OVERVIEW

We are a globally leading supplier of high-end electronic fabric. We specialize in the research, development, manufacturing and sale of high-end general-purpose electronic fabric — including ultra-thin and super-thin fabric — as well as special-purpose electronic fabric, such as low Dk/Df fabric and low CTE fabric. We possess vertically integrated production capabilities spanning electronic yarn and electronic fabric, and maintain a product line covering entry-level, mid-range and high-end categories, making us one of the very few manufacturers globally with such a comprehensive product offering.

Our Company was founded in August 1998 in Shanghai, China. In August 2016, our Company was converted into a joint stock limited company from a limited liability company. In July 2019, our A Shares became listed on the Shanghai Stock Exchange (stock code: 603256). See "— Major Shareholding Changes in Our Company — Conversion into a Joint Stock Limited Company and Capital Increases" for further details.

As of the Latest Practicable Date, our total issued share capital was held as to approximately 81.70% by our Controlling Shareholders Group, including Asia Wealth, Mr. Wong, Grace Fabric Investment, Grace THW Holding, NextFocus Investments, Ms. Wong, Fusecrest, Integrity Link, Sharp Tone, and Unicorn Ace. See "Relationship with our Controlling Shareholders Group" for the background of our Controlling Shareholders Group.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

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

Year	Milestone
1998	We were established in Shanghai, China.
2008	We were certified as a "High and New Technology Enterprise" (高新技術企業) by the Shanghai Municipal Government for the first time.
2012	We were recognized as a "China Key New Product Enterprise" (中國重點新產品企業) at the national level.
2016	We commenced research and development of electronic yarn, expanding our product portfolio.
2018	We established a new production facility in Huangshi, Hubei Province, expanding our manufacturing footprint.
2019	We were listed on the main board of the Shanghai Stock Exchange (stock code: 603256).
2020	We commenced production at our first electronic yarn plant, focusing on super-fine and ultra-fine yarn models.
2023	We commenced production at our third electronic fabric plant, in Huangshi, Hubei Province focusing on thin glass fabric with thickness under 50μm.
2024	Our integrated special-purpose electronic fabric including low Dk/Df and low CTE was certified by our downstream customers.
2025	We constructed our second electronic yarn production line in Huangshi, Hubei Province, focusing on special-purpose electronic yarn. Our special-purpose electronic fabric went into mass production.

OUR SUBSIDIARIES

The following entities were our subsidiaries during the Track Record Period:

Name of subsidiary	Place of incorporation	Date of incorporation	Principal business activities	Equity interest attributable to our Group
Huangshi Grace Fabric Technology Co., Ltd. (黃石宏和電子材料科技有限公司)	PRC	August 13, 2018	Manufacturing, sales and R&D of electronic fabric and yarn	100.00%
Grace Fabric (H.K.) Co. Limited (宏和電子材料有限公司)	Hong Kong	June 2, 2015	Trading of electronic fabric	100.00%
Sichuan Grace Fabric Co., Ltd. (四川宏和電子材料有限公司)	PRC	July 19, 2023	No substantial operation	100.00%

MAJOR SHAREHOLDING CHANGES IN OUR COMPANY

Establishment of our Company

On August 13, 1998, our Company was established in the PRC as a sino-foreign equity joint venture as a limited liability company with an initial registered capital of US$12 million. The registered capital was contributed by three initial subscribers, with 90% from Grace Fabric Investment, 5% from Shanghai Lianhe Investment Co., Ltd. (上海聯和投資有限公司) and 5% from Shanghai Xintai Xinjishu Co., Ltd. (上海新泰新技術有限公司). On August 21, 2003, Grace Fabric Investment acquired the 5% equity interests held by each of Shanghai Lianhe Investment Co., Ltd. (上海聯和投資有限公司) and Shanghai Xintai Xinjishu Co., Ltd. (上海新泰新技術有限公司). Between 1998 and 2016, our Company underwent several rounds of capital increases, upon completion of which its registered capital was RMB750,000,000.

Conversion into a Joint Stock Limited Company and Capital Increases

In September 2016, our Company was converted into a joint stock limited company from a limited liability company. Upon completion of the conversion, our Company had a total share capital of RMB750,000,000 divided into 750,000,000 Shares, which were held by ten promoters, comprising:

Name of promoters	Shareholding (approximately)
Asia Wealth	83.34%
Sharp Tone	3.65%
Unicorn Ace	3.65%
Integrity Link	3.13%
Shanghai Jiayin Investment Management Partnership (Limited Partnership) (上海嘉茵投資管理合夥企業(有限合夥))	1.59%
Shanghai Chenghua Investment Management Partnership (Limited Partnership) (上海澄華投資管理合夥企業(有限合夥))	1.43%
Shanghai Xiongyu Investment Management Partnership (Limited Partnership) (上海雄昱投資管理合夥企業(有限合夥))	1.22%
Shanghai Lizhang Investment Management Partnership (Limited Partnership) (上海力章投資管理合夥企業(有限合夥))	1.04%
Shanghai Taixuan Investment Management Partnership (Limited Partnership) (上海台宣投資管理合夥企業(有限合夥))	0.81%
Fusecrest	0.14%

Listing on the Main Board of the Shanghai Stock Exchange

In July 2019, our A Shares were listed on the Shanghai Stock Exchange (stock code: 603256) (the "**A-Share Listing**"). Pursuant to the A-Share Listing, our Company issued an aggregate of 87,800,000 A Shares at an issue price of RMB4.43 per Share. Immediately upon completion of the A-Share Listing, the total share capital of our Company increased to RMB877,800,000, divided into 877,800,000 Shares.

Subsequent Shareholding Changes

Since our A-Share Listing in 2019, the share capital of our Company has changed from time to time, including as a result of the grant of restricted A Shares pursuant to our share incentive schemes and subsequent share repurchases and cancellations related to our shares incentive schemes. For details of changes in share capital of our Company within the two years immediately preceding the date of this document, see "Appendix VI — Statutory and General Information — (A) Further Information about our Group — 2. Changes in Share Capital of Our Company" to this document. As of the Latest Practicable Date, the total issued share capital of our Company was 904,586,445 A Shares.

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

Since July 2019, our A Shares have been listed on the Shanghai Stock Exchange. Our Directors confirmed that, as of the Latest Practicable Date, we had no instance of material non-compliance with the rules of the Shanghai Stock Exchange and other applicable securities laws and regulations of the PRC, and, to the best knowledge of our Directors having made all reasonable enquiries, there was no material matter that should be brought to the **[REDACTED]**' attention in relation to our compliance record on the Shanghai Stock Exchange.

Our PRC Legal Advisor advised us that during the Track Record Period and up to the Latest Practical Date, we have not been subject to any material administrative penalties or regulatory measures imposed by PRC securities regulatory authorities and we had complied with the relevant laws and regulations on A share listings applicable to us in all material respects. Based on the independent due diligence conducted by the Sole Sponsor and the views of the PRC Legal Advisor, no material matter has come to the Sole Sponsor's attention that would cause them to disagree with the Directors' confirmation with regard to the compliance record of our Company on the Shanghai Stock Exchange.

Our Company seeks to be **[REDACTED]** on the Stock Exchange in order to raise additional capital for expanding our production capacity, attracting international **[REDACTED]** and enhancing our reputation on the global **[REDACTED]**.

ACTING-IN-CONCERT

Pursuant to the Acting-in-concert Agreement, Mr. Wong and his daughter Ms. Wong have agreed to act in concert in respect of matters relating to the Company. In particular, they have agreed that: (i) they shall reach consensus and act in concert with regard to all significant matters concerning the Company, including exercising their proposal rights as shareholders and voting rights at the Company's general meetings; and (ii) in respect of all significant operational decisions of the Company, they shall reach consensus and act in concert in exercising or procuring the exercise of voting rights by the directors they appoint or control at the Company's board meetings. In the event that they cannot reach consensus on any matter, Ms. Wong shall act in accordance with the opinion of Mr. Wong. The Acting-in-concert Agreement is governed by the laws of the PRC. The Acting-in-concert Agreement will remain effective until December 31, 2030, unless either Mr. Wong or Ms. Wong no longer holds any direct or indirect interest in our Company, or otherwise required by law or by a regulatory authority.

Our Controlling Shareholders Group are considered as persons acting-in-concert in respect of our Company within the meaning of the Takeovers Codes and will continue to act in concert with each other in the decision-making of our Group. As of the Latest Practicable Date, members of our Controlling Shareholders Group, by virtue of the Acting-in-concert Agreement among them, were collectively entitled to exercise the voting rights attaching to approximately 81.70% of our total issued share capital, and will be entitled to exercise the voting rights attached to approximately [69.44]% of our total issued share capital immediately following the completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

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

PUBLIC FLOAT AND FREE FLOAT

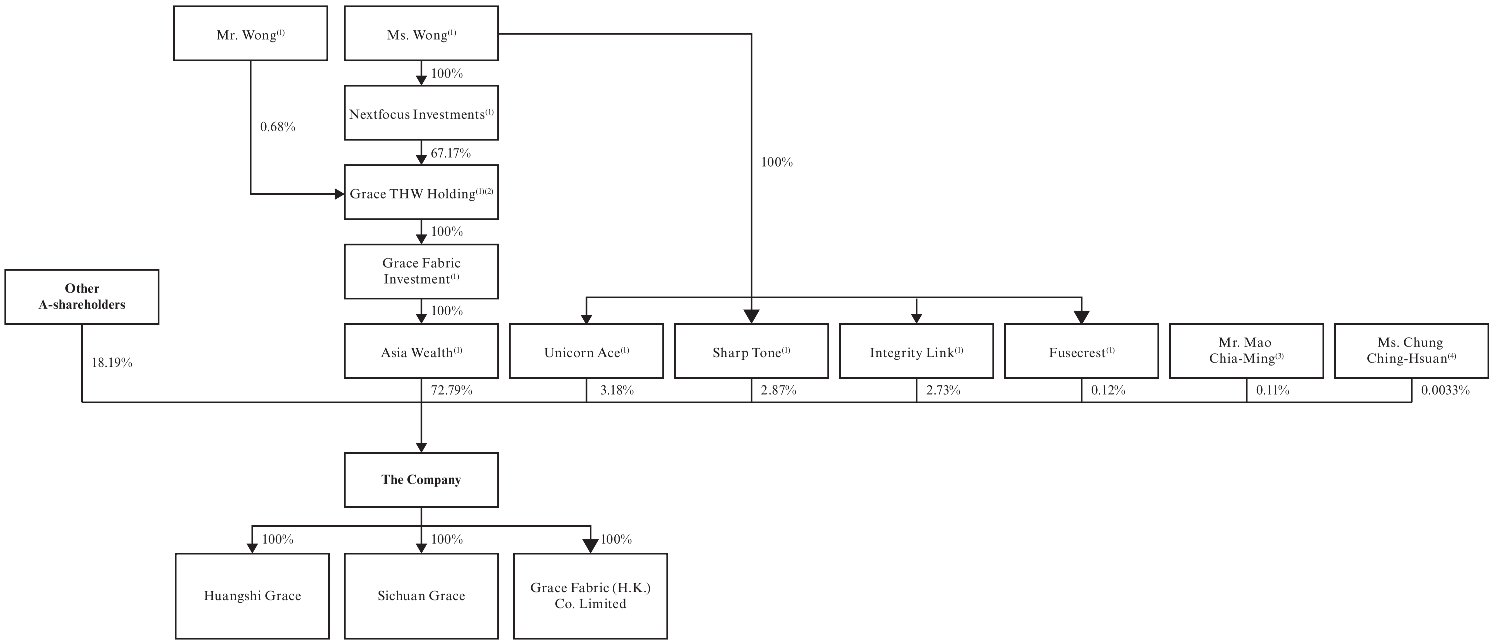
Pursuant to Rules 8.08(1) and 19A.13A of the Listing Rules, as our Company has Shares apart from the H Shares for which the **[REDACTED]** is sought, the H Shares for which the **[REDACTED]** is sought that are held by the public, at the time of the **[REDACTED]**, must (a) represent at least 10% of the Company's total number of issued Shares (excluding treasury shares); or (b) have an expected market value of not less than HK$3,000,000,000. Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules provides that, where a new applicant is a PRC issuer with other listed shares at the time of listing, this will normally mean that the portion of H shares for which listing is sought that are held by the public and not subject to any disposal restrictions (whether under contract, the Listing Rules, applicable laws or otherwise), at the time of listing, must: (a) represent at least 5% of the total number of issued shares in the class to which H shares belong at the time of listing (excluding treasury shares), with an expected market value at the time of listing of not less than HK$50,000,000; or (b) have an expected market value at the time of listing of not less than HK$600,000,000.

The total number of the H Shares to be issued pursuant to the **[REDACTED]** represents approximately **[REDACTED]**% of the total issued share capital of the Company (assuming the **[REDACTED]** is not exercised). It is expected that upon **[REDACTED]** (assuming the **[REDACTED]** is not exercised), based on an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the low end of the indicative **[REDACTED]**, the market value of the H Shares for which the **[REDACTED]** is sought that are held by the public is HK$**[REDACTED]**, thereby satisfying Rule 8.08(1) (as amended and replaced by Rule 19A.13A) of the Listing Rules. Based on an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the low end of the indicative **[REDACTED]** range, the Company will satisfy the free float requirement under Rule 8.08A (as amended and replaced by Rule 19A.13C) of the Listing Rules.

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and Corporate Structure Immediately before the [REDACTED]

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



Notes:

(1) Asia Wealth, Mr. Wong, Grace Fabric Investment, Grace THW Holding, NextFocus Investments, Ms. Wong, Unicorn Ace, Sharp Tone, Integrity Link and Fusecrest are members of our Controlling Shareholders Group. See "Relationship with our Controlling Shareholders Group" for further details.

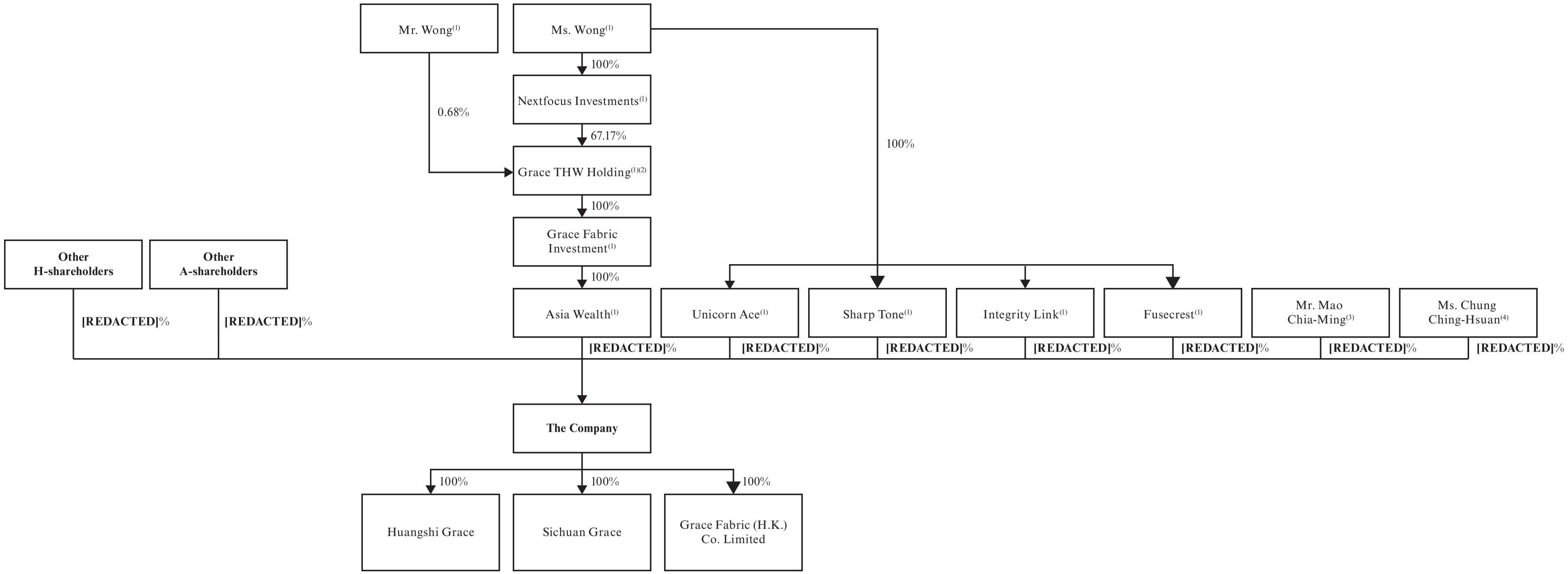
(2) As of the Latest Practicable Date, Mr. Wong, Nextfocus Investments and Mr. Mao Chia-Ming holds 0.68%, 67.17% and 0.0024% in Grace THW Holding, respectively. The remaining interest of Grace THW Holding was held by a number of Independent Third Parties, and none of them individually held 30% or above shareholding in Grace THW Holding.

(3) As of the Latest Practicable Date, Mr. Mao Chia-Ming is an executive Director and holds 962,900 A Shares.

(4) As of the Latest Practicable Date, Ms. Chung Ching-Hsuan is a non-executive Director and holds 30,000 A Shares.

Shareholding and Corporate Structure upon Completion of the [REDACTED]

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



Notes:

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