2024 and 2025, respectively.

As of February 28, 2026, RMB1,342.3 million, or 98.9% of inventories and contract costs as of December 31, 2025, had been subsequently used, consumed or sold.

Trade and Bills Receivables

The following table sets forth the breakdown of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables	726,427	493,304	465,557
Trade receivables			
– Related parties	8,921	21,423	14,137
– Third parties	102,194	178,120	457,128
	837,542	692,847	936,822
Less: allowance for doubtful debts	(9,838)	(14,329)	(19,024)
Total	**827,704**	**678,518**	**917,798**

Our trade and bills receivables mainly represent outstanding amounts due from our customers for the purchase of products in the ordinary course of business, less allowance for doubtful debts. Our trade and bills receivables decreased by 18.0% from RMB827.7 million as of December 31, 2023 to RMB678.5 million as of December 31, 2024, primarily attributable to a decrease in bills receivables driven by the use and reclassification of certain unexpired bills. Our trade and bills receivables increased by 35.3% to RMB917.8 million as of December 31, 2025, in line with our revenue growth.

Turnover days

The following table sets forth our trade and bills receivables turnover days for the periods indicated.

	For the years ended December 31,		
	2023	2024	2025
		Days	
Trade and bills receivables turnover days[(1)]	41	27	20

Note:

(1) Trade and bills receivables turnover days are calculated based on the average balance of trade and bills receivables divided by revenue multiplied by the number of days during the respective year.

During the Track Record Period, trade and bills receivables turnover days has shown a decreasing trend at 41 days, 27 days and 20 days for the years ended December 31, 2023, 2024 and 2025, respectively, which demonstrates the effectiveness of our efforts to enhance the collection of receivables from customers.

Aging Analysis

The aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	817,087	670,331	910,273
1-2 years	10,084	5,193	6,022
2-3 years	533	2,994	1,503
Total	**827,704**	**678,518**	**917,798**

As of February 28, 2026, RMB502.3 million, or 53.6% of trade and bills receivables as of December 31, 2025, had been subsequently settled.

Financial Assets Measured at Fair Value through Profit or Loss ("FVTPL")

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

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products	–	–	5,271
Derivative financial instruments	–	5,243	8,789
Total	**–**	**5,243**	**14,060**

Our financial assets measured at FVTPL primarily comprised of investments in wealth management products and derivative financial instruments. We recorded financial assets measured at FVTPL of RMB5.2 million and RMB14.1 million as of December 31, 2024 and 2025, respectively, primarily because we entered into certain commodity futures or options to mitigate the risk associated with the prices of our sodium hydroxide, LPG and related chemical products purchased or sold. For details, please refer to "Business — Risk Management and Internal Control — Hedging Activities" in this document.

To ensure the safety of our funds, we only invest in low-risk wealth management products, primarily including structured deposits. On the premise of ensuring our daily operational fund needs, we have established and improved the approval and execution procedures for wealth management investment in accordance with the principle of separating the functions of decision-making, execution and supervision. These procedures are designed to ensure the effective implementation and standardized operation of all wealth management investment matters. When conducting wealth management investment, we focus on the matching of returns and risks, and put the safety of funds as the top priority. We regularly monitor the relevant status of the funds invested in wealth management to ensure the full recovery of such funds upon maturity. Our Financial Management Department is responsible for the overall management of our wealth management product investments. All members of our Financial Management Department possess educational backgrounds in finance, accounting and investment-related fields, with 100% holding bachelor's degrees or higher. These members have years of experience in finance work, holding professional qualifications such as corresponding junior and intermediate titles, certified tax agents and banking certifications. If the maximum balance of wealth management investment exceeds 10% of our latest

audited net assets, it shall be subject to the review and approval of our Board. Our non-executive Directors have the right to supervise and inspect the management and use of the funds. When necessary, professional institutions may be engaged to conduct audits on the relevant fund management matters.

Upon the [**REDACTED**], we intend to continue our investment strictly in accordance with our internal policies and procedures, Articles of Association and compliance requirements under Chapter 14 of the Listing Rules.

Prepayments, Deposits and Other Receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Advances to suppliers	59,286	322,747	127,183
Deposit	16,240	25,343	62,811
Amounts due from related parties	614	3,464	2,472
Amounts due from a third party	50,103	50,103	50,103
Input value-added tax deductible	483,514	602,516	146,594
Prepaid tax	25,383	128,639	46,717
Consideration receivables from the disposal of equity securities designated at FVOCI due from a related party[(1)]	30,720	–	–
[**REDACTED**] to be deducted from equity	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	4,583	9,487	34,248
	670,443	1,142,299	484,771
Less: loss allowance for other receivables	(52,047)	(50,501)	(51,696)
Total	**618,396**	**1,091,798**	**433,075**

Note:

(1) In 2023, we disposed the equity interests in a financing company to a related party.

Our prepayment, deposits and other receivables increased by 76.6% to RMB1,091.8 million as of December 31, 2024, primarily attributable to our increased procurement of materials and increase in deductible input VAT. Our prepayment, deposits and other receivables decreased by 60.3% to RMB433.1 million as of December 31, 2025, primarily attributable to the refund of the accumulated input VAT carry-over to the subsidiary as it completed the construction.

As of December 31, 2023, 2024 and 2025, our prepayments, deposits and other receivables were stated net of allowance for credit losses of RMB52.0 million, RMB50.5 million and RMB51.7 million, respectively. These allowances primarily related to other receivables assessed to be at risk of default based on historical credit experience and forward-looking assessments.

As of February 28, 2026, RMB89.2 million, or 20.6% of prepayments, deposits and other receivables as of December 31, 2025, had been subsequently settled.

Trade and Bills Payables

The following table sets forth the analysis of the trade and bills payables:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,089,236	1,360,744	2,036,154
Bills payables	15,154	1,668	220,988
Total	**1,104,390**	**1,362,412**	**2,257,142**

Our trade and bills payables increased by 23.4% to RMB1,362.4 million as of December 31, 2024, primarily attributable to the increased procurement volume driven by the commissioning of certain C3-C4 facilities. Our trade and bills payables further increased by 65.7% to RMB2,257.1 million as of December 31, 2025, primarily attributable to an increase in procurement volume of raw materials, driven by an increase in sales volume of C3-C4 chemicals.

Turnover days

The following table sets forth our trade and bills payables turnover days for the periods indicated.

	For the years ended December 31,		
	2023	2024	2025
		Days	
Trade and bills payables turnover days[(1)]	70	47	49

Note:

(1) Trade and bills payables turnover days equal to the average balance of trade and bills payables at the beginning and the end of the relevant period divided by cost of sales for such period and multiplied by number days during the year.

Our trade and bills payables turnover days were 70 days, 47 days and 49 days for the year ended December 31, 2023, 2024 and 2025, respectively. In 2024, our trade and bills payables turnover days decreased from 70 days to 47 days, primarily due to a significant increase in cost of sales driven by an expanded sales scale.

Aging analysis

The aging analysis of trade and bills payables as at the end of each reporting period, based on the invoice date, is as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	933,272	1,014,770	2,205,767
Over 1 years	171,118	347,642	51,375
Total	**1,104,390**	**1,362,412**	**2,257,142**

As of February 28, 2026, RMB1,275.1 million, or 56.5% of trade and bills payables as of December 31, 2025 had been subsequently settled.

Accrued Expenses and Other Payables

The following table sets forth the analysis of the accrued expenses and other payables as of the dates indicated.

	As of December 31,		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties	210,721	135,101	101,656
Accrued payroll and benefits	80,714	93,343	83,194
Other tax payables	25,341	19,739	22,804
Deposits	91,693	74,559	78,916
Restricted share repurchase obligation	107,190	187,931	58,551
Acquisition consideration payables	304,245	–	–
Dividend payables	–	20,306	–
Others	24,528	31,226	29,766
Total	**844,432**	**562,205**	**374,887**

Our accrued expenses and other payables decreased to RMB562.2 million as of December 31, 2024 from RMB844.4 million as of December 31, 2023. Our accrued expenses and other payables further decreased by 33.3% to RMB374.9 million as of December 31, 2025, primarily attributable to a decrease in restricted share repurchase obligation, driven by (i) the exercise of share options granted upon the satisfaction of vesting conditions; and (ii) the refund of subscription payments to certain employees who failed to meet the vesting conditions for restricted shares.

As of February 28, 2026, RMB58.7 million, or 15.7% of accrued expenses and other payables as of December 31, 2025 had been subsequently settled.

Contract Liabilities

Our contract liabilities primarily represent our advances received from our customers for purchase of products. As of December 31, 2023, 2024 and 2025, our contract liabilities amounted to RMB86.3 million, RMB136.7 million and RMB139.2 million, respectively. As of December 31, 2024, our contract liabilities increased to RMB136.7 million, primarily attributable to the increase in advance payments received from customers of MTBE and propylene. As of December 31, 2025, our contract liabilities remained relatively stable at RMB139.2 million.

As of February 28, 2026, RMB133.3 million, or 95.8% of contract liabilities as of December 31, 2025 had been subsequently recognized as revenue.

INDEBTEDNESS

During the Track Record Period, our indebtedness mainly consisted of borrowings, lease liabilities, and amounts due to related parties.

The table below sets forth 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)*
Bank and other borrowings	7,254,033	8,980,936	8,927,311	9,022,286
Lease liabilities	163,134	276,217	288,405	289,407
Amounts due to related parties	210,721	135,101	101,656	102,074
Total	**7,627,888**	**9,392,254**	**9,317,372**	**9,413,767**

Our Directors confirmed that there has not been any material change in our indebtedness since February 28, 2026 and up to the Latest Practicable Date.

Bank and Other Borrowings

The following table sets forth the analysis of the repayment schedule of bank and other borrowings:

	As of December 31,			As of February 28,
	2023	2024	2025	2026
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Within 1 year or on demand	3,727,483	3,553,412	4,489,262	4,651,767
After 1 year but within 2 years	739,508	1,983,610	1,869,691	1,699,722
After 2 years but within 5 years	2,046,900	2,712,357	2,433,458	2,649,383
After 5 years	740,142	731,557	134,900	21,414
Total	**7,254,033**	**8,980,936**	**8,927,311**	**9,022,286**

As of February 28, 2026, we had unutilized banking facilities of approximately RMB3,202.9 million.

Lease Liabilities

The following table sets forth the analysis of the lease 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)*
Within 1 year	138,391	31,315	9,269	12,757
After 1 year but within 2 years	8,947	18,468	9,139	9,203
After 2 years but within 5 years	4,163	68,999	52,734	92,060
After 5 years	11,633	157,435	217,263	175,387
	24,743	244,902	279,136	276,650
Total	**163,134**	**276,217**	**288,405**	**289,407**

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

Our commitments during the Track Record Period were primarily related to the purchase of land and production plants. The capital commitments as of December 31, 2023, 2024 and 2025 were RMB2,783.0 million, RMB250.5 million, and RMB369.0 million, respectively.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions primarily comprised trading, servicing transactions, assets and equity transactions, and financing arrangements and other transactions. As of December 31, 2023, 2024 and 2025, amounts due to related party in non-trade nature amounted to RMB210.7 million, RMB135.1 million and RMB101.7 million, respectively, primarily representing borrowings from a related party for our production and operation. The non-trade balances with related parties are expected to be settled upon the [**REDACTED**]. As of December 31, 2024 and 2025, our Company provided guarantee to Shandong Bohai Bay Port China Terminal Co., Ltd. of RMB38.2 million and RMB37.8 million, respectively, in which we held 30.0% equity interests as of the Latest Practicable Date. Guarantees provided by our Company to such associate do not give rise to financial independence or financial assistance concerns. These guarantees are exclusively a requirement of the lending bank for the associate's working capital loans, under which all shareholders must provide proportional guarantees based on their shareholdings. The guarantee is expected to be cancelled in February 2034.

For more information of related party transactions, see Note 39 to the Accountants' Report in Appendix I to this document.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2023	2024	2025
Gross profit margin [(1)]	16.7%	6.4%	9.8%
Net profit margin[(2)]	5.5%	2.1%	1.6%
Return on equity (ROE)[(3)]	3.5%	1.9%	2.0%
Return on assets (ROA)[(4)]	2.0%	1.0%	1.0%
Current ratio[(5)]	0.7	0.6	0.7
Quick ratio[(6)]	0.6	0.4	0.5
Gearing ratio[(7)]	66.2%	82.5%	76.5%

Notes:

(1) Gross profit margin equals our gross profit divided by revenue for the respective year.

(2) Net profit margin equals our net profit divided by revenue for the respective year.

(3) ROE ratio is calculated using net profit divided by total average of the opening and closing balances of total equity of the respective year, multiplied by 100%.

(4) ROA ratio is calculated using net profit divided by total average of the opening and closing balances of total assets of the respective year, multiplied by 100%.

(5) Current ratio is calculated using total current assets divided by total current liabilities at the end of the respective year.

(6) Quick ratio is calculated using total current assets less inventories divided by total current liabilities at the end of the respective year.

(7) Gearing ratio equals total borrowings divided by total equity at the end of the respective year, multiplied by 100%.

FINANCIAL RISK MANAGEMENT

We are exposed to various types of financial risks in the normal course of business, including credit risks, liquidity risks and commodity risks. Details of the risk to which we are exposed are set out in Note 35 to the Accountants' Report included in Appendix I to this document.

[**REDACTED**]

The estimated total [**REDACTED**] (based on the mid-point of our [**REDACTED**] for the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**], or [**REDACTED**]% of the [**REDACTED**] estimated to be received by us from the [**REDACTED**]), of which (i) HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) has been incurred during the Track record Period; and (ii) an estimated amount of approximately HK$[**REDACTED**] is expected to be expensed through the statement of profit or loss and the remaining amount of approximately HK$[**REDACTED**] is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. These [**REDACTED**] are mainly comprised of [**REDACTED**] expenses of approximately HK$[**REDACTED**], and non-[**REDACTED**] expenses of approximately HK$[**REDACTED**], which are comprised of (i) accountant and legal adviser fees and expenses of approximately HK$[**REDACTED**] and (ii) other fees and expenses of approximately HK$[**REDACTED**].

DIVIDEND

Pursuant to our Articles of Association, within any three consecutive years, our distributed cumulative profits in cash shall not be less than 30% of the average distributable profits realized in the latest three years. The specific dividend ratios shall be determined by our Board according to our operating conditions, our Articles of Association and other conditions, and shall be considered and resolved at our general meeting. Future profit distributions may be paid in the form of cash dividends or stock dividends or a combination of cash dividends and stock dividends. For the years ended December 31, 2023, 2024 and 2025, the Company declared cash dividends of RMB262.7 million, RMB121.5 million and RMB80.4 million, respectively. As of the Latest Practicable Date, all declared cash dividends during the Track Record Period were fully paid.

UNAUDITED [**REDACTED**] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For details of the unaudited [**REDACTED**] financial information, please refer to Appendix II to this document below.

SUBSEQUENT EVENTS

On April 21, 2026, the Board approved and declared dividend in respect of RMB0.04 per share, representing an aggregate dividend of RMB79.8 million.

DISTRIBUTABLE RESERVES

As of December 31, 2023, 2024 and 2025, our reserves available for distribution included retained earnings, which amounted to RMB5,682.7 million, RMB5,769.6 million and RMB5,912.0 million, respectively.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2025, being the end date on which our latest audited consolidated financial statements were prepared, and there is no event since December 31, 2025 which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

FINANCIAL INFORMATION OF JINYUAN NEW MATERIALS

The following is a discussion of Jinyuan New Material's results of operation for the period from January 1, 2023 to December 15, 2023, the acquisition date.

Description of Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth the statements of profit or loss and other comprehensive income of Jinyuan New Material for the periods indicated, which is derived from the statements of profit or loss and other comprehensive income of Jinyuan New Material in Note 37 to the Accountants' Report as set out in Appendix I to this document.

	Period from January 1, 2023 to December 15, 2023
	RMB'000
Revenue	–
General and administrative expenses	(55)
Losses from operations	**(55)**
Share of profits of an associate	9,366
Profit before taxation	**9,311**
Income tax	–
Profit for the year	**9,311**

Jinyuan New Materials did not engage in any business operations, and its primary activity was holding part of the assets of Lubei Group. We mainly acquired a portion of Lubei Group's equity interest through Jinyuan New Materials. Lubei Group is a major associate of us. Accordingly, Jinyuan New Materials had no revenue generated from external sales, and only incurred administrative expenses related to its daily operations. Its main source of profit was the share of profits from operations of Lubei Group.

Description of Statements of Financial Position

The following table sets forth the statements of financial position of Jinyuan New Material for the periods indicated, which is derived from the statements of financial position of Jinyuan New Material in Note 37 to the Accountants' Report as set out in Appendix I to this document:

	As of December 15, 2023
	RMB'000
Non-current assets	
Interests in an associate	991,875
Current liabilities	
Other payables	404,300
Net current liabilities	**(404,300)**
Total assets less current liabilities	**587,575**
Net assets	**587,575**

Non-current assets

Jinyuan Material's non-current assets primarily arose from its interest in an associate. Jinyuan Material's interests in associates amounted to RMB991.9 million as of December 15, 2023, primarily resulting from its interests in Lubei Group using the equity method. For details, please refer to Note 37 to the Accountants' Report as set out in Appendix I to this document.

Current liabilities

Current liabilities primarily represented other payables of Jinyuan Materials as of respective dates, primarily representing borrowings from its former parent company prior to the acquisition by us. Jinyuan Materials' other payables amounted to RMB404.3 million as of December 15, 2023. The borrowings were fully settled in 2024.

Description of Cash Flow Statements

Net cash used in operating activities amounted to nil for the period from January 1, 2023 to December 15, 2023, after negative adjustment for share of profits of an associate and increase in other payables.

For details, please refer to Note 37 to the Accountants' Report as set out in Appendix I to this document.

FUTURE PLANS

Please refer to the section headed "Business — Our Strategies" in this document for a detailed discussion of our future plans.

USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]), we estimate that we will receive [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**] after deducting the [**REDACTED**] commissions and other estimated expenses in connection with the [**REDACTED**], and assuming the [**REDACTED**] is not exercised. In the event the [**REDACTED**] is exercised in full and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**] stated in this document), we will receive additional [**REDACTED**] of approximately HK$[**REDACTED**].

In alignment with our strategies and development plans, we intend to allocate the net proceeds for the following purposes:

(i) approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to the construction of our source-grid-load-storage integrated project (源網荷儲項目) in Beihai Economic Development Zone of Binzhou (the "**Project**").

We intend to leverage the region's abundant wind and solar energy resources to achieve the localized and on-site consumption of wind and solar new energy. The Project is expected to comprise a 160MW wind power plant, a 100MW PV power station, a 130MW/260MWh energy storage system and a 110kV step-up substation, which will be incorporated as an integrated smart energy dispatching and control center, among other supporting facilities. Upon completion, it will generate 424 million kWh of self-consumed electricity annually, with green power accounting for 60% of the electricity consumption of our Beihai Base. The surplus electricity is expected to generate additional revenue for us. Based on the economic benefit analysis, the project has an after-tax investment payback period of approximately 12 years. Upon commencement of operations, the project will enhance energy supply security, mitigate exposure to electricity price fluctuations, reduce operating costs for energy-intensive production processes, and support the stable operation and expansion of our high-end electronic chemicals business.

- approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be used for procurement and installation of machinery and equipment, primarily including major wind solar power equipment.

- approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated for the construction of power generation facilities, mainly including construction projects such as power plants and integrated circuit.

As of the Latest Practicable Date, we have conducted preliminary detailed surveys of wind turbine locations and carried out certain preliminary construction work, and the Project is expected to be completed and put into operation by 2027. The total capital expenditure of the Project is expected to be RMB[**REDACTED**], with approximately RMB[**REDACTED**] (equivalent to HK$[**REDACTED**]) to be funded by the [**REDACTED**] from the [**REDACTED**]. We plan to fund the remaining portion of the Project through cash generated from operating activities, bank borrowings, or equity and debt fund raising.

We expect to construct the project by the following timeframe:

- Completion of the land file compilation : By first half of 2026
- Completion of parts of grid connection and power generation of wind power projects : By the end of 2026
- Completion of the construction : By the end of 2027

(ii) approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to enhance our research and development capabilities.

These initiatives primarily focus on the research and development of high-value-added products that extend downstream along the industrial chain, such as bio-based pentamethylenediamine, polyisobutylene and biphenylacetic acid, as well as development of the new processing machinery, such as alkaline water electrolyzers.

Our key research and development projects are scheduled to commence in 2026 and early 2027, with the research and development work expected to be completed by the end of 2030. The intended timeframe for use of [**REDACTED**] is set out in the table below.

	2026	2027	2028	2029	2030
Proposed used of [REDACTED]	[REDACTED]% HK$[REDACTED]	[REDACTED]% HK$[REDACTED]	[REDACTED]% HK$[REDACTED]	[REDACTED]% HK$[REDACTED]	[REDACTED]% HK$[REDACTED]

We believe that the development of high-value-added products are important to our long-term development strategies and business prospects, having considered that: (i) it enhances our competitiveness in the market. These high-value-added products rely on sophisticated chemical synthesis processes, catalyst technologies and application formulation technologies, which are not readily replicable by competitors in the short term. Meanwhile, these products are widely applied in sectors such as electronics and pharmaceuticals, where certification cycles are lengthy, and standards are stringent. Once incorporated into customers' supply chains, such products generate strong customer stickiness with high switching costs. The development of these products thus enables us to build dual competitive moats based on technological superiority and customer certification, which is crucial to the long-term development of us; and (ii) it drives our industrial upgrading and optimize our industrial layout. By expanding our product scope from traditional chemical products to electronic chemicals, functional chemicals, advanced materials and biopharmaceuticals, we directly drive the upgrading of our industrial chain towards high-end segments, optimize our industrial layout and promote the green, high-end, intelligent and integrated development of us.

(iii) approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to constructing a new high-end electronic chemicals production facility in Yangxin, Binzhou, which will include multiple production lines for functional chemicals, with the designed annual production capacities of 17,000 tons for stripping and etching solutions and other products.

The new high-end electronic chemicals production facility is a natural extension of our existing electronic chemicals business and customer base. Currently, our commercialized electronic chemicals products mainly comprise electronic grade hydrofluoric acid. While we have accumulated high-quality customer resources in the

electronic chemicals sector, our existing product portfolio remains relatively concentrated. To enhance product diversity and strengthen customer stickiness, we plan to expand into stripping solutions, etching solutions and ultra-clean and high-purity reagents.

- approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to the construction the production facility, covering expenses such as engineering construction costs and labor cost.

- approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be used to procurement and installation of machinery and equipment, including, among others, rectification and purification equipment and ICP-MS testing equipment.

As of the Latest Practicable Date, we have completed the primary construction work, and the Project is expected to be completed and put into operation by 2027. The total capital expenditure of the Project is expected to be RMB[**REDACTED**], with approximately RMB[**REDACTED**] (equivalent to HK$[**REDACTED**]) to be funded by the [**REDACTED**] from the [**REDACTED**]. We plan to fund the remaining portion of the Project through cash generated from operating activities, bank borrowings, or equity and debt fund raising.

We expect to construct the project by the following timeframe:

- Completion of detailed planning : By second quarter of 2026
- Completion of the intermediate handover acceptance : By second quarter of 2027
- Completion and put into operation : By the end of 2027

(iv) approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be allocated to the development of our overseas sales and service network. As the overseas sales from our MTBE chemicals gradually increases, we intend to further develop our global sales and service network, to strengthen our brand presence, enhance customer engagement and reinforce distribution capabilities.

We anticipate further expanding our overseas sales of (i) MTBE, with a primary focus on the Southeast Asian and Middle Eastern markets. The consumption volume of MTBE in Southeast Asia and the Middle East reached 4.0 million tons and 4.5 million tons respectively in 2025, and is expected to reach 5.2 million tons and 6.1 million tons respectively by 2030, with CAGR of 5.4% and 6.3% from 2025 to 2030; and (ii) sodium hydroxide, with a primary focus on African market. To drive this expansion, we plan to augment our overseas sales team, actively participate in local industry exhibitions, and establish joint sales channels with local petrochemical enterprises to enhance our sales network. The consumption volume of sodium hydroxide in Africa reached 1.5 million tons in 2025, and is expected to reach 1.9 million tons in 2030, with a CAGR of 4.8% from 2025 to 2030.

With respect to our overseas expansion initiatives, the U.S. market will not be our focus of development; instead, we intend to gradually expand into regions with low tariff exposure. We will closely monitor developments in international trade policies and other relevant dynamics to capitalize on emerging opportunities. For instance, the progressive implementation of zero-tariff policies on products such as sodium hydroxide in Southeast Asian countries has emerged as a core policy dividend for our overseas expansion, substantially reducing our regional export costs. In the long term, we also

plan to gradually establish overseas production facilities in regions with low tariff exposure. Through localized production, we will further mitigate the adverse impacts stemming from geopolitical development.

(v) approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**]) will be reserved for general working capital and operational flexibility, enabling us to respond promptly and prudently to strategic opportunities and unforeseen market change.

In the event that the [**REDACTED**] is fixed below or above the mid-point of the indicative [**REDACTED**], the [**REDACTED**] allocated to the above purposes will be adjusted on a pro rata basis. Any additional [**REDACTED**] received from the exercise of the [**REDACTED**] will be allocated to the above purposes on a pro rata basis.

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the high end of the [**REDACTED**] stated in this document) and assuming that the [**REDACTED**] is not exercised, we will receive additional [**REDACTED**] of approximately HK$[**REDACTED**]. If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the low end of the [**REDACTED**] stated in this document) and assuming that the [**REDACTED**] is not exercised, the [**REDACTED**] we receive will be reduced by approximately HK$[**REDACTED**].

In the event of any material change in our use of [**REDACTED**] of the [**REDACTED**] from the purposes described above or in our allocation of the [**REDACTED**] among the purposes described above, a formal announcement will be made.

To the extent that the [**REDACTED**] from the [**REDACTED**] are not immediately applied to the above purposes, we will only deposit such [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-81, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEFAR GROUP CO., LTD., AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Befar Group Co., Ltd. (濱化集團股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-81, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, 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 pages I-3 to I-81 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2023, 2024 and 2025, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 32(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[●]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

	Note	Year ended December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	7,305,904	10,228,062	14,836,442
Cost of sales		(6,089,359)	(9,574,110)	(13,380,867)
Gross profit		1,216,545	653,952	1,455,575
Other net income	*5*	65,220	57,192	76,166
Selling expenses		(27,994)	(24,267)	(25,594)
General and administrative expenses		(589,667)	(474,588)	(536,539)
Research and development costs	*7(c)*	(68,420)	(120,316)	(173,193)
Impairment losses on trade and other receivables		(949)	(4,541)	(5,890)
Other gains/(losses)	*6*	40,857	(148,211)	44,721
Profit/(loss) from operations		635,592	(60,779)	835,246
Finance costs	*7(a)*	(153,810)	(258,543)	(310,534)
Share of profits/(losses) of associates		2,372	440,749	(169,050)
Profit before taxation	*7*	484,154	121,427	355,662
Income tax	*8(a)*	(85,250)	95,828	(120,170)
Profit for the year		398,904	217,255	235,492
Other comprehensive income for the year (after tax)				
Item that will not be reclassified to profit or loss:				
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	*12*	21,076	–	23,834
Items that are or may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiaries	*12*	1,673	471	(2,580)
Other comprehensive income for the year		22,749	471	21,254
Total comprehensive income for the year		421,653	217,726	256,746

	Note	Year ended December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Profit attributable to:				
Equity shareholders of the Company		379,043	217,383	238,171
Non-controlling interests		19,861	(128)	(2,679)
Profit for the year		398,904	217,255	235,492
Total comprehensive income attributable to:				
Equity shareholders of the Company		401,792	217,854	259,348
Non-controlling interests		19,861	(128)	(2,602)
		421,653	217,726	256,746
Earnings per share	*11*			
Basic (RMB)		0.19	0.11	0.12
Diluted (RMB)		0.19	0.11	0.12

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*13*	11,769,485	13,981,888	14,039,169
Right-of-use assets	*14*	1,318,621	1,330,184	1,398,351
Goodwill	*16*	45,538	45,538	45,538
Intangible assets	*15*	29,258	147,096	188,986
Interests in associates	*17*	1,884,564	2,335,758	2,185,396
Equity securities designated at fair value through other comprehensive income ("FVOCI")	*18*	677,369	677,369	710,776
Deferred tax assets	*31(b)*	431,077	689,128	559,405
Other non-current assets	*19*	944,077	143,195	45,991
		17,099,989	19,350,156	19,173,612
Current assets				
Inventories and contract costs	*20*	521,478	1,071,798	1,356,853
Trade and bills receivables	*21*	827,704	678,518	917,798
Financial assets measured at fair value through profit or loss ("FVTPL")	*22*	–	5,243	14,060
Prepayments, deposits and other receivables	*23*	618,396	1,091,798	433,075
Restricted deposits	*24(a)*	1,220,310	283,231	662,305
Cash and cash equivalents	*24(a)*	846,512	475,715	1,701,588
		4,034,400	3,606,303	5,085,679
Current liabilities				
Bank and other borrowings	*25*	3,727,483	3,553,412	4,489,262
Trade and bills payables	*26*	1,104,390	1,362,412	2,257,142
Accrued expenses and other payables	*27*	844,432	562,205	374,887
Contract liabilities	*28*	86,251	136,659	139,200
Lease liabilities	*29*	138,391	31,315	9,269
Current taxation	*31(a)*	19,675	17,792	33,815
		5,920,622	5,663,795	7,303,575
Net current liabilities		(1,886,222)	(2,057,492)	(2,217,896)
Total assets less current liabilities		15,213,767	17,292,664	16,955,716

	Note	As at December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank and other borrowings	*25*	3,526,550	5,427,524	4,438,049
Deferred income	*30*	27,481	41,552	55,144
Deferred tax liabilities	*31(b)*	110,973	195,972	30,618
Lease liabilities	*29*	24,743	244,902	279,136
		3,689,747	5,909,950	4,802,947
NET ASSETS		11,524,020	11,382,714	12,152,769
CAPITAL AND RESERVES				
Share capital	*32(c)*	2,058,036	2,058,036	2,056,836
Treasury shares		(319,843)	(348,232)	(431,634)
Reserves	*32(d)*	9,671,626	9,673,877	9,895.578
Total equity attributable to shareholders of the Company		11,409,819	11,383,681	11,520,780
Non-controlling interests		114,201	(967)	631,989
TOTAL EQUITY		11,524,020	11,382,714	12,152,769

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at December 31,		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*13*	2,312,367	2,007,156	1,838,938
Right-of-use assets	*14*	434,711	444,314	430,584
Intangible assets	*15*	22,545	35,221	33,161
Investments in subsidiaries	*1*	7,800,729	8,115,893	8,540,313
Interests in associates	*17*	547,621	555,398	559,951
Equity securities designated at FVOCI	*18*	659,869	659,869	687,562
Deferred tax assets	*31(b)*	173,347	249,383	169,076
Other non-current assets	*19*	218,363	4,390	4,657
		12,169,552	12,071,624	12,264,242
Current assets				
Inventories and contract costs	*20*	120,042	151,872	243,724
Trade and bills receivables	*21*	340,692	314,153	314,182
Financial assets measured at FVTPL	*22*	–	–	2,096
Prepayments, deposits and other receivables	*23*	3,587,089	5,923,524	5,225,001
Restricted cash	*24(a)*	842,500	258,120	190,087
Cash and cash equivalents	*24(a)*	303,123	76,789	147,318
		5,193,446	6,724,458	6,122,408
Current liabilities				
Bank and other borrowings	*25*	1,874,550	2,098,589	2,722,337
Trade and bills payables	*26*	1,611,744	1,041,949	1,025,028
Accrued expenses and other payables	*27*	1,796,198	2,485,037	2,096,330
Contract liabilities	*28*	41,512	62,104	68,353
Lease liabilities	*29*	206	4,646	3,089
		5,324,210	5,692,325	5,915,137
Net current (liabilities)/assets		(130,764)	1,032,133	207,271
Total assets less current liabilities		12,038,788	13,103,757	12,471,513

	Note	As at December 31, 2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Bank and other borrowings	*25*	1,035,450	2,220,310	1,719,680
Deferred income	*30*	8,360	9,112	18,003
Deferred tax liabilities	*31(b)*	43,192	60,285	–
Lease liabilities	*29*	4,041	13,448	9,965
		1,091,043	2,303,155	1,747,648
NET ASSETS		10,947,745	10,800,602	10,723,865
CAPITAL AND RESERVES				
Share capital	*32(c)*	2,058,036	2,058,036	2,056,836
Treasury shares		(319,843)	(348,232)	(431,634)
Reserves	*32(d)*	9,209,552	9,090,798	9,098,663
TOTAL EQUITY		10,947,745	10,800,602	10,723,865

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company									
		Share capital	Treasury shares	Capital reserve	Statutory reserve	Special reserves	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 32(c))	*(Note 32(d)(ii))*	*(Note 32(d)(i))*	*(Note 32(d)(iii))*	*(Note 32(d)(iv))*	*(Note 32(d)(v))*				
Balance at January 1, 2023		2,058,036	(219,338)	2,881,324	821,119	12,617	194,895	5,585,241	11,333,894	94,175	11,428,069
Changes in equity for 2023:											
Profit for the year		–	–	–	–	–	–	379,043	379,043	19,861	398,904
Other comprehensive income for the year		–	–	–	–	–	22,749	–	22,749	–	22,749
Total comprehensive income for the year		–	–	–	–	–	22,749	379,043	401,792	19,861	421,653
Capital injection from non-controlling interests		–	–	–	–	–	–	–	–	165	165
Appropriation to reserves		–	–	–	25,027	(4,067)	–	(20,960)	–	–	–
Dividends declared by the Company		–	–	–	–	–	–	(262,673)	(262,673)	–	(262,673)
Equity-settled share-based payments	*34*	–	–	43,576	–	–	–	–	43,576	–	43,576
Treasury shares granted for Restricted Share Incentive Scheme		–	(100,505)	–	–	–	–	–	(100,505)	–	(100,505)
Disposal of equity securities designated at FVOCI		–	–	–	228	–	(2,277)	2,049	–	–	–
Disposal of investment in associates		–	–	(7,331)	–	–	–	–	(7,331)	–	(7,331)
Changes in equity items of associates		–	–	1,066	–	–	–	–	1,066	–	1,066
Balance at December 31, 2023		2,058,036	(319,843)	2,918,635	846,374	8,550	215,367	5,682,700	11,409,819	114,201	11,524,020

	Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
		Share capital	Treasury shares	Capital reserve	Statutory reserve	Special reserves	Other reserve	Retained earnings	Total		
		RMB'000 (Note 32(c))	*RMB'000* (Note 32(d)(ii))	*RMB'000* (Note 32(d)(i))	*RMB'000* (Note 32(d)(iii))	*RMB'000* (Note 32(d)(iv))	*RMB'000* (Note 32(d)(v))	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2024		2,058,036	(319,843)	2,918,635	846,374	8,550	215,367	5,682,700	11,409,819	114,201	11,524,020
Changes in equity for 2024:											
Profit for the year		–	–	–	–	–	–	217,383	217,383	(128)	217,255
Other comprehensive income for the year		–	–	–	–	–	471	–	471	–	471
Total comprehensive income for the year		–	–	–	–	–	471	217,383	217,854	(128)	217,726
Appropriation to reserves		–	–	–	10,831	(1,866)	–	(8,965)	–	–	–
Acquisition of non-controlling interests		–	–	511	–	–	–	–	511	(115,040)	(114,529)
Dividends declared by the Company		–	–	–	–	–	–	(121,527)	(121,527)	–	(121,527)
Equity-settled share-based payments	*34*	–	–	(27,742)	–	–	–	–	(27,742)	–	(27,742)
Treasury shares granted for Restricted Share Incentive Scheme		–	(28,389)	(77,697)	–	–	–	–	(106,086)	–	(106,086)
Changes in equity items of associates		–	–	10,852	–	–	–	–	10,852	–	10,852
Balance at December 31, 2024		2,058,036	(348,232)	2,824,559	857,205	6,684	215,838	5,769,591	11,383,681	(967)	11,382,714

	Note	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
		Share capital	Treasury shares	Capital reserve	Statutory reserve	Special reserves	Other reserve	Retained earnings	Total		
		RMB'000 (Note 32(c))	*RMB'000* (Note 32(d)(ii))	*RMB'000* (Note 32(d)(i))	*RMB'000* (Note 32(d)(iii))	*RMB'000* (Note 32(d)(iv))	*RMB'000* (Note 32(d)(v))	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2025		2,058,036	(348,232)	2,824,559	857,205	6,684	215,838	5,769,591	11,383,681	(967)	11,382,714
Changes in equity for 2025:											
Profit for the year		–	–	–	–	–	–	238,171	238,171	(2,679)	235,492
Other comprehensive income for the year		–	–	–	–	–	21,177	–	21,177	77	21,254
Total comprehensive income for the year		–	–	–	–	–	21,177	238,171	259,348	(2,602)	256,746
Capital injection from non-controlling interests		–	–	662	–	–	–	–	662	635,558	636,220
Appropriation to reserves		–	–	–	2,544	(1,301)	–	(1,243)	–	–	–
Dividends declared by the Company		–	–	–	–	–	–	(80,355)	(80,355)	–	(80,355)
Equity-settled share-based payments	*34*	–	52,524	44,938	–	–	–	–	97,462	–	97,462
Cancellation of treasury shares granted for Restricted Share Incentive Scheme and repurchase of treasury shares		(1,200)	(135,926)	(2,892)	–	–	–	–	(140,018)	–	(140,018)
Balance at December 31, 2025		2,056,836	(431,634)	2,867,267	859,749	5,383	237,015	5,926,164	11,520,780	631,989	12,152,769

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	Year ended December 31,		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Cash generated from operations	*24(b)*	1,086,352	574,018	2,984,087
Income tax paid	*31(a)*	(154,945)	(87,955)	(118,679)
Net cash generated from operating activities		931,407	486,063	2,865,408
Investing activities				
Payment for the purchase of property, plant and equipment and intangible assets		(2,403,373)	(2,019,371)	(828,964)
Acquisition of subsidiaries, net of cash acquired	*36*	(906,755)	(20,000)	–
Proceeds from sale of property, plant and equipment and intangible assets		69,720	10,388	17,940
Proceeds from equity investments		11,080	30,720	952
Investments in associates		(6,500)	–	(30,000)
Investments in equity securities designated at FVOCI		–	–	(2,109)
Payment of equity investment intention deposit		(200,000)	–	–
Refund of equity investment intention deposit		–	200,000	–
Proceeds from disposal of financial assets at FVTPL		4,824,212	50,401	183,090
Acquisition of financial assets at FVTPL		(3,640,276)	(35,486)	(97,518)
Dividends from investments		22,736	21,119	29,473
Net cash used in investing activities		(2,229,156)	(1,762,229)	(727,136)
Financing activities				
Proceeds from bank and other borrowings	*24(c)*	5,932,153	5,453,100	3,798,570
Repayment of bank and other borrowings	*24(c)*	(2,975,594)	(3,773,503)	(4,664,865)
Proceeds from related party borrowings	*24(c)*	–	292,480	–

	Note	Year ended December 31,		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Repayment of related party borrowings	*24(c)*	–	(365,035)	(32,480)
Repayment of third party borrowings	*24(c)*	–	(304,245)	–
Payment for repurchase of shares		(115,640)	(154,368)	(140,018)
Shares repurchase payment refund		–	10,000	–
Capital injection from non-controlling interests		143	–	636,220
Proceeds from granting restricted shares		–	129,603	–
Acquisition of non-controlling interests		–	(113,710)	–
Payment of bill deposits		(1,323,000)	(640,291)	(660,067)
Refund of bill deposits		150,000	863,000	728,100
Refund the expired share subscription payment		(1,573)	–	(76,856)
Capital element of lease rentals paid	*24(c)*	(224,524)	(126,160)	(66,658)
Interest element of lease rentals paid	*24(c)*	(10,088)	(5,669)	(2,867)
Interests paid	*24(c)*	(211,451)	(260,131)	(294,766)
Dividends paid to shareholders of the Company		(262,673)	(101,221)	(100,661)
Payment of [**REDACTED**] expenses		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Net cash generated from/(used in) financing activities		957,753	903,850	(890,991)
Net (decrease)/increase in cash and cash equivalents		(339,996)	(372,316)	1,247,281
Cash and cash equivalents at January 1	*24(a)*	1,187,263	846,512	475,715
Effect of foreign exchange rate changes		(755)	1,519	(21,408)
Cash and cash equivalents at December 31	*24(a)*	846,512	475,715	1,701,588

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Befar Group Co., Ltd. (濱化集團股份有限公司, the "**Company**") is a joint stock company with limited liability incorporated in the People's Republic of China (the "**PRC**"). The Company's A shares were listed on the Main Board of Shanghai Stock Exchange since February 2010 (Stock Code: 601678).

The Company and its subsidiaries (together, the "**Group**") are principally engaged in the production, processing and sale of organic and inorganic chemical products, with primary products including chlor-alkali chemicals, C3-C4 chemicals and wet electronic chemicals.

The statutory financial statements of the Company for the years ended December 31, 2023 and 2024 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Baker Tilly China Certified Public Accountants ((天職國際會計師事務所 (特殊普通合夥)) ("Baker Tilly China").

The statutory financial statements of the Company for the year ended December 31, 2025 was prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by KPMG Huazhen LLP (畢馬威華振會計師事務所 (特殊普通合夥)).

During the Track Record Period and at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Name	Date and place of incorporation	Particulars of issued capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shandong Befar Dongrui Chemical Co., Ltd. *(Note (i)(ii)(iii)(iv))* 山東濱化東瑞化工有限責任公司	March 20, 2007 The PRC	RMB1,788,462,000/ RMB1,788,462,000	83.87%	–	Production and sales of chemical products
Shandong Binhua New Materials Co., Ltd. *(Note (i)(ii)(iii))* 山東濱華新材料有限公司	September 15, 2018 The PRC	RMB3,700,000,000/ RMB3,700,000,000	100%	–	Production and sales of chemical products
Yellow River Delta (Binzhou) Thermal Power Co., Ltd. *((Note (i)(ii)(iii))* 黃河三角洲(濱州)熱力有限公司	May 16, 2013 The PRC	RMB385,000,000/ RMB301,000,000	78.18%	–	Heat supply; electricity production and supply; electricity sales
Shandong Befar Haiyuan Salt Chemical Co., Ltd. *(Note (i)(ii)(iii))* 山東濱化海源鹽化有限公司	April 19, 2002 The PRC	RMB100,000,000/ RMB100,000,000	100%	–	Production and sale of industrial salt and bromine

Notes:

(i) These entities were registered as limited liability companies under the laws and regulations in the PRC. The official names of the entities are in Chinese. The English translations are for identification purpose only.

(ii) The statutory financial statements of these entities for the years ended December 31, 2023 and 2024 prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所 (特殊普通合夥)) ("Baker Tilly China").

(iii) No statutory financial statements of these entities for the year ended December 31, 2025 have been prepared.

(iv) On December 31, 2025, a then wholly-owned subsidiary of the Group, Shandong Befar Dongrui Chemical Co., Ltd., received a capital injection of RMB500,000,000 from a non-controlling shareholder. Upon the completion of capital injection, the Group's effective interest of Dongrui Chemical became 83.87%.

All companies comprising these Group have adopted December 31, as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board (the "**IASB**"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new or revised standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2025. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2025 are set out in Note 41.

As at December 31, 2025, the Group had net current liabilities of RMB2,217,896,000. Notwithstanding the above condition, the directors of the Company consider that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern. The directors of the Company have reviewed the Group's cash flow projections and are of the opinion that considering the Group's sources of liquidity and the unutilised bank facilities, the Group will have sufficient financial resources to satisfy its future working capital requirements and meet its financial obligations as and when they fall due for more than twelve months from December 31, 2025. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments in unlisted equity securities (see Note 2(f)); and

– financial assets at fair value through profit or loss ("**FVTPL**") and derivative financial instruments (see Note 2(g)).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale)).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see Note 2(k)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as Unrealised gains, but only to the extent there is no evidence of impairment.

(e) Business combinations and goodwill

The Group accounts for business combinations under the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group performs the assessment in accordance with Note 2(y).

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include the amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(k)).

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries and associates, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 35(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– fair value through other comprehensive income ("**FVOCI**") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, 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.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other income.

(g) Derivative financial instruments

The Group holds derivative financial instruments to manage its commodity price risk exposures. The Group's derivative financial instruments mainly include sodium hydroxide and other chemical products future contracts.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss.

(h) Property, plant and equipment

(i) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(k)(ii)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method.

The estimated useful lives for the Track Record Period for other property, plant and equipment (other than construction in progress) are as follows:

	Estimated useful lives
Plant and buildings	15 – 30 years
Machinery and equipment	5 – 25 years
Vehicles	5 – 10 years
Electronic equipment and others	5 – 10 years

(ii) Construction in progress

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses (see Note 2(k)(ii)). Capitalisation of construction costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(i) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(k)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful lives
Software	2 – 10 years
Know-how	6 years
Power generation capacity indicators	10 – 30 years

The estimated useful lives of software are determined based on the expected period of technological or commercial usability of the software. The estimated useful lives of Know-how are determined based on the validity period of the patents. The estimated useful lives of Power generation capacity indicators are determined based on the expected useful lives of the relevant asset of the Group.

Amortization methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(j) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(v)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(j)(i), then the Group classifies the sub-lease as an operating lease.

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables, deposits and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade receivables, deposits and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is 90 days past due.

The Group considers a financial instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except FVOCI (with recycling) financial assets.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of non-current assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("**CGU**"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Inventories and other contract costs

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

When inventories are sold, the carrying amount of those inventories is recognised as cost of sales in the period in which the related revenue is recognised.

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see Note 2(l)(i)), property, plant and equipment (see Note 2(h)) or intangible assets (see Note 2(i)).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see Note 2(v)(i)).

(m) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(n)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)(ii)).

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(k)(i)).

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, time deposits with banks and other financial institutions that are held for meeting short-term cash commitments, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows. Cash and cash equivalents are assessed for ECL (see Note 2(k)(i)).

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Bank and other borrowings

Bank and other borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 2(x).

(r) Convertible notes

Compound financial instruments issued by the Group comprise convertible notes denominated in RMB that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. Interest is recognised in profit or loss. The equity component is not remeasured and is recognised the other equity instruments until the notes are converted.

If the notes are converted, the other equity instruments, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and capital reserve as consideration for the shares issued.

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The employees of the Group are members of the state-managed retirement benefit scheme operated by the PRC government and the Group contributes a certain percentage of their payroll to the retirement benefit scheme to fund the benefit.

(iii) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of the restricted A shares ("RASs") is recognised as an expense. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring that involves the payment of termination benefits.

(t) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development ("OECD").

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets;

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(u) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

Revenue is recognised when the customer or the consignee or carrier designated by the customer takes possession of and accepts the products.

The Group determines whether it is a principal or an agent, based on whether it obtains control of the specified good or service before that good or service is transferred to a customer. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the goods or services. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognises revenue in the gross amount of consideration which it has received (or which is receivable). Otherwise, the Group is an agent, and recognises revenue in the amount of any fee or commission to which it expects to be entitled.

(ii) Revenue from other sources and other income

– *Rental income from operating leases*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

– *Dividends*

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

– *Interest income*

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

– *Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are recognised are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the other reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(y) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 35 contain information about the assumption and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values, if any. The Group reviews the estimated useful lives and residual values, if any, of the property, plant and equipment regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The determination of the useful lives and residual values, if any, are based on historical experience with similar assets after taking into account the anticipated changes on how such assets are to be deployed in the future. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairment assessment of non-financial assets (including the property, plant and equipment and goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the property, plant and equipment and goodwill) at the end of each reporting period. The Group has to exercise judgement and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the non-financial asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the assets are allocated, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of CGUs, for which the relevant corporate assets have been allocated. Changing the assumptions and estimations, including the discount rate or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

(c) Net realisable value of inventories

A write-down of inventories to net realisable value is made based on the aging and estimated net realisable value of inventories. The assessment of the write-down amount involves management's judgments and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed. The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realisable value and makes reserves for slow-moving items and obsolescence by using the lower of cost and net realisable value rule. The Group re-estimates the allowance to reduce the valuation of inventories to net realisable value item by item at the end of each reporting period. Further details are included in Note 20.

(d) Income taxes

The Group is subject to taxes in a number of jurisdictions. Significant judgement is required in determining the tax position and the estimates and assumptions in relation to the provision for taxes, having regard to the nature and timing of their origination and compliance with the relevant tax legislation.

Deferred tax assets are recognised only if it is probable that future taxable profits will be available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment. In addition, the applicable tax rate used in recognising deferred tax assets is determined by the forecast proportion of assessable income against gross sales and the timing of the usage of tax losses when the entity was granted income tax incentives.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group are principally engaged in the production, processing and sale of organic and inorganic chemical products, with primary products including chlor-alkali chemicals, C3-C4 chemicals and wet electronic chemicals.

Disaggregation of revenue from contracts with customers by major product lines is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Point in time			
Chlor-alkali chemicals	6,469,175	6,115,071	6,285,523
C3-C4 chemicals	293,883	3,385,890	6,855,223
Wet electronic chemicals	40,624	45,292	63,396
Energy	142,706	211,601	822,008
Others	318,518	425,178	804,552
Total revenue from contracts with customers	7,264,906	10,183,032	14,830,702
Revenue from other sources			
Rental income	40,998	45,030	5,740
	7,305,904	10,228,062	14,836,442

During the reporting periods, the Group's customers with whom transactions have exceeded 10% of the total revenue of the Group in the respective years are as follows. Details of concentrations of credit risk arising from largest debtors are set out in Note 35(a).

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Customer A	Not applicable	Not applicable	1,486,899

The Group takes advantage of the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining performance obligation as all of the Group's sales contracts have an original expected duration of less than one year.

(b) Segment reporting

Management views the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the management of the Company are of the view that there is only one segment which is used to make strategic decisions.

Geographic information

The geographical location of customers is based on the destination location at which the goods delivered or the services were provided. The Group's revenue from external customers analysed by location of customers is detailed as below:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Chinese Mainland (place of domicile)	6,911,682	9,875,856	13,312,476
Hong Kong and overseas	394,222	352,206	1,523,966
	7,305,904	10,228,062	14,836,442

The Group's specified non-current assets, including property, plant and equipment, intangible assets, right-of-use assets, interest in associates and other non-current assets, analysed by the physical location of the asset are detailed as below.

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Chinese Mainland (place of domicile)	15,942,134	17,925,983	17,846,811
Hong Kong and overseas	3,871	12,138	11,082
	15,946,005	17,938,121	17,857,893

5 OTHER NET INCOME

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Dividend income	21,037	19,632	20,192
Interest income from bank deposits	19,857	26,714	13,332
Government grants	7,135	7,656	12,456
Compensation income	13,262	1,025	10,742
Income from the transfer of Carbon emissions quota	–	–	15,647
Others	3,929	2,165	3,797
	65,220	57,192	76,166

6 OTHER GAINS/(LOSSES)

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Foreign exchange losses, net	(2,550)	(52,732)	(52,907)
Gains from financial assets measured at FVTPL	11,567	34,400	94,390
Losses on disposal of an associate	(8,712)	–	–
Impairment losses of property, plant and equipment	(1,607)	(82,970)	–
Gains/(losses) on disposal or scrapping of property, plant and equipment, net	51,891	(42,358)	25,095
Late payment fees of income tax	–	–	(16,813)
Others	(9,732)	(4,551)	(5,044)
	40,857	(148,211)	44,721

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest expense on bank and other borrowings	210,076	311,307	310,120
Interest on lease liabilities	14,117	14,216	11,893
	224,193	325,523	322,013
Less: interest expense capitalized	(70,383)	(66,980)	(11,479)
	153,810	258,543	310,534

(b) Staff costs

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages, bonuses and other benefits	654,421	697,550	742,529
Equity-settled share-based payment expenses/(reversal) *(Note 34)*	43,576	(27,742)	44,938
Contributions to defined contribution retirement plans *(Notes (i) and (ii))*	47,463	45,933	51,913
	745,460	715,741	839,380

Notes:

(i) The employees of the Company and the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these companies are required to contribute to the schemes during the Track Record Period. The contribution are calculated based on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees (other than Hong Kong), from the above-mentioned retirement schemes at their normal retirement age.

(ii) The Group has no further obligation for payment of other retirement benefits beyond the contributions mentioned in (i) above.

(c) Other items

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amortization of			
– intangible assets *(Note 15)*	6,727	7,005	15,337
– other non-current assets	5,775	6,527	4,774
Depreciation of			
– owned property, plant and equipment *(Note 13)*	531,807	781,251	1,064,523
– right-of-use assets *(Note 14)*	21,888	53,407	56,540
Cost of inventories *(Note (i))*	6,075,148	9,574,110	13,378,365
Auditors' remuneration	2,080	1,680	1,300
Research and development costs *(Note (ii))*	68,420	120,316	173,193

Notes:

(i) Cost of sales of inventories includes RMB855,606,000, RMB1,170,688,000 and RMB1,474,390,000 relating to staff costs, depreciation and amortization expenses during the years ended December 31, 2023, 2024 and 2025, respectively, which are also included in the respective total amounts disclosed separately above or in Note 7(b) for each of these types of expenses.

(ii) During the years ended December 31, 2023, 2024 and 2025, research and development costs include RMB37,412,000, RMB69,652,000 and RMB112,860,000, respectively, relating to staff costs and depreciation and amortization expenses, which are also included in the respective total amounts disclosed separately above or in the Note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current tax – The PRC Corporate Income Tax			
Provision for the year	109,416	73,589	145,570
(Over)/under provision in prior years	(3,651)	1,941	9,637
	105,765	75,530	155,207
Current tax – Overseas			
Provision for the year	–	1,694	7,700
Under provision in prior years	–	–	359
	–	1,694	8,059
Deferred tax			
Origination and reversal of temporary differences	(20,515)	(173,052)	(43,096)
	(20,515)	(173,052)	(43,096)
	85,250	(95,828)	120,170

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	484,154	121,427	355,662
Expected tax on profit before taxation, calculated at 25% *(Note (i))*	121,039	30,357	88,916
Effect of different tax rates applicable to the oversea subsidiaries *(Note (v))*	1,410	3,927	(3,408)
Effect of tax concessions *(Notes (ii) and (iii))*	(452)	–	(3,230)
Tax effect of additional tax deduction on research and development expenses *(Note (iv))*	(12,171)	(20,330)	(19,907)
Tax effect of non-taxable income and non-deductible expenses	(3,341)	(113,949)	43,800
(Over)/under provision in prior years	(3,651)	1,941	9,996
Tax effect of temporary differences utilised while not recognised in prior years	(19,746)	(1,087)	(3,665)
Tax effect of unused tax losses and temporary differences not recognised	2,277	3,113	5,259
Effect on deferred tax balances at January 1 resulting from a change in tax rate	(115)	200	2,409
Income tax	85,250	(95,828)	120,170

Notes:

(i) The Company and the subsidiaries of the Group established in Chinese mainland are subject to the PRC Corporate Income Tax rate of 25% during the Track Record Period except for those subject to tax concessions disclosed in the notes below.

(ii) Certain subsidiaries are qualified as High New Tech Enterprises and are entitled to a preferential enterprise income tax rate of 15% during the Track Record Period according to the tax incentives policies of the PRC Corporate Income Tax Law for the High New Tech Enterprises.

(iii) Certain subsidiaries of the Group have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to preferential income tax rates of 5% during the Track Record Period.

(iv) According to the relevant tax rules in Chinese mainland, qualified research and development expenses are allowed for additional tax deduction based on 100% of the relevant expenses during the Track Record Period.

(v) Taxation for other overseas subsidiaries charged at the appropriate current rates of taxation ruling in the relevant countries.

(c) Pillar Two income taxes

In 2021, the Organization for Economic Co-operation and Development published the Global Anti-Base Erosion Model Rules ("Pillar Two model rules") for a new global minimum tax reform applicable to large multinational enterprises. Certain jurisdictions in which the Group operates have implemented Pillar Two income tax legislation based on this framework, and those Pillar Two income tax laws became effective on January 1, 2025.

The Group has assessed the financial impact and concluded that no financial impact for the year ended December 31, 2025. The director of the Group is of the opinion the enacted to be implemented will not have a material impact on the consolidated financial statements.

The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes and accounted for the tax as current tax when incurred.

9 DIRECTORS AND SUPERVISORS' REMUNERATION

Directors and supervisors' remuneration is disclosed as follows:

	Year ended December 31, 2023						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments *(v)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu Jiang	–	1,401	1,346	42	2,789	794	3,583
Mr. Ren Yuanbin	–	635	579	42	1,256	618	1,874
Mr. Liu Hongan	–	1,048	992	42	2,082	603	2,685
Mr. Wang Liming (Resigned on April 17, 2023)	–	116	–	14	130	–	130
Non-executive directors							
Mr. Zhang Zhongzheng *(ii)*	–	–	–	–	–	–	–
Mr. Wang Shuhua (Resigned on January 3, 2023) *(ii)*	–	–	–	–	–	–	–
Mr. Su Demin *(i)*	–	–	–	–	–	–	–
Independent non-executive directors							
Ms. Yang Tao	139	–	–	–	139	–	139
Mr. Li Wenfeng	139	–	–	–	139	–	139
Mr. Hao Yinping	139	–	–	–	139	–	139
Ms. Li Haixia	139	–	–	–	139	–	139
Supervisors							
Mr. Chen Leilei	–	348	299	38	685	184	869
Mr. Li Mintang (Resigned on August 22, 2023)	–	160	131	22	313	443	756
Mr. Liu Feng	–	361	308	42	711	538	1,249
Ms. Sun Fengmei	–	212	170	32	414	180	594
Mr. Yan Jinfu	–	302	256	36	594	183	777
Ms. Han Xiao *(i)*	–	–	–	–	–	–	–
Mr. Liu Qinghua *(i)*	–	–	–	–	–	–	–
	556	4,583	4,081	310	9,530	3,543	13,073

	Year ended December 31, 2024						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments *(v)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu Jiang	–	1,404	1,344	42	2,790	6,399	9,189
Mr. Ren Yuanbin	–	766	707	42	1,515	(209)	1,306
Mr. Dong Hongbo (Appointed on December 31, 2024)	–	–	–	–	–	–	–
Mr. Liu Hongan	–	611	551	42	1,204	(279)	925
Non-executive director							
Mr. Su Demin (Resigned on March 7, 2024) *(i)*	–	–	–	–	–	–	–
Mr. Zhang Zhongzheng (Resigned on December 6, 2024) *(ii)*	–	–	–	–	–	–	–

	Year ended December 31, 2024						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments *(v)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors							
Ms. Yang Tao (Resigned on March 29, 2024)	35	–	–	–	35	–	35
Mr. Li Wenfeng (Resigned on May 21, 2024)	54	–	–	–	54	–	54
Mr. Hao Yinping	139	–	–	–	139	–	139
Ms. Li Haixia	139	–	–	–	139	–	139
Mr. Wang Qian (Appointed on May 21, 2024)	85	–	–	–	85	–	85
Supervisors							
Mr. Liu Qinghua (Resigned on March 13, 2024) *(i)*	–	–	–	–	–	–	–
Mr. Bu Qinghai (Appointed on December 6, 2024)	–	54	12	32	98	(50)	48
Mr. Chen Leilei (Resigned on December 6, 2024)	–	368	309	42	719	(32)	687
Ms. Gong Yongxiang (Appointed on December 6, 2024)	–	70	17	41	128	(104)	24
Mr. Liu Feng (Resigned on April 20,2024)	–	149	89	42	280	(206)	74
Mr. Han Xiao *(i)*	–	–	–	–	–	–	–
Mr. Qiao Xusheng (Appointed on March 15, 2024 and resigned on December 6, 2024)	–	443	352	71	866	154	1,020
Ms. Sun Fengmei (Resigned on December 6, 2024)	–	192	150	32	374	(103)	271
Mr. Yan Jinfu (Resigned on December 6, 2024)	–	314	257	42	613	(48)	565
Mr. Zhang Wenjie (Appointed on December 6, 2024)	–	36	7	22	65	(50)	15
Ms. Zhang Yuanhua (Appointed on December 6, 2024)	–	45	10	28	83	(50)	33
	452	4,452	3,805	478	9,187	5,422	14,609

	Year ended December 31, 2025						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments *(v)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu Jiang	–	2,041	–	45	2,086	30,766	32,852
Mr. Ren Yuanbin	–	859	683	45	1,587	361	1,948
Mr. Dong Hongbo	–	854	909	45	1,808	1,846	3,654
Mr. Liu Hongan	–	640	1,467	45	2,152	160	2,312
Non-executive director							
Mr. Song Shuhua (Appointed on June 3, 2025)	–	190	231	22	443	35	478

	Year ended December 31, 2025						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments *(v)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Independent non-executive directors							
Mr. Hao Yinping	120	–	–	–	120	–	120
Ms. Li Haixia	120	–	–	–	120	–	120
Mr. Wang Qian	120	–	–	–	120	–	120
Supervisors							
Ms. Gong Yongxiang (Resigned on May 26, 2025)	–	152	–	20	172	–	172
Ms. Han Xiao *(i)* (Resigned on May 26, 2025)	–	–	–	–	–	–	–
Mr. Bu Qinghai (Resigned on May 26, 2025)	–	134	58	18	210	22	232
Ms. Zhang Yuanhua (Resigned on May 26, 2025)	–	106	44	14	164	22	186
Mr. Zhang Wenjie (Resigned on April 8, 2025)	–	43	16	6	65	22	87
	360	5,019	3,408	260	9,047	33,234	42,281

Notes:

(i) During the Track Record Period, Mr. Su Demin, Mr. Liu Qinghua and Ms. Han Xiao received emolument from the Group's related parties.

(ii) Mr. Wang Shuhua and Mr. Zhang Zhongzheng waived their emoluments since their retirement.

(iii) These represent the estimated value of RASs granted to the directors or eligible employees. The value of these RASs is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(s)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of RASs granted, are disclosed in Note 34.

(iv) Mr. Dong Hongbo was the Vice President of the Group prior to his appointment as the executive director. Prior to being the executive director of the Company, the emoluments for the years ended December 31, 2023 and 2024 were RMB1,860,000 and RMB1,680,000 respectively.

During the Track Record Period, no emoluments were paid by the Group to the directors, the supervisors or any of the five highest paid individuals as set out in Note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office. Except for Mr. Zhang Zhongzheng and Ms. Wang Shuhua, no director or supervisor of the Company waived or agreed to waive any emoluments during the Track Record Period.

10 INDIVIDUALS WITH HIGHEST REMUNERATION

The number of directors and supervisors and other employees included in the five highest paid individuals for the years ended December 31, 2023, 2024 and 2025 are set forth below:

	Year ended December 31,		
	2023	2024	2025
	Number of individuals	*Number of individuals*	*Number of individuals*
Directors and supervisors	3	2	3
Other employees	2	3	2

The emoluments of the directors and supervisors are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals, are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,356	2,854	1,754
Discretionary bonuses	1,244	2,679	1,455
Share-based payments	1,244	(23)	1,846
Retirement scheme contributions	85	123	90
	3,929	5,633	5,145

The remuneration of the above individuals with the highest remuneration are within the following bands:

	Year ended December 31,		
	2023	2024	2025
	Number of individuals	*Number of individuals*	*Number of individuals*
HKD Nil – HKD1,000,000	–	–	–
HKD1,000,001 – HKD1,500,000	–	–	–
HKD1,500,001 – HKD2,000,000	2	1	1
HKD2,000,001 – HKD2,500,000	–	1	–
HKD2,500,001 – HKD3,000,000	–	1	–
HKD3,000,001 – HKD3,500,000	–	–	–
HKD3,500,001 – HKD4,000,000	–	–	1

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share during the Track Record Period is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue, calculated as follows:

Profit attributable to ordinary equity shareholders of the Company:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit attributable to ordinary equity shareholders	379,043	217,383	238,171

Weighted average number of ordinary shares

	Year ended 31 December		
	2023	2024	2025
	'000	*'000*	*'000*
Issued ordinary shares at January 1	2,058,036	2,058,036	2,058,036
Effect of treasury shares at January 1	(58,039)	(69,304)	(104,016)
Effect of ordinary shares repurchased	(15,054)	(24,048)	(17,037)
Effect of restricted shares vested *(Note 34)*	5,982	5,164	5,337
Weighted average number of ordinary shares at December 31	1,990,925	1,969,848	1,942,320

(b) Diluted earnings per share

The calculation of diluted earnings per share during the Track Record Period is based on the profit attributable to ordinary equity shareholder of the Company and the weighted average number of ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Year ended December 31,		
	2023	2024	2025
	'000	*'000*	*'000*
Weighted average number of ordinary shares at December 31	1,990,925	1,969,848	1,942,320
Effect of deemed issue of shares under the Company's Restricted Share Incentive Schemes of A Shares *(Note 34)*	10,937	25,415	35,291
Weighted average number of ordinary shares (diluted) at December 31	2,001,862	1,995,263	1,977,611

12 OTHER COMPREHENSIVE INCOME

(a) Tax effects relating to each component of other comprehensive income

	Year ended December 31,								
	2023			2024			2025		
	Before-tax amount	Tax expense	Net-of-tax amount	Before-tax amount	Tax expense	Net-of-tax amount	Before-tax amount	Tax expense	Net-of-tax amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of Hong Kong and overseas subsidiaries	1,673	–	1,673	471	–	471	(2,580)	–	(2,580)
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	21,076	–	21,076	–	–	–	31,299	7,465	23,834
Other comprehensive income	22,749	–	22,749	471	–	471	28,719	7,465	21,254

13 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Plant and buildings	Machinery and equipment	Vehicles	Electronic equipment and others	Constructions in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2023	2,906,735	6,229,587	34,771	361,128	6,310,160	15,842,381
Additions	126	1,498	9,993	3,832	2,178,065	2,193,514
Transfer in/(out)	51,828	3,863,958	–	9,368	(3,925,154)	–
Disposals	(132,650)	(498,456)	(3,972)	(8,598)	–	(643,676)
At December 31, 2023 and January 1, 2024	2,826,039	9,596,587	40,792	365,730	4,563,071	17,392,219
Additions	–	448,152	7,070	6,670	2,669,120	3,131,012
Transfer in/(out)	20,201	1,875,266	377	14,330	(1,910,174)	–
Reclassification	9,528	205,423	–	(214,951)	–	–
Disposals	(6,864)	(167,829)	(439)	(32)	(211,058)	(386,222)
At December 31, 2024 and January 1, 2025	2,848,904	11,957,599	47,800	171,747	5,110,959	20,137,009
Additions	24,983	49,411	6,555	10,269	1,037,880	1,129,098
Transfer in/(out)	224,782	5,376,661	1,004	38,427	(5,640,874)	–
Reclassification	721,084	(759,727)	–	38,643	–	–
Disposals	–	(37,934)	(1,641)	–	(35,297)	(74,872)
At December 31, 2025	3,819,753	16,586,010	53,718	259,086	472,668	21,191,235
Accumulated depreciation and impairment losses:						
At January 1, 2023	1,043,330	3,765,390	18,524	201,471	688,516	5,717,231
Charge for the year	117,637	370,512	3,969	39,868	1,428	533,414
Disposals	(130,584)	(485,406)	(3,652)	(8,269)	–	(627,911)
At December 31, 2023 and January 1, 2024	1,030,383	3,650,496	18,841	233,070	689,944	5,622,734
Charge for the year	120,121	722,316	4,716	15,699	1,369	864,221
Reclassification	(5,178)	174,784	231	(169,837)	–	–
Transfer in/(out)	–	6,988	–	–	(1,428)	5,560
Disposals	(3,506)	(153,032)	(405)	(15)	(180,436)	(337,394)
At December 31, 2024 and January 1, 2025	1,141,820	4,401,552	23,383	78,917	509,449	6,155,121
Charge for the year	119,695	917,219	5,353	22,256	–	1,064,523
Transfer in/(out)	–	475,606	–	–	(475,606)	–
Reclassification	51,567	(60,155)	–	8,588	–	–
Disposals	–	(32,179)	(1,556)	–	(33,843)	(67,578)
At December 31, 2025	1,313,082	5,702,043	27,180	109,761	–	7,152,066
Net book value:						
At December 31, 2023	1,795,656	5,946,091	21,951	132,660	3,873,127	11,769,485
At December 31, 2024	1,707,084	7,556,047	24,417	92,830	4,601,510	13,981,888
At December 31, 2025	2,506,671	10,883,967	26,538	149,325	472,668	14,039,169

The Company

	Plant and buildings	Machinery and equipment	Vehicles	Furniture and others	Constructions in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2023	1,080,540	2,923,281	11,994	259,193	387,871	4,662,879
Additions	–	64	897	2,459	209,355	212,775
Transfer in/(out)	2,109	208,881	–	5,068	(216,058)	–
Capital contribution to a subsidiary	(54,096)	(128,847)	(529)	(9,076)	–	(192,548)
Disposals	(126)	(7,716)	(1,402)	–	–	(9,244)
At December 31, 2023 and January 1, 2024	1,028,427	2,995,663	10,960	257,644	381,168	4,673,862
Additions	–	319	396	987	87,188	88,890
Transfer in/(out)	9,268	125,393	–	9,298	(143,959)	–
Reclassification	–	214,363	–	(214,363)	–	–
Disposals	–	(11,423)	(79)	–	(212,640)	(224,142)
At December 31, 2024 and January 1, 2025	1,037,695	3,324,315	11,277	53,566	111,757	4,538,610
Additions	–	1,672	1,626	949	96,155	100,402
Transfer in/(out)	9,351	82,971	149	6,532	(99,003)	–
Disposals	–	(11,003)	(1,281)	–	–	(12,284)
At December 31, 2025	1,047,046	3,397,955	11,771	61,047	108,909	4,626,728
Accumulated depreciation and impairment losses:						
At January 1, 2023	388,719	1,385,894	8,685	171,897	212,910	2,168,105
Charge for the year	46,444	212,736	911	20,762	–	280,853
Disposals	–	(4,780)	(1,248)	–	–	(6,028)
Capital contribution to a subsidiary	(17,965)	(58,659)	(320)	(4,491)	–	(81,435)
At December 31, 2023 and January 1, 2024	417,198	1,535,191	8,028	188,168	212,910	2,361,495
Charge for the year	44,563	308,348	688	5,180	1,367	360,146
Reclassification	(14,110)	176,718	91	(162,699)	–	–
Disposals	–	(9,678)	(75)	–	(180,434)	(190,187)
At December 31, 2024 and January 1, 2025	447,651	2,010,579	8,732	30,649	33,843	2,531,454
Charge for the year	43,695	215,233	826	6,859	–	266,613
Disposals	–	(9,063)	(1,214)	–	–	(10,277)
At December 31, 2025	491,346	2,216,749	8,344	37,508	33,843	2,787,790
Net book value:						
At December 31, 2023	611,229	1,460,472	2,932	69,476	168,258	2,312,367
At December 31, 2024	590,044	1,313,736	2,545	22,917	77,914	2,007,156
At December 31, 2025	555,700	1,181,206	3,427	23,539	75,066	1,838,938

Notes:

(i) As at December 31, 2023, 2024 and 2025, the Group's certain buildings, equipment and constructions in progress with carrying amount of RMB6,573,280,000, RMB8,253,760,000 and RMB8,952,759,000 were pledged as collaterals for the Group's borrowings.

(ii) As at December 31, 2023, 2024 and 2025, the Group was applying for certificates of ownership for certain buildings with the costs of RMB429,304,000, RMB274,348,000 and RMB686,930,000 respectively. The directors of the Company consider that there is no legal impediment for the Group to access and use such land and it should not lead to any significant adverse impact on the operations of the Group.

(iii) As at December 31, 2023, 2024 and 2025, the Group assessed the recoverable amount based on fair value less costs of disposal of the lithium hexafluorophosphate facility and other production line due to the market condition. The fair value measurement was categorised as a Level 3 valuation based on the inputs used in valuation technique. The key assumption was the residual value.

During the years ended December 31, 2023, 2024 and 2025, the related impairment losses of the lithium hexafluorophosphate and other production line were approximately RMB1,607,000, RMB82,970,000 and nil respectively, which were recognised in profit or loss.

14 RIGHT-OF-USE ASSETS

(a) Reconciliation of carrying amount

The Group

	Interest in leasehold land held for own use	Leasehold land, properties and equipment leased for own use	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At January 1, 2023	942,513	476,895	1,419,408
Additions	20,000	31,703	51,703
At December 31, 2023 and January 1, 2024	962,513	508,598	1,471,111
Additions	193,476	309,435	502,911
Disposals	–	(443,501)	(443,501)
At December 31, 2024 and January 1, 2025	1,155,989	374,532	1,530,521
Additions	110,880	70,262	181,142
Leases modification	–	(361)	(361)
Disposals	(13,886)	(46,534)	(60,420)
Foreign exchange differences	–	(10)	(10)
At December 31, 2025	1,252,983	397,889	1,650,872
Accumulated depreciation:			
At January 1, 2023	130,602	–	130,602
Charge for the year	18,624	3,264	21,888
At December 31, 2023 and January 1, 2024	149,226	3,264	152,490
Charge for the year	22,194	31,213	53,407
Disposals	–	(5,560)	(5,560)
At December 31, 2024 and January 1, 2025	171,420	28,917	200,337
Charge for the year	24,174	32,366	56,540
Disposals	(1,896)	(2,456)	(4,352)
Foreign exchange differences	–	(4)	(4)
At December 31, 2025	193,698	58,823	252,521
Net book value:			
At December 31, 2023	813,287	505,334	1,318,621
At December 31, 2024	984,569	345,615	1,330,184
At December 31, 2025	1,059,285	339,066	1,398,351

The Company

	Interest in leasehold land held for own use	Leasehold land, properties and equipment leased for own use	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At January 1, 2023	491,249	–	491,249
Additions	20,000	4,282	24,282
At December 31, 2023 and January 1, 2024	511,249	4,282	515,531
Additions	6,736	18,179	24,915
At December 31, 2024 and January 1, 2025	517,985	22,461	540,446
Additions	1,091	–	1,091
Leases modification	–	(361)	(361)
At December 31, 2025	519,076	22,100	541,176
Accumulated depreciation:			
At January 1, 2023	71,359	–	71,359
Charge for the year	9,211	250	9,461
At December 31, 2023 and January 1, 2024	80,570	250	80,820
Charge for the year	10,787	4,525	15,312
At December 31, 2024 and January 1, 2025	91,357	4,775	96,132
Charge for the year	10,207	4,253	14,460
At December 31, 2025	101,564	9,028	110,592
Net book value:			
At December 31, 2023	430,679	4,032	434,711
At December 31, 2024	426,628	17,686	444,314
At December 31, 2025	417,512	13,072	430,584

Notes:

(i) Properties, leasehold land and equipment leased for own use represent the right to use properties, leasehold land and equipment as its office and production premise and production line through tenancy agreements. The leases run for an initial period of 2 to 40 years.

(ii) Interest in leasehold land held for own use represents land use right obtained by the Group for land situated in the PRC. Lump sum payments of land use right premiums were made upfront for these interests in leasehold land, and there are no ongoing payments to be made under the terms of the land lease. The period for these land use rights is no more than 50 years.

(iii) The Group does not have the option to renew or terminate the lease and there are no significant restrictions or covenants imposed to the lease. None of the leases includes variable lease payments.

(iv) As at December 31, 2023, 2024 and 2025, the Group's certain interest in leasehold land with carrying amount of RMB147,951,000, RMB144,711,000 and RMB141,470,000 were pledged as collaterals for the Group's borrowings.

(b) The analysis of expense items in relation to leases recognised in profit or loss are as follows:

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	21,888	53,407	56,540
Interest on lease liabilities	808	13,651	11,893
Expense relating to short-term leases	5,193	3,853	2,856

The Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	9,461	15,312	14,460
Interest on lease liabilities	177	815	597
Expense relating to short-term leases	4,673	3,185	1,193

Details of total cash outflow for leases, and the maturity analysis of lease liabilities are set out in Notes 24(d) and 29, respectively.

15 INTANGIBLE ASSETS

The Group

	Know-how	Software	Power generation capacity indicators	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At January 1, 2023	21,995	50,170	3,998	76,163
Additions	–	2,470	–	2,470
At December 31, 2023 and January 1, 2024	21,995	52,640	3,998	78,633
Additions	4,224	11,719	108,900	124,843
Disposals	–	(49)	–	(49)
At December 31, 2024 and January 1, 2025	26,219	64,310	112,898	203,427
Additions	–	11,927	45,300	57,227
At December 31, 2025	26,219	76,237	158,198	260,654
Accumulated amortization:				
At January 1, 2023	20,240	21,947	461	42,648
Charge for the year	270	5,996	461	6,727
At December 31, 2023 and January 1, 2024	20,510	27,943	922	49,375
Charge for the year	739	5,351	915	7,005
Disposals	–	(49)	–	(49)
At December 31, 2024 and January 1, 2025	21,249	33,245	1,837	56,331
Charge for the year	1,140	8,859	5,338	15,337
At December 31, 2025	22,389	42,104	7,175	71,668
Net book Value				
At December 31, 2023	1,485	24,697	3,076	29,258
At December 31, 2024	4,970	31,065	111,061	147,096
At December 31, 2025	3,830	34,133	151,023	188,986

The Company

	Know-how	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At January 1, 2023	–	45,785	45,785
Additions	–	105	105
At December 31, 2023 and January 1, 2024	–	45,890	45,890
Additions	6,161	11,560	17,721
At December 31, 2024 and January 1, 2025	6,161	57,450	63,611
Additions	–	11,389	11,389
Disposal	(6,161)	–	(6,161)
At December 31, 2025	–	68,839	68,839
Accumulated amortization:			
At January 1, 2023	–	18,469	18,469
Charge for the year	–	4,876	4,876
At December 31, 2023 and January 1, 2024	–	23,345	23,345
Charge for the year	685	4,360	5,045
At December 31, 2024 and January 1, 2025	685	27,705	28,390
Charge for the year	–	7,973	7,973
Disposal	(685)	–	(685)
At December 31, 2025	–	35,678	35,678
Net book Value			
At December 31, 2023	–	22,545	22,545
At December 31, 2024	5,476	29,745	35,221
At December 31, 2025	–	33,161	33,161

16 GOODWILL

The Group

	At December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Yellow River Delta (Binzhou) Thermal Power Co., Ltd. (Yellow River Delta) (黃河三角洲(濱州)熱力有限公司)	38,788	38,788	38,788
Shandong Binhua New Materials Co., Ltd. (Binhua New Materials) (山東濱華新材料有限公司)	6,750	6,750	6,750
	45,538	45,538	45,538

Impairment test for cash-generating units containing goodwill

For the purpose of impairment testing, the Group's goodwill acquired through the business combination was related to the subsidiaries which was each regarded as a cash-generating unit ("CGU").

The recoverable amount of the CGU as at December 31, 2023, 2024 and 2025 were determined based on value-in-use calculation. The calculation uses cash flow projection based on financial budget prepared by the directors of the Company covering a five-year period.

The cash flow projection adopted annual revenue growth rates which are based on the Group's historical experience with the operation and adjusted for other factors that are specific to the CGU. Cash flows beyond the five-year period are extrapolated using an estimate growth rate of 0%. The cash flows are discounted using a discount rate which is pre-taxed and reflect specific risks relating to the CGU.

(a) The CGU of Yellow River Delta

	At 31 December,		
	2023	**2024**	**2025**
Annual revenue growth rate during the forecast period	0.00%	2.75%	2.07%
Growth rate beyond the forecast period	0.00%	0.00%	0.00%
Profit margin	16.96%-21.57%	10.87%-11.30%	11.88%-12.95%
Pre-tax discount rate	11.09%	13.10%	13.06%

The headroom measured by the excess of the recoverable amount over the carrying amount of the CGU of Yellow River Delta as of December 31, 2023, 2024 and 2025 are RMB985,930,000, RMB191,779,000 and RMB524,342,000, respectively.

(b) The CGU of Binhua New Materials

	At 31 December,		
	2023	**2024**	**2025**
Annual revenue growth rate during the forecast period	0.00%	2.42%	2.80%
Growth rate beyond the forecast period	0.00%	0.00%	0.00%
Profit margin	(8.62)%-9.91%	1.55%-4.05%	4.26%-12.86%
Pre-tax discount rate	12.44%	12.21%	12.90%

The headroom measured by the excess of the recoverable amount over the carrying amount of the CGU of Binhua New Materials as of December 31, 2023, 2024 and 2025 are RMB394,665,000, RMB20,726,000 and RMB76,606,000, respectively.

(c) Sensitivity analysis

Management has undertaken sensitivity analysis on the impairment test of the CGU of Yellow River Delta and Binhua New Materials. The following table sets forth the hypothetical pre-tax discount rate and the hypothetical profit margin during the forecast that would, in isolation, have removed the remaining headroom respectively as at December 31, 2023, 2024 and 2025:

The CGU of Yellow River Delta

	At 31 December,		
	2023	**2024**	**2025**
Profit margin	8.44%-10.73%	7.91%-9.12%	6.31%-7.07%
Pre-tax discount rate	20.37%	14.93%	18.29%

The CGU of Binhua New Materials

	At 31 December,		
	2023	2024	2025
Profit margin	(8.92)%-9.61%	1.53%-4.01%	4.23%-12.77%
Pre-tax discount rate	12.83%	12.25%	13.00%

The management of the Group determined that there was no impairment of its CGU at each of the reporting date of the Track Record Period.

The directors are of the opinion that, except for the Binhua New Materials CGU, a reasonably possible change in a key parameter will not cause the carrying amount of the relevant CGU to exceed the respective recoverable amounts as at December 31, 2023, 2024 and 2025.

17 INTEREST IN ASSOCIATES

The following list contains only the particulars of major associates all of which are an unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shandong Lubei Enterprise Group Corporation ("Lubei Group") 山東魯北企業集團總公司 *(Note (i))*	Incorporated	The PRC	RMB1,696,308,375	35.6%	–	35.6%	Manufacture of chemical raw materials and chemical products
Yellow River Delta Technology Entrepreneurship Development Co., Ltd. 黃河三角洲科技創業發展有限公司	Incorporated	The PRC	RMB800,000,000	49.0%	49.0%	–	Construction project construction

Note:

(i) On December 15, 2023, the Group has obtained 35.6% of the equity interests in Lubei Group through its acquisition of its subsidiary Shandong Jinyuan New Materials Co., Ltd..

Lubei Group is a material associate to the Group. Summarised financial information of the material associate, adjusted for any in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

Shandong Lubei Enterprise Group Corporation ("Lubei Group")

	From acquisition date (December 15, 2023) to December 31, 2023/ As of December 31, 2023	For the year ended December 31,2024/ As of December 31, 2024	For the year ended December 31,2025/ As of December 31, 2025
	RMB'000	*RMB'000*	*RMB'000*
Gross amounts of the associate's			
Current assets	7,679,399	11,258,242	11,292,046
Non-current assets	10,138,515	10,279,338	11,477,770
Current liabilities	11,160,957	13,505,551	14,665,990
Non-current liabilities	1,605,954	1,581,213	2,239,698
Total equity attributable to shareholders of the Company	2,786,167	4,032,579	3,494,085

	From acquisition date (December 15, 2023) to December 31, 2023/ As of December 31, 2023	For the year ended December 31,2024/ As of December 31, 2024	For the year ended December 31,2025/ As of December 31, 2025
	RMB'000	*RMB'000*	*RMB'000*
Non-controlling interests	2,264,836	2,414,652	2,370,044
Revenue	–	14,528,216	11,467,797
Profits/(losses) for the year	–	1,429,321	(515,751)
Other comprehensive income	–	–	–
Total comprehensive income	–	1,429,321	(515,751)
Reconciled to the Group's interest in the associate			
Gross amounts of net assets of the associate	2,786,167	4,032,579	3,494,085
Group's effective interest	35.6%	35.6%	35.6%
Group's share of net assets of the associate	991,875	1,435,598	1,243,894
Goodwill	219,180	219,180	219,180
Carrying amount in the consolidated financial statements	1,211,055	1,654,778	1,463,074

Aggregate information of associates that are not individually material:

	At December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	673,509	680,980	722,322
Aggregate amounts of the Group's share of the associates' profits from continuing operations	2,372	9,120	22,688
Other comprehensive income	–	–	–
Total comprehensive income	2,372	9,120	22,688

18 EQUITY SECURITIES DESIGNATED AT FVOCI

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Equity securities designated at FVOCI (non-recycling)			
– Investments in unlisted equity securities	677,369	677,369	710,776

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Equity securities designated at FVOCI (non-recycling)			
– Investments in unlisted equity securities	659,869	659,869	687,562

Notes:

(i) Equity securities mainly comprise unlisted securities. The Group designated its investment in unlisted equity securities at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends of RMB21,037,000, RMB19,632,000 and RMB20,192,000 were received on these investments during the years ended December 31, 2023, 2024 and 2025, respectively.

(ii) On June 25, 2023 the Group disposed the shares of Jinan Shizhong District Hairong Microcredit Co., Ltd. held to Shandong Binhua Investment Co., Ltd. for the consideration of RMB12,300,000.

19 OTHER NON-CURRENT ASSETS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for property, plant and equipment	720,642	136,287	22,441
Prepayments for leasehold land for own use	–	–	17,482
Prepayments for intention deposit of potential acquisition in investments in an associate *(Note (i))*	200,000	–	–
Prepayments for shares repurchase	10,000	–	–
Others	13,435	6,908	6,068
	944,077	143,195	45,991

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for property, plant and equipment	6,200	4,390	4,657
Prepayments for intention deposit of potential acquisition in investments in an associate *(Note (i))*	200,000	–	–
Prepayments for shares repurchase	10,000	–	–
Others	2,163	–	–
	218,363	4,390	4,657

Note:

(i) The intention deposit for the Company's potential acquisition was recovered in 2024 upon the cancellation of potential acquisition.

20 INVENTORIES AND CONTRACT COSTS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Raw materials	345,266	843,756	931,801
Finished goods	123,296	263,398	421,793
Goods in transit	5,499	12,868	9,700
	474,061	1,120,022	1,363,294
Less: write-down of inventories	(9,975)	(62,063)	(25,551)
	464,086	1,057,959	1,337,743
Contract costs	57,392	13,839	19,110
	521,478	1,071,798	1,356,853

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Inventories			
Raw materials	78,163	109,466	142,251
Finished goods	44,886	46,715	25,830
Goods in transit	–	4,687	8,131
	123,049	160,868	176,212
Less: write-down of inventories	(3,007)	(8,996)	(7,656)
	120,042	151,872	168,556

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	6,053,088	9,499,027	13,332,998
Write-down of inventories	22,060	75,083	45,367
	6,075,148	9,574,110	13,378,365

21 TRADE AND BILLS RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables	726,427	493,304	465,557
Trade receivables			
– Related parties	8,921	21,423	14,137
– Third parties	102,194	178,120	457,128
	837,542	692,847	936,822
Less: allowance for doubtful debts	(9,838)	(14,329)	(19,024)
	827,704	678,518	917,798

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bills receivables	312,867	278,404	241,154
Trade receivables			
– Subsidiaries	512	8,850	34,748
– Third parties	28,756	28,540	40,969
	342,135	315,794	316,871
Less: allowance for doubtful debts	(1,443)	(1,641)	(2,689)
	340,692	314,153	314,182

Notes:

(i) All of the trade and bills receivables of the Group and the Company are expected to be recovered within one year. Further details on the Group's credit policy and credit risk are set out in Note 35(a).

(ii) As at December 31, 2023, 2024 and 2025, the Group endorsed or discounted the undue bills receivable of RMB432,132,000, RMB812,556,000 and RMB773,760,000 to its suppliers or to banks and derecognised these bills receivable in their entirety as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills.

As at December 31, 2023, 2024 and 2025, undue bills receivable of RMB300,578,000, RMB233,201,000 and RMB319,352,000 endorsed to its suppliers to settle trade payables were not derecognised because management believed that the credit risks of ownership had not been substantially transferred.

(iii) As at December 31, 2023, the Group's pledged certain bills receivable of RMB17,297,000 as collaterals for the Group's issuance of letter of credit.

The aging analysis of trade and bills receivables, based on the invoice date and net of loss allowance, is as follows:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	817,087	670,331	910,273
1-2 years	10,084	5,193	6,022
2-3 years	533	2,994	1,503
	827,704	678,518	917,798

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	340,692	313,014	313,470
1-2 years	–	1,139	–
2-3 years	–	–	712
	340,692	314,153	314,182

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products *(Note (i))*	–	–	5,271
Derivative financial instruments *(Note (ii))*	–	5,243	8,789
	–	5,243	14,060

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Derivative financial instruments *(Note (ii))*	–	–	2,096

Notes:

(i) The wealth management products were issued by banks with variable investment income and can be redeemed on demand or in a short term.

(ii) The Group entered into certain commodity futures or options to mitigate its risk associated with the prices of its sodium hydroxide, liquefied petroleum gas and related chemical products purchased or sold. An unrealised gain arising on changes in fair value of derivatives which has been recognised in profit or loss was RMB5,243,000 and RMB3,740,000 as at December 31, 2024 and 2025.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advances to suppliers	59,286	322,747	127,183
Deposit	16,240	25,343	62,811
Amounts due from related parties	614	3,464	2,472
Amounts due from a third party	50,103	50,103	50,103
Input value-added tax deductible	483,514	602,516	146,594
Prepaid tax	25,383	128,639	46,717
Consideration receivables from the disposal of equity securities designated at FVOCI due from a related party	30,720	–	–
[**REDACTED**] expenses to be deducted from equity	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	4,583	9,487	34,248
	670,443	1,142,299	484,771
Less: loss allowance for other receivables	(52,047)	(50,501)	(51,696)
	618,396	1,091,798	433,075

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advances to suppliers	26,271	39,768	36,113
Deposit	1,298	2,152	1,545
Amounts due from subsidiaries	3,457,926	5,862,850	5,160,895
Amounts due from other related parties	158	3,364	1,275
Amounts due from a third party	50,103	50,103	50,103
Input value-added tax deductible	20,429	5,622	5,054
Prepaid tax	1,274	1,420	1,274
Consideration receivables from the disposal of equity securities designated at FVOCI due from a related party	30,720	–	–
Dividends receivable	49,000	–	–
[**REDACTED**] expenses to be deducted from equity	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	1,748	8,713	4,527
	3,638,927	5,973,992	5,275,429
Less: loss allowance for other receivables	(51,838)	(50,468)	(50,428)
	3,587,089	5,923,524	5,225,001

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	2,066,822	758,946	2,363,893
Less: restricted cash *(Note (i))*	1,220,310	283,231	662,305
Cash and cash equivalents	846,512	475,715	1,701,588

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	1,145,623	334,909	337,405
Less: restricted cash *(Note (i))*	842,500	258,120	190,087
Cash and cash equivalents	303,123	76,789	147,318

Note:

(i) As at the end of each reporting period, restricted cash of the Group and the Company mainly represented guarantee deposits pledged to bank for issuance of bills payables and letters of credit.

(b) Reconciliation of profit before taxation to cash generated from operations:

		Year ended December 31,		
	Note	2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Profit before taxation		484,154	121,427	355,662
Adjustments for:				
Depreciation of property, plant and equipment	*7(c)*	531,807	781,251	1,064,523
Depreciation of right-of-use assets	*7(c)*	21,888	53,407	56,540
Amortization of intangible assets	*7(c)*	6,727	7,005	15,337
Amortization of other non-current assets	*7(c)*	5,775	6,527	4,774
(Gains)/losses on disposal or scrapping of property, plant and equipment and other non-current assets, net	*6*	(51,891)	42,358	(25,095)
Gains from financial assets measured at FVTPL	*6*	(11,567)	(34,400)	(94,390)
Finance costs	*7(a)*	153,810	258,543	310,534
Foreign exchange losses, net		2,427	260	21,408
Share of (profits)/losses of associates		(2,372)	(440,749)	169,050
Losses on disposal of an associate	*6*	8,712	–	–
Dividend income	*5*	(21,037)	(19,632)	(20,192)
Impairment losses of property, plant and equipment	*6*	1,607	82,970	–

	Note	Year ended December 31, 2023	2024	2025
		RMB'000	RMB'000	RMB'000
Equity-settled share-based payment expenses		43,576	(27,742)	44,938
Changes in working capital:				
Increase in inventories and contract costs		(162,131)	(518,671)	(285,055)
(Increase)/decrease in trade receivables, prepayments, deposits and other receivables and restricted cash		(1,670,780)	(17,558)	112,776
Increase in trade and bills payables, accrued expenses and other payables and contract liabilities		1,745,647	279,022	1,253,277
Cash generated from operations		1,086,352	574,018	2,984,087

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank loans and other borrowings	Lease liabilities	Amounts due to related parties	Acquisition consideration payables	Dividends payables	Total
	RMB'000 (Note 25)	RMB'000 (Note 29)	RMB'000 (Note 27)	RMB'000 (Note 27)	RMB'000 (Note 27)	RMB'000
At January 1, 2023	4,194,390	384,481	210,967	–	–	4,789,838
Changes from financing cash flows:						
Proceeds from bank and other borrowings	5,932,153	–	–	–	–	5,932,153
Repayment of bank and other borrowings	(2,975,594)	–	–	–	–	(2,975,594)
Dividends paid to shareholders of the Company	–	–	–	–	(262,673)	(262,673)
Interest paid	(204,418)	–	(7,033)	–	–	(211,451)
Capital element of lease rentals paid	–	(224,524)	–	–	–	(224,524)
Interest element of lease rentals paid	–	(10,088)	–	–	–	(10,088)
Other changes:						
Interest expenses *(Note 7(a))*	203,289	14,117	6,787	–	–	224,193
Dividends declared	–	–	–	–	262,673	262,673
Movement in lease liabilities during the year	–	(852)	–	–	–	(852)
Consideration payables arising from acquisition	–	–	–	304,245	–	304,245
Offset the bank and other borrowings by bill deposits	(555,270)	–	–	–	–	(555,270)
Bank loans arising from a supplier's discounted bills issued by the Group	659,483	–	–	–	–	659,483
At December 31, 2023 and January 1, 2024	7,254,033	163,134	210,721	304,245	–	7,932,133

	Bank loans and other borrowings	Lease liabilities	Amounts due to related parties	Acquisition consideration payables	Dividends payables	Total
	RMB'000 (Note 25)	*RMB'000 (Note 29)*	*RMB'000 (Note 27)*	*RMB'000 (Note 27)*	*RMB'000 (Note 27)*	*RMB'000*
Changes from financing cash flows:						
Proceeds from bank and other borrowings	5,453,100	–	–	–	–	5,453,100
Repayment of bank and other borrowings	(3,773,503)	–	–	–	–	(3,773,503)
Proceeds from related party borrowings	–	–	292,480	–	–	292,480
Repayment of related party borrowings	–	–	(365,035)	–	–	(365,035)
Payment of acquisition consideration payables	–	–	–	(304,245)	–	(304,245)
Dividends paid to shareholders of the Company	–	–	–	–	(101,221)	(101,221)
Interest paid	(251,033)	–	(9,098)	–	–	(260,131)
Capital element of lease rentals paid	–	(126,160)	–	–	–	(126,160)
Interest element of lease rentals paid	–	(5,669)	–	–	–	(5,669)
Other changes:						
Interest expenses *(Note 7(a))*	305,274	14,216	6,033	–	–	325,523
Movements in lease liabilities during the year	–	230,696	–	–	–	230,696
Dividends declared	–	–	–	–	121,527	121,527
Offset the bank and other borrowings by bill deposits	(952,935)	–	–	–	–	(952,935)
Bank loans arising from a supplier's discounted bills issued by the Group	946,000	–	–	–	–	946,000
At December 31, 2024 and January 1, 2025	8,980,936	276,217	135,101	–	20,306	9,412,560

	Bank loans and other borrowings	Lease liabilities	Amounts due to related parties	Dividends payables	Total
	RMB'000 (Note 25)	*RMB'000 (Note 29)*	*RMB'000 (Note 27)*	*RMB'000 (Note 27)*	*RMB'000*
At December 31, 2024 and January 1, 2025	8,980,936	276,217	135,101	20,306	9,412,560
Changes from financing cash flows:					
Proceeds from bank and other borrowings	3,798,570	–	–	–	3,798,570
Repayment of bank and other borrowings	(4,664,865)	–	–	–	(4,664,865)
Repayment of related party borrowings	–	–	(32,480)	–	(32,480)
Dividends paid to shareholders of the Company	–	–	–	(100,661)	(100,661)
Interest paid	(291,048)	–	(3,718)	–	(294,766)

	Bank loans and other borrowings	Lease liabilities	Amounts due to related parties	Dividends payables	Total
	RMB'000 (Note 25)	*RMB'000 (Note 29)*	*RMB'000 (Note 27)*	*RMB'000 (Note 27)*	*RMB'000*
Capital element of lease rentals paid	–	(66,658)	–	–	(66,658)
Interest element of lease rentals paid	–	(2,867)	–	–	(2,867)
Other changes:					
Interest expenses *(Note 7(a))*	307,367	11,893	2,753	–	322,013
Movements in lease liabilities during the year	–	69,820	–	–	69,820
Dividends declared	–	–	–	80,355	80,355
Offset the bank and other borrowings by bill deposits	(11,479)	–	–	–	(11,479)
Bank loans arising from a supplier's discounted bills issued by the Group	807,830	–	–	–	807,830
At December 31, 2025	8,927,311	288,405	101,656	–	9,317,372

(d) Total cash outflow for leases

Amounts included in the statements of cash flows for leases comprise the following:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	5,193	3,762	2,856
Within investing cash flows	20,000	186,740	127,272
Within financing cash flows	234,612	131,829	69,525
	259,805	322,331	199,653

25 BANK AND OTHER BORROWINGS

(a) The bank and other borrowings comprise:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bank loans:			
– Secured and unguaranteed	4,577,153	6,181,438	5,366,599
– Unsecured and guaranteed	260,003	297,274	353,815
– Unguaranteed and unsecured	2,416,877	2,502,224	2,854,090
	7,254,033	8,980,936	8,574,504
Other borrowings:			
– Secured and unguaranteed	–	–	352,807
	7,254,033	8,980,936	8,927,311

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bank loans:			
– Secured and unguaranteed	577,153	1,940,700	1,693,606
– Unguaranteed and unsecured	2,332,847	2,378,199	2,748,411
	2,910,000	4,318,899	4,442,017

Notes:

(i) All of the above bank and other borrowings are carried at amortised cost.

(ii) Certain of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the loans would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 35(b). At December 31, 2023, 2024 and 2025, none of the covenants relating to the bank loans had been breached.

(iii) At December 31, 2024 and 2025, the Group's secured bank loans of RMB570,900,000 were secured by the pledged equity of one subsidiary of the Group.

(iv) At December 31, 2023, 2024 and 2025, guaranteed bank loans were subsidiaries' bank loans guaranteed by the Company.

(v) At December 31, 2025, the Group's secured other borrowings of RMB352,807,000 were secured by certain property, plant and equipment of the Group.

(b) The analysis of the repayment schedule of bank and other borrowings is as follows:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	3,727,483	3,553,412	4,489,262
After 1 year but within 2 years	739,508	1,983,610	1,869,691
After 2 years but within 5 years	2,046,900	2,712,357	2,433,458
After 5 years	740,142	731,557	134,900
	7,254,033	8,980,936	8,927,311

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	1,874,550	2,098,589	2,722,337
After 1 year but within 2 years	368,550	1,225,110	1,034,320
After 2 years but within 5 years	666,900	839,501	633,461
After 5 years	–	155,699	51,899
	2,910,000	4,318,899	4,442,017

26 TRADE AND BILLS PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	1,089,236	1,360,744	2,036,154
Bills payable	15,154	1,668	220,988
	1,104,390	1,362,412	2,257,142

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	391,744	434,949	390,028
Bills payable	1,220,000	607,000	635,000
	1,611,744	1,041,949	1,025,028

All trade payables are expected to be settled within one year or are repayable on demand.

An aging analysis of the trade and bills payables as at the end of each reporting period, based on the invoice date, is as follows:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	933,272	1,014,770	2,205,767
Over 1 year	171,118	347,642	51,375
	1,104,390	1,362,412	2,257,142

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,603,842	1,014,045	1,004,616
Over 1 year	7,902	27,904	20,412
	1,611,744	1,041,949	1,025,028

27 ACCRUED EXPENSES AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties *(Note (ii))*	210,721	135,101	101,656
Accrued payroll and benefits	80,714	93,343	83,194
Other tax payables	25,341	19,739	22,804
Deposits	91,693	74,559	78,916
Restricted share repurchase obligation	107,190	187,931	58,551
Acquisition consideration payables *(Note 36(a))*	304,245	–	–
Dividend payables	–	20,306	–
Others	24,528	31,226	29,766
	844,432	562,205	374,887

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to subsidiaries	1,561,664	2,136,646	1,909,673
Amounts due to related parties	6	12	145
Accrued payroll and benefits	67,378	75,763	68,131
Other tax payables	6,726	6,407	6,525
Deposits	42,991	40,467	43,001
Restricted share repurchase obligation	107,190	187,931	58,551
Dividend payables	–	20,306	–
Others	10,243	17,505	10,304
	1,796,198	2,485,037	2,096,330

Notes:

(i) All of accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

(ii) During the Track Record Period, the balance due to related parties were non-trade, unsecured, interest-bearing and the interests were recorded as finance cost in profit or loss (Note 7(a)). The directors are of the opinion that the balance due to related parties are expected to be settled within one year.

28 CONTRACT LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers	86,251	136,659	139,200

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers	41,512	62,104	68,353

As at December 31, 2023, 2024 and 2025, all of contract liabilities is expected to be recognised as revenue within one year.

29 LEASE LIABILITIES

As at the end of each reporting period, the lease liabilities were repayable as follows:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	138,391	31,315	9,269
After 1 year but within 2 years	8,947	18,468	9,139
After 2 years but within 5 years	4,163	68,999	52,734
After 5 years	11,633	157,435	217,263
	24,743	244,902	279,136
	163,134	276,217	288,405

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	206	4,646	3,089
After 1 year but within 2 years	215	3,276	3,219
After 2 years but within 5 years	702	4,744	1,669
After 5 years	3,124	5,428	5,077
	4,041	13,448	9,965
	4,247	18,094	13,054

30 DEFERRED INCOME

The Group

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At January 1	24,918	27,481	41,552
Additions	5,618	16,204	25,020
Credited to profit or loss	(3,055)	(2,133)	(2,428)
Other reduction	–	–	(9,000)
At December 31	27,481	41,552	55,144

The Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At January 1	8,697	8,360	9,112
Additions	1,599	2,384	9,905
Credited to profit or loss	(1,936)	(1,632)	(1,014)
At December 31	8,360	9,112	18,003

Deferred income of the Group mainly represents government grants received in relation to the construction of property, plant and equipment, which are recognised in "other net income" over the expected useful lives of the relevant assets.

31 INCOME TAX IN THE STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the statements of financial position:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At January 1,	43,477	(5,703)	(16,434)
Provision for the year *(Note 8(a))*	105,765	77,224	163,266
Income tax paid	(154,945)	(87,955)	(118,679)
Exchange adjustment	–	–	(72)
At December 31,	(5,703)	(16,434)	28,081
Represented by:			
Prepaid tax	25,378	34,226	5,734
Current taxation	19,675	17,792	33,815

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At January 1,	5,298	(1,274)	(1,274)
Provision for the year	(3,483)	–	24,483
Income tax paid	(3,089)	–	(24,483)
At December 31,	(1,274)	(1,274)	(1,274)
Represented by:			
Prepaid tax	1,274	1,274	1,274
Current taxation	–	–	–

(b) Deferred tax assets and liabilities recognised:

(i) Movements of each component of deferred assets and liabilities

The Group

Deferred tax assets:	Provision for receivables and inventories	Unrealized intra-group profit	Unused tax losses	Lease liabilities	Depreciation allowances difference	Government grants	Provision for impairment of non-current assets	Share-based payments	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Note (i))*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	22,378	19,338	9,981	–	49,340	2,264	261,272	16,847	9,672	391,092
(Charged)/credited to profit or loss	(4,501)	2,724	76,454	4,566	(7,226)	1,676	(42,504)	10,894	(2,098)	39,985
At December 31, 2023 and January 1, 2024	17,877	22,062	86,435	4,566	42,114	3,940	218,768	27,741	7,574	431,077
Credited/(charged) to profit or loss	13,443	1,289	235,193	61,770	(16,968)	2,191	(33,592)	(6,935)	1,660	258,051
At December 31, 2024 and January 1, 2025	31,320	23,351	321,628	66,336	25,146	6,131	185,176	20,806	9,234	689,128
(Charged)/credited to profit or loss	(7,965)	(3,688)	55,179	3,644	4,472	4,960	(11,724)	(14,161)	(226)	30,491
At December 31, 2025	23,355	19,663	376,807	69,980	29,618	11,091	173,452	6,645	9,008	719,619

Note:

(i) The provision for impairment of non-current assets includes the impairment of investment in subsidiaries of the Company with the amount of RMB50,000,000 and the deferred tax assets is RMB12,500,000.

Deferred tax liabilities:	Depreciation allowances difference	Right-of-Use Assets	Unrealized intra-group loss	Capitalization of interest on convertible bonds	Fair value adjustments through business combination	Fair value adjustments of equity securities designated at FVOCI	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
At January 1, 2023	53,671	–	–	27,791	10,041	–	91,503
Charged/(credited) to profit or loss	16,315	4,429	–	–	(1,274)	–	19,470
At December 31, 2023 and January 1, 2024	69,986	4,429	–	27,791	8,767	–	110,973
Charged/(credited) to profit or loss	19,873	60,918	7,182	(1,699)	(1,275)	–	84,999
At December 31, 2024 and January 1, 2025	89,859	65,347	7,182	26,092	7,492	–	195,972
Charged/(credited) to profit or loss	8,734	11,241	(7,182)	(24,124)	(1,274)	7,465	(5,140)
At December 31, 2025	98,593	76,588	–	1,968	6,218	7,465	190,832

The Company

Deferred tax assets:	Provision for receivables and inventories	Unused tax losses	Lease liabilities	Government grants	Provision for impairment of non-current assets	Prepaid salary for early retirees	Depreciation allowances difference	Share-based payments	*Total*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2023	19,090	–	–	1,924	82,037	7,920	4,870	16,847	132,688
(Charged)/credited to profit or loss	(5,018)	45,274	1,062	166	(6,455)	(1,982)	(3,282)	10,894	40,659
At December 31, 2023 and January 1, 2024	14,072	45,274	1,062	2,090	75,582	5,938	1,588	27,741	173,347
Credited/(charged) to profit or loss	1,204	101,891	3,462	188	(24,366)	1,522	(930)	(6,935)	76,036
At December 31, 2024 and January 1, 2025	15,276	147,165	4,524	2,278	51,216	7,460	658	20,806	249,383
(Charged)/credited to profit or loss	(83)	6,288	(1,260)	2,223	(8,581)	(198)	(2,907)	(14,161)	(18,679)
At December 31, 2025	15,193	153,453	3,264	4,501	42,635	7,262	(2,249)	6,645	230,704

Deferred tax liabilities:	Depreciation allowances difference	Right of Use Assets	Fair value adjustments of equity securities designated at FVOCI	Total
	RMB'000	*RMB'000*		*RMB'000*
At January 1, 2023	35,840	–	–	35,840
Charged to profit or loss	6,377	975	–	7,352
At December 31, 2023 and January 1, 2024	42,217	975	–	43,192
Charged to profit or loss	13,679	3,414	–	17,093
At December 31, 2024 and January 1, 2025	55,896	4,389	–	60,285
(Credited/charged) to profit or loss	(4,427)	(1,153)	6,923	1,343
At December 31, 2025	51,469	3,236	6,923	61,628

(ii) Reconciliation to the consolidated statement of financial position

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax asset recognized in the consolidated statements of financial position	431,077	689,128	559,405
Net deferred tax liability recognized in the consolidated statements of financial position	(110,973)	(195,972)	(30,618)

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax asset recognized in the statements of financial position	173,347	249,383	169,076
Net deferred tax liability recognized in the statements of financial position	(43,192)	(60,285)	–

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB68,647,000, RMB102,762,000 and RMB89,538,000 and other temporary differences of RMB30,748,000, RMB6,440,000 and RMB5,993,000 as at December 31, 2023, 2024 and 2025 respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in Chinese mainland, the unrecognised tax losses at the end of each reporting period will expire in the following years:

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Year of 2025	3,243	32	–
Year of 2026	39,697	32,264	–
Year of 2027	18,883	629	–
Year of 2028	6,824	6,972	1,615
Year of 2029	–	35,937	6,586
Year of 2030	–	1,241	15,945
Year of 2031	–	7,433	–
Year of 2032	–	18,254	13,651
Year of 2033	–	–	5,708
Year of 2034	–	–	28,988
Year of 2035	–	–	17,045
	68,647	102,762	89,538

32 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of each reporting period are set out below:

	Share capital	Treasury shares	Capital reserve	Statutory reserve	Special reserves	Other reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	2,058,036	(219,338)	2,868,841	817,899	3,083	194,895	5,283,152	11,006,568
Changes in equity for 2023:								
Total comprehensive income for the year	–	–	–	–	–	21,076	247,192	268,268
Appropriation to reserves	–	–	–	25,027	(3,083)	–	(21,944)	–
Dividends declared by the Group	–	–	–	–	–	–	(262,673)	(262,673)
Equity-settled share-based payments	–	–	43,576	–	–	–	–	43,576
Treasury shares granted for Restricted Share Incentive Scheme	–	(100,505)	–	–	–	–	–	(100,505)
Others	–	–	(7,489)	228	–	(2,277)	2,049	(7,489)
Balance at December 31, 2023 and January 1, 2024	2,058,036	(319,843)	2,904,928	843,154	–	213,694	5,247,776	10,947,745
Changes in equity for 2024:								
Total comprehensive income for the year	–	–	–	–	–	–	108,311	108,311
Appropriation to reserves	–	–	–	10,831	–	–	(10,831)	–
Dividends declared by the Group	–	–	–	–	–	–	(121,527)	(121,527)
Equity-settled share-based payments	–	–	(27,742)	–	–	–	–	(27,742)
Treasury shares granted for Restricted Share Incentive Scheme	–	(28,389)	(77,697)	–	–	–	–	(106,086)
Others	–	–	(99)	–	–	–	–	(99)
Balance at December 31, 2024 and January 1, 2025	2,058,036	(348,232)	2,799,390	853,985	–	213,694	5,223,729	10,800,602
Changes in equity for 2025:								
Total comprehensive income for the year	–	–	–	–	–	20,771	25,403	46,174
Appropriation to reserves	–	–	–	2,544	–	–	(2,544)	–
Dividends declared by the Group	–	–	–	–	–	–	(80,355)	(80,355)
Equity-settled share-based payments	–	52,524	44,938	–	–	–	–	97,462
Cancellation of treasury shares granted for Restricted Share Incentive Scheme and repurchase of treasury shares	(1,200)	(135,926)	(2,892)	–	–	–	–	(140,018)
Balance at December 31, 2025	2,056,836	(431,634)	2,841,436	856,529	–	234,465	5,166,233	10,723,865

(b) Dividends

In June 2023, cash dividends in respect of the year ended December 31, 2022 of RMB0.13 per share, in an aggregate RMB262,673,000 was approved by the shareholders of the Company.

In June 2024, cash dividends in respect of the year ended December 31, 2023 of RMB0.05 per share, in an aggregate RMB101,221,000 was approved by the shareholders of the Company.

In December 2024, cash dividends in respect of the 9 months ended September 30, 2024 of RMB0.01 per share, in an aggregate RMB20,306,000 was approved by the shareholders of the Company.

In April 2025, cash dividends in respect of the year ended December 31, 2024 of RMB0.03 per share, in an aggregate RMB60,401,000 was approved by the shareholders of the Company.

In August 2025, cash dividends in respect of the 6 months ended June 30, 2025 of RMB0.01 per share, in an aggregate RMB19,954,000 was approved by the shareholders of the Company.

(c) Share capital

The share capital in the Group's consolidated statement of financial position represents the share capital of the Company as at December 31, 2023, 2024 and 2025. The movements are as follows:

	No. of shares	Share capital
		RMB'000
Balance at January 1, 2023, December 31, 2023 and 2024	2,058,036,276	2,058,036
Cancellation of treasury shares granted for Restricted Share Incentive Scheme	(1,200,000)	(1,200)
Balance at December 31, 2025	2,056,836,276	2,056,836

Note:

(i) The Company's ordinary shares have par value of RMB1 each.

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly comprises the following:

– the net proceeds received in excess of the total amount of the par value of shares issued;

– difference between the consideration paid for acquisition of non-controlling interests and the share of net assets of subsidiaries acquired;

– the changes in capital reserve of investment in the associate of the Company;

– the amount allocated to the unexercised equity component of convertible bonds (Note 2(r)) and the amount allocated to the equity component of the convertible bonds upon its extinguishment before maturity or early redemption; and

– the portion of the grant date fair value of unexercised share options granted to employees of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(s)(iii) and Note 34.

(ii) Treasury shares

The reserve for the Company's treasury shares comprises the cost of the Company's shares held be the Group for the Restricted Share Incentive Scheme.

(iii) Statutory reserve

Pursuant to the Company's Articles of Association, the Company is required to transfer 10% of net profit (after offsetting prior year losses) at determined in accordance with the accounting rules and regulations of the PRC to the statutory reserve until such reserve reaches 50% of the registered capital of the Company. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the Company and is non-distributable other than in liquidation.

(iv) Special reserves

Pursuant to the relevant PRC laws and regulations, the Group is required to transfer production and maintenance funds at fixed rates based on relevant bases to a specific reserve account. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account to retained earnings.

(v) Other reserve

The other reserve comprises all foreign exchange differences arising from the translation of the financial statements of the companies comprising the Group into the Group's presentation currency and net movement in fair value of equity investments at FVOCI. The reserve is dealt with in accordance with the accounting policies set out in Notes 2(w) and 2(f).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

33 PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Company's subsidiaries that have material non-controlling interests are set out below:

	2023	2024	2025
Shandong Befar Haiyuan Salt Chemicals Co., Ltd. ("Haiyuan Salt") *(Note (i))*			
Percentage of equity interest held by non-controlling interests	25.95%	–	–
Shandong Befar Dongrui Chemical Co., Ltd. ("Dongrui Chemical") *(Note (ii))*			
Percentage of equity interest held by non-controlling interests	–	–	16.13%
Binzhou Lanrun Environmental Resources Co., Ltd. ("Binzhou Lanrun") *(Note (iii))*			
Percentage of equity interest held by non-controlling interests	–	–	64.38%

	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Haiyuan Salt			
Profit for the year allocated to non-controlling interests	20,559	Not applicable	Not applicable
Dividends paid to non-controlling interests	–	Not applicable	Not applicable
Non-controlling interests at the reporting date	115,040	Not applicable	Not applicable
Dongrui Chemical			
Profit for the year allocated to non-controlling interests	Not applicable	Not applicable	–
Dividends paid to non-controlling interests	Not applicable	Not applicable	–
Non-controlling interests at the reporting date	Not applicable	Not applicable	501,368
Binzhou Lanrun			
Losses for the year allocated to non-controlling interests	Not applicable	–	(19)
Dividends paid to non-controlling interests	Not applicable	–	–
Non-controlling interests at the reporting date	Not applicable	–	97,970

Notes:

(i) On January 31, 2024, the Group completed the acquisition of the non-controlling interests in Binhua Salt for the consideration of RMB113,710,000. Upon the completion of acquisition, Binhua Salt became a wholly-owned subsidiary of the Group effective from January 31, 2024.

(ii) On December 31, 2025, a then wholly-owned subsidiary of the Group, Dongrui Chemical, received a capital injection of RMB500,000,000 from a non-controlling shareholder. Upon the completion of capital injection, the Group's effective interest of Dongrui Chemical became 83.87%.

(iii) On December 31, 2025, a subsidiary of the Group, Binzhou Lanrun, received a capital injection of RMB100,000,000 from a non-controlling shareholder. Upon the completion of capital injection, the Group's effective interest of Binzhou Lanrun became 35.62%.

34 EQUITY SETTLED SHARE-BASED PAYMENT

(a) Restricted Share Incentive Scheme of A Shares in 2022 ("2022 Scheme")

On January 21, 2022, pursuant to the approval of the Extraordinary General Meeting of the Company, 39,399,953 restricted shares were granted to a total of 267 eligible employees at a grant price of RMB3.00 per share. The Company completed the registration of restricted shares of 34,617,100 shares and 4,782,853 shares on March 29, 2022 and November 9, 2022, respectively. The 2022 Scheme is subject to vesting periods of 12 months, 24 months and 36 months, respectively, from the date of registration of the respective grants of the restricted shares, and the respective vesting proportion to equity interests granted were 25%, 25% and 50% respectively.

The number of shares granted and fair values of the share awards at the grant date are as follows:

	Number of shares	Subscription price	Fair value of share awards
	'000	*RMB'000*	*RMB'000*
Ordinary shares granted to incentive participants	39,400	118,200	152,478

The fair value of the shares granted is determined to be RMB6.87 per share, which is based on the market price of the Company's shares at the grant date.

Equity-settled share-based payment expenses recognised in profit or loss during the Track Record Period:

The Group and the Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
General and administrative expense	42,163	(45,692)	(1,294)

(b) Restricted Share Incentive Scheme of A Shares in 2023 ("2023 Scheme")

On December 8, 2023, pursuant to the approval of the Extraordinary General Meeting of the Company, 25,529,000 restricted shares were granted to a total of 420 eligible employees at a grant price of RMB3.00 per share. The Company completed the registration of restricted shares on May 29, 2024. The 2023 Scheme is subject to vesting periods of 12 months, 24 months, 36 months and 48 months, respectively, from the date of registration of the respective grants of the restricted shares, and the respective vesting proportion to equity interests granted were 40%, 20%, 20% and 20% respectively.

The number of shares granted and fair values of the share awards at the grant date are as follows:

	Number of shares	Subscription price	Fair value of share awards
	'000	*RMB'000*	*RMB'000*
Ordinary shares granted to incentive participants . . .	25,529	112,419	30,890

The fair value of the shares granted is determined to be RMB4.21 per share, which is based on the market price of the Company's shares at the grant date.

Equity-settled share-based payment expenses recognised in profit or loss during the Track Record Period:

The Group and the Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
General and administrative expense	1,413	12,811	8,279

(c) Restricted Share Incentive Scheme of A Shares in 2024 ("2024 Scheme")

On November 5, 2024, pursuant to the approval of the Extraordinary General Meeting of the Company pursuant to the approval of the Extraordinary General Meeting of the Company, 28,200,000 restricted shares were granted to a total of 10 eligible employees at a grant price of RMB1.88 per share. The Company completed the registration of restricted shares on December 16, 2024. The 2024 Scheme is subject to vesting periods of 12 months and 24 months respectively, from the date of registration of the respective grants of the restricted shares, and their respective vesting proportion to equity interests granted were 50% and 50% respectively.

The number of shares granted and fair values of the share awards at the grant date are as follows:

	Number of shares	Subscription price	Fair value of share awards
	'000	*RMB'000*	*RMB'000*
Ordinary shares granted to incentive participants . . .	28,200	53,016	58,374

The fair value of the shares granted is determined to be RMB3.95 per share, which is based on the market price of the Company's shares at the grant date.

Equity-settled share-based payment expenses recognised in profit or loss during the Track Record Period:

The Group and the Company

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
General and administrative expense	–	5,139	37,953

(d) Reconciliation of restricted shares granted

The number of restricted shares granted to the Group's eligible employees is summarised as follows:

	Year ended December 31,		
	2023	2024	2025
	'000	*'000*	*'000*
At the beginning of the year	39,400	66,865	51,279
Granted	37,473	28,200	–
Granted adjustment	–	(11,944)	–
Forfeited	(1,102)	(24,247)	(1,368)
Exercised	(8,906)	(7,595)	(22,650)
At the end of the year	66,865	51,279	27,261

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and commodity risks arises in the normal course of the Group's business. The Group is not exposed to any significant interest rate and currency risks.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents, restricted deposits and bills receivables is limited because the counterparties are banks and financial institutions with a high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Credit risk arising from trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Generally, trade receivables are due within 90 days from the date of billing. Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At December 31, 2023, 2024 and 2025, 9.07%, 28.86% and 23.37% of the total trade receivables, respectively, was due from the Group's largest debtor, and 34.68%, 53.29% and 64.19% of the total trade receivables, respectively, were due from the Group's five largest debtors.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and bills as at December 31, 2023, 2024 and 2025:

	At December 31, 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Within one year	0.63	822,250	5,163
1 – 2 years	20.00	12,604	2,521
2 – 3 years	49.95	1,067	533
Over 3 years	100.00	1,621	1,621
		837,542	9,838

	At December 31, 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Within one year	1.39	679,787	9,455
1 – 2 years	20.00	6,491	1,298
2 – 3 years	50.01	5,987	2,994
Over 3 years	100.00	582	582
		692,847	14,329

	At December 31, 2025		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Within one year	1.56	924,715	14,442
1 – 2 years	20.00	7,527	1,505
2 – 3 years	50.00	3,006	1,503
Over 3 years	100.00	1,574	1,574
		936,822	19,024

Expected loss rates are based on actual loss experience over the recent past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade and bills receivables during the year is as follow:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At January 1	10,436	9,838	14,329
Impairment (reversal)/losses recognised	(598)	5,874	4,695
Write-off	–	(1,383)	–
At December 31	9,838	14,329	19,024

Other receivables

For all other financial assets including other receivables the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition where the Group recognises lifetime ECL.

Movement in the loss allowance account in respect of other receivables of the Group during the Track Record Period is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At January 1	50,499	52,047	50,501
Impairment losses/(reversal) recognised	1,548	(1,333)	1,195
Write-off	–	(213)	–
At December 31	52,047	50,501	51,696

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at December 31, 2023, 2024 and 2025 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest dates the Group can be required to pay:

	At December 31, 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	1,104,390	–	–	–	1,104,390	1,104,390
Accrued expenses and other payables	730,843	–	–	–	730,843	727,454
Lease liabilities	142,140	9,848	1,973	19,063	173,024	163,134
Bank and other borrowings	3,905,720	994,606	1,164,205	1,710,921	7,775,452	7,254,033
	5,883,093	1,004,454	1,166,178	1,729,984	9,783,709	9,249,011

	At December 31, 2024					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	1,362,412	–	–	–	1,362,412	1,362,412
Accrued expenses and other payables	414,423	–	–	–	414,423	411,964
Lease liabilities	39,015	28,707	28,492	266,185	362,399	276,217
Bank and other borrowings	3,768,661	2,160,095	1,442,006	2,270,969	9,641,731	8,980,936
	5,584,511	2,188,802	1,470,498	2,537,154	11,780,965	11,031,529

	At December 31, 2025					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	2,257,142	–	–	–	2,257,142	2,257,142
Accrued expenses and other payables	250,975	–	–	–	250,975	249,441
Lease liabilities	20,644	20,140	27,996	301,256	370,036	288,405
Bank and other borrowings	4,650,058	1,993,763	1,313,382	1,301,482	9,258,685	8,927,311
	7,178,819	2,013,903	1,341,378	1,602,738	12,136,838	11,722,299

(c) Commodity risk

The Group's commodity price risk is mainly the exposure to fluctuations in the prevailing market price of sodium hydroxide, liquefied petroleum gas and related chemical products which are the major commodities purchased, produced and sold by the Group. To minimise this risk, the Group enters into sodium hydroxide, liquefied petroleum gas and related chemical products futures contracts to manage the Group's exposure in relation to forecasted sales of sodium hydroxide, forecasted purchases of liquefied petroleum gas and related chemical products concentrates, inventories and firm commitments to sell the Group's sodium hydroxide and related chemical products. The Group is not exposed to significant commodity risk.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements At December 31, 2023 categorised into			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	–	188,436	–	188,436
Equity securities designated at FVOCI	–	–	677,369	677,369

	Fair value measurements At December 31, 2024 categorised into			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	–	191,235	–	191,235
Equity securities designated at FVOCI	–	–	677,369	677,369
Financial assets measured at FVTPL	5,243	–	–	5,243

	Fair value measurements At December 31, 2025 categorised into			
	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables	–	125,199	–	125,199
Equity securities designated at FVOCI	–	–	710,776	710,776
Financial assets measured at FVTPL	8,789	–	5,271	14,060

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

Level 2 financial assets at FVOCI comprise bank acceptance bills that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Financial assets measured at FVTPL – Wealth management products *(a)*	Discounted cash flow approach	Estimated yield rates
Equity securities designated at FVOCI – Unlisted equity securities *(b)*	Comparable ratios adjusted approach	Changing trend of medium market multiples of comparable companies

	Valuation techniques	Significant unobservable inputs
Equity securities designated at FVOCI – Unlisted equity securities *(c)* . .	Comparable transactions adjusted approach	Changing trend of medium market multiples of comparable companies
Equity securities designated at FVOCI – Unlisted equity security *(d)* . . .	Net asset value	Net asset value of underlying investments

(a) As at December 31, 2025, it is estimated that with all other variables held constant, an increase/decrease in change of the estimated yield rates of the wealth management products by 5% would have increased/decreased the Group's profit or loss by RMB208,000.

(b) The fair value of certain unlisted equity security is determined using the average market multiples of comparable companies. As at December 31, 2023, 2024 and 2025, it is estimated that with all other variables held constant, an increase/decrease in medium market multiple of comparable companies by 5% would have decreased/increased the Group's other comprehensive income by RMB10,838,000, RMB10,860,000 and RMB12,589,000, respectively.

(c) The fair value of certain unlisted equity security is determined using the average market multiples of comparable transactions. As at December 31, 2023, 2024 and, 2025, it is estimated that with all other variables held constant, an increase/decrease in medium market multiple of comparable companies by 5% would have decreased/increased the Group's other comprehensive income by RMB6,570,000, RMB6,625,000 and RMB6,209,000, respectively.

(d) The fair value of an unlisted security is determined by referencing the net asset value of the underlying investment. As at December 31, 2023, 2024 and 2025, it is estimated that with all other variables held constant, an increase/decrease in net asset value of the underlying investment by 5% would have increased/decreased the Group's profit or loss for the year by RMB4,910,000, RMB4,870,000 and RMB4,809,000, respectively.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at the end of each reporting period.

36 ACQUISITIONS

(a) Acquisition of Shandong Jinyuan New Materials Co., Ltd. ("Shandong Jinyuan")

On September 22, 2023, the Company entered into an agreement to acquire 100% equity interests of Hainan Jinyuan New Materials Co., Ltd. (海南錦元新材料有限公司) (now known as Shandong Jinyuan) ("Hainan Jinyuan") for a consideration of RMB1,211,000,000. The transaction was completed on December 15, 2023, and the Group holds an entire equity interest in Shandong Jinyuan upon the completion of the transaction.

The directors are of the opinion that Shandong Jinyuan does not constitute a business, and the acquisition is treated as an assets acquisition for accounting purpose.

(b) Acquisition of Binhua New Materials (Hubei) Co., Ltd. ("New Materials (Hubei)")

On July 25, 2024 the Group entered into an equity transfer agreement to subscribe for a 100% equity interest in New Materials (Hubei) by way of cash at a subscription price of RMB20,000,000. The transaction was completed on August 29, 2024, and the Group holds a 100% equity interest in New Materials (Hubei) upon the completion of the transaction.

The directors are of the opinion that New Materials (Hubei) does not constitute a business, and the acquisition is treated as an assets acquisition for accounting purpose.

(c) Acquisition of Binzhou Lanrun Environmental Resources Co., Ltd. ("Binzhou Lanrun")

On December 24, 2024, the Group entered into an equity transfer agreement to subscribe for 20% equity interest in Binzhou Lanrun with a consideration of RMB12,000,000 which should be paid by the end of June 30, 2032. The transaction was completed on December 24, 2024, and the Group holds a 60% equity interest in Binzhou Lanrun upon the completion of the transaction.

On February 2, 2025, the Group entered into an equity transfer agreement to subscribe for 35% equity interest in Binzhou Lanrun with a consideration of RMB21,000,000 which should be paid by the end of June 30, 2032. The transaction was completed on February 2, 2025, and the Group holds a 95% equity interest in Binzhou Lanrun upon the completion of the transaction.

The directors are of the opinion that Binzhou Lanrun does not constitute a business, and the acquisition is treated as an assets acquisition for accounting purpose.

37 PRE-ACQUISITION FINANCIAL INFORMATION

The pre-acquisition financial information of Shandong Jinyuan from the beginning of the Track Record Period to the date of acquisition presented in accordance Rule 4.05A of the Listing Rules is disclosed below. The accounting policies adopted in the preparation of the pre-acquisition financial information is consistent with those adopted in the preparation of the Historical Financial Information.

(a) Statement of profit or loss and other comprehensive income

	Period from January 1, 2023 to December 15, 2023
	RMB'000
Revenue	–
General and administrative expenses	(55)
Losses from operations	(55)
Share of profits of an associate	9,366
Profit before taxation	9,311
Income tax	–
Profit for the period	9,311

(b) Statement of financial position

	As at December 15, 2023
	RMB'000
Non-current asset	
Interests in an associate	991,875
Current liability	
Other payables	404,300
Net current liabilities	(404,300)
Total assets less current liabilities	587,575
NET ASSETS	587,575
CAPITAL AND RESERVES	
Share capital	200,000
Reserves	387,575
TOTAL EQUITY	587,575

(c) Statement of changes in equity

	Share capital	Capital reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023	200,000	449,735	(76,510)	573,225
Profit for the period	–	–	9,311	9,311
Others	–	5,039	–	5,039
Balance at December 15, 2023	200,000	454,774	(67,199)	587,575

(d) Cash flow statement

	Period from January 1, 2023 to December 15, 2023
	RMB'000
Profit before taxation	9,311
Share of profits of an associate	(9,366)
Changes in working capital:	
Increase in other payables	55
Net cash used in operating activities	–
Net decrease in cash and cash equivalents	–
Cash and cash equivalents at the beginning of the period	–
Cash and cash equivalents at the end of the period	–

Notes:

(i) Interest in an associate

Details of the Shandong Jinyuan's interest in the associate, which is accounted for using the equity method in the financial statements, are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest	Principal activities
Shandong Lubei Enterprise Group Corporation ("Lubei Group") 山東魯北企業集團總公司 *(Note (i))*	Incorporated	The PRC	RMB1,696,308,375	35.6%	Manufacture of chemical raw materials and chemical products

Summarised financial information, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the financial statements, are disclosed below:

Lubei Group

	As at year ended December 31,
	2023
	RMB'000
Gross amounts of the associate's	
Current assets	7,679,399
Non-current assets	10,138,515
Current liabilities	11,160,957

	As at year ended December 31,
	2023
	RMB'000
Non-current liabilities	1,605,954
Total equity attributable to shareholders of the Company	2,786,166
Non-controlling interests	2,264,837
Revenue	10,060,276
Profits for the year	99,311
Total comprehensive income	99,311
Reconciled to the Group's interest in the associate	
Gross amounts of net assets of the associate	2,786,166
Group's effective interest	35.6%
Group's share of net assets of the associate	991,875
Carrying amount in the consolidated financial statements	991,875

(ii) Other payables

	As at December 15, 2023
	RMB'000
Amounts due to ultimate controlling company	404,245
Others	55
	404,300

38 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

The commitments during the Track Record Period were primarily related to the authorised plan regarding to acquisition of land and production plants. The capital commitments as of December 31, 2023, 2024 and 2025 were RMB2,783 million, RMB251 million, and RMB369 million, respectively.

(b) Contingent liabilities

The Group had no contingent liabilities during the Track Record Period.

39 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 9 and certain of the highest paid employees as disclosed in Note 10, is as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	17,431	18,616	14,030
Share-based payment	7,260	2,287	35,400
Post-employment benefits	632	829	464
	25,323	21,732	49,894

Total remuneration is included in "staff costs" (see Note 7(b)).

(b) Relationships of the related parties that had material transactions with the Group during the Track Record Period:

The Group's related parties include associates of the Group and companies controlled, jointly controlled, or significantly influenced by same individual investors, key management personnel or their close family members of the Group.

(c) Related party transactions

	Year ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trading, servicing transactions			
Sales of goods	159,841	156,449	116,036
Provision of services	600	–	4,975
Rental income	–	3,639	1,151
Purchase of goods	65	19,884	28,251
Purchase of services	34,044	121,838	139,952
Assets and equity transactions			
Acquisition of non-current assets	–	60,143	84,182
Disposal of an associate	29,500	–	–
Disposal of an equity securities designated at FVOCI	12,300	–	–
Financing arrangements and other transactions			
Borrowings from related parties	–	292,480	–
Repayment to related parties	–	365,035	32,480
Interest paid	7,033	9,099	3,718
Interest expense	6,787	6,033	2,753
Donation	2,000	418	–

(d) Balances with related parties

	As at December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade nature			
Trade and bills receivables	8,143	19,772	12,903
Prepayments and other receivables	29,794	3,294	12,444
Trade and bills payables	901	15,849	10,388
Accrued expenses and other payables	29	8	147
Contract liabilities	2,354	–	732
Non-trade nature			
Accrued expenses and other payables	210,721	135,101	101,656

* The non-trade balances with related parties are expected to be settled upon [**REDACTED**].

(e) Guarantee provided to related parties

During the Track Record Period, the Company provided guarantee to Shandong Bohai Bay Port China Terminal Co., Ltd., amounting to RMB38,208,000 and RMB37,848,000 as at December 31, 2024, and 2025, respectively, for the bank loans. The guarantee is expected to be cancelled in February 2034.

40 SUBSEQUENT EVENTS

On April 21, 2026, the directors of the Company approved and declared dividend of RMB0.04 per share, in an aggregate RMB79,815,000.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2025

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended December 31, 2025 and which have not been adopted in the Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
Amendments to IFRS 9 and IFRS 7 – *Amendments to the Classification and Measurement of Financial Instruments*	January 1, 2026
Amendments to IFRS 9 and IFRS 7, *Contracts Referencing Nature-dependent Electricity*	January 1, 2026
Annual Improvements to IFRS Accounting Standards – *Volume 11*	January 1, 2026
IFRS 18, *Presentation and Disclosure in Financial Statements*	January 1, 2027
IFRS 19*, Subsidiaries without Public Accountability: Disclosures*	January 1, 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 18, *Presentation and disclosure in financial statements*

IFRS 18 will replace IAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss and other comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS 18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to December 31, 2025.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares shall be subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices of the PRC, and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion has no intention of solving all possible tax consequences resulting from the [**REDACTED**] in [**REDACTED**], nor does it take the specific circumstances of any particular [**REDACTED**] into account, some of which may be subject to special rules. Accordingly, you should consult your own tax adviser regarding the tax consequences of an [**REDACTED**] in H Shares.

The discussion is based upon PRC laws and relevant interpretations in effect as of the date of the Latest Practicable Date, which is subject to change and may have retrospective effect. No issues in mainland China taxation other than income tax, capital appreciation tax and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective [**REDACTED**] are urged to consult their financial advisers regarding the PRC and other tax consequences of owning and disposing of [**REDACTED**].

The PRC Taxation

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), or the Individual Income Tax Law, last amended by the SCNPC on August 31, 2018 and effective on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》) last amended by the State Council on December 18, 2018 and effective on January 1, 2019, dividends paid by mainland China companies to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, pursuant to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonus of Listed Companies (《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》) jointly issued by the MOF, the SAT and the CSRC on September 7, 2015 and effective on September 8, 2015, where an individual holds the shares of a listed company obtained from the public offering and market transfer, if the holding period is more than one year, the dividends and bonus income shall be temporarily exempted from individual income tax. Where an individual holds shares of a listed company from the public offering and market transfer, if the holding period is within one month (inclusive), the dividend income shall be included in the taxable income in full; if the holding period is more than one month but less than one year (inclusive), the dividend income shall be included in the taxable income at the rate of 50%; the aforesaid income shall be subject to individual income tax at a uniform rate of 20%.

For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Arrangement between the mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), or the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, executed on August 21, 2006, the government may impose tax on dividends paid by a company in mainland China to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total amount of dividends payable. If a Hong Kong resident directly holds 25% or more of the equity interests in a company in mainland China and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total amount of dividends payable by the company in mainland China. The Fifth Protocol to the Arrangement between the mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家税務總局關於<內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排>第五議定書》), or the Fifth Protocol, issued by the SAT and effective on December 6, 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Enterprise investors

Pursuant to the EIT Law, last amended by the SCNPC and effective on December 29, 2018, and the Implementation Rules of the EIT Law of the PRC (《中華人民共和國企業所得税法實施條例》), or the Implementation Rules of the EIT Law, last amended by the State Council on December 6, 2024 and effective on January 20, 2025, a non-resident enterprise is subject to a 10% EIT on mainland China-sourced income, including dividends paid by a PRC resident enterprise that issues and lists shares in Hong Kong, if such non-resident enterprise does not have an establishment or place of business in mainland China or has an establishment or place of business in mainland China but the mainland China-sourced income is not actually connected with such establishment or place of business in mainland China. The aforesaid income tax payable by non-resident enterprises shall be withheld at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the amount to be paid. Such tax may be reduced or exempted pursuant to an applicable treaty for the avoidance of double taxation.

Pursuant to the Notice on the Issues Concerning Withholding the EIT on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知》) issued by the SAT and effective on November 6, 2008, a PRC resident enterprise is required to withhold EIT at a rate of 10% on dividends of 2008 and onwards paid to overseas non-resident enterprise holders of H shares. Furthermore, the Reply on the

Collection of EIT on Dividends Received by Non-resident Enterprises from Holding B Shares and Other Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》), promulgated by the SAT and effective on July 24, 2009, further provides that PRC-resident enterprises listed on mainland China and overseas stock exchanges by issuing stocks shall withhold EIT at a flat rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprise shareholders. Such tax rates may be further modified pursuant to the tax treaty or agreement that the PRC has concluded with a relevant country or region, where applicable.

Pursuant to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the PRC government may impose tax on dividends paid by a mainland China company to a Hong Kong resident (including natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable by the mainland China company. If a Hong Kong resident directly holds 25% or more of equity interest in a mainland China company and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, such tax shall not exceed 5% of the total dividends payable by the mainland China company. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits. Although there may be other provisions under the Arrangement, the tax treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax laws and regulations, such as the Notice on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (《關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號)) promulgated on February 20, 2009 with immediate effect.

Tax Agreements

Non-resident investors residing in jurisdictions which have entered into agreements or adjustments for the avoidance of double taxation with the PRC are entitled to a reduction of the Chinese EIT imposed on the dividends received from PRC enterprises. The PRC currently has entered into avoidance of double taxation agreements or arrangements with a number of countries and regions including but not limited to Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the EIT in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual Investors

Under the Individual Income Tax Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated by the MOF and the SAT on March 30, 1998 and effective on the same day, from January 1, 1997, capital gains derived by individuals from transferring shares of listed companies continues to be temporarily exempted from individual income tax. The SAT does not specify whether to continue to exempt individuals from individual income tax on the income from transferring equity interests in listed company in the newly revised EIT Law and Implementation Rules of the EIT Law.

On December 31, 2009, the MOF, the STA and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which states that, since January 1, 2010, capital gains derived by individuals from transferring shares of listed companies issued to the public by the listed companies and from transferring shares of listed companies obtained from the market at the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by the above three departments on November 10, 2010. On December 27, 2024, the MOF, the STA and CSRC jointly issued the Announcement of Further Improving Related Services on Levying and Managing Individual Income Tax over the Income Received by Individuals from the Transfer of Restricted Shares of Listed Companies (《關於進一步完善個人轉讓上市公司限售股所得個人所得稅有關徵管服務事項的公告》) which became effective on the date of issue. This announcement shall prevail in case of any conflict with this announcement.

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not levied income tax from non-PRC resident individuals on gains from the transfer of shares of PRC resident enterprises listed overseas. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the [**REDACTED**] of H shares.

Enterprise Investors

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to EIT at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or place. Such income tax payable for non-PRC resident enterprises are deducted at source, and the payer shall be the withholding agent, and the tax shall be withheld by the withholding agent from the payment or due payment every time it is paid or due. Such tax may be reduced pursuant to relevant tax treaties or agreements for the avoidance of double taxation.

Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect Taxation Policy

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated by the MOF, the SAT and the CSRC on October 31, 2014 and effective on November 17, 2014, and the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) promulgated on November 5, 2016 and effective on December 5, 2016, capital gains derived by enterprises in mainland China from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included in their total income and subject to EIT according to law. For dividend income received by individual investors in mainland China from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of individual investors in mainland China to the H-share companies and withhold individual income tax at the rate of 20% on behalf of the H-share companies.

Pursuant to the Announcement on Extending the Implementation of Individual Income Tax Policies Related to the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Programs and the Mainland-Hong Kong Mutual Recognition of Funds Scheme (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) promulgated by the MOF, the SAT, and the CSRC on August 21, 2023 and effective on the same day, capital gains derived by individual investors in mainland China from transferring shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect continue to be temporarily exempt from individual income tax from December 5, 2019 to December 31, 2027.

Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), dividend income received by enterprise investors in mainland China from investing in shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to EIT according to law.

Specifically, dividend income received by resident enterprises in mainland China from continuously holding H shares for 12 months or more is exempt from EIT according to law. H-share companies are not required to withhold dividend income tax for enterprise investors in mainland China, and the tax payable shall be declared and paid by the enterprises themselves.

Stamp Duty

Pursuant to the Stamp Tax Law of the PRC (《中華人民共和國印花税法》) promulgated by the SCNPC on June 10, 2021 and effective on July 1, 2022, stamp tax in mainland China applies to all entities and individuals that make taxable documents and conduct securities transactions within mainland China, or that make taxable documents for use within mainland China or conduct securities transactions outside mainland China. Therefore, the provisions imposing stamp tax on the transfer of shares of listed companies in mainland China do not apply to the purchase and disposal of H shares by non-mainland China investors outside mainland China.

Estate Tax

As of the Latest Practicable Date, no estate tax is levied in mainland China.

MAJOR TAXATION OF OUR COMPANY IN MAJOR TAXATION OF OUR COMPANY IN MAINLAND CHINA

EIT

Pursuant to the EIT Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the SCNPC on March 16, 2007 and last amended on December 29, 2018, and the Implementation Regulations of the EIT Law of the PRC (《中華人民共和國企業所得税法實施條例》) promulgated by the State Council on December 6, 2007, last amended on December 6, 2024, and effective on January 20, 2025, an enterprise that is established in mainland China and an enterprise that is established under the laws of a foreign country (region) but with actual management functions located within mainland China, shall both be considered as a PRC resident enterprise. A resident enterprise shall be subject to EIT at a rate of 25% on their income derived from both within and outside mainland China. A preferential enterprise income tax rate is applicable to enterprises in certain industries supported or encouraged by the government, and high and new technology enterprises supported by the government may enjoy a reduced enterprise income tax rate of 15%. Furthermore, qualified small and low-profit enterprises enjoy a preferential tax status. Pursuant to the Announcement of the State Taxation Administration on Matters Concerning the Implementation of Income Tax Preferential Policies for Supporting the Development of Small and Low-Profit Enterprises and Individual Businesses (《國家税務總局關於落實支持小型微利企業和個體工商戶發展所得税優惠政策有關事項的公告》) issued on April 7, 2021, from January 1, 2021 to December 31, 2022, for small and low-profit enterprises, the portion of the annual taxable income not exceeding RMB1 million was included in the taxable income at a reduced amount of 12.50%, with the applicable

EIT rate of 20%; the arrangement in this announcement has superseded that in the previous announcement published on January 18, 2019. Pursuant to the Announcement on Preferential Income Tax Policies for Small and Low-Profit Enterprises and Individual Businesses (《關於小微企業和個體工商戶所得稅優惠政策的公告》) issued on March 26, 2023, effective for the period from January 1, 2023, to December 31, 2024, and the Announcement on Relevant Tax Policies for Further Supporting the Development of Small and Low-Profit Enterprises and Individual Businesses (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) issued on August 2, 2023, for small and low-profit enterprises with an annual taxable income of RMB1 million or less, the taxable income is included at a reduced amount of 25%, and the applicable EIT rate of 20% will continue to apply from January 1, 2023 to December 31, 2027.

Value-Added Tax

Pursuant to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017, and the Implementation Rules for the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993, last amended on October 28, 2011, and effective on November 1, 2011, all entities selling goods, providing processing, repair, and replacement services, or importing goods within mainland China are taxpayers of Value-Added Tax ("VAT").

Pursuant to the Ministry of Finance and the State Taxation Administration on Adjusting Value-Added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) promulgated on April 4, 2018 and effective on May 1, 2018, for taxpayers engaging VAT taxable sales activities or import of goods, the original applicable tax rates of 17% and 11% were adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Policies for Deepening the Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated issued by the MOF, the SAT, and the General Administration of Customs on March 20, 2019 and effective on April 1, 2019, for taxpayers engaging VAT taxable sales activities or import of goods, the original applicable tax rates of 16% and 10% were adjusted to 13% and 9%, respectively.

On December 25, 2024, the SCNPC promulgated the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), which will become effective on January 1, 2026. Pursuant to the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), the VAT rate for general taxpayers engaging in sale of goods, lease of tangible and movable goods or importation of goods was adjusted to 13%, the VAT rate for general VAT taxpayers engaging in, among others, the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, and the transfer of land use rights was adjusted to 9%. The Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) will be repealed simultaneously upon the implementation of the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》) (i.e., January 1, 2026).

Foreign Exchange Administration in Mainland China

Pursuant to relevant laws and regulations, the Renminbi is the statutory currency of mainland China and is currently subject to foreign exchange controls. The SAFE, authorized by the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC on Foreign Exchange Control (《中華人民共和國外匯管理條例》), which became effective on April 1, 1996 and was last amended on August 5, 2008. Foreign currency payments under current account items shall be made out of self-owned foreign currency with valid documentation or be made with foreign currency purchased from any financial institution engaged in foreign currency sale and settlement paid in accordance with the provisions of the State Council's foreign exchange control department on making payments and purchasing foreign exchange. Domestic entities and individuals making direct investments overseas or engaging in the issuance or trading of securities and derivatives overseas shall register in accordance with the provisions of the State Council's foreign exchange control department.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming the Administration of the Settlement of Foreign Exchange Capital of Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "SAFE Circular 19") promulgated by the SAFE on March 30, 2015 and effective on June 1, 2015, with some provisions repealed on December 30, 2019, and partially amended on March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Meanwhile, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay inter-company loans (including advances by third parties) or repay RMB bank loans that have been on lent to a third party; and (d) to purchase real estate not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "SAFE Circular 16"), which became effective on the same day. It was partially amended on December 4, 2023 and became effective on same date. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties).

On October 23, 2019, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same day

(except for the second paragraph of Article 8, which became effective on January 1, 2020). It was partially amended on December 4, 2023 and became effective on same date. This notice canceled the restrictions on domestic equity investment with capital for non-investing foreign-invested enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

Pursuant to the Notice on Optimizing Foreign Exchange Management to Support the Development of Foreign-Related Businesses (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of receipts under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

This Appendix summarizes certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III — Taxation and Foreign Exchange" to this document. This Appendix also contains a summary of laws and regulatory provisions of the Company Law of the PRC. The principal objective of this summary is to provide potential [**REDACTED**] with an overview of the principal laws and regulatory provisions applicable to our Company. This summary is not intended to include all data which is important to the potential [**REDACTED**]. For a discussion of laws and regulations which are relevant to our Company's business, see "Regulatory Overview" in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "Constitution"), and is composed of written laws, administrative regulations, local regulations, separate regulations, rules of the departments under the State Council, rules of local governments, autonomous regulations, separate regulations of autonomous regions, laws of the 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.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "Legislation Law"), which was last amended by the NPC on March 13, 2023 and became effective on March 15, 2023, the NPC and the SCNPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing criminal and civil matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities directly under the Central Government and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their standing committees may formulate local regulations on matters such as urban and rural construction and management, environmental protection and historical and cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where laws have other stipulations on matters of local regulations formulated by cities divided into districts, such stipulations shall prevail. The local regulations of cities divided into districts under autonomous regions shall be implemented after approval.

The standing committees of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval shall be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in the light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The ministries and commissions of the State Council, PBOC, National Audit Office and institutions with administrative functions directly under the State Council may formulate rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations and separate regulations or rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of the rules enacted by the people's governments of the provinces and autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within their respective administrative regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the SCNPC, and to annul any autonomous regulations and separate regulations which have been approved by the SCNPC but 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 and administrative regulations, and to annul autonomous regulations and separate regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government but contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees; the standing committees of the local people's congresses have the power to annul inappropriate rules enacted 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 any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed by the SCNPC on June 10, 1981 and becoming effective on the same date, issues requiring further clarification of the scope of, or supplementary provisions for, the provisions of laws and decrees themselves, shall be interpreted or specified by the SCNPC through decrees; issues related to the specific application of laws and decrees in court trials shall be interpreted by the Supreme People's Court; and issues related to the specific application of

laws and decrees in procuratorial work shall be interpreted by the Supreme People's Procuratorate. If there are differences in principle in the interpretation of the Supreme People's Court and the Supreme People's Procuratorate, such differences shall be submitted to the SCNPC for interpretation or decision, and issues related to the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be interpreted by the State Council and the competent authorities.

Where the scope of the provisions of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

THE PRC JUDICIAL SYSTEM

According to the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》) last amended by the SCNPC on October 26, 2018 and becoming effective on January 1, 2019, the people's courts are made up of the Supreme People's Court, the local people's courts, and special people's courts. The local people's courts are divided into three levels, namely the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court shall be the highest judicial organ. The Supreme People's Court shall supervise the judicial work by the local people's courts at all levels and by the special people's courts. The people's courts at a higher level shall supervise the judicial work of the people's courts at lower levels.

According to the Constitution and the Law of Organization of the People's Procuratorate of the PRC (《中華人民共和國人民檢察院組織法》) last amended by the SCNPC on October 26, 2018 and becoming effective on January 1, 2019, the people's procuratorates are the law supervision organs of the state. The Supreme People's Procuratorate shall be the highest procuratorial organ. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and of the special people's procuratorates; the people's procuratorates at higher levels shall direct the work of those at lower levels.

The people's courts employ a two-tier appellate system, and judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or

the people's court at the higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "Civil Procedure Law"), last amended by the SCNPC on September 1, 2023 and becoming effective on January 1, 2024, sets forth the requirements for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Civil cases are generally heard by the courts where the defendants are located. The court of jurisdiction in a civil action may be chosen by the written agreement between the parties, provided that the court is located at a place that has direct connection with the dispute, such as the plaintiff's or the defendant's place of domicile, the place where the contract is performed or signed or the object of the action is located. However, such choice cannot be in conflict with the regulations of grade jurisdictions and exclusive jurisdictions in any case.

A foreign individual, a person without nationality, a foreign enterprise and a foreign organization that institute or respond to proceedings in a people's court are given the same litigation rights and obligations as a PRC citizen, a legal person and other organizations. Should a foreign court limit the civil litigation rights of PRC citizens, legal persons and other organizations, any people's court shall apply the same limitations to the citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise and a foreign organization must engage a PRC lawyer in case he/she or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people's court. In accordance with the international treaties to which the PRC is a signatory or a participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation, collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or social and public interests of the PRC.

All parties must perform legally effective civil judgments and rulings. If any party to a civil action refuses to perform 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 or interruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or interruption of the statute of limitations.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement

procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless among other exceptions, the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE COMPANY LAW OF THE PRC, OVERSEAS LISTING TRIAL MEASURES AND GUIDELINES FOR ARTICLES OF ASSOCIATION OF LISTED COMPANIES

A joint stock limited company established in the PRC seeking a [**REDACTED**] on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations of the PRC.

The Company Law of the PRC (the "Company Law") was last amended by the SCNPC on December 29, 2023 and came into effect on July 1, 2024.

The Overseas Listing Trial Measures and its five interpretative guidelines, promulgated by the CSRC on February 17, 2023 and becoming effective on March 31, 2023, are applicable to companies within the PRC that directly or indirectly offer securities overseas or list their securities overseas.

According to the Overseas Listing Trial Measures and its interpretative guidelines, where a domestic company directly offers and lists securities overseas, it shall formulate its articles of association in line with the Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) (the "Guidelines for Articles of Association") which were last amended by the CSRC on March 28, 2025 and became effective on the same date.

Set out below is a summary of the major provisions of the Company Law, the Overseas Listing Trial Measures and the Guidelines for Articles of Association which are currently in effect and applicable to our Company.

General Provisions

"A joint stock limited company" means a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares held by them and the liability of the company is limited to the full value of all the property owned by it.

A company shall conduct its business in accordance with laws and regulations, observe social ethics and business ethics, act in good faith, and be subject to government and public oversight. It may invest in other enterprises. Where any law provides that a company shall not become a capital contributor who has the joint liabilities associated with the debts of the invested enterprises, such provision shall prevail.

Incorporation

A joint stock limited company may be incorporated by promotion or subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC.

The promoters shall convene an inaugural meeting of the company within 30 days after the share capital has been paid-up and shall notified all subscribers the date of the meeting or make an announcement in this regard 15 days before the meeting. The inaugural meeting may be held only the presence of promoters and subscribers holding more than 50% of the total number of shares. Powers to be exercised at the inaugural meeting include but not limited to the adoption of articles of association and the election of members of the board of directors and the supervisory committee of a company. The aforesaid matters shall be resolved by more than 50% of the votes to be casted by subscribers presented at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the joint stock limited company. A company is formally established and has the status of a legal person after the business license has been issued by the relevant registration authority.

Registered Shares

Under the Company Law, shareholders may make capital contributions in cash, or with non-monetary property that may be valued in money and legally transferred, such as contribution in kind or intellectual property rights, land use rights, shareholding or claims.

The Overseas Listing Trial Measures provides that domestic enterprises that issue and list overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Company Law, a joint stock limited company is required to maintain a register of shareholders detailing 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 shares if issued in paper form; and

(iv) the date on which each shareholder acquired the shares.

Allotment and Issue of Shares

All issues of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. A joint stock limited company may issue shares at a par value or at a premium, but it may not issue shares below the par value.

Domestic enterprises issued and listed overseas shall file with the CSRC in accordance with the Overseas Listing Trial Measures, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholders' information and other information. Where a domestic enterprise directly issues and is listed overseas, the issuer itself shall file with the CSRC. If a domestic enterprise is indirectly listed overseas, the issuer shall designate a major domestic operating entity as the domestic person responsible and file with the CSRC.

Increase in Share Capital

Under the Company Law, in the case of a joint stock limited company issuing new shares, resolutions shall be passed at the shareholders' meeting in respect of the class and number of new shares, the issue price of the new shares, the commencement and end dates for the issuance of new shares and the class and number of the new shares proposed to be issued to original shareholders, if any. If no par value stock is issued, more than one-half of the proceeds from the issuance of the new stocks shall be included in the registered capital. Additionally, if a company intends to make public offering of shares, it is required to complete the registration with the securities regulatory authority of the State Council and announce the document.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

(i) to prepare a balance sheet and a property list;

(ii) a company makes a resolution at shareholders' meeting to reduce its registered capital;

(iii) a company shall inform its creditors within 10 days and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days after the approval of resolution of reducing registered capital;

(iv) the creditors shall have the right to require a company to repay its debts or provide corresponding guarantees within 30 days after receiving the notice or within 45 days after the announcement if the creditors have not received the notice;

(v) when a company reduces its registered capital, it shall register the change with a company registration authority in accordance with the law.

When a company reduces its registered capital, it must reduce the amount of capital contribution or shares in proportion to the capital contribution or shares held by the shareholders, unless otherwise prescribed by any law, or agreed upon by all the shareholders of a limited liability company, or as specified in the Articles of Association of a joint stock limited company.

Share Buy-Back

Under the Company Law, a company shall not purchase its own shares. Except for any following circumstances:

(i) reducing the registered capital;

(ii) merging with other company that holds the shares of the company;

(iii) using the shares for employee stocks plan or equity incentives;

(iv) with respect to shareholders voting against any resolution adopted at the shareholders' meeting on the merger or division of our Company, the right to demand our Company to acquire the shares held by them;

(v) using the shares for the conversion of convertible corporate bonds issued by the listed company;

(vi) as required for maintenance of the corporate value and shareholders' rights and interests of a listed company.

The purchase of shares of a company for reasons specified in the case of (i) to (ii) above shall be subject to the resolution of the shareholders' meeting; the purchase of shares of a company for reasons specified in the case of (iii), (v) and (vi) above shall be subject to the resolution of the board meetings attended by more than two-thirds of the directors in accordance with the provisions of the Articles of Association or the authorization from the meeting.

Following the purchase of a company's shares by a company in accordance with the above provisions, such shares shall be canceled within 10 days from the date of buy-back in the case of item (i) above; such shares shall be transferred or canceled within six months in the case of items (ii) and (iv) above; the total numbers of share of our Company held by a company shall not exceed 10% of the total issued shares of our Company, and shall be transferred or canceled within three years in the case of items (iii), (v) and (vi) above.

Transfer of Shares

Shares held by a shareholder may be transferred according to the law. Under the Company Law, a shareholder of a joint stock limited company should affect a transfer of his shares on securities exchange established according to the law or by any other means as required by the State Council. Registered shares may be transferred by endorsement of shareholders or by other means stipulated by laws or administrative regulations. After the transfer, a company shall record the name and address of the transferee in the register of shareholders. No changes of registration in the share register provided in the foregoing requirement shall be affected during a period of 20 days prior to the convening of shareholder's meeting or 5 days prior to the record date for a company's distribution of dividends. If any law, administrative regulation, or any provision by the securities regulatory authority of the State Council specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

Under the Company Law, shares issued by a company prior to the public offering of shares shall not be transferred within one year from the date on which the shares of the company are listed and traded on a securities exchange. The directors, supervisors and senior management of the company should declare to the company the shares they hold and the changes thereof. During the term of office as determined when they assume the posts, the shares transferred each year should not exceed 25% of the total shares they hold of the company. Shares of a company held by them shall not be transferred within one year from the date of a company's listing on a securities exchange, nor within six months after their resignation from their positions with a company.

If the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee cannot exercise the pledge right within such restricted transfer period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of a company include:

(i) to receive dividends and other forms of interest distribution according to the number of shares held;

(ii) to legally require, convene, preside over, participate in or authorize proxies of Shareholders to attend the shareholders' meeting and exercise corresponding voting rights;

(iii) to supervise business operations of the company, provide suggestions or submit queries;

(iv) to transfer, grant or pledge the company's shares held according to the provisions of the laws, administrative regulations and the Articles of Association;

(v) to read and copy the Articles of Association, the register of Shareholders, counterfoil of company debentures, General Meeting minutes, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports;

(vi) shareholders who hold more than 3% of the company's shares individually or collectively for more than 180 consecutive days may inspect the company's accounting books and accounting vouchers in accordance with laws;

(vii) to participate in the distribution of the remaining assets of the company according to the proportion of shares held upon our termination or liquidation;

(viii) to require our company to acquire the shares from Shareholders voting against any resolutions adopted at the General Meeting concerning the merger and division of the company;

(ix) other rights conferred by laws, administrative regulations, regulations of the authorities or the Articles of Association.

The obligations of a shareholder of a company include:

(i) to abide by laws, administrative regulations and the Articles of Association;

(ii) to provide share capital according to the shares subscribed for and share participation methods;

(iii) not to withdraw shares unless prescribed otherwise in laws and administrative regulations;

(iv) not to abuse shareholders' rights to infringe upon the interests of the company or other shareholders; not to abuse the company's status as an independent legal entity or the limited liability of shareholders to damage the interests of the company's creditors;

(v) to perform other duties prescribed in laws, administrative regulations, departmental rules and Articles of Association.

Shareholder's Meetings

Under the Company Law, the shareholders' meeting of a joint stock limited company is made up of all shareholders. The shareholders' meeting is the organ of authority of a company, which exercises the following functions and powers:

(i) to elect and replace directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;

(ii) to examine and approve reports of the board of directors;

(iii) to examine and approve reports of the supervisory committee;

(iv) to examine and approve a company's profit distribution plans and loss recovery plans;

(v) to resolve on the increase or reduction of a 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 a company;

(viii) to amend the company's Articles of Association;

(ix) other functions and powers specified in provision of the Articles of Association.

Under the Company Law, annual shareholders' meetings are required to be held once every year. An interim shareholders' meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated in the Company Law or less than two-thirds of the number specified in the Articles of Association;

(ii) when the unrecovered losses of a company amount to one-third of the total paid-up share capital;

(iii) shareholders individually or jointly holding 10% or more of the company's shares request;

(iv) when deemed necessary by the board of directors;

(v) the supervisory committee proposes to convene the meeting;

(vi) other circumstances as stipulated in the Articles of Association.

Shareholders' meeting shall be convened by the board of directors, and presided over by the chairperson of the board of directors. In the event that the chairperson is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairperson. In the event that the vice chairperson is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

If the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board should convene and preside over shareholders' meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' meeting.

If the shareholders who separately or aggregately hold more than 10% of the shares of the company request to convene an interim shareholders' meeting, the board of directors and the board of supervisors should, within 10 days after the receipt of such request, decide whether to hold an interim shareholders' meeting and reply to the shareholders in writing.

Notice of meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. A notice of interim meeting shall be given to all shareholders 15 days prior to the meeting.

Shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the board of directors in writing 10 days before the shareholders' meeting. The board of directors shall notify other shareholders within two days after receiving the proposal and submit the interim proposal to the shareholders' meeting for consideration.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders' meeting, and it should clarify the matters, power and time limit of the proxy. The proxy shall present a written power of attorney issued by the shareholder to a company and shall exercise his voting rights within the scope of authorization. There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Under the Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, except the shareholders of classified shares. However, shares held by the company itself are not entitled to any voting rights.

The cumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting in accordance with the provisions of the Articles of Association or the resolutions of the shareholders' meeting. Under the accumulative voting system, each share shall have the same number of voting rights as the number of directors or supervisors to be elected at the shareholders' meeting, and shareholders may consolidate their voting rights when casting a vote.

Under the Company Law and the Guidelines for Articles of Association, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the shareholders' meeting. Matters relating to merger, division or dissolution of a company, increase or reduction of registered capital, change of corporate form or amendments to the Articles of Association must be approved by more than two-thirds of the voting rights held by the shareholders present at the meeting.

The Board of Directors

Under the Company Law, a joint stock limited company should have a board of directors, which consists of more than three members. The term of office of a director shall be stipulated in the Articles of Association, but each term of offices hall not exceed three years. Directors may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. All directors and supervisors shall be notified 10 days before the meeting for every meeting. The board of directors exercises the following functions and powers:

(i) to convene shareholder's general meetings and report its work to the shareholder's general meetings;

(ii) to implement the resolutions of the shareholder's general meeting;

(iii) to decide on a company's business plans and investment plans;

(iv) to formulate a company's profit distribution plan and loss recovery plan;

(v) to formulate proposals for the increase or reduction of a company's registered capital and the issue of corporate bonds;

(vi) to formulate plans for cake, division, dissolution or change of corporate form of a company;

(vii) to decide on the internal management structure of a company;

(viii) to decide on the appointment or dismissal of the manager of a company and their remuneration; to decide on the appointment or dismissal of the deputy manager and financial officer of a company based on the nomination of the manager and as well as remuneration;

(ix) to formulate a company's basic management system;

(x) other functions and powers specified in the Articles of Association or granted by the shareholders' meeting.

The board meetings shall be held only if more than half of the directors are present. If a director is unable to attend a board meeting, he/she may appoint another director by a power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the Articles of Association, and as a result of which the company suffers serious losses, the directors participating in the resolution shall be liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempt from such liability.

Under the Company Law, a person may not serve as a director of a company if he/she is: (i) a person without capacity or with restricted capacity; (ii) a person who has been sentenced to any criminal penalty due to an offense of corruption, bribery, encroachment of property, misappropriation of property, or disrupting the order of the socialist market economy, or has been deprived of political rights due to a crime, where a five-year period has not elapsed since the date of completion of the sentence; if he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension period; (iii) a person who was a director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise; (iv) a person who was legal representative of a company or enterprise which had its business license revoked due to violation of the law and had been closed down by order, and who were personally liable, where less than three years have elapsed since the date of the revocation of the business license of the company or enterprise or the order for closure; and (v) being listed as one of "dishonest persons subject to enforcement" by the people's court due to his/her failure to pay off a relatively large amount of due debts.

The board of directors shall have one chairperson, who shall be elected by more than half of all the directors. The chairperson shall exercise the following functions and powers (including but not limited to): (i) to preside over shareholders' meetings and convene and preside over board meetings; (ii) to examine the implementation of resolutions of the board of directors; and (iii) to exercise other powers conferred by the board of directors.

The Board of Supervisors

Under the Company Law, a joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors shall comprise shareholder representatives and an appropriate proportion of the company's staff representatives, of which the proportion of staff 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 company's employees at the employee representative assembly, employee meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The board of supervisors exercises the following powers:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or resolutions of shareholders' meetings;

(iii) to demand rectification by a director or senior management when the acts of such persons are harmful to the company's interest;

(iv) to propose the convening of interim shareholders' meetings, and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meetings under the Company Law;

(v) to submit proposals to the shareholders' meeting;

(vi) to initiate legal proceedings against directors and senior management in accordance with the Company Law;

(vii) other functions and powers specified in the Articles of Association.

Managers and Senior Management

According to the Company Law, a company should have a manager who is appointed or removed by the board of directors. The manager is responsible to the board of directors and exercise his/her functions and powers according to the Articles of Association or the authorization of the board of directors. The manager attends the meetings of the board of directors as a non-voting member.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, 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

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the Articles of Association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

Directors, supervisors and senior management are prohibited from:

(i) embezzling the company's property or misappropriating of the company's capital;

(ii) depositing the company's capital into accounts under his/her own name or the name of other individuals;

(iii) soliciting or accepting bribes or any other illegal proceeds by taking advantage of their power;

(iv) accept and possess commissions paid by a third party for transactions conducted with the company;

(v) unauthorized divulgence of confidential business information of the company; or

(vi) other acts in violation of their fiduciary duty to the company.

If any director, supervisor or senior management directly or indirectly concludes a contract or conducts a transaction with the company, he/she shall report the matters relating to the conclusion of the contract or transaction to the board of directors or the shareholders' meeting, subject to the approval of the board of directors or the shareholders' meeting according to the articles of association.

The provisions of the preceding paragraph shall apply if any near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any related parties with any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company.

No director, supervisor or senior management shall take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances: (i) where he/she has reported to the board of directors or the shareholders' meeting and has been approved by a resolution of the board of directors or the shareholders' meeting according to the articles of association; or (ii) where the company cannot make use of the business opportunity in accordance with laws, administrative regulations or the articles of association.

Where any director, supervisor or senior management fails to report to the board of directors or the shareholders' meeting and obtain an approval by resolution of the board of directors or the shareholders' meeting according to the articles of association, he/she shall not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish its financial and accounting systems according to laws, administrative regulations and the regulations 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 an accounting firm in accordance with the law. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations 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 before the convening of an annual meeting of shareholders. A joint stock limited company issuing its shares in public shall publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into its statutory reserve fund. If the accumulated amount of the statutory reserve fund exceeds 50% of the company's registered capital, further allocations are no longer required. If the statutory reserve fund of the company is insufficient to make up for the losses of the previous years, the current year profits shall be used to make up for the losses before making allocations to the statutory reserve in accordance with the preceding paragraph. After the company has made an allocation to the statutory reserve fund from its after-tax profit, it may also make an allocation to the discretionary reserve fund from its after-tax profit upon a resolution of the shareholders' meeting.

A joint stock limited company shall distribute profits to its shareholders in proportion to their respective shareholdings, unless otherwise provided in its articles of association.

The premium over the nominal value of the shares of a joint stock limited company from the issue of shares, the amount of share proceeds from the issuance of no-par shares that have not been credited to the registered capital and other incomes required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund of the company.

The reserve fund of the company shall be used to make up its losses, expand its production and operation or be converted into increased capital. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be used first. If such funds are insufficient to cover the losses, the capital reserve may be used according to the relevant provisions. When the statutory reserve fund is converted to increase registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital before such conversion.

The company shall not keep accounts other than those provided by law.

Appointment and Dismissal of Accounting Firms

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm shall be allowed to make representations when the shareholders' meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm. The company shall provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

The Guidelines for Articles of Association provides that the company shall provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the accounting firm it engages, and shall not refuse to provide, conceal, or misrepresent such materials. The audit fee of the accounting firm shall be decided by the shareholders' meeting.

Profit Distribution

Where a company distributes profits to its shareholders in violation of the Company Law, the shareholders shall return to the company the profits so distributed. Where such distribution causes losses to the company, the shareholders and the responsible directors, supervisors, and senior management shall be liable for damages.

Dissolution and Liquidation

According to the 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 events of dissolution specified in the articles of association have occurred;

(ii) the shareholders' meeting resolves to dissolve the company;

(iii) dissolution is necessary due to a merger or division of the company;

(iv) the business license is revoked, or the company is ordered to close down or is revoked in accordance with laws;

(v) where the company encounters serious difficulties in its operation and management and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to a people's court for the dissolution of the company.

Where any of the events set forth in the preceding paragraph occurs, the company shall, within ten days, publicize the particulars of such event through the National Enterprise Credit Information Publicity System.

Where the company is dissolved in accordance with item (i) above, it may carry on its existence by amending its articles of association or upon a resolution of the shareholders' meeting, which must be approved by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting. Where the company is dissolved pursuant to items (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation group to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's articles of association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfill their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

Where a liquidation group is not formed within the prescribed time limit, or fails to carry out liquidation after its formation, any interested party may apply to the people's court to designate relevant persons to form a liquidation group to conduct the liquidation. The people's court shall accept such application and promptly organize a liquidation group to carry out the liquidation.

The liquidation group shall exercise the following functions and powers during the liquidation period:

(i) to take stock of the company's property and prepare a balance sheet and an inventory of assets;

(ii) to notify creditors by notice or public announcement;

(iii) to handle and conclude the company's unfinished business;

(iv) to pay off all outstanding taxes and any taxes incurred during the liquidation process;

(v) to settle the company's claims and debts;

(vi) to distribute the company's residual property after paying off debts;

(vii) to represent the company in civil litigation.

The liquidation group shall notify the company's creditors within ten days from the date of its formation and shall make a public announcement in a newspaper or on the National Enterprise Credit Information Publicity System within 60 days. Creditors shall file their claims with the liquidation group within 30 days from the date of receipt of the notice; for those who do not receive the notice, claims shall be filed within 45 days from the date of the public announcement.

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 shareholders in proportion to their shareholdings. 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 before the payments stipulated in the preceding paragraph have been made.

If the liquidation group, having thoroughly examined the company's assets and having prepared a balance sheet and an inventory of assets, discovers that the company's assets are insufficient to pay its debts in full, it shall file an application to a 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 designated by the people's court.

Upon completion of the liquidation, the liquidation group shall prepare a liquidation report to be submitted to the shareholders' meeting or the people's court for confirmation, and submit to the company registration authority to apply for cancellation of the company's registration.

In performing their liquidation duties, members of the liquidation group owe a duty of loyalty and a duty of diligence. Any member of the liquidation group shall be liable for compensation for any losses caused to the company due to negligence in performing his/her liquidation duties; he/she shall also be liable for compensation for any losses caused to creditors due to intentional misconduct or gross negligence.

Where, after three years since the business license of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company.

Overseas Listing

According to the Overseas Listing Trial Measures, where an issuer makes an overseas initial public offering or listing, it shall file with the CSRC within 3 working days after submitting the application documents for overseas issuance and listing. If an issuer issues securities in the same overseas market after overseas issuance and listing, it shall file with the CSRC within 3 working days after the completion of the issuance. If an issuer issues and lists in other overseas markets after overseas issuance and listing, it shall be filed in accordance with the provisions of the first paragraph of Article 16 of the Overseas Listing Trial Measures. Moreover, if the filing materials are complete and meet the requirements, the CSRC shall complete the filing within 20 working days from the date of receiving the filing materials, and publicize the filing information through its 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 or amended within 5 working days after receiving the filing materials. The issuer shall supplement or amend the materials within 30 working days.

Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting conditions stipulated by the stock exchange, the stock exchange shall terminate their listing and trading in accordance with its business rules.

According to the Overseas Listing Trial Measures, in case of active or compulsory termination of listing, the issuer shall report the specific situation to the CSRC within 3 working days from the date of occurrence and announcement of the relevant matters.

SECURITIES LAW AND REGULATIONS

In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in mainland China and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by companies in mainland China or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. On March 29, 1998, the State Council consolidated the above two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》), promulgated by the State Council on April 22, 1993 and effective from the same day, provide for the application and approval procedures for public offerings of

shares, trading in shares, the acquisition of listed companies, the custody, settlement and transfer of listed shares, information disclosure by listed companies, investigation and penalties, and the arbitration of disputes.

The Regulations of the State Council Concerning the Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》), promulgated by the State Council on December 25, 1995 and effective from the same day, mainly provide for the issue, subscription, trading, and payment of dividends of domestic listed foreign shares, and information disclosure by joint stock limited companies with domestic listed foreign shares.

The Securities Law, as last amended by the SCNPC on December 28, 2019 and which became effective on March 1, 2020, provides a series of provisions regulating, among other things, the issue and trading of securities, takeovers of listed companies, securities exchanges, securities companies, and the duties and responsibilities of the State Council's securities regulatory authorities in mainland China, and comprehensively regulates activities in the securities market of mainland China. The Securities Law provides that where a domestic enterprise directly or indirectly issues securities overseas or has its securities listed and traded overseas, it must comply with the relevant provisions of the State Council. Currently, the issue and trading of overseas-issued shares are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People's Republic of China (the "Arbitration Law"), as last amended by the SCNPC on September 12, 2025 and effective from March 1, 2026, the Arbitration Law applies to foreign-related economic disputes where the parties concerned have concluded a written agreement to submit the dispute for arbitration to an arbitration committee formed in accordance with the Arbitration Law. Where the parties have agreed to settle a dispute by arbitration, if one party initiates legal proceedings in a people's court, the court shall not accept the case.

Under the Arbitration Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party may apply to the people's court for enforcement in accordance with the Civil Procedure Law. The people's court may rule not to enforce an award upon proof that: (i) there is no arbitration clause in the contract and the parties have not subsequently reached a written arbitration agreement; (ii) the respondent was not duly notified of the arbitration proceedings or was otherwise unable to present its case for reasons not attributable to the respondent; (iii) the composition of the arbitral tribunal or the arbitration procedures did not comply with the arbitration rules; or (iv) the award deals with matters beyond the scope of the arbitration agreement or which the arbitration committee had no jurisdiction to arbitrate. Where a party seeks to enforce an arbitral award made by a foreign-related arbitration commission and the party against whom enforcement is sought or its property is located outside mainland China, the party shall apply to a foreign court with jurisdiction for recognition and enforcement.

According to the Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People's Court on January 24, 2000 and effective on February 1, 2000, and the Supplementary Arrangement of the Supreme People's Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) promulgated by the Supreme People's Court on November 26, 2020 and effective on November 27, 2020, awards made by arbitral authorities in mainland China can be applied for enforcement in Hong Kong, and Hong Kong arbitration awards can also be applied for enforcement in the mainland China.

This Appendix summarizes the principal provisions of the Articles of Association of the Company, which will become effective and come into effect from the date when the issuance of [**REDACTED**] by the Company is filed with the CSRC and [**REDACTED**] for trading on the Hong Kong Stock Exchange. The primary purpose of this Appendix is to provide potential [**REDACTED**] with an overview of the Articles of Association of the Company and therefore may not contain all information that is material to potential [**REDACTED**].

SHARE ISSUES

The issuance of shares by the Company shall adhere to the principles of openness, fairness and justice. Each share of the same class shall be entitled to the same rights. The same type of shares issued in the same issue shall have the same issuance conditions and price per share; any entity or individual shall pay the same price per share subscribed for shares.

INCREASE, REDUCTION AND REPURCHASE OF SHARES

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to a separate resolution of the Shareholders' meeting, by any of the following methods:

(I) issuance of shares to unspecified objects;

(II) issuance of shares to specific objects;

(III) allotment of bonus shares to existing shareholders;

(IV) conversion of capital reserve to share capital;

(V) other means stipulated by laws and administrative regulations, as well as the CSRC or other securities regulatory authorities of the place where other companies' shares are listed.

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the Company Law, the Hong Kong Listing Rules, and other relevant regulations, as well as the Articles of Association.

The Company may purchase its shares in accordance with laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed and the Articles of Association under the following circumstances:

(I) reducing the registered capital of the Company;

(II) merging with other companies that hold shares in the Company;

(III) using the shares for employee shareholding schemes or as share incentives;

(IV) acquiring the shares of shareholders (upon their request) who vote against any resolution adopted at any Shareholders' meeting on the merger or division of the Company;

(V) using the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;

(VI) safeguarding corporate value and shareholders' rights and interests as the Company deems necessary.

The Company may acquisition its own shares through public centralized trading, or through other means recognized by the laws, regulations, the CSRC and the securities regulatory authorities of the place where the Company's shares are listed.

Where the Company purchases its own shares under any of the circumstances specified in items (III), (V) and (VI) above, centralized trading shall be adopted publicly.

Where the Company purchases its own shares under the circumstances described in items (I) or (II) above, it shall be implemented after being resolved by the Shareholders' meeting; where the Company repurchases its own shares under the circumstances described in items (III), (V) or (VI) above, it shall, provided that the applicable securities regulatory rules of the places where the Company's shares are listed are complied with, be implemented after being resolved by a board meeting attended by more than two-thirds of the directors.

After the Company purchases its own shares in accordance with the above provisions, if it falls under item (I), the shares shall be cancelled within ten days from the date of purchase; if it falls under items (II) or (IV), the shares shall be transferred or cancelled within six months; if it falls under items (III), (V) or (VI), the total number of the Company's own shares held by the Company shall not exceed ten percent of the total issued shares of the Company, and such shares shall be transferred or cancelled within three years.

Upon acquisition of [**REDACTED**] of the Company in accordance with the aforesaid requirements, the Company may immediately cancel the [**REDACTED**] at the Company's option or hold them as treasury shares in accordance with the Hong Kong Listing Rules. If the directors do not specify that the underlying shares are to be held as treasury shares, such shares shall be cancelled. The Company shall deposit the treasury shares in a separate account with [**REDACTED**] which can be clearly identified as treasury shares. The Company shall not exercise any rights in respect of the treasury shares, nor shall any dividends be declared or paid in respect of the treasury shares. Subject to compliance with the Articles of Association and the Hong Kong Listing Rules, the Company may dispose of its treasury shares on such terms and conditions as the directors may determine.

TRANSFER OF SHARES

The shares of the Company shall be transferred in accordance with the law. All transfers of [**REDACTED**] shall be effected by an instrument of transfer in writing in the usual or common form or in any other form acceptable to the Board (including the standard transfer form or instrument of transfer prescribed by the Hong Kong Stock Exchange from time to time); and such instrument of transfer may only be executed by hand or by affixing the company's valid chop (if the transferor or transferee is a company). If the transferor or transferee is a recognised clearing house (as defined in the relevant ordinances from time to time in force in Hong Kong) or its nominee, the instrument of transfer may be executed under hand or by mechanical means. All instruments of transfer shall be deposited at the registered office of the Company or at such other place as the Board may from time to time determine.

Shares issued by the Company prior to the public offering of A Shares may not be transferred within one year from the date the Company's A Shares are listed and traded on a stock exchange.

Directors and senior management of the Company shall report their shareholdings in the Company and any changes therein to the Company. During their term of office, the number of shares transferred annually shall not exceed twenty-five percent of the total number of shares they hold in the Company; the shares they hold in the Company may not be transferred within one year from the date the Company's shares are listed and traded. The aforementioned persons may not transfer the shares they hold in the Company within six months after leaving their positions.

Where the regulatory rules of the places where the Company's shares are listed provide otherwise regarding restrictions on the transfer of the Company's shares, such provisions shall prevail.

If a director, a member of the senior management or a shareholder holding more than five percent of the shares of the Company sells the shares of the Company held by him/her within six months after purchase, or repurchases the shares within six months after sale, the earnings so obtained shall belong to the Company, and the Board of Directors of the Company shall recover such earnings. However, this shall not apply where a securities company holds more than five percent of the shares as a result of purchasing the remaining shares after underwriting, or where there are other circumstances stipulated by the CSRC, other competent regulatory authorities, or the securities regulatory rules of the places where the Company's shares are listed.

The term "shares or other equity-type securities held by a director, a member of the senior management or a natural person shareholder" as mentioned in the preceding paragraph includes shares or other equity-type securities held by his/her spouse, parents, children and shares or other equity-type securities held under the accounts of others.

If the Board of Directors of the Company fails to implement the provisions of the preceding paragraph, shareholders have the right to require the Board of Directors to implement them within thirty days. If the Board of Directors of the Company fails to implement within the aforementioned period, shareholders have the right to directly file a lawsuit in their own name in the people's court for the interests of the Company.

If the Board of Directors of the Company fails to implement the provisions of the preceding paragraph, the directors responsible shall bear joint and several liabilities in accordance with the law.

FINANCIAL ASSISTANCE PROVIDED FOR ACQUIRING THE COMPANY'S SHARES

Neither the Company nor its subsidiaries (including the Company's affiliated enterprises) shall provide financial assistance in the form of gifts, advances, guarantees, loans, etc. for others to acquire shares of the Company or its parent company, unless the Company implements an employee share ownership plan.

Unless otherwise provided by the securities regulatory rules of the places where the Company's shares are listed, for the benefit of the Company, the Company may provide financial assistance for others to acquire shares of the Company or its parent company upon a resolution of the Shareholders' meeting or a resolution of the Board of Directors made in accordance with the authorisation of the Articles of Association or the Shareholders' meeting, provided that the cumulative total amount of financial assistance shall not exceed ten percent of the total issued share capital. A resolution of the Board of Directors shall be passed by more than two-thirds of all directors.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders

The Company shall maintain a register of shareholders based on the vouchers provided by the securities registration and clearing institution.

The register of shareholders shall be conclusive evidence of a shareholder's shareholding in the Company. The original of the [**REDACTED**] of shareholders shall be kept in Hong Kong for inspection by shareholders, but the Company may suspend the registration of shareholders in accordance with applicable laws, regulations and the securities regulatory rules of the places where the Company's shares are [**REDACTED**]. If the Company maintains a duplicate of the H Share register of shareholders and there is any discrepancy between the original and the duplicate, the original shall prevail. Any shareholder registered in the H Share register of shareholders or any person requesting the registration of his/her name (or name of the entity) in the H Share register of shareholders may, if his/her share certificates are lost, apply to the Company for the issue of new share certificates in respect of such shares. If an [**REDACTED**] shareholder loses share certificates and applies for re-issue, the matter may be handled in accordance with the laws, rules of the stock exchange or other relevant provisions of the place where the original [**REDACTED**] of shareholders is kept.

Shareholders shall enjoy rights and assume obligations according to the class of shares they hold; shareholders holding the same class of shares shall enjoy equal rights and assume the same obligations based on the shares they hold in the Company.

When the Company convenes a Shareholders' meeting, distributes dividends, liquidates or engages in other acts that require confirmation of shareholder identity, the Board of Directors or the convener of the Shareholders' meeting shall determine a record date. Shareholders registered at the close of business on the record date shall be the shareholders entitled to relevant rights and interests.

Shareholders of the Company enjoy the following rights:

(I) to receive dividends and other forms of benefit distribution in proportion to their shareholding;

(II) to request, convene, preside over, attend or appoint a proxy to attend the Shareholders' meeting in accordance with the law, and exercise corresponding voting rights;

(III) to supervise the Company's business activities, and make suggestions or raise inquiries;

(IV) to transfer, gift or pledge the shares they hold in accordance with the provisions of laws, administrative regulations, the regulatory rules of the places where the Company's shares are listed and the Articles of Association;

(V) to consult and copy the Articles of Association, the register of shareholders, the stubs of corporate bonds, the minutes of Shareholders' meetings, the resolutions of board meetings, the resolutions of the audit committee meetings, and financial accounting reports. Shareholders meeting the prescribed requirements may consult the Company's accounting books and accounting vouchers;

(VI) to participate in the distribution of the Company's residual assets in proportion to their shareholding upon the termination or liquidation of the Company;

(VII) to require the Company to purchase their shares if they dissent from resolutions on the Company's merger or division adopted by the Shareholders' meeting;

(VIII) other rights stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

A shareholder requesting to consult the relevant information or materials mentioned in the preceding article of the Articles of Association shall provide the Company with written documents proving the class and quantity of shares it holds in the Company. The Company

shall provide such information after verifying the shareholder's identity. A shareholder(s) holding alone or jointly more than three percent of the Company's shares for more than one hundred and eighty consecutive days requesting to consult the Company's accounting books and accounting vouchers shall submit a written request to the Company, stating the purpose. If the Company has reasonable grounds to believe that the shareholder's consultation of the accounting books and accounting vouchers has an improper purpose and may harm the Company's legitimate interests, it may refuse to provide such consultation.

If a resolution of the Shareholders' meeting or the Board of Directors of the Company violates laws or administrative regulations, shareholders have the right to request the people's court to confirm its invalidity.

If the convening procedures or voting methods of a Shareholders' meeting or board meeting violate laws, administrative regulations or the Articles of Association, or the content of the resolution violates the Articles of Association, shareholders have the right to request the people's court to revoke it within sixty days from the date the resolution is made. However, this shall not apply if the convening procedures or voting methods of the Shareholders' meeting or board meeting involve only minor defects and have no substantive impact on the resolution.

If the Board of Directors, shareholders or other relevant parties dispute the validity of a resolution of the Shareholders' meeting, they shall promptly file a lawsuit with the people's court. Before the people's court renders a judgment or ruling to revoke the resolution, the relevant parties shall implement the resolution of the Shareholders' meeting. The Company, its directors and senior management shall earnestly perform their duties to ensure the normal operation of the Company.

If a director or a member of the senior management (other than a member of the Audit Committee) violates laws, administrative regulations or the Articles of Association in the performance of his/her duties, causing losses to the Company, a shareholder(s) holding alone or jointly more than one percent of the Company's shares for more than one hundred and eighty consecutive days has the right to request in writing the Audit Committee to file a lawsuit in the people's court; if a member of the Audit Committee violates laws, administrative regulations, the regulatory rules of the places where the Company's shares are listed or the Articles of Association in the performance of his/her duties, causing losses to the Company, the aforementioned shareholder(s) may request in writing the Board of Directors to file a lawsuit in the people's court.

If the Audit Committee or the Board of Directors refuses to file a lawsuit after receiving the written request from the shareholder(s) mentioned in the preceding paragraph, or fails to file a lawsuit within thirty days from the date of receiving the request, or in emergency circumstances where failure to file a lawsuit immediately will cause irreparable harm to the Company's interests, the shareholder(s) mentioned in the preceding paragraph has the right to file a lawsuit directly in the people's court in his/her own name for the interests of the Company.

If another person infringes upon the Company's lawful rights and interests, causing losses to the Company, the shareholder(s) prescribed in the Articles of Association may file a lawsuit in the people's court in accordance with the provisions of the preceding two paragraphs.

If a director, supervisor or a member of the senior management of a wholly-owned subsidiary of the Company violates laws, administrative regulations, the regulatory rules of the places where the Company's shares are listed or the Articles of Association in the performance of his/her duties, causing losses to the Company, or if another person infringes upon the lawful rights and interests of a wholly-owned subsidiary of the Company causing losses, a shareholder(s) holding alone or jointly more than one percent of the Company's shares for more than one hundred and eighty consecutive days may, in accordance with the provisions of the first three paragraphs of Article 189 of the Company Law, request in writing the board of supervisors or the Board of Directors of the wholly-owned subsidiary to file a lawsuit in the people's court or file a lawsuit directly in the people's court in his/her own name.

If a director or a member of the senior management violates laws, administrative regulations, the regulatory rules of the places where the Company's shares are [**REDACTED**] or the Articles of Association, damaging the interests of shareholders, shareholders may file a lawsuit in the people's court.

Shareholders of the Company shall assume the following obligations:

(I) to comply with laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the places where the Company's shares are [**REDACTED**] and the Articles of Association;

(II) to pay the capital contribution in accordance with the shares subscribed for and the method of capital contribution;

(III) not to withdraw their capital contribution except under circumstances stipulated by laws, administrative regulations, the Hong Kong Listing Rules or other securities regulatory rules of the places where the Company's shares are [**REDACTED**];

(IV) not to abuse shareholders' rights to damage the interests of the Company or other shareholders; not to abuse the Company's independent legal person status and shareholders' limited liability to damage the interests of the Company's creditors;

If a shareholder of the Company abuses shareholders' rights, causing losses to the Company or other shareholders, it shall bear compensation liability in accordance with the law;

If a shareholder of the Company abuses the Company's independent legal person status and shareholders' limited liability to evade debts, seriously damaging the interests of the Company's creditors, it shall bear joint and several liabilities for the Company's debts;

(V) other obligations stipulated by laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

A shareholder holding more than five percent of the Company's voting shares shall, upon pledging the shares it holds, make a written report to the Company on the same day such fact occurs.

The controlling shareholder and de facto controller of the Company shall comply with the following provisions:

(I) to exercise shareholders' rights in accordance with the law, and not abuse controlling power or use affiliated relationships to damage the lawful rights and interests of the Company or other shareholders;

(II) to strictly fulfil public statements and various commitments made, and not unilaterally change or exempt themselves from them;

(III) to strictly perform information disclosure obligations in accordance with relevant provisions, actively cooperate with the Company in information disclosure work, and promptly inform the Company of major events that have occurred or are intended to occur;

(IV) not to misappropriate the Company's funds in any way;

(V) not to compel, instruct or require the Company and relevant personnel to provide guarantees in violation of laws and regulations;

(VI) not to seek benefits by using the Company's undisclosed material information, not disclose the Company's undisclosed material information in any way, and not engage in illegal activities such as insider trading, short-swing trading or market manipulation;

(VII) not to damage the lawful rights and interests of the Company and other shareholders through any non-arm's length related transactions, profit distribution, asset restructuring, external investment, etc.;

(VIII) to ensure the Company's asset integrity, personnel independence, financial independence, organisational independence and business independence, and not affect the Company's independence in any way;

(IX) other provisions stipulated by laws, administrative regulations, CSRC regulations, stock exchange business rules, other securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

If the Company's controlling shareholder or de facto controller does not serve as a director of the Company but actually manages the Company's affairs, the provisions of the Articles of Association regarding directors' duties of loyalty and diligence shall apply.

If the Company's controlling shareholder or de facto controller instructs a director or a member of the senior management to engage in acts that damage the interests of the Company or shareholders, it shall bear joint and several liabilities with such director or member of the senior management.

GENERAL PROVISIONS ON SHAREHOLDERS' MEETING

The Shareholders' meeting is the authority of the Company and shall exercise the following functions and powers in accordance with the law:

(I) to elect and replace directors not represented by employee representatives, and decide on matters concerning the remuneration of directors;

(II) to consider and approve the report of the Board of Directors;

(III) to consider and approve the Company's annual financial budget plan and final accounts plan;

(IV) to consider and approve the Company's profit distribution plan and plan for making up losses;

(V) to adopt resolutions on the increase or decrease of the Company's registered capital;

(VI) to adopt resolutions on the issue of corporate bonds;

(VII) to adopt resolutions on the merger, division, dissolution, liquidation or change of corporate form of the Company;

(VIII) to amend the Articles of Association;

(IX) to adopt resolutions on the appointment and dismissal of the accounting firm undertaking the Company's audit business;

(X) to consider and approve the guarantee matters specified in Article 46;

(XI) to consider matters where the Company purchases or sells major assets within one year exceeding 30% of the Company's latest audited assets in total;

(XII) to consider and approve changes in the use of [**REDACTED**] raised;

(XIII) to consider equity incentive plans and employee share ownership plans;

(XIV) to adopt resolutions on the Company's purchase of its own shares under the circumstances described in items (I) and (II) of Article 24 of the Articles of Association;

(XV) to consider other matters that shall be decided by the Shareholders' meeting as stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

The Shareholders' meeting may authorise the Board of Directors to adopt resolutions on the issue of corporate bonds.

The following external guarantee acts of the Company shall be considered and approved by the Shareholders' meeting:

(I) any guarantee provided after the total external guarantees of the Company and its controlled subsidiaries exceed fifty percent of the latest audited net assets;

(II) any guarantee provided after the Company's total external guarantees exceed thirty percent of the latest audited assets in total;

(III) guarantees where the amount guaranteed to others by the Company within one year exceeds thirty percent of the Company's total assets as shown in the latest audited financial statements;

(IV) guarantees provided to guarantors whose asset-liability ratio exceeds seventy percent;

(V) guarantees where the single guarantee amount exceeds ten percent of the latest audited net assets;

(VI) guarantees provided to shareholders, de facto controllers and their related parties;

(VII) other guarantee circumstances stipulated by laws, regulations, the securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

When the Shareholders' meeting considers a proposal to provide a guarantee to a shareholder, de facto controller or their connected parties, such shareholder or the shareholder controlled by such de facto controller shall not participate in the voting on such proposal, and such proposal shall be passed by more than half of the voting rights held by other shareholders present at the Shareholders' meeting. When the Shareholders' meeting considers the guarantee matters in item (III) above, it shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting.

Shareholders' meetings include annual shareholders' meetings and interim shareholders' meetings. An annual shareholders' meeting shall be held once each year and shall be convened within six months after the end of the previous financial year.

Under any of the following circumstances, the Company shall convene an interim shareholders' meeting within two months from the date the fact occurs:

(I) when the number of directors falls below six;

(II) when the Company's uncovered losses reach one-third of the total share capital;

(III) when shareholder(s) holding alone or jointly ten percent or more of the Company's shares (excluding treasury shares) so request;

(IV) when the Board of Directors deems it necessary;

(V) when the Audit Committee proposes to the Board of Directors to convene one;

(VI) other circumstances stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

The number of shares held referred to in item (III) above shall be calculated based on the number of the Company's shares held by the shareholder on the date it submits the written request.

CONVENING OF SHAREHOLDERS' MEETING

The Board of Directors shall convene the Shareholders' meeting within the prescribed time limit.

Upon the consent of more than half of all independent directors, the independent directors have the right to propose to the Board of Directors to convene an interim shareholders' meeting, and shall submit such proposal to the Board of Directors in writing. Regarding the proposal of independent directors to convene an interim shareholders' meeting, the Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association, provide written feedback within ten days after receiving the proposal, stating whether it agrees or disagrees to convene an interim shareholders' meeting.

If the Board of Directors agrees to convene an interim shareholders' meeting, it shall issue a notice to convene the Shareholders' meeting within five days after the board resolution is made; if the Board of Directors disagrees to convene an interim shareholders' meeting, it shall state the reasons and make an announcement.

The Audit Committee has the right to propose to the Board of Directors to convene an interim shareholders' meeting, and shall submit such proposal to the Board of Directors in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association, provide written feedback within ten days after receiving the proposal, stating whether it agrees or disagrees to convene an interim shareholders' meeting.

If the Board of Directors agrees to convene an interim shareholders' meeting, it shall issue a notice to convene the Shareholders' meeting within five days after the board resolution is made. Any change to the original proposal in the notice shall be subject to the consent of the Audit Committee.

If the Board of Directors disagrees to convene an interim shareholders' meeting or fails to provide feedback within ten days after receiving the proposal, it shall be deemed that the Board of Directors is unable or fails to perform its duty to convene Shareholders' meetings, and the Audit Committee may convene and preside over the meeting on its own.

Shareholder(s) holding alone or jointly ten percent or more of the Company's shares (excluding treasury shares) have the right to request the Board of Directors to convene an interim shareholders' meeting, and shall submit such request to the Board of Directors in writing. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association, provide written feedback within ten days after receiving the request, stating whether it agrees or disagrees to convene an interim shareholders' meeting.

If the Board of Directors agrees to convene an interim shareholders' meeting, it shall issue a notice to convene the Shareholders' meeting within five days after the board resolution is made. Any change to the original request in the notice shall be subject to the consent of the shareholder(s) proposing to convene the interim shareholders' meeting (hereinafter referred to as the "Proposing Shareholder(s)").

If the Board of Directors disagrees to convene an interim shareholders' meeting or fails to provide feedback within ten days after receiving the request, the Proposing Shareholder(s) have the right to propose to the Audit Committee to convene an interim shareholders' meeting, and shall submit such request to the Audit Committee in writing.

If the Audit Committee agrees to convene an interim shareholders' meeting, it shall issue a notice to convene the Shareholders' meeting within five days after receiving the request. Any change to the original proposal in the notice shall be subject to the consent of the Proposing Shareholder(s).

If the Audit Committee fails to issue the notice to convene the Shareholders' meeting within the specified time limit, it shall be deemed that the Audit Committee does not convene and preside over the Shareholders' meeting, and shareholder(s) holding alone or jointly ten percent or more of the Company's shares (excluding treasury shares) for more than ninety consecutive days may convene and preside over the meeting on their own.

PROPOSALS AND NOTICE OF SHAREHOLDERS' MEETING

When the Company convenes a Shareholders' meeting, the Board of Directors, the Audit Committee and shareholder(s) holding alone or jointly one percent or more of the Company's shares have the right to submit proposals to the Company.

Shareholder(s) holding alone or jointly one percent or more of the Company's shares may, ten days prior to the convening of the Shareholders' meeting, submit an interim proposal in writing to the convener. The convener shall, within two days after receiving the proposal, issue a supplementary notice for the Shareholders' meeting, announce the content of the interim proposal, and submit such interim proposal to the Shareholders' meeting for consideration. However, this shall not apply if the interim proposal violates laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed or the Articles of Association, or does not fall within the scope of functions and powers of the Shareholders' meeting.

Except under the circumstances specified in the preceding paragraph, after the convener issues the notice to convene the Shareholders' meeting, it shall not modify the proposals already listed in the notice of the Shareholders' meeting or add new proposals.

Proposals not listed in the notice of the Shareholders' meeting or that do not comply with the provisions of Article 57 of the Articles of Association shall not be put to vote and no resolution shall be passed thereon at the Shareholders' meeting.

If, according to the securities regulatory rules of the places where the Company's shares are listed, the Shareholders' meeting must be postponed due to the publication of a supplementary notice, the convening of the Shareholders' meeting shall be postponed in accordance with the provisions of the securities regulatory rules of the places where the Company's shares are listed.

The convener shall notify all shareholders in writing (including by announcement) twenty-one days before the convening of an annual shareholders' meeting. The convener of an interim shareholders' meeting shall notify all shareholders in writing (including by announcement) fifteen days before the convening of the meeting.

The notice of a Shareholders' meeting includes the following content:

(I) the time, place and duration of the meeting;

(II) the matters and proposals submitted for consideration at the meeting;

(III) a clear statement that all shareholders registered on the record date are entitled to attend the Shareholders' meeting, and may appoint a proxy in writing to attend the meeting and vote, and such proxy need not be a shareholder of the Company;

(IV) the record date for shareholders entitled to attend the Shareholders' meeting;

(V) the name and telephone number of the contact person for the meeting;

(VI) the voting time and voting procedures via network or other methods.

After the notice of a Shareholders' meeting is issued, the Shareholders' meeting shall not be postponed or cancelled without proper reason, and the proposals listed in the notice of the Shareholders' meeting shall not be cancelled. Once a postponement or cancellation occurs, the convener shall make an announcement at least two working days before the originally scheduled convening date and state the reasons. If the securities regulatory rules of the places where the Company's shares are listed have special provisions regarding the procedures for postponing or cancelling a Shareholders' meeting, such provisions shall prevail, provided that they do not violate the regulatory requirements of the PRC.

CONVENING OF SHAREHOLDERS' MEETING

All shareholders registered on the record date or their proxies have the right to attend the Shareholders' meeting, speak at the Shareholders' meeting in accordance with relevant laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association, and exercise voting rights, unless individual shareholders are required to abstain from voting on specific matters under the securities regulatory rules of the places where the Company's shares are listed.

A shareholder may attend the Shareholders' meeting in person or appoint a proxy (one or several persons, who need not be shareholders of the Company) to attend and vote on his/her behalf.

If the Shareholders' meeting requires directors or members of the senior management to attend the meeting, such directors or members of the senior management shall attend and accept the inquiries of shareholders.

The Shareholders' meeting shall be presided over by the chairman of the Board. If the chairman is unable or fails to perform his/her duties, the vice chairman (if any) shall perform such duties (if the Company has two vice chairmen, the vice chairman elected by more than half of the directors shall perform the duties); if the vice chairman is unable or fails to perform his/her duties, a director elected by more than half of the directors shall preside.

A Shareholders' meeting convened by the Audit Committee on its own shall be presided over by the convener of the Audit Committee. If the convener of the Audit Committee is unable or fails to perform his/her duties, a member of the Audit Committee elected by more than half of the members of the Audit Committee shall preside.

A Shareholders' meeting convened by shareholders on their own shall be presided over by a representative recommended by the convener.

When a Shareholders' meeting is convened, if the meeting chairman violates the rules of procedure making it impossible to continue the meeting, the Shareholders' meeting may, upon the consent of the shareholders present at the meeting holding more than half of the voting rights, elect a person to act as the meeting chairman to continue the meeting.

The Company shall formulate rules of procedure for Shareholders' meetings, detailing the procedures for convening, holding and voting at Shareholders' meetings, including notice, registration, consideration of proposals, voting, vote counting, announcement of voting results, formation of meeting resolutions, minutes of the meeting and their signing, announcement, etc., as well as the authorisation principles of the Shareholders' meeting to the Board of Directors, and the authorisation content shall be clear and specific. The rules of procedure for Shareholders' meetings shall be an appendix to the Articles of Association, formulated by the Board of Directors and approved by the Shareholders' meeting.

VOTING AT SHAREHOLDERS' MEETING

Resolutions of a Shareholders' meeting are divided into ordinary resolutions and special resolutions.

An ordinary resolution of the Shareholders' meeting shall be passed by more than half of the voting rights held by the shareholders (including shareholders' proxies) present at the Shareholders' meeting.

A special resolution of the Shareholders' meeting shall be passed by more than two-thirds of the voting rights held by the shareholders (including shareholders' proxies) present at the Shareholders' meeting.

The following matters shall be passed by the Shareholders' meeting by an ordinary resolution:

(I) the work report of the Board of Directors;

(II) the profit distribution plan and plan for making up losses proposed by the Board of Directors;

(III) the appointment and dismissal of members of the Board of Directors and their remuneration and method of payment;

(IV) the appointment or dismissal of an accounting firm or the determination of the remuneration arrangement for an accounting firm;

(V) other matters besides those that shall be passed by a special resolution as stipulated by laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed or the Articles of Association.

The following matters shall be passed by the Shareholders' meeting by a special resolution:

(I) the increase or decrease of the Company's registered capital;

(II) the division, merger, spin-off, change of corporate form, dissolution and liquidation of the Company;

(III) the amendment of the Articles of Association;

(IV) the Company's purchase or sale of major assets within one year or the amount of guarantees provided to others exceeding thirty percent of the Company's latest audited assets in total;

(V) the equity incentive plans;

(VI) the proposals on related transactions, external investments (including entrusted wealth management, etc.), provision of financial assistance, creditor's right or debt restructuring, execution of management contracts (including entrustment of operations, entrusted operations, etc.), transfer of research and development projects, intellectual property licensing, etc., submitted to the Shareholders' meeting by the acquirer and/or its concert parties for the purpose of implementing a hostile takeover;

(VII) other matters stipulated by laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed or the Articles of Association, as well as other matters determined by the Shareholders' meeting by an ordinary resolution to have a major impact on the Company and require adoption by way of a special resolution.

A shareholder (including a proxy) shall exercise his/her voting rights according to the number of voting shares he/she represents, with each share carrying one vote, except for shares of a specific class. When voting, a shareholder (including a shareholder's proxy) with two or more votes need not cast all his/her votes for or against a resolution. If the securities regulatory rules of the places where the Company's shares are listed provide otherwise, such provisions shall prevail.

When the Shareholders' meeting considers major matters affecting the interests of small and medium investors, the votes of small and medium investors shall be counted separately. The separate voting results shall be disclosed to the public in a timely manner.

Shares held by the Company in itself carry no voting rights, and such shares shall not be included in the total number of voting shares present at the Shareholders' meeting. In accordance with applicable laws and regulations and the Hong Kong Listing Rules, if any shareholder is required to abstain from voting on a resolution, or is restricted to only vote for (or against) a resolution, the votes cast by such shareholder or its proxy in breach of the relevant provisions or restrictions shall not be counted in the total number of voting shares.

If a shareholder's purchase of the Company's voting shares violates the provisions of the first and second paragraphs of Article 63 of the Securities Law, the portion of shares exceeding the prescribed ratio shall not carry voting rights within thirty-six months after purchase and shall not be included in the total number of voting shares present at the Shareholders' meeting.

The Board of Directors of the Company, independent directors, shareholder(s) holding more than one percent of the voting shares, or investor protection institutions established in accordance with the provisions of laws, administrative regulations or the CSRC, the securities regulatory authority of the place where the Company's shares are listed, may publicly solicit voting rights from shareholders. It is prohibited to solicit voting rights from shareholders in a paid or disguised paid manner. The Company shall not impose a minimum shareholding ratio restriction on the solicitation of voting rights.

When the Shareholders' meeting considers matters concerning related transactions, the related shareholder shall not participate in the voting, and the number of voting shares represented by him/her shall not be counted in the total number of valid votes; the announcement of the resolution of the Shareholders' meeting shall fully disclose the voting status of non-related shareholders.

BOARD OF DIRECTORS

Directors

A director of the Company shall be a natural person. A person under any of the following circumstances shall not serve as a director of the Company:

(I) a person who has no capacity or limited capacity for civil conduct;

(II) a person who has been sentenced to criminal punishment for the crime of embezzlement, bribery, seizure of property, misappropriation of property or disruption of the order of the socialist market economy, or has been deprived of political rights for committing a crime, and five years have not elapsed since the execution was completed, or if a suspended sentence was pronounced, two years have not elapsed since the end of the probation period;

(III) a person who has served as a director, factory director or general manager of a company or enterprise that underwent bankruptcy liquidation and is personally liable for the bankruptcy of such company or enterprise, and three years have not elapsed since the date of completion of the bankruptcy liquidation of such company or enterprise;

(IV) a person who has served as the legal representative of a company or enterprise that had its business licence revoked or was ordered to close down due to violation of law and is personally liable, and three years have not elapsed since the date of revocation of the business licence or the closure order of such company or enterprise;

(V) a person who has relatively large personal debts that are due but unpaid and has been listed by the people's court as a dishonest person subject to enforcement;

(VI) a person who has been subject to measures imposed by the CSRC prohibiting entry into the securities market, and the period has not expired;

(VII) a person who has been subject to administrative punishment by the CSRC within the last 36 months;

(VIII) a person who has been publicly condemned by a stock exchange or subject to circulated criticism twice or more within the last 36 months;

(IX) a person who has been publicly determined by a stock exchange to be unfit to serve as a director, a member of the senior management of the Company, where the term has not yet expired;

(X) other circumstances stipulated by laws, administrative regulations, departmental rules or the listing rules of the places where the Company's shares are listed.

If a director or a member of the senior management falls under items (I) to (VI) of the first paragraph of this Article during his/her term of office, or an independent director no longer meets the conditions for independence, the relevant director and/or member of the senior management shall immediately cease performing his/her duties and be removed from his/her position by the Company in accordance with the relevant provisions; if a director or a member of the senior management falls under other circumstances stipulated by laws, regulations or the securities regulatory rules of the places where the Company's shares are listed that disqualify him/her from serving as a director or a member of the senior management during his/her term of office, the Company shall remove him/her from his/her position within one month from the date such fact occurs.

Directors are elected or replaced by the Shareholders' meeting and may be removed by the Shareholders' meeting before the expiry of their term of office. The term of office for directors is three years. Upon expiry of the term, they may be re-elected for consecutive terms in accordance with the provisions of the securities regulatory rules of the places where the Company's shares are listed.

The Shareholders' meeting may pass a resolution to remove a director, and the removal shall take effect on the date the resolution is passed. If a director is removed without just cause before the expiry of his/her term, the director may claim damages from the Company in accordance with any contract.

The term of office of a director shall be calculated from the date the resolution of the Shareholders' meeting is passed until the expiry of the term of office of the current Board of Directors. If a director is not re-elected in time upon the expiry of his/her term, the original director shall, before the newly elected director assumes office, perform the duties of a director in accordance with the provisions of laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

A director appointed by the Board of Directors to fill a casual vacancy on the Board or as an addition to the Board shall hold office from the date of his/her appointment until the first annual shareholders' meeting following his/her appointment, at which he/she shall be eligible for re-election.

A director may concurrently serve as the general manager or another member of the senior management, provided that the total number of directors concurrently serving as the general manager or other members of the senior management and directors representing employees shall not exceed half of the total number of directors of the Company.

The Board of Directors of the Company shall include one employee representative. The employee representative on the Board of Directors shall be democratically elected by the employees of the Company through the employee representative congress, employee meeting or other forms.

The total number of directors to be re-elected at the Shareholders' meeting during each year within the term of the Board of Directors that has not expired shall not exceed one-third of the composition of the Board of Directors as stipulated in the Articles of Association.

Directors shall comply with the provisions of laws, administrative regulations, the listing rules of the places where the Company's shares are listed and the Articles of Association, and owe the following duties of loyalty to the Company:

(I) not to misappropriate Company's property or Company's funds;

(II) not to deposit Company's assets or funds in an account opened in his/her own name or in the name of another individual;

(III) not to solicit or accept other illegal income by taking advantage of his/her position;

(IV) not to, in violation of the provisions of the Articles of Association, lend Company's funds to others or use Company's property to provide guarantees for others without the consent of the Shareholders' meeting or the Board of Directors;

(V) not to, without reporting to the Board of Directors or the Shareholders' meeting and obtaining a resolution passed by the Board of Directors or the Shareholders' meeting in accordance with the provisions of the Articles of Association, enter into a contract or conduct a transaction with the Company, either directly or indirectly;

(VI) not to, by taking advantage of his/her position, seek for himself/herself or others any business opportunity that belongs to the Company, unless he/she has reported to the Board of Directors or the Shareholders' meeting in accordance with the Articles of Association and obtained a resolution passed by the Board of Directors or the Shareholders' meeting, or the Company is unable to utilise such business opportunity in accordance with the provisions of laws, administrative regulations, the listing rules of the places where the Company's shares are listed or the Articles of Association;

(VII) not to, without reporting to the Board of Directors or the Shareholders' meeting and obtaining a resolution passed by the Board of Directors or the Shareholders' meeting, operate for himself/herself or others the same type of business as the Company;

(VIII) not to accept commissions in transactions between others and the Company for his/her own account;

(IX) not to disclose Company secrets without authorisation, and not to disclose confidential information concerning the Company obtained during his/her term of office;

(X) not to use his/her affiliated relationship to damage the interests of the Company;

(XI) not to provide any form of convenience or assistance that damages the lawful rights and interests of the Company or its shareholders to any organisation or individual that intends to implement or is implementing a hostile takeover of the Company or for their takeover activities;

(XII) other duties of loyalty stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

Any income derived by a director in violation of this Article shall belong to the Company; if losses are caused to the Company, he/she shall bear compensation liability.

The provisions of item (V) above shall apply where a close relative of a director or a member of the senior management, an enterprise directly or indirectly controlled by a director, a member of the senior management or their close relatives, or a related person having other affiliated relationships with a director or a member of the senior management enters into a contract or conducts a transaction with the Company.

Where a director and an associate to a director (as defined in the Hong Kong Listing Rules) enters into a contract or conducts a transaction with the Company, it shall be conducted in accordance with the provisions on related transactions under the Hong Kong Listing Rules.

Directors shall comply with the provisions of laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association, and owe the following duties of diligence to the Company:

(I) to exercise the powers granted by the Company with caution, diligence and diligence, so as to ensure that the Company's business activities comply with the requirements of national laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and various national economic policies, and that business activities do not exceed the business scope specified in the business licence;

(II) to treat all shareholders fairly;

(III) to keep timely abreast of the Company's business operation and management status;

(IV) to sign written confirmation opinions on the Company's periodic reports and ensure the truthfulness, accuracy and completeness of the information disclosed by the Company;

(V) to provide relevant information and materials truthfully to the Audit Committee and not to obstruct the Audit Committee or the Audit Committee from exercising its powers;

(VI) other duties of diligence stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

A director may resign before the expiry of his/her term of office. A director who resigns shall submit a written resignation report to the Board of Directors, and the resignation shall take effect on the date the Company receives the resignation report. The Board of Directors shall disclose the relevant circumstances within two working days after receiving the written resignation report or within the time limit required by the securities regulatory rules of the places where the Company's shares are listed.

In the event that the Board of Directors of the Company falls below the quorum minimum due to a director's resignation, or in the event that the proportion of independent directors on the Board of Directors or its specialized committees does not comply with laws, regulations, securities regulatory rules of the place where the Company's shares are listed or the provisions of the Articles of Association due to the resignation of an independent director, or in the event that there is no accounting professional among the independent directors; the original director shall, before the newly elected director assumes office, perform the duties of a director in accordance with the provisions of laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association, and the resignation report shall only take effect after a successor director fills the vacancy caused by the resignation.

If a director resigns, the Company shall complete the by-election within 60 days to ensure that the composition of the Board of Directors and special committees complies with the provisions of laws, regulations, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association.

Upon the resignation taking effect or the expiry of the term of office of a director, he/she shall complete all handover procedures with the Board of Directors. The duty of loyalty owed to the Company and shareholders shall not be discharged automatically upon the expiry of the term of office, but shall remain valid within a reasonable period specified in the Articles of Association. The duty to keep the Company's commercial secrets confidential shall remain valid after his/her term of office ends, until such secrets become public information. The duration of other obligations shall be determined based on the principle of fairness, having regard to the length of time between the occurrence of the event and the departure, and the circumstances and conditions under which the relationship with the Company ended. The liability of a director arising from the performance of his/her duties during his/her term of office shall not be exempted or terminated upon his/her departure.

Without the authorisation prescribed in the Articles of Association or the lawful authorisation of the Board of Directors, no director may represent the Company or the Board of Directors in his/her personal capacity. When a director acts in his/her personal capacity, and a third party could reasonably believe that the director is acting on behalf of the Company or the Board of Directors, the director shall declare his/her position and identity in advance.

Independent directors shall, in accordance with the provisions of laws, administrative regulations, the CSRC, the stock exchange and the Articles of Association, diligently perform their duties, play their role in participating in decision-making, exercising checks and balances and providing professional advice in the Board of Directors, safeguard the overall interests of the Company and protect the lawful rights and interests of minority shareholders.

Board of Directors

The Company shall have a Board of Directors, which shall be accountable to the Shareholders' meeting.

The Board of Directors shall be composed of nine directors, with one chairman and one employee director. The Board of Directors of the Company may, depending on the actual circumstances, have no more than two vice chairmen.

The Board of Directors shall exercise the following functions and powers:

(I) to convene Shareholders' meetings and report its work to the Shareholders' meetings;

(II) to implement the resolutions of the Shareholders' meetings;

(III) to decide on the Company's business plans and investment schemes;

(IV) to formulate the Company's profit distribution plan and plan for making up losses;

(V) to formulate plans for the increase or decrease of the Company's registered capital, the issue of bonds or other securities and their listing;

(VI) to formulate plans for the Company's major acquisition, purchase of its own shares, or merger, division, dissolution and change of corporate form;

(VII) to decide on matters such as the Company's external investment, acquisition and sale of assets, asset mortgage, external guarantees, entrusted wealth management, related transactions, external donations, etc., within the scope of authorisation of the Shareholders' meeting;

(VIII) to decide on the establishment of the Company's internal management organs;

(IX) to appoint or dismiss the general manager, the Board secretary and other senior management personnel of the Company, and decide on their remuneration matters and rewards and punishments; upon the nomination of the general manager, to appoint or dismiss the deputy general manager, the person in charge of financial affairs and other senior management personnel of the Company, and decide on their remuneration matters and rewards and punishments;

(X) to formulate the Company's basic management systems;

(XI) to formulate proposals for the amendment of the Articles of Association;

(XII) to manage the Company's information disclosure matters;

(XIII) to propose to the Shareholders' meeting the appointment or replacement of the accounting firm auditing the Company;

(XIV) to listen to the work reports of the general manager of the Company and inspect the work of the general manager;

(XV) to decide on the Company's purchase of its own shares under the circumstances described in items (III), (V) and (VI) of Article 25 of the Articles of Association, subject to compliance with the provisions of the securities regulatory rules of the places where the Company's shares are listed;

(XVI) other functions and powers granted by laws, administrative regulations, departmental rules, the securities regulatory rules of the places where the Company's shares are listed and the Articles of Association or the Shareholders' meeting.

Matters beyond the scope of authorization by the shareholders' meeting shall be submitted to the shareholders' meeting for consideration.

The Board of Directors of the Company has established special committees such as the audit committee, the development strategy committee, the nomination committee and the remuneration and performance appraisal committee. The special committees shall be accountable to the Board of Directors and shall perform their duties as stipulated in these Articles of Association and as authorized by the Board of Directors. Proposals shall be submitted to the Board of Directors for consideration. All members of the special committees shall be directors. Independent directors shall account for the majority of members of the audit committee, the nomination committee and the remuneration and performance appraisal committee, and shall serve as the conveners. The members of the audit committee shall be directors who do not hold senior management positions in the listed company, and the convener shall be an accounting professional. The Board of Directors shall be responsible for formulating working procedures for the special committees to regulate their operation.

The chairman and vice chairman (if any) shall be directors of the Company and shall be elected and removed by the Board of Directors with the votes of more than half of all directors. The conditions for being elected as the chairman and vice chairman of the Company are: directors who have reached the age of 25 but are under the age of 60; in good health. In principle, directors who are under the age of 60 but have reached the age of 58 at the time of election shall not be elected as the chairman or vice chairman of the Company; under special circumstances, they may be elected upon the affirmative vote of more than three-fourths of all directors.

The vice chairman (if any) of the Company shall assist the chairman in his/her work. If the chairman is unable or fails to perform his/her duties, the vice chairman shall perform such duties (if the Company has two vice chairmen, the vice chairman elected by more than half of the directors shall perform the duties); if the vice chairman is unable or fails to perform his/her duties, a director elected by more than half of the directors shall perform the duties.

The Board of Directors shall hold at least four meetings each year, convened by the chairman, with a written notice to all directors fourteen days before the meeting.

An extraordinary Board meeting may be convened upon the proposal of shareholders holding more than one tenth of the total number of shares carrying voting rights of the Company, more than one third of the directors or the audit committee. Chairman of the Board of Directors shall convene and chair the board meeting within 10 days after receiving such proposal.

A Board meeting shall be held only when more than half of the directors are present. A resolution of the Board of Directors must be passed by more than half of all directors, unless otherwise provided by laws, regulations, the securities regulatory rules of the places where the Company's shares are listed and these Articles of Association. Each director shall have one vote in the voting of a resolution of the Board meeting.

When a director is considered as a related person of the enterprise or individual involved in a resolution of the Board meeting, such director shall promptly submit a written report to the Board of Directors. The related director shall refrain from voting on such resolution nor can he/she exercise any voting rights on behalf of other directors. The Board meeting may be held if it is quorated by a majority of the unrelated directors. Resolutions of the Board meeting shall be passed by a majority of the unrelated directors. If the number of unrelated directors present at the Board meeting is less than three, such matter shall be submitted to the shareholders' meeting for consideration. If laws, regulations and the securities regulatory rules of the places where the Company's shares are listed impose any additional restrictions on the participation of directors in the Board meeting and voting, such provisions shall prevail.

A director shall attend the Board meeting in person. If a director is unable to attend a Board meeting for some reason, he/she may appoint another director by a written power of attorney to attend on his/her behalf. The power of attorney shall specify the name of the proxy, the matters entrusted, the scope of authorization and the term of validity, and shall be signed

or sealed by the principal. The director attending the meeting as a proxy shall exercise the rights of the directors within the scope of authorization. The director not attending the Board meeting and not entrusting a proxy to attend the meeting shall be deemed to have waived the right to vote at the meeting.

Senior Management

The Company shall have one general manager, who shall be nominated by the chairman and appointed or dismissed by the Board of Directors.

The Company shall have several deputy general managers and one chief financial officer, who shall be nominated by the general manager and appointed or dismissed by the Board of Directors.

The general manager, deputy general managers, chief financial officer and secretary to the Board of Directors of the Company are the senior management of the Company.

The circumstances under which a person may not serve as a director of the Company as stipulated in these Articles of Association shall also apply to the senior management.

The qualification requirements for senior management positions in the Company are being under the age of 60 and in good health. In principle, individuals who are under the age of 60 but have reached the age of 58 at the time of appointment shall not be appointed as the senior management; under special circumstances, they may be appointed upon the affirmative vote of more than three-fourths of all directors.

The provisions of these Articles of Association regarding the duties of loyalty and diligence of directors shall also apply to the senior management.

The general manager shall be accountable to the Board of Directors and shall exercise the following functions and powers:

(I) preside over the Company's production and operation management, organize and implement the resolutions of the Board of Directors, and report to the Board of Directors;

(II) organize and implement the Company's annual operating plan and investment plan;

(III) draft proposals for structuring the Company's internal management institutions;

(IV) draft the Company's basic management system;

(V) formulate the Company's specific regulations;

(VI) propose to the Board of Directors the appointment or dismissal of deputy general managers and the person in charge of finance;

(VII) decide on the appointment or dismissal of management, except for those whose appointment or dismissal is decided by the Board of Directors;

(VIII) other functions and powers granted by these Articles of Association or the Board of Directors.

The general manager attends the Board meetings.

Where the senior management causes damage to others when performing its duties in the Company, the Company shall be liable for compensation; where the senior management acts with willful or material default, they shall be liable for compensation.

If the senior management violates laws, administrative regulations, department rules, the securities regulatory rules of the places where the Company's shares are listed or these Articles of Association when performing its duties in the Company, it shall indemnify the Company against losses incurred due to such violation.

Senior management of the Company shall faithfully perform their duties and safeguard the best interests of the Company and all the shareholders. If the Company's senior management fail to faithfully perform their duties or violate their fiduciary duties, causing damage to the interests of the Company and public shareholders, they shall be liable for compensation in accordance with the law.

Audit Committee

The Board of Directors of the Company shall establish an audit committee, which shall exercise the functions and powers of the Supervisory Committee as stipulated in the Company Law.

The audit committee shall consist of 3 to 5 members, who shall be directors not serving as senior management of the Company. All members shall be non-executive directors, with more than half being independent directors, and the convener shall be an accounting professional among the independent directors.

The audit committee shall be responsible for reviewing the financial information of the Company and its disclosure, supervising and evaluating the internal and external audit work and internal control. The following matters shall be put forward to the Board of Directors for consideration upon consent from more than half of all members of the audit committee:

(I) disclosure of financial information in financial and accounting reports and regular reports and evaluation report on internal control;

(II) appointment or dismissal of accounting firms which are responsible for auditing matters of the listed company;

(III) appointment or dismissal of the financial controller of the listed company;

(IV) changes in accounting policies and accounting estimates or correction of significant accounting errors due to reasons other than changes in accounting standards;

(V) other matters stipulated by laws, administrative regulations, the provisions of CSRC, the securities regulatory rules of the places where the Company's shares are listed and these Articles of Association.

FINANCIAL AND ACCOUNTING SYSTEMS, DISTRIBUTION OF PROFITS AND AUDIT

Financial and Accounting Systems

The Company shall formulate its own financial and accounting systems in accordance with laws, administrative regulations, the securities regulatory rules of the places where the Company's shares are listed and the rules of the relevant authorities of the State.

The Company shall file and disclose its A-share annual report to the regional office of the CSRC and the Shanghai Stock Exchange within four months from the end of each financial year; and shall file and disclose its A-share interim report to the Shandong Bureau of the CSRC and the Shanghai Stock Exchange within two months from the end of the first half of each financial year.

The aforesaid A-share annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations, requirements of the CSRC and the securities regulatory rules of the places where the Company's shares are listed.

The Company shall not establish an accounting book other than those required by laws. No funds of the Company shall be deposited under any account opened in the name of any individual.

Profit Distribution

When the Company distributes the profits after tax of the current year, it shall allocate 10% of the profits into the statutory reserve fund of the Company. If the accumulated amount of the statutory reserve fund reaches 50% or more of the registered capital of the Company, the Company is released from the obligation of withholding such statutory reserve fund. Where the Company's statutory reserve fund is insufficient to cover the previous year's losses, the Company shall first use the profits of the current year to cover the losses before withholding the statutory reserve fund according to the provisions of the previous paragraph.

After the Company withholds the statutory reserve fund from the profits after tax, it may also withhold optional reserve fund from the profits after tax upon the resolution of the shareholders' meeting. The remaining profits after tax of the Company after making up the losses and withdrawing the reserve funds may be distributed according to the proportion of shares held by the shareholders.

Where the shareholders' meeting, in violation of the Company Law, distributes the profits to the shareholders, the shareholders shall return the profits distributed in violation of the provisions to the Company; in case of losses caused to the Company, shareholders and responsible directors and senior management officers shall be liable for compensation.

The Company's shares held by the Company shall not participate in the distribution of profits.

The Company is required to appoint one or more receiving agent(s) in Hong Kong for shareholders of H shares. The receiving agent(s) shall receive and hold on behalf of such shareholders of H shares any [**REDACTED**] to H shares and other amounts payable by the Company, and transmit such payments to such shareholders of H shares. The receiving agent(s) appointed by the Company shall satisfy the requirements under the laws and regulations and the securities regulatory rules of the places where the Company's shares are listed.

The reserve fund of the Company shall be used for making up for the loss, expansion of the production and operation or increase of registered capital of the Company. When using the reserve fund to make up for the loss, the discretionary reserve fund and statutory reserve fund shall be used first; if the loss still cannot be made up, the capital reserve fund may be used in accordance with regulations. When the statutory reserve fund is capitalized, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalization.

The Company's profit distribution policy is as follows:

(I) Principle of profit distribution. The Company's profit distribution shall value reasonable investment returns for investors while balancing the sustainable development of the Company, and maintain the continuity and stability of profit distribution. Profits to be distributed by the Company shall not exceed the scope of accumulated distributable profits and shall not impair the Company's ability to sustain its operations.

(II) Methods of profit distribution. The Company may distribute profits by way of cash, shares or a combination of cash and shares. The Company gives priority to cash dividends as the method of profit distribution.

(III) Conditions for cash dividends. The Company shall distribute cash dividends only when the following three conditions are satisfied simultaneously:

1. The realized distributable profits of the Company for such year or half-year (the profits after tax of the Company after recovery of losses and allocation to the reserve fund) are positive;

2. The Company's accumulated distributable profits are positive;

3. The Company's auditing institution has issued an unqualified audit report on the Company's financial report for such year or half-year.

(IV) Cash dividend policy

1. The Company shall maintain the continuity and stability of its profit distribution policy. The Company's accumulated profits distributed in cash over the past three years shall be no less than 30% of the average annual distributable profits achieved in the past three years. If there are no major investment plans or significant cash expenditures, the profits distributed in cash by the Company each year shall be no less than 10% of the distributable profits achieved in the year.

2. The undistributed distributable profits of the current year can be reserved for distribution in future years;

3. Profits to be distributed by the Company shall not exceed the scope of accumulated distributable profits and shall not impair the Company's ability to sustain its operations.

(V) Intervals for cash dividends. If the conditions for cash dividends are met, the Company may distribute profits at the end of each year or in the middle of each year.

(VI) Specific conditions for the distribution of share dividends by the Company. When the Company's operating conditions are sound, and the Board considers that the Company's share price does not match the scale of the Company's share capital, and that adopting share dividend distribution is beneficial to the overall interests of all shareholders of the Company, the Company may, subject to the conditions for cash dividends mentioned above, propose a share dividend distribution plan.

(VII) Decision-making procedures and mechanisms for profit distribution matters

1. The Board shall annually propose a profit distribution plan based on the industry characteristics, development stage, own business model, profitability level, capital expenditure arrangements, shareholder return planning, and the provisions of the Articles of Association, and submit it to the shareholders'

meeting for review and approval after deliberation and approval by the Board. When the Board deliberates on specific cash dividend schemes, it shall carefully study and demonstrate the timing, conditions, and minimum proportion of the Company's cash dividends. If the Company achieves profit in the fiscal year but the Board does not propose a cash profit distribution plan, the Board shall provide a detailed explanation in the annual report for that year of the reasons for not distributing dividends, the use of funds retained by the Company that were not used for dividends, and the usage plan; independent directors shall issue independent opinions on this and make public disclosures.

2. The Audit Committee shall supervise the Board and management in implementing the Company's profit distribution policy and shareholder return planning, as well as the decision-making process, and shall review the annual profit distribution plan and issue opinions.

3. When the shareholders' meeting deliberates on the profit distribution plan, especially the specific cash dividend scheme, it shall actively communicate and interact with shareholders, particularly minority shareholders, through channels such as the Company's website, public mailbox, and visitor reception, fully listen to the opinions and demands of minority shareholders, and promptly respond to their concerns.

(VIII) Adjustment or amendment of the profit distribution policy

1. In the event of force majeure such as war or natural disasters, or changes in the Company's external operating environment that have a significant impact on the Company's production and operations, or material changes in the Company's own operating conditions, the Company may adjust the profit distribution policy.

2. The Company's adjustment or amendment of the profit distribution policy shall comply with the relevant regulations of the China Securities Regulatory Commission and the stock exchange where the Company's shares are listed, be based on the interests of shareholders, focus on protecting the interests of investors and providing them with stable returns, and be fully demonstrated by the Board.

3. The adjustment or amendment of the profit distribution policy by the Company shall be reviewed and approved by a special resolution of the shareholders' meeting. When the shareholders' meeting deliberates on the proposal for adjusting or amending the profit distribution policy submitted by the Board, it shall effectively safeguard the rights of public shareholders to participate in the shareholders' meeting and may adopt methods such as online voting to extensively solicit shareholders' opinions and suggestions on the Company's profit distribution matters.

The term current year's distributable profit available to shareholders as used in the Articles of Association refers to the after-tax profit remaining after the Company's net profit for the current year is used to cover losses and make appropriations to reserve funds.

Internal Audit

The Company implements an internal audit system, specifying the leadership structure, responsibilities and authorities, staffing, funding guarantee, application of audit results, and accountability for internal audit work. The Company's internal audit system is implemented after approval by the Board and shall publicly disclosed.

The internal audit institution is responsible to the Board. During its supervision and inspection of the Company's business activities, risk management, internal control, and financial information, the internal audit institution shall accept the supervision and guidance of the Audit Committee. If the internal audit institution discovers any related major issues or clues, it shall immediately report directly to the Audit Committee.

Appointment of Accounting Firm

The Company engages an accounting firm that complies with the provisions of the Securities Law and the securities regulatory rules of the exchange where the Company's shares are listed to conduct business such as auditing financial statements, verifying net assets, and providing other related advisory services. The appointment term is one year and can be renewed.

The engagement or dismissal of an accounting firm by the Company shall be submitted to the Board for deliberation after obtaining the approval of more than half of all members of the Audit Committee, and must be decided by the shareholders' meeting. The Board shall not appoint an accounting firm before the decision of the shareholders' meeting.

The Company guarantees to provide the engaged accounting firm with true and complete accounting vouchers, accounting ledgers, financial accounting reports, and other accounting information, and shall not refuse, conceal, or make false statements.

The annual audit fees for the accounting firm shall be decided by the shareholders' meeting.

When the Company dismisses or decides not to renew the appointment of an accounting firm, it shall notify the accounting firm thirty days in advance. When the Company's shareholders' meeting votes on the dismissal of an accounting firm, the accounting firm shall be allowed to state its opinion. If the accounting firm proposes to resign, it shall explain to the shareholders' meeting whether there is any misconduct in the Company.

MERGER, DIVISION, INCREASE OF CAPITAL, DECREASE OF CAPITAL, DISSOLUTION AND LIQUIDATION

Merger, Division, Increase of Capital and Decrease of Capital

A company merger may take the form of a merger by absorption or a merger by new establishment. The absorption of other companies by one company is a merger by absorption, and the absorbed company is dissolved. The merger of two or more companies to establish a new company is a merger by new establishment, and all parties involved in the merger are dissolved.

In the event of a company merger, the parties involved in the merger shall sign a merger agreement and prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days from the date the merger resolution is made, and make a public announcement within thirty days in the company's designated information disclosure media or the National Enterprise Credit Information Publicity System. Creditors may, within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if no notice was received, demand that the Company repay its debts or provide corresponding guarantee. If the securities regulatory rules of the exchange where the Company's shares are listed provide additional requirements, the relevant parties must also comply with such requirements. When companies merge, the claims and debts of the parties to the merger shall be succeeded to by the surviving company or the newly established company after the merger.

When the company divides, its property shall be divided accordingly. The Company shall prepare a balance sheet and a property list when it divides. The Company shall notify its creditors within 10 days from the date the division resolution is made, and make a public announcement within 30 days in the media specified in Article 181 of the Articles of Association or the National Enterprise Credit Information Publicity System. If the securities regulatory rules of the place where the Company's shares are listed provide additional requirements, the relevant parties must also comply with such requirements.

The companies resulting from a division shall assume joint and several liability for the debts of the company prior to its division, unless otherwise agreed in a written agreement reached with the creditors prior to the division regarding the repayment of debts.

When the Company needs to reduce its registered capital, it must prepare a balance sheet and a property list. The Company shall notify creditors within 10 days from the date the resolution to reduce the registered capital is made, and make a public announcement within 30 days in the media specified in Article 181 of the Articles of Association or the National Enterprise Credit Information Publicity System. Creditors shall have the right to demand that the Company repay its debts or provide corresponding guarantee within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if no notice was received.

When the Company reduces its registered capital, it shall reduce the capital contributions or shares in proportion to the shares held by the shareholders, unless otherwise provided by law, other securities regulatory rules of the place where the Company's shares are listed, or the Articles of Association.

After a merger or division, if the company's registration particulars change, the company shall conduct the change of registration with the company registration authority in accordance with the law; if the company is dissolved, it shall conduct the deregistration of the company in accordance with the law; if a new company is established, it shall conduct the establishment registration in accordance with the law. If the company increases or reduces its registered capital, it shall conduct the change of registration with the company registration authority in accordance with the law.

Dissolution and Liquidation

The Company shall be dissolved for the following reasons:

(I) The business term stipulated in the Articles of Association expires, or other dissolution causes stipulated in the Articles of Association occur;

(II) A resolution is passed by the shareholders' meeting to dissolve the Company;

(III) Dissolution is required due to the merger or division of the Company;

(IV) The business license is revoked, ordered to close down, or is dissolved in accordance with the law;

(V) Where the operation and management of the Company is in serious difficulty, and its continued existence would cause major losses to the interests of the shareholders, and such difficulty cannot be resolved through other means, shareholders holding 10% or more of the total voting rights of the Company's shareholders may request the People's Court to dissolve the Company.

If the Company falls under the circumstance described in item (I) above and has not yet distributed its property to the shareholders, it may continue to exist by amending the Articles of Association or by a resolution of the shareholders' meeting. Any amendment to the Articles of Association or resolution made by the shareholders' meeting in accordance with the preceding paragraph shall require approval by more than two-thirds of the voting rights held by the shareholders present at the shareholders' meeting.

If the Company is dissolved under items (I), (II), (IV), or (V) above, a liquidation committee shall be established within 15 days from the date the cause for dissolution occurs, and liquidation shall commence.

The liquidation committee shall be composed of the directors, unless otherwise provided by the Articles of Association or the shareholders' meeting resolves to select other persons.

If the person(s) obligated to liquidate fails to perform the liquidation obligations in a timely manner, causing losses to the Company or its creditors, it shall be liable for compensation.

The liquidation committee shall notify the creditors within 10 days from the date of its establishment, and make an announcement within 60 days in the media specified in Article 181 of the Articles of Association or the National Enterprise Credit Information Publicity System. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if no notice was received. If the securities regulatory rules of the place where the Company's shares are listed provide additional requirements, the relevant parties must also comply with such requirements.

When declaring their claims, creditors shall specify the relevant details of the claims and provide supporting documentation. The liquidation committee shall register the claims.

During the period for declaration of claims, the liquidation committee shall not make any repayments to the creditors.

After the liquidation committee has verified the Company's assets, prepared a balance sheet and a property list, it shall formulate a liquidation plan and submit it to the shareholders' meeting or the People's Court for confirmation.

After the Company's assets are used to pay off liquidation expenses, employees' wages, social insurance premiums and statutory compensation, pay all outstanding taxes, and settle the Company's debts, the remaining assets shall be distributed by the Company in proportion to the shares held by the shareholders.

During the liquidation period, the Company continues to exist, but shall not carry out business activities unrelated to the liquidation. The Company's assets shall not be distributed to the shareholders before they are used for repayment in accordance with the preceding provisions.

If, after clearing the Company's assets, preparing a balance sheet and an property list, the liquidation committee discovers that the Company's assets are insufficient to repay its debts, it shall apply to the People's Court for a declaration of bankruptcy and liquidation. After the People's Court accepts the bankruptcy application, the liquidation committee shall transfer the liquidation matters to the bankruptcy administrator designated by the People's Court.

After the Company's liquidation is completed, the liquidation committee shall prepare a liquidation report, submit it to the shareholders' meeting or the People's Court for confirmation, send it to the company registration authority, apply for deregistration of the Company, and announce the termination of the Company.

If the Company is declared bankrupt according to law, it shall implement bankruptcy liquidation in accordance with the laws concerning enterprise bankruptcy.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under any of the following circumstances:

(I) After the revision of the Company Law or other relevant laws, administrative regulations, or the securities regulatory rules of the place where the Company's shares are listed, matters stipulated in the Articles of Association contravene the provisions of the revised laws, administrative regulations, or securities regulatory rules of the place where the Company's shares are listed;

(II) Changes occur in the Company's circumstances that are inconsistent with the matters recorded in the Articles of Association;

(III) The shareholders' meeting decides to amend the Articles of Association.

If any amendment to the Articles of Association passed by a resolution of the shareholders' meeting requires approval from the competent authority, it shall be submitted to the competent authority for approval; if it involves matters registered for the Company, the change of registration shall be handled according to law.

The Board shall amend the Articles of Association in accordance with the shareholders' meeting resolution on amending the Articles of Association and the opinions of the relevant competent authority's approval.

Matters related to amendments of the Articles of Association that constitute information required to be disclosed by laws, administrative regulations, departmental rules, or the securities regulatory rules of the place where the Company's shares are listed shall be announced in accordance with the regulations.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of Our Company

Our Company was established as a limited liability company under the laws of the PRC on May 21, 1998 and was converted into a joint stock company with limited liability on October 10, 2007. Our Company completed the listing of our A shares on the Shanghai Stock Exchange (stock code: 601678) on February 23, 2010. As at the Latest Practicable Date, the registered share capital of our Company was RMB2,056,836,276.

Our registered office is located at No. 888 Huanghe 5th Road, Bincheng District, Binzhou City, Shandong Province, the PRC. Additionally, our registered place of business in Hong Kong is 46/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. We have been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) on October 24, 2025, with Ms. Leung Hoi Yan (梁皚欣) appointed as the Hong Kong authorised representative of the Company for acceptance of the service of any process or notices required to be served on our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix IV and Appendix V, respectively.

2. Changes in the Share Capital of our Company

Save as disclosed in the section headed "History, Development and Corporate Structure" for changes in the share capital of the Company, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

Save as disclosed below, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

(1) On March 15, 2024, Binhua Zhiwei Technology (Shandong) Co., Ltd.* (濱化智維科技(山東)有限公司) was established in the PRC with a registered capital of RMB3 million.

(2) On April 23, 2024, Shanghai Binhua Tengyue Trading Co., Ltd.* (上海濱化騰躍貿易有限公司) was established in the PRC with a registered capital of RM10 million.

(3) On March 8, 2024, Shandong Changyuan New Materials Co., Ltd.* (山東長源新材料有限公司) was established in the PRC with a registered capital of RMB100 million.

(4) On March 13, 2024, Shandong Binhua Green Industry Development Co., Ltd.*(山東濱化綠色產業發展有限公司) was established in the PRC with a registered capital of RMB200 million.

(5) On August 13, 2024, Changyun (Shandong) Digital Technology Co., Ltd.* (長雲(山東)數字科技有限公司) was established in the PRC with a registered capital of RMB50 million.

(6) On August 20, 2024, Dashengxin Fine Chemical Trading (Binzhou) Co., Ltd.* (大晟芯精細化工貿易(濱州)有限公司) was established in the PRC on with a registered capital of RMB1 million.

(7) On September 4, 2024, Beikun Ecological Chain (Beijing) Technology Co., Ltd.* (北鯤生態鏈(北京)科技有限公司) was established in the PRC with a registered capital of RMB32 million.

(8) On November 4, 2024, Songzi Lingang Thermal Energy Co., Ltd.* (松滋臨港熱能有限公司) was established in the PRC with a registered capital of RMB10 million.

(9) On December 11, 2024, Binzhou Huimin Huifeng New Energy Co., Ltd.* (濱州惠民縣惠風新能源有限公司) was established in the PRC with a registered capital of RMB1 million.

(10) On December 10, 2024, Shandong Hualu Dingcheng Equipment Technology Co., Ltd.* (山東華魯鼎成裝備技術有限公司) was established in the PRC with a registered capital of RMB10 million.

(11) On December 4, 2024, Binzhou Bincheng New Energy Co., Ltd.* (濱州市濱誠新能源有限公司) was established in the PRC with a registered capital of RMB1 million.

(12) On March 6, 2024, Binhua (Yangxin) Green Energy Co., Ltd.* (濱化(陽信)綠色能源有限公司) was established in the PRC with a registered capital of RMB5 million.

(13) On March 13, 2025, Shandong Binhua Changying Aquatic Technology Co., Ltd.* (山東濱化長盈水產科技有限公司) was established in the PRC with a registered capital of RMB73.92 million.

(14) On March 27, 2025, Changyun (Hainan) Supply Chain Management Co., Ltd.* (長雲(海南)供應鏈管理有限公司) was established in the PRC with a registered capital of RMB10 million.

(15) On June 10, 2025, Guangdong Hengqin Changyue Management Consulting Co., Ltd.* (廣東省橫琴長悅管理諮詢有限公司) was established in the PRC with a registered capital of RMB20 million.

(16) On July 8, 2025, Hainan Changyue Investment Partnership (Limited Partnership)* (海南長悅投資合夥企業(有限合夥)) was established in the PRC with a registered capital of RMB300 million.

(17) On July 22, 2025, Shandong Binhua Haiming Chemical Co., Ltd.* (山東濱化海銘化工有限公司) has increased its registered capital from RMB100 million to RMB210 million.

(18) On September 4, 2025, the equity transfer of Beijing Binhua Bintou New Energy Technology Co., Ltd.* (北京濱化濱投新能源科技有限公司) was completed, following which its entire equity interest was transferred from Shandong Binhua Hydrogen Energy Co., Ltd.* (山東濱化氫能源有限公司) to Hainan Changyue Investment Partnership (Limited Partnership)* (海南長悅投資合夥企業(有限合夥)) and Guangdong Hengqin Changyue Management Consulting Co., Ltd.* (廣東省橫琴長悅管理諮詢有限公司) as to 99% and 1%, respectively.

(19) On October 27, 2025, Wudi Shunhe New Energy Development Co., Ltd.* (無棣縣舜合新能源發展有限公司) was established in the PRC with a registered capital of RMB10 million.

(20) On October 30, 2025, Wudi Lvrong Binxiang New Energy Development Co., Ltd.* (無棣縣綠融濱祥新能源發展有限公司) was established in the PRC with a registered capital of RMB10 million.

(21) On November 20, 2025, Hainan Botou Supply Chain Management Service Co., Ltd.* (海南渤投供應鏈管理服務有限公司) was established in the PRC with a registered capital of RMB100 million.

(22) On December 1, 2025, Jinan Beikun Herun Investment Partnership (Limited Partnership)* (濟南北鯤和潤投資合夥企業(有限合夥)) was established in the PRC with a registered capital of RMB500 million, and was owned by our Company and Guangdong Hengqin Changyue Management Consulting Co., Ltd.* (廣東省橫琴長悅管理諮詢有限公司) as to 99.8% and 0.2%, respectively.

(23) On December 30, 2025, Xingyin Financial Asset Investment Co., Ltd. (興銀金融資產投資有限公司) injected capital into Dongrui Chemical Co., Ltd.* (東瑞化工有限公司). Upon completion of the capital increase, the registered capital of Dongrui Chemical was increased to RMB1,788,461,538, and was held by our Company and Xingyin Financial Asset Investment Co., Ltd. as to 83.8710% and 16.1290%, respectively.

(24) On December 31, 2025, Binzhou Lanrun Environmental Resource Co., Ltd.* (濱州藍潤環境資源有限公司) introduced a new shareholder, Binzhou Beikun New Kinetic Energy Investment Partnership (Limited Partnership)* (濱州北鯤新動能投資合夥企業(有限合夥)). Its registered capital was increased to RMB160 million, and was held by Binzhou Beikun New Kinetic Energy Investment Partnership (Limited Partnership), our Company and Binzhou Lingang Industrial Park Co., Ltd.* (濱州臨港產業園有限公司) as to 62.5%, 35.62% and 1.88%, respectively.

4. Resolutions Passed by Our Shareholders' General Meeting in Relation to the [REDACTED]

At the 2025 first extraordinary general meeting of the Shareholders held on October 16, 2025, the following resolutions, among other things, were duly passed:

(i) the [**REDACTED**] by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(ii) the number of H shares to be [**REDACTED**] shall be no more than [**REDACTED**]% of the total [**REDACTED**] share capital upon the [**REDACTED**] (before the exercise of the [**REDACTED**]), and the grant of the [**REDACTED**] in respect of no more than [**REDACTED**]% of the number of H Shares [**REDACTED**] pursuant to the [**REDACTED**];

(iii) authorisation of the Board or its authorised individual to handle all matters relating to, among other things, the [**REDACTED**], the [**REDACTED**] and [**REDACTED**] of H Shares on the Stock Exchange; and

(iv) subject to the completion of the [**REDACTED**], the conditional adoption of the revised Articles of Association, which shall become effective on the [**REDACTED**].

5. Restrictions on Repurchase

Please refer to Appendices IV and V of this document for details.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contract

We have entered into the following contract (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

(a) the [**REDACTED**].

2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to our Group's business:

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which are material to our business:

No.	Trademark	Class	Rights Holder	Place of Registration	Application/ Registration Number	Expiry Date
1. . .		1	Our Company	PRC	77716796A	2034-10-13
2. . .		11	Our Company	PRC	77633962	2034-09-20
3. . .		6	Our Company	PRC	77648077	2034-09-20
4. . .		1	Our Company	PRC	77659108	2034-10-06
5. . .		4	Our Company	PRC	77637518	2034-09-20
6. . .		42	Our Company	PRC	77632627	2034-09-20
7. . .		42	Our Company	PRC	77626872	2035-06-06
8. . .		1	Our Company	PRC	77626818	2035-06-06
9. . .		2	Our Company	PRC	77605301	2035-06-06
10. .		37	Our Company	PRC	77626860	2034-12-13

No.	Trademark	Class	Rights Holder	Place of Registration	Application/ Registration Number	Expiry Date
11. .	BEFAR	4	Our Company	PRC	77619583	2034-10-06
12. .	BEFAR	11	Our Company	PRC	77603729	2034-12-13
13. .	BEFAR	6	Our Company	PRC	77611406	2034-12-13
14. .		1	Our Company	PRC	53582779	2031-09-27
15. .		1	Our Company	PRC	6900365	2030-09-27
16. .		19	Our Company	PRC	6900364	2030-05-06
17. .		19	Our Company	PRC	6168639	2030-02-13
18. .		1	Our Company	PRC	996167	2027-05-06
19. .		39	Our Company	PRC	977652	2027-04-06
20. .		1	Our Company	PRC	996171	2027-05-06
21. .		1	Our Company	PRC	996168	2027-05-06

No.	Trademark	Class	Rights Holder	Place of Registration	Application/ Registration Number	Expiry Date
22. .		4	Our Company	PRC	990581	2027-04-27

As at the Latest Practicable Date, our Group is in the course of registering the following trademarks which are material to our business:

No.	Trademark	Class	Applicant	Place of application	Application number	Application date
1. . .		1, 4, 35, 39, 40	Our Company	Hong Kong	307027768	2025-09-12

(b) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which are material to our business:

NO.	Domain Owner	Domain Name	Expiry date
1. . . .	Our Company	beikunaward.com	2028-04-28
2. . . .	Our Company	befar.com	2032-09-09
3. . . .	Binhua New Materials	befarmaterials.com	2033-02-28
4. . . .	Haiyuan Salt	befarhy.com	2033-03-07
5. . . .	Dashing Technology (Shandong) Co., Ltd.	dashing-tech.com.cn	2026-10-24

(c) Patents

As of the Latest Practicable Date, our Group had registered the following patents which are material to its business:

No.	Patent	Type	Patent holder	Jurisdiction of registration	Patent Number	Grant date	Duration of patent right
1. . .	Apparatus and Method for Purifying 1,2-Dichloropropane By-Product from Allyl Chloride Plant	Invention Authorization	Our Company	PRC	2024112707708	2026-01-06	20 years

No.	Patent	Type	Patent holder	Jurisdiction of registration	Patent Number	Grant date	Duration of patent right
2.	A Chemical Circulating Water Cooling Device	Utility Model	Our Company	PRC	2024217794290	2025-07-22	10 years
3.	An Emergency Treatment Device for Ensuring the Operational Safety of Hydrogen Peroxide Storage Tanks	Utility Model	Our Company	PRC	2024214639772	2025-03-21	10 years
4.	An Automatic Loosening and Loading Device for Caked Solid Flake Granular Sodium Hydroxide	Utility Model	Our Company, Dongrui Chemical	PRC	2024205431830	2025-02-21	10 years
5.	A Multi-stage Treatment Equipment for Chemical Wastewater	Invention Authorization	Our Company	PRC	2023116127336	2024-02-20	20 years
6.	An Auto-Rotating Device	Utility Model	Our Company	PRC	2020230153153	2021-08-13	10 years
7.	A Solar-Powered Self-Illuminating Wind Vane	Utility Model	Our Company	PRC	2020230221042	2021-07-06	10 years
8.	An Automatic Control Valve Instrument Electric Heat Tracing Insulation Box	Utility Model	Our Company	PRC	2020222274847	2021-06-04	10 years
9.	A Fully Enclosed Hydrochloric Acid Loading Device	Utility Model	Our Company	PRC	2020215443709	2021-03-19	10 years
10.	A High-Concentration Alkali Solution Impurity Filtration and Adsorption Device	Utility Model	Our Company	PRC	2020207929486	2021-03-02	10 years
11.	A Dichloropropane Rectification Unit Waste Gas Treatment Device	Utility Model	Our Company	PRC	2020202477586	2021-01-12	10 years
12.	A Novel Pneumatic Atomizing Spray Gun	Utility Model	Our Company	PRC	2020207557271	2021-01-12	10 years
13.	A Tool Kit for Electrical Equipment Installation	Utility Model	Our Company	PRC	2020206648907	2020-12-08	10 years
14.	A Laboratory Evaporation and Absorption Device for Strong Acidic Gases	Utility Model	Our Company	PRC	202020244446X	2020-10-27	10 years

No.	Patent	Type	Patent holder	Jurisdiction of registration	Patent Number	Grant date	Duration of patent right
15.	A Cable Erection Support Device for Electromechanical Installation	Utility Model	Our Company	PRC	2020205223045	2020-10-02	10 years
16.	A High-Voltage Frequency Conversion Motor Cooling System	Utility Model	Our Company	PRC	2019223282299	2020-08-25	10 years
17.	A Method for Treating COD in High-Salt Wastewater Using a Composite Microbial Agent and the Composite Microbial Agent	Invention Authorization	Our Company	PRC	201910708226X	2020-06-12	20 years
18.	Firefighting Water Target	Design	Our Company	PRC	2019305217244	2020-05-22	15 years
19.	A Tail Gas Treatment System for a Chlorohydrin Process Propylene Oxide Plant	Utility Model	Our Company	PRC	201920351585X	2020-03-24	10 years
20.	An Ion-Exchange Membrane Electrolyzer Management and Background Data Processing System	Invention Authorization	Our Company, Dongrui Chemical	PRC	2017106753145	2019-06-14	20 years
21.	A Purification Device for Trans-1, 3-Dichloropropene	Utility Model	Our Company	PRC	2018203569732	2019-02-05	10 years
22.	A Device for Deep Processing of Allyl Chloride Co-products	Utility Model	Our Company	PRC	201820356785X	2018-12-25	10 years
23.	An Automatic Water Separation Process Equipment for Water-containing Propylene	Utility Model	Our Company	PRC	2018203505586	2018-12-21	10 years
24.	Reciprocating Compressor Packing Modification Structure	Utility Model	Our Company	PRC	201721561151X	2018-11-16	10 years
25.	Tail Gas Treatment Device for Chlorohydrin Process Propylene Oxide Plant	Utility Model	Our Company	PRC	2017216149176	2018-07-13	10 years
26.	A Chlorine Purification Production Device	Utility Model	Our Company	PRC	2017215611543	2018-07-13	10 years

No.	Patent	Type	Patent holder	Jurisdiction of registration	Patent Number	Grant date	Duration of patent right
27.	A Waste Material Processing Equipment	Utility Model	Binhua New Materials	PRC	2023227445179	2024-06-04	10 years
28.	A System for Treating Chemical Tail Gas Using Cryogenic Conditions Plus Activated Carbon Fiber or Activated Carbon Adsorption	Utility Model	Dongrui Chemical	PRC	2019201735925	2020-05-12	10 years
29.	An Evaporator for Chemical Applications	Utility Model	Dongrui Chemical	PRC	2019201732880	2020-02-14	10 years
30.	An Online Monitoring System for Water Content in Reflux Material of a Trichloroethylene Desorption Tower	Utility Model	Dongrui Chemical	PRC	2019207645640	2020-02-14	10 years
31.	A Helium-Based Precision Leak Detection Equipment for Electrolyzers	Utility Model	Dongrui Chemical	PRC	2019211915055	2020-02-11	10 years
32.	A Catalyst Separation and Withdrawal System for Chemical Production	Utility Model	Dongrui Chemical	PRC	2019201726983	2019-11-01	10 years
33.	A System for Treating Chemical Waste Gas	Utility Model	Dongrui Chemical	PRC	2019201725340	2019-11-01	10 years
34.	A System for Treating Tail Gas During Chemical Raw Material Unloading	Utility Model	Dongrui Chemical	PRC	201920190362X	2019-06-18	10 years
35.	A Process System for Bromine Loading and Leakage Treatment in Bromine Production	Utility Model	Haiyuan Salt	PRC	2024224027541	2025-08-12	10 years
36.	A Bromine Distillation Apparatus	Utility Model	Haiyuan Salt	PRC	2023209660976	2023-08-29	10 years
37.	A Tail Gas Recovery Unit in Bromine Production	Utility Model	Haiyuan Salt	PRC	2023209411441	2023-08-25	10 years

(d) Software Copyrights

As of the Latest Practicable Date, our Group had registered the following software copyrights which are material to our business:

No.	Software Name	Version No.	Registrant	Registration Number	Registration Date
1.	Product Traceability and Verification Management Platform	V1.0	Our Company	2025SR1157463	2025-07-03
2.	Integrated Energy Monitoring Software	V1.0	Our Company	2019SR0007342	2019-01-03
3.	Process Management Software	V1.0	Our Company	2019SR0005938	2019-01-02
4.	Binhua Bulk Raw Material Reporting Management System	V1.0	Our Company	2022SR0705541	2022-06-06
5.	Binhua Food Quality Traceability Platform	V1.0	Our Company	2022SR0725879	2022-06-09
6.	Binhua Product Bidding Sales Management System	V1.0	Our Company	2022SR1403120	2022-10-14
7.	Happy Binhuaer APP	V1.0	Our Company	2022SR1491928	2022-11-10
8.	Befar Group Supervised Tasks Work Platform	V1.0	Our Company	2023SR1372404	2023-11-02
9.	Binhua Intelligent Warehouse Management System	V1.0	Our Company	2022SR0147276	2022-01-24

(e) Work Copyrights

As of the Latest Practicable Date, our Group had registered the following work copyrights which are material to our business:

No.	Work Name	Category of Work	Registration Number	Registrant	Registration Date
1.	Beikun Young Scientist Award Logo	Works of Art	Guozuodengzi (國作登字)-2025-F-00132332	Our Company	2025-04-29
2.	Beikun Young Scientist Award Logo	Works of Art	Guozuodengzi (國作登字)-2025-F-00122930	Our Company	2025-04-24

No.	Work Name	Category of Work	Registration Number	Registrant	Registration Date
3. . .	Dasheng College Logo	Works of Art	Guozuodengzi (國作登字)-2024-F-00166888	Our Company	2024-06-18
4. . .	BEFAR LOGO	Works of Art	Guozuodengzi (國作登字)-2024-F-00166887	Our Company	2024-06-18

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interest

(a) Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of our Directors and chief executive of our Company immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our H Shares are [**REDACTED**]:

Name	Capacity/Nature of Interest	Description of Shares held after the [REDACTED]	Number of Shares	Approximate % of shareholding in our A Shares as of the Latest Practicable Date	Approximate percentage of shareholding in A Shares upon completion of the [REDACTED][(2)]	Approximate percentage of shareholding in the total issued share capital of our Company after the [REDACTED][(2)]
Mr. Yu Jiang[(3)]	Beneficial Interest	A Shares	36,331,000 (L)	1.77%	[REDACTED]%	[REDACTED]%
	Interest in controlled corporation	A Shares	225,428,572 (L)	10.96%	[REDACTED]%	[REDACTED]%
Mr. Dong Hongbo [(4)] .	Beneficial Interest	A Shares	1,480,000 (L)	0.07%	[REDACTED]%	[REDACTED]%
Mr. Ren Yuanbin [(5)] .	Beneficial Interest	A Shares	3,483,275 (L)	0.17%	[REDACTED]%	[REDACTED]%
Mr. Liu Hongan[(6)] . .	Beneficial Interest	A Shares	3,833,960 (L)	0.19%	[REDACTED]%	[REDACTED]%

Notes:

(1) "L" denotes long position.

(2) The calculation is based on the total number of [**REDACTED**] Shares, consisting of 2,056,836,276 A Shares and [**REDACTED**] H Shares) in [**REDACTED**] immediately after completion of the [**REDACTED**] (without taking into account the H Shares which may be [**REDACTED**] upon the exercise of the [**REDACTED**]). The calculation of the percentage includes 61,450,726 A Shares being held as treasury Shares repurchased by our Company pursuant to the repurchase mandates approved by Shareholders, accounting for approximately 2.99% of the total number of A Shares in issue as of the Latest Practicable Date.

(3) See "Substantial Shareholders" above for details.

(4) As of the Latest Practicable Date, Mr. Dong Hongbo (i) directly held 10,000 A Shares, and (ii) was interested in (a) 1,200,000 restricted Shares granted to him under the 2024 Restricted A Share Incentive Scheme, of which 600,000 shares were vested on December 19, 2025 and the remaining 600,000 shares are subject to vesting and (b) 270,000 A Shares as a participant of the Employee Shareholding Schemes.

(5) As of the Latest Practicable Date, Mr. Ren Yuanbin (i) directly held 2,973,275 A Shares, and (ii) was interested in 510,000 A Shares as a participant of the Employee Shareholding Scheme II.

(6) As of the Latest Practicable Date, Mr. Liu Hongan (i) directly held 3,563,960 A Shares, and (ii) was interested in 270,000 A Shares as a participant of the Employee Shareholding Scheme II.

(b) Interests of the substantial shareholders

Save as disclosed in the table below and in the section headed "Substantial Shareholders" of this document, immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the [**REDACTED**] voting shares of our Company or any member of our Group.

Member of our Group	Name of substantial shareholder	Approximate percentage of interest
Yellow River Delta (Binzhou) Heating Co., Ltd.* (黃河三角洲(濱州)熱力有限公司)	CDB Development Fund Co., Ltd.* (國開發展基金有限公司)	21.82%
Shandong Binhua Dongrui Chemical Co., Ltd.* (山東濱化東瑞化工有限責任公司)	Xingyin Financial Asset Investment Co., Ltd.* (興銀金融資產投資有限公司)	16.13%
Beikun Ecological Chain (Beijing) Technology Co., Ltd.* (北鯤生態鏈(北京)科技有限公司)	Binzhou Changjiang Science and Technology Development Co., Ltd.* (濱州長江科技發展有限責任公司)	18.75%

Member of our Group	Name of substantial shareholder	Approximate percentage of interest
	Shandong Bincai New Energy Technology Development Co., Ltd.* (山東濱財新能源科技發展有限公司)	18.75%
Shandong Xindingcheng Technology Development Co., Ltd.* (山東新鼎成技術發展有限公司)	Chuangfengwei (Beijing) Technology Co., Ltd.* (創豐維(北京)科技有限公司)	40.00%
Shandong Binhua Changying Aquatic Science and Technology Co., Ltd.* (山東濱化長盈水產科技有限公司)	Tangshan Caofeidian Huitong Aquatic Products Technology Co., Ltd.* (唐山曹妃甸惠通水產科技有限公司)	49.00%
Binzhou Lanrun Environmental Resources Co., Ltd.* (濱州藍潤環境資源有限公司)	Binzhou Beikun New Kinetic Energy Investment Partnership (Limited Partnership)* (濱州北鯤新動能投資合夥企業(有限合夥))	62.50%

2. Particulars of the Directors' Service Contracts

We have entered into a service contract with each of our Directors. The principal particulars of these service contracts comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors has entered into any service contracts as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

For details of the remuneration of Directors, see "Directors and Senior Management — Directors' Remuneration and Remuneration of Five Highest Paid Individuals" and notes 9 and 10 in Appendix I to this document.

4. Agency fees or commissions received

Save as disclosed in this section no commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

5. Disclaimers

(i) Save as disclosed in "Substantial Shareholders" and "C. Further information about our Directors, and Substantial Shareholders" of this section, none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [**REDACTED**] on the Stock Exchange;

(ii) Save as disclosed in "Substantial Shareholders" and "C. Further information about our Directors and Substantial Shareholders" of this section, none of our Directors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [**REDACTED**] on the Stock Exchange;

(iii) None of the Directors nor any of the experts referred to in "E. Other Information — 8. Qualifications and Consents of Experts" below:

  (i) has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; or

  (ii) is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group;

(iv) Save in connection with the [**REDACTED**], none of the Directors nor any of the experts referred to in "E. Other Information — 8. Qualifications and Consents of Experts" below:

  (i) interested legally or beneficially in any shares in any member of our Group; or

  (ii) has any right (whether legally enforceable or not) to [**REDACTED**] for or to nominate persons to [**REDACTED**] for any securities in any member of our Group;

(v) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the top five customers or our top five suppliers of the Group.

D. SHARE SCHEMES

(1) 2024 Restricted A Share Incentive Scheme

Our Company adopted the 2024 Restricted A Share Incentive Scheme in November 2024, which was outstanding as of the Latest Practicable Date. There will not be further grants of restricted A Shares under the scheme after the [**REDACTED**]. The 2024 Restricted A Share Incentive Scheme is funded by our treasury Shares which are not [**REDACTED**] on the Stock Exchange. Therefore, the terms of 2024 Restricted A Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Listing Rules other than Rule 17.12 and we will comply with applicable requirements under Rule 19A.39E of the Listing Rules as and when appropriate and required. The terms of the 2024 Restricted A Share Incentive Scheme are summarized below:

(i) Purpose

The purpose of the 2024 Restricted A Share Incentive Scheme is to establish and enhance the long-term incentive mechanism of the Company, attract and retain talents and incentive the sense of mission of the Directors, senior managements and other core members of our Company to achieve a sustainable developing environment of our Group and thereby realize our Group's long-term objectives. The 2024 Restricted A Share Incentive Scheme is implemented under the premise of protecting Shareholder's interests and with a principle of evaluating the benefits according to contributions.

(ii) Administration of the scheme

The 2024 Restricted A Share Incentive Scheme is subject to the approval of the Shareholders' meeting, the administration of the Board, and the supervision of the board of supervisors.

(iii) Participants

The participants of the 2024 Restricted A Share Incentive Scheme include Directors, senior management, and other core members of our Company (excluding independent directors, supervisors and shareholders who individually or jointly hold more than 5% interests of the Company's share, or the de facto controller of our Company and his/her spouse, parents or children) of our Group who have made significant contributions to the business operations and development of our Group.

(iv) Source and maximum number of Shares

The Shares underlying the 2024 Restricted A Share Incentive Scheme shall be A Shares repurchased by our Company from the secondary market. Each restricted A Share granted represents the right to purchase one A share within the agreed period at the grant price. The restricted A Shares are subject to a vesting period and will only be vested upon fulfilling certain conditions stipulated under the scheme. The maximum number of restricted A Shares that can be granted under the scheme is 28,200,000 A Shares.

(v) Date of grant and term of the scheme

Within 60 days following the approval of the 2024 Restricted A Share Incentive Scheme at the Shareholders' meeting, the Board shall determine the grant date of the restricted A Shares and complete the necessary procedures for registration and announcement. The 2024 Restricted A Share Incentive Scheme shall be effective from the date of completion of the grant of restricted A Shares under the Scheme up to the date when all of the restricted A Shares granted to the participants have either fully been vested or repurchased and cancelled, and in any event the term of the scheme shall not exceed 36 months.

(vi) Lock-up for Directors and the senior management team

If the grantee is a Director or a senior management of our Company, during the period of employment, the A Shares to be transferred in each year shall not exceed 25% of the total Shares he or she holds. No A Share can be transferred within six months after termination of his or her employment. If the grantee is a Director or senior management of our Company, any income derived from the sale of A Shares within six months after purchase, or from the purchase of shares within six months after a sale shall belong to our Company and will be forfeited by the Board. If there is any change in the applicable laws and regulations on the foregoing lock-up requirements, the grantee shall comply with the amended laws and regulations.

(vii) Conditions to the grant of restricted A Shares

The restricted A Shares under the 2024 Restricted A Share Incentive Scheme will only be granted to selected participants when the following conditions are fulfilled:

(a) Regarding our Company, none of the following circumstances has occurred:

(1) an audit report with a disclaimer of opinion or an adverse opinion has been issued by the reporting accountant with respect to our Company's accountant's report for the most recent fiscal year.

(2) an audit report with a disclaimer of opinion or an adverse opinion has been issued by the reporting accountant with respect to the internal control contained in the accountant's report for the most recent fiscal year.

(3) our Company's failure to distribute dividends in accordance with the relevant laws and regulations, the Articles of Association, or the public commitment within the last 36 months after its listing on the Shanghai Stock Exchange;

(4) applicable laws and regulations prohibit the implementation of any share incentive scheme; or

(5) any other circumstances determined by CSRC.

(b) With respect to the grantee, none of the following circumstances has occurred:

(1) the grantee has been regarded as an inappropriate person by the relevant stock exchange within the last 12 months;

(2) the grantee has been regarded as an inappropriate person by CSRC or its regional office within the last 12 months;

(3) the grantee has been punished or prohibited from entering into the securities market by the CSRC or its regional office within the last 12 months;

(4) the grantee is not qualified to serve as a director or senior management according to the PRC Company Law;

(5) the grantee is prohibited from participating in any incentive plan of listed companies according to applicable laws and regulations; or

(6) any other circumstances determined by the CSRC.

(viii) ***Unlocking of restricted A Shares***

The vesting period for the restricted A Shares commences from the date of the first grant to the grantee. The restricted A Shares will be vested after the vesting period in accordance with the unlocking schedule as follows:

(a) The 50% shall be vested during the period from the first trading day after the expiration of the 12-month period from the date of the initial grant to the last trading day within 24-months from the initial grant date;

(b) The 50% shall be vested during the period from the first trading day after the expiration of the 24-month period from the date of the initial grant to the last trading day within 36-months from the initial grant date.

During the vesting period, the restricted A Shares granted to the grantee shall not be transferred, for repayment of debt or pledged. In addition, the restricted A Shares will only be vested when (i) the conditions set out under paragraph (vii) above are fulfilled; and (ii) the annual assessment of the performance of targets (including our Company and grantees) set out under the scheme is achieved.

The grantees shall pay a grant price of RMB1.88 per Share to purchase the restricted A Shares from the Company upon the fulfilment of all conditions for the restricted A Shares. The grant price of each restricted A Shares under the 2024 Restricted A Share Incentive Scheme was determined based on the average share prices of the relevant trading dates.

The number of restricted A Shares granted and/or the grant prices will be adjusted upon the occurrence of certain events, including but not limited to issue of bonus shares, right issue, subdivision of shares and stock split. The Company may repurchase the restricted A Shares upon the occurrence of certain events as set out in the Scheme, including but not limited to the change of the positions of the grantee or termination of employment.

(ix) Dividend and voting rights

Upon transfer of the restricted A Shares by our Company, the grantees of restricted A Shares will be entitled to exercise the right of Shareholders, including but not limited to the right to receive dividends and voting rights. Before the unlocking of the restricted A Shares, the restricted A Shares (including the rights to voting and rights issue) shall be locked and such shares shall not be transferred or used to guarantee or repay debts.

(x) Outstanding restricted A Shares

As at the Latest Practicable Date, a total of 27,000,000 restricted A Shares were granted under the 2024 Restricted A Share Incentive Scheme, of which 13,500,000 have vested and 13,500,000 remained outstanding, representing approximately [**REDACTED**]% of the total [**REDACTED**] Shares immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

The following table sets forth the number of outstanding restricted A Shares granted to Directors and senior management under the 2024 Restricted A Share Incentive Scheme as of the Latest Practicable Date:

Name of grantee	Position	Date of grant	Number of Outstanding restricted A Shares	Number of restricted A Shares vested	Grant Price	Vesting period	Approximate % of total [REDACTED] Shares immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Mr. Yu Jiang	Chairman of Board and Executive Director	November 14, 2024	10,250,000	10,250,000	1.88	50% and 50% of restricted A Shares will be vested from the 12-month and 24-month anniversary from the date of grant, respectively	[**REDACTED**]%
Mr. Dong Hongbo	Vice chairman, executive Director and senior vice president	November 14, 2024	600,000	600,000	1.88		[**REDACTED**]%
Dr. Cai Yinghui	Senior vice president	November 14, 2024	600,000	600,000	1.88		[**REDACTED**]%

The table below sets forth the details of outstanding restricted A Shares granted to other grantees under the 2024 Restricted A Share Incentive Scheme as of the Latest Practicable Date.

Number of grantee(s)	Description	Date of grant	Number of outstanding restricted A Shares	Number of Restricted A Shares vested	Grant price	Vesting period	Approximate % of total [REDACTED] Shares immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
5	connected persons	November 14, 2024	1,450,000	1,450,000	1.88	50% and 50% of restricted A Shares will be vested from the 12-month and 24-month anniversary from the date of grant, respectively	[**REDACTED**]%
1	other grantees	November 14, 2024	600,000	600,000	1.88		[**REDACTED**]%

(2) Employee Shareholding Schemes

Our Company adopted the Employee Shareholding Scheme I in January 2022 and the Employee Shareholding Scheme II in December 2023. As of the Latest Practicable Date, there was no outstanding share awards granted under the Employee Shareholding Scheme I and no further grants will be made under such scheme; and the 22,899,000 A Shares held under the name of the Employee Shareholding Scheme I, representing approximately 1.11% of the Company's total issued share capital as at the Latest Practicable Date, will be retained for continued use under other future employee shareholding scheme(s) or for other purposes permitted by applicable laws and regulations.

The following is a summary of the principal terms of the Employee Shareholding Scheme II, which is outstanding as of the Latest Practicable Date. The terms of the Employee Shareholding Scheme II do not involve any grant of share incentives by our Company after the [**REDACTED**] and are not subject to the provisions of Chapter 17 of the Listing Rules. The terms of the Employee Shareholding Scheme II are summarized below.

(i) Participants

The participants of the Employee Shareholding Scheme II include directors (excluding independent directors), supervisors, senior management, core management and key personnel.

(ii) Source of shares and participants' interest in the scheme

Our Company will repurchase A Shares from the open market, and transfer a prescribed number of such A Shares to the Employee Shareholding Scheme II at a certain purchase price, as set out under each scheme. The purchase of A Shares to be held for each scheme shall be funded by the legal income of the employees, self-raised funds or other sources permitted by laws and regulations. Each participant of the Employee Shareholding Scheme II holds a certain percentage of interest in the relevant Employee Shareholding Scheme II.

(iii) Term of the scheme

The duration of the Employee Shareholding Scheme II is 60 months, commencing from the date of approval by the Company's shareholders meeting and the date the Company announces the transfer of the last batch of underlying shares to the name of the Employee Shareholding Scheme II. It may be terminated or extended in accordance with the rules of this scheme.

(iv) Administration of the scheme

The Employee Shareholding Scheme II is subject to the approval of the Shareholders. The scheme is administered by a committee (the "**Scheme Management Committee**"), the members of which are elected by the participants of that scheme. The Scheme Management Committees oversee the day-to-day management of the Employee Shareholding Scheme II, and exercise shareholders' rights including exercising the voting rights of our Shares held under the Employee Shareholding Scheme II in respect of the A Shares held under each scheme on behalf of its participants.

(v) Vesting of the shares

Each participants' entitlement to the corresponding portion of A Shares (together with any dividend) held by the Employee Shareholding Scheme II, shall be vested in four tranches in the proportion of 40%, 20%, 20% and 20%, upon expiry of a period of 12 months, 24 months, 36 months and 48 months from the Announcement Date, respectively.

The vesting of A Shares shall be subject to attainment of corporate performance targets and personal evaluation for each participant. If a holder fails the individual assessment, the Scheme Management Committee will recover the corresponding shares and, upon appropriate sale, return them to the holder up to the amount of capital contributed. If any profit remains after the return, the profit will belong to the company. The vested A Shares shall either be sold by the Scheme Management Committee, with the proceeds to be distributed to the participants proportionately, or transferred to the relevant participant.

(vi) Total number of shares held by the scheme

As of the Latest Practicable Date, the total number of A Shares held under the name of the Employee Shareholding Scheme II was 16,379,100, representing approximately 0.80% and [**REDACTED**]% of the Company's total A Shares and total [**REDACTED**] Shares immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), which were granted to 238 grantees.

As of the Latest Practicable Date, the aggregate number of A Shares underlying the outstanding awards granted under the Employee Shareholding Scheme II amounted to 14,136,600, among which, 4,350,000 A Shares and 1,416,000 A Shares were granted to our Directors and other connected persons, representing approximately 0.21% and 0.07% interest in our Company, respectively. Apart from (i) Mr. Yu Jiang, Mr. Ren Yuanbin and Mr. Liu Hongan, each being a Director of our Company; and (ii) Liu Shilong (劉世龍), Wu Wei (吳偉), Li Yanshan (李岩山), Wu Chuncheng (吳春城), Jiang Baoguo (蔣保國),Yan Shuai (閆帥), Jiang Haifeng (姜海豐), Liu Feng (劉鋒), Cai Yinghui (蔡穎輝), Xu Fengjiu (許峰九) and Zhong Lei (鍾磊), each being a connected person at a subsidiary level, none of the other grantees under the Employee Shareholding Scheme II are connected persons of our Company as of the Latest Practicable Date.

E. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

2. Litigation

Except as disclosed in this document, as of the Latest Practicable Date, the Company was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

3. The Joint Sponsors' Independence

The Joint Sponsors have made an application on our behalf to the Listing Committee for the [**REDACTED**] of, and permission to [**REDACTED**] in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into [**REDACTED**].

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate of US$650,000 for acting as the sponsors for the [**REDACTED**].

4. Compliance Adviser

The Company has appointed Gram Capital Limited as the compliance adviser upon [**REDACTED**] in compliance with Rule 3A.19 of the Listing Rules.

5. Preliminary Expenses

The Company has not incurred any preliminary expenses.

6. Taxation of holders of H Shares

The [**REDACTED**], [**REDACTED**] and [**REDACTED**] of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the [**REDACTED**] and [**REDACTED**] is 0.1% of the consideration of or, if higher, of the fair value of our Shares being [**REDACTED**] or [**REDACTED**] (in other words, a total of 0.20% is currently payable on a typical [**REDACTED**] and [**REDACTED**] transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of [**REDACTED**] of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of [**REDACTED**] (if any) and will be payable by the [**REDACTED**]. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

7. Promoters

Our promoters comprised 173 of our then Shareholders immediately before our conversion into a joint stock limited liability company on October 10, 2007.

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

8. Qualifications and Consents of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) which have given opinions or advice in, or referred to in, this document are as follows:

Name of Expert	Qualifications
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) regulated activities under the SFO
CCB International Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Commerce & Finance Law Offices	Legal advisers to our Company as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
KPMG Advisory (China) Limited Qingdao Branch	Transfer pricing consultant
Guo Fu Hao Hua (Shandong) Taxation Service Co., Ltd	Tax consultant to our Company

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name and qualifications included herein in the form and context in which they respectively appear.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2025 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

12. Miscellaneous

(a) Save as disclosed in the section headed "History, Development and Corporate Structure" and this section, within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) No share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.

(d) Our Company has no outstanding convertible debt securities or debentures.

(e) None of the experts listed under "— 8. Qualifications and Consents of Experts":

  (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

  (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the [**REDACTED**].

(f) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.

(g) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.

(h) The English text of this document shall prevail over their respective Chinese text.

(i) There is no arrangement under which future dividends are waived or agreed to be waived.

(j) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.

(k) There are no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from overseas.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the material contract referred to in "Appendix VI — Statutory and General Information;" and

(b) the written consents referred to in "Appendix VI — Statutory and General Information."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.befar.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report and the report on the unaudited [**REDACTED**] financial information prepared by KPMG, the texts of which are set out in "Appendix I — Accountants' Report" and "Appendix II — Unaudited [**REDACTED**] Financial Information," respectively;

(c) the audited consolidated financial statements of the Group for the years ended December 31, 2023 and 2024 and 2025;

(d) the legal opinion from Commerce & Finance Law Offices, our PRC Legal Advisers, in respect of, among other things, the general matters and the property interests of our Group in the PRC;

(e) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a summary of which is set forth in "Industry Overview;"

(f) the transfer pricing review reports for the years ended December 31, 2023, 2024 and 2025, prepared by KPMG Advisory (China) Limited Qingdao Branch, our Transfer Pricing Consultant;

(g) the PRC Company Law, PRC Securities Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations;

(h) the service contracts between each of the Directors and the Company referred to in "Appendix VI — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Directors' Service Contracts;"

(i) the material contract referred to in "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract;" and

(j) the written consents referred to in "Appendix VI — Statutory and General Information — E. Other Information — 8. Qualifications and Consents of Experts."