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Ningbo Yunsheng Co., Ltd.
寧波韻昇股份有限公司

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

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YUNSHENG

Ningbo Yunsheng Co., Ltd.

寧波韻昇股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED] : [REDACTED] H Shares (subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])
[REDACTED] : HK\$[REDACTED] per H Share, plus brokerage of 1%, 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]

Sole Sponsor, [REDACTED]



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The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us at or before 12:00 noon on [REDACTED]. The [REDACTED] will be not more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by 12:00 noon on [REDACTED], the [REDACTED] will not proceed and will lapse.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our consent, reduce the number of [REDACTED] being [REDACTED] under the [REDACTED] and/or the indicative [REDACTED] range below that is stated in this document at any time on or prior to the morning of the last day for lodging [REDACTED] under the [REDACTED]. See “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” for further details.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED]” for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be [REDACTED], [REDACTED], [REDACTED] or [REDACTED] within the United States or to, or for the account or benefit of U.S. 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] are being [REDACTED] and [REDACTED] only outside of the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

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EXPECTED TIMETABLE

[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 this Document in its entirety 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 entitled “Risk Factors” in this Document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

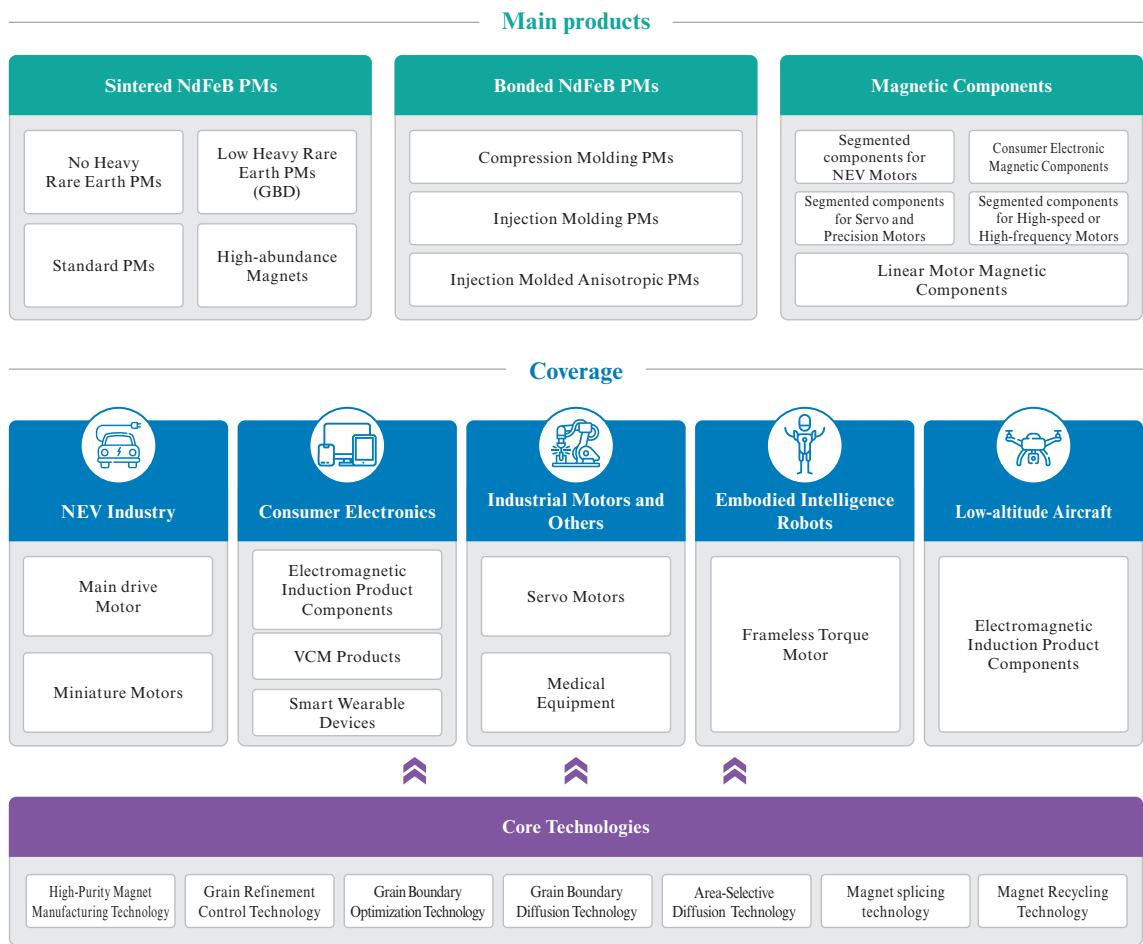
We are a global leading supplier of NdFeB permanent magnets (“NdFeB PMs”). We first entered the rare earth permanent magnet industry in 1996. Through profound technological accumulation and continuous independent innovation, we have developed NdFeB PMs with superior properties. We continue to focus deeply on three major downstream business sectors: NEVs, consumer electronics, and industrial motors and others. At the same time, we are actively exploring high-growth emerging markets such as embodied intelligence robots and low-altitude aircraft. We are one of the few enterprises in China that possess a complete set of preparation technologies for NdFeB PMs, covering a broad range of downstream applications, according to CIC. Through independent R&D and continuous improvement of full-process equipment and advanced preparation technologies, we have significantly enhanced the quality and production capacity of our magnetic materials. As of the Latest Practicable Date, we had achieved an annual production capacity of 26,000 tons of NdFeB PM blanks, making us one of the largest rare earth permanent magnet manufacturers globally, according to CIC.

By intensifying technological innovation and continuously improving the production processes and equipment for rare earth permanent magnets, the performance and quality of our main products have reached international advanced levels. As of the Latest Practicable Date, through independent R&D, we had obtained 118 invention patents and three utility model patents in China and overseas jurisdictions, and had successively completed six national high-tech R&D programs of China (“**National 863 Program**”). We have a national-level enterprise technology center, which was awarded to us by the National Development and Reform Commission in 2016. Our R&D projects have been awarded two “Second Prizes of the National Science and Technology Progress”. Our high-performance rare earth permanent magnet material industrialization project has been recognized as a national major scientific and technological achievement transformation project. Our YUNSHENG brand NdFeB PMs applied in hard disk drive (“**HDD**”) voice coil motors (“**VCMs**”) were recognized as “Champion Product in Manufacturing Industry” by Ministry of Industry and Information Technology of the PRC in 2020.

We continuously emphasize R&D investment and deepen our technological capabilities through core technologies such as high-purity magnet manufacturing technology, grain refinement control technology, grain boundary optimization technology, grain boundary diffusion technology, area-selective diffusion technology, magnet splicing technology and magnet recycling technology. These efforts enable us to produce rare earth permanent magnets with superior performance characteristics. Our sintered NdFeB PMs, bonded NdFeB PMs, and magnetic components have successfully penetrated high-end manufacturing industries, including the NEV sector, consumer electronics sector, and industrial motors and others sector. At the same time, we have entered fast-growing and high-potential emerging industries such as embodied intelligence robots and low-altitude aircraft. Our products have achieved outstanding market performance and have been successfully adopted by leading enterprises across various industries.

SUMMARY

The following chart illustrates our business layout:



During the Track Record Period, we recorded revenues of RMB5,326.3 million, RMB4,998.2 million and RMB5,417.0 million for the years ended December 31, 2023, 2024 and 2025, respectively. Our gross profit was RMB247.3 million, RMB560.6 million and RMB886.2 million for the years ended December 31, 2023, 2024 and 2025, respectively.

COMPETITION

According to CIC, China is the world’s largest supplier of NdFeB PMs with Chinese enterprises accounting for 91.1% of global sales volume in 2025. The global NdFeB PM market is highly concentrated, with leading players competing around core technologies like grain boundary diffusion technology and Halbach array, as well as low or no heavy rare earth solutions. High entry barriers include accumulation in technical processes and equipment, substantial capital investment, strict product quality requirements, and stable rare earth resource access. We compete with other major NdFeB PM suppliers globally. According to CIC, we ranked first globally in terms of sales volume of NdFeB PMs used in HDD VCMs with a market share of 37.8%, and second globally in terms of sales volume of NdFeB PMs used in NEV main drive in terms of sales volume of motors with a market share of 12.0%.

SUMMARY

We differentiate ourselves from competitors through our comprehensive technological capabilities, broad downstream coverage, and strong execution. Our industry-leading R&D platform, extensive patent portfolio, and advanced manufacturing technologies enable us to deliver high-performance, low or no heavy rare earth products. We maintain close cooperation with leading global enterprises across NEVs, consumer electronics, industrial motors, embodied intelligence robots, and low-altitude aircraft. In addition, our dual-base production strategy, intelligent manufacturing capabilities, and stable rare earth supply arrangements provide us with competitive advantages in production capacity.

OUR BUSINESS MODEL

We are primarily engaged in the R&D, manufacture and sales of NdFeB PMs and magnetic components. We operate one production base in Ningbo, Zhejiang Province, China, and one production base in Baotou, Inner Mongolia Autonomous Region, China. We design NdFeB products and develop procurement and production plans based on customer requirements. We mainly purchase rare earth from, and have maintained long-term and firm strategic cooperation with major rare earth suppliers in China. Leveraging our facilities and technologies, we carry out mass production of customized NdFeB PMs and magnetic components and mainly store such products at our warehouses or third-party warehouses designated by certain customers or us for delivery to our customers. Our products have a wide array of applications in NEVs, consumer electronics, industrial motors and others. We are also actively engaged in certain emerging markets such as embodied intelligence robots and low-altitude aircraft, and we have generated income from these sectors. Our customers are primarily leading manufacturers across various industries, including NEVs and automotive parts, smartphone components, HDD components, industrial automation, MRI equipment, smart home appliances, and elevators. We primarily adopt a cost-plus pricing mechanism for our NdFeB PMs and magnetic components.

OUR PRODUCTS

Our NdFeB products primarily include NdFeB PMs and magnetic components. NdFeB PMs are mainly made from an alloy of neodymium, iron and boron. We produce customized NdFeB PMs with various parameters based on customer requirements, such as composition, shape, size, coating, remanence, coercive force, maximum energy product, temperature coefficient and magnetizing method. Our NdFeB PMs can be further divided into sintered NdFeB PMs and bonded NdFeB PMs according to different production processes. Leveraging our grain boundary diffusion technology, we are able to conduct mass production of sintered NdFeB PMs that achieve various performance indicators with reduced amounts of medium and heavy rare earth ingredients. We also produce and sell customized magnetic components to customers. Our magnetic components are functional magnetic system units assembled with other components (such as magnetic conductors, structural components and coils) with sintered or bonded NdFeB PM. During the Track Record Period, we generated revenue primarily from the sales of (i) sintered NdFeB PMs; (ii) bonded NdFeB PMs; and (iii) magnetic components. We also generated revenue from sales of materials and others, mainly including scrap materials generated during the manufacturing process, and rare earth oxides.

The following table sets forth a breakdown of our sales volumes and average selling price of NdFeB products by product category for the periods indicated:

By product category:

	2023		Year ended December 31, 2024		2025	
	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)
Sintered NdFeB PMs	10,229	421	11,489	350	11,705	343
Bonded NdFeB PMs	288	343	338	227	453	218
Magnetic components ⁽¹⁾	271	971	1,046	421	2,039	345
Total/Overall	10,788	432	12,873	353	14,197	340

SUMMARY

Note:

- (1) Our magnetic components’ composition includes not only the magnets we produce but also other materials we procure from third parties and the production of magnetic components involves specific production processes in addition to the said materials. The exact product composition and production process to be utilized will depend on the customers’ product requirements.

As a result of the above factors, we do not calculate or record the exact weight of our magnetic components and the sales volume of magnetic components in the above table refers to the weight of the magnets we produced and recorded in our business operation and is for illustration purpose only.

PRODUCTION

We manufacture customized NdFeB products of different specifications and customizations based on the applications and the needs and requirements of customers. We have two production bases in Ningbo and Baotou, respectively, in China. Our production team consisted of 2,692 members as of the Latest Practicable Date.

The following table sets forth the production capacity, production volume and utilization rate of our production bases in respect of the production of NdFeB PM blanks for the periods indicated:

	Year ended December 31,								
	2023			2024			2025		
	Production capacity ⁽¹⁾ tons	Production volume tons	Utilization rate ⁽²⁾ %	Production capacity ⁽¹⁾ tons	Production volume tons	Utilization rate ⁽²⁾ %	Production capacity ⁽¹⁾ tons	Production volume tons	Utilization rate ⁽²⁾ %
Ningbo production base	6,000	5,009	83.5	6,000	5,608	93.5	6,000	4,530	75.5
Baotou production base	15,000	8,493	56.6	15,000	12,253	81.7	17,500	14,580	83.3
Total	21,000	13,502	64.3	21,000	17,861	85.1	23,500	19,110	81.3

Note:

- (1) Calculated as the maximum possible production volume for the relevant year, based on the following factors: the number of production machines in operation; the machine time required for standardized products (which depends on the characteristics of the relevant production lines, assuming that the sintering process lines operate on a three-shift basis of eight hours per day for 30 days per month, with reasonable changeover time between batches, while other production lines are assigned shift schedules according to their specific characteristics, with employees performing relevant work during the applicable working days); and an estimated overall equipment effectiveness rate that is generally applicable to our production activities based on our historical records of relevant equipment.
- (2) Calculated as production volume for the year divided by the production capacity for the same year.

OUR STRENGTHS AND STRATEGIES

We believe the following strengths have contributed to our success and differentiate us from other competitors: (i) we are an industry leader in rare earth permanent magnets driven by independent R&D and innovation; (ii) we have a rich product matrix with multi-dimensional scenario coverage; (iii) we have a global top-tier customer network and brand influence; (iv) we have demonstrated intelligent manufacturing and reliable product delivery capabilities; and (v) we have an experienced management team and outstanding talent system.

We plan to further strengthen our position as a leading NdFeB product supplier by implementing the following business strategies: (i) we will continuously increase R&D and innovation efforts to consolidate our industry-leading technological position; (ii) we will continuously strengthen existing business and precisely capture emerging growth drivers; (iii) we will advance intelligent manufacturing and AI to ensure steady improvement in production and delivery quality; (iv) we will pursue vertical integration of high-quality industry resources and build a business ecosystem through strategic mergers and acquisitions; (v) we will adhere to sustainable development principles to achieve long-term sustainability goals.

SUMMARY

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our customers were primarily companies in the sectors such as NEVs, consumer electronics, and industrial motors, as well as distributors. For the years ended December 31, 2023, 2024 and 2025, revenue from our five largest customers amounted to RMB2,165.7 million, RMB2,251.7 million, and RMB2,119.6 million respectively, representing approximately 40.6%, 45.0% and 39.2% of our total revenue for the same periods, respectively.

During the Track Record Period, our suppliers were mainly (i) rare earth raw material providers for the production of NdFeB PMs; (ii) outsourced processing service providers for machining and surface treatment and (iii) equipment suppliers. For the years ended December 31, 2023, 2024 and 2025, purchases from our five largest suppliers for each year during the Track Record Period amounted to RMB2,615.5 million, RMB2,059.2 million, and RMB2,789.3 million respectively, representing 61.0%, 51.0% and 55.1% of our total purchases for the same periods, respectively.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, had any interest in our five largest customers or suppliers for each year during the Track Record Period.

COMPLIANCE AND LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance 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. During the Track Record Period and up to the Latest Practicable Date, as confirmed by our PRC Legal Advisor, we had been in compliance with all the applicable PRC laws and regulations in relation to our business operations in all material aspects.

We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business such as proceedings in respect of disputes with our suppliers or customers, labor disputes or infringement of intellectual property rights. In Q2 of 2024, an Independent Third Party commenced arbitration proceedings against our Company and several others at the Singapore International Arbitration Centre, claiming outstanding payments of approximately US\$11.8 million and damages of approximately US\$33.506 million for an alleged breach of certain agreements. As of the Latest Practicable Date, the arbitration proceedings were ongoing. We have made full provisions of RMB181.0 million as of December 31, 2025 in respect of the relevant fees. Our Directors are of the view that the arbitration will not have a material adverse impact on our business, financial condition or results of operations or reputation.

Save as disclosed above, as of the Latest Practicable Date, there were no litigations, arbitrations or administrative proceedings pending or threatened against us or any of our Directors which could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

RISK FACTORS

Our business operations and the [REDACTED] are subject to various risks, many of which are beyond our control. Such risks can be divided into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the jurisdictions in which we operate; and (iii) risks relating to the [REDACTED].

We believe the most significant risks we face include but are not limited to: (i) we rely on a stable supply of quality raw materials. Fluctuations in the prices of these raw materials could have a material and adverse impact on our business and results of operations; (ii) our customer concentration is high, and a loss of our major customers may adversely affect our business

SUMMARY

operations and financial results; (iii) our financial conditions, results of operations and business may be adversely affected if we are unable to enhance our production capacities; (iv) if we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected; (v) our operations depend on our R&D capabilities, which may not always produce positive results and (vi) we have recorded decreased net cash flows generated from operating activities, and there can be no assurance that we will not experience net operating cash outflows in the future.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

Summary of consolidated statements of profit or loss

The following table sets forth a summary of our results of operation for the years indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
REVENUE	5,326,265	4,998,213	5,417,044
Cost of sales	(5,079,011)	(4,437,617)	(4,530,844)
Gross profit	247,254	560,596	886,200
Other income and gains	147,511	181,101	168,183
Fair value (losses)/gains on financial assets at fair value through profit or loss	(86,085)	(21,441)	13,721
Impairment losses on goodwill	—	(1,314)	—
Selling and distribution expenses	(89,778)	(85,726)	(127,533)
Administrative expenses	(265,695)	(284,135)	(252,273)
Research and development expenses	(313,656)	(205,596)	(275,888)
Other expenses	(10,208)	(13,346)	(31,229)
Finance costs	(41,227)	(32,639)	(27,915)
Reversal of impairment/(impairment losses) on financial assets, net	81,444	(33,546)	81
Share of profits of associates	30,768	13,438	19,531
(LOSS)/PROFIT BEFORE TAX	(299,672)	77,392	372,878
Income tax credit/(expense)	74,574	19,830	(36,787)
(LOSS)/PROFIT FOR THE YEAR	(225,098)	97,222	336,091
Attributable to:			
Owners of the parent	(225,534)	96,585	335,349
Non-controlling interests	436	637	742
	(225,098)	97,222	336,091

SUMMARY

Revenue

Our revenue was RMB5,326.3 million, RMB4,998.2 million and RMB5,417.0 million in 2023, 2024 and 2025, respectively.

Revenue by product category

During the Track Record Period, we generated revenue primarily from sales of NdFeB products, which comprise (i) sintered NdFeB PM; (ii) bonded NdFeB PM; and (iii) magnetic components. We also generated revenue from sales of materials and others, mainly including scrap materials and rare earth oxides. The following table sets forth a breakdown of our revenue by product category in absolute amounts and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Sintered NdFeB PMs	4,301,801	80.8	4,026,425	80.6	4,019,668	74.2
Bonded NdFeB PMs	98,863	1.9	76,879	1.5	98,898	1.8
Magnetic components	263,112	4.9	440,563	8.8	703,911	13.0
Subtotal of NdFeB products	4,663,776	87.6	4,543,867	90.9	4,822,477	89.0
Materials and others	662,489	12.4	454,346	9.1	594,567	11.0
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

Our revenue decreased by 6.2% from RMB5,326.3 million for the year ended December 31, 2023 to RMB4,998.2 million for the year ended December 31, 2024, which was primarily due to a decrease in average selling prices of our NdFeB products across all downstream applications, partially offset by an increase in sales volume of NdFeB products applied in the NEV and consumer electronics sectors. Our revenue increased by 8.4% from RMB4,998.2 million for the year ended December 31, 2024 to RMB5,417.0 million for the year ended December 31, 2025, which was primarily due to an increase in sales volume of NdFeB products applied in the NEV sector, partially offset by a decrease in average selling prices of our NdFeB products applied in the NEV sector and industrial motors and others.

Revenue by customer location

The following table sets forth a breakdown of our revenue by customer location in absolute amounts and as a percentage of our total revenue for the years indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Chinese mainland	4,097,631	76.9	3,562,541	71.3	3,976,941	73.4
Overseas ⁽¹⁾	1,228,634	23.1	1,435,672	28.7	1,440,103	26.6
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

Note:

- (1) Refers to our international markets, with the majority of revenue derived from customers located in Asia (excluding Chinese mainland), the EU and North America.

SUMMARY

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the years indicated:

	Year ended December 31,					
	2023	Gross profit margin	2024	Gross profit margin	2025	Gross profit margin
	Gross profit RMB'000	%	Gross profit RMB'000	%	Gross profit RMB'000	%
Sintered NdFeB PMs	164,338	3.8	489,138	12.1	643,823	16.0
Bonded NdFeB PMs	38,393	38.8	27,960	36.4	32,233	32.6
Magnetic components	21,326	8.1	58,652	13.3	140,605	20.0
Subtotal of NdFeB products	224,057	4.8	575,750	12.7	816,661	16.9
Materials and others	23,197	3.5	(15,154)	(3.3)	69,539	11.7
Total/Overall	247,254	4.6	560,596	11.2	886,200	16.4

Summary of consolidated statements of financial position

The following table sets forth selected information from 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 current assets	5,667,149	5,616,926	7,354,559
Total non-current assets	2,894,972	3,406,396	3,409,233
Total assets	8,562,121	9,023,322	10,763,792
Total current liabilities	1,896,442	2,699,796	3,729,717
Total non-current liabilities	720,713	391,088	778,081
Total liabilities	2,617,155	3,090,884	4,507,798
Net current assets	3,770,707	2,917,130	3,624,842
Net assets	5,944,966	5,932,438	6,255,994

We had net current assets of RMB3,770.7 million, RMB2,917.1 million and RMB3,624.8 million as of December 31, 2023, 2024 and 2025, respectively. Our net assets decreased from RMB5,945.0 million as of December 31, 2023 to RMB5,932.4 million as of December 31, 2024, primarily due to repurchase of shares of RMB75.9 million and dividends declared of RMB55.1 million, partially offset by our total comprehensive income of RMB97.5 million for the year ended December 31, 2024. Our net assets increased from RMB5,932.4 million as of December 31, 2024 to RMB6,256.0 million as of December 31, 2025, primarily due to our total comprehensive income of RMB340.3 million for the year ended December 31, 2025, partially offset by dividends declared of RMB53.8 million. See “Consolidated Statements of Changes in Equity” in the Accountants’ Report in Appendix I to this document for further details.

SUMMARY

Summary of statements of cash flows

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

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	1,086,899	854,579	348,584
Net cash flows used in investing activities	(277,473)	(691,911)	(737,875)
Net cash flows (used in)/from financing activities	(870,581)	(424,872)	265,457
Net decrease in cash and cash equivalents	(61,155)	(262,204)	(123,834)
Cash and cash equivalents at beginning of year	1,327,886	1,282,405	1,040,672
Effects of foreign exchange rate changes, net	15,674	20,471	12,246
Cash and cash equivalents at end of year	1,282,405	1,040,672	929,084

KEY FINANCIAL RATIOS

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

	As of/Year ended December 31,		
	2023	2024	2025
Net profit margin ⁽¹⁾ (%)	(4.2)	1.9	6.2
Current ratio ⁽²⁾ (Times)	3.0	2.1	2.0
Quick ratio ⁽³⁾ (Times)	2.1	1.6	1.5
Gearing ratio ⁽⁴⁾ (%)	20.6	17.7	21.3

Notes:

- (1) Net profit margin equals to net profit for the year divided by revenue for the year and multiplied by 100%.
- (2) Current ratio is calculated based on total current assets divided by total current liabilities.
- (3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.
- (4) Gearing ratio is calculated based on total indebtedness (including bank borrowings and lease liabilities) divided by total equity and multiplied by 100%.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We expect to incur total [REDACTED] expenses of approximately HK\$[REDACTED] million (assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range), representing [REDACTED]% of the gross [REDACTED] of the [REDACTED] assuming no H Shares are issued pursuant to the [REDACTED]. The total [REDACTED] expenses consist of (i) approximately HK\$[REDACTED] million [REDACTED] related expenses (including [REDACTED] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy); and (ii) approximately HK\$[REDACTED] million non-[REDACTED] related expenses (including (a) fees and expenses of legal advisors and reporting accountants of approximately HK\$[REDACTED] million; and (b) other fees and expenses of approximately HK\$[REDACTED] million). During the Track Record Period, we incurred [REDACTED] expenses of HK\$[REDACTED] million, which was attributable to the [REDACTED] of H Shares and will be deducted from equity upon the [REDACTED]. We expect to incur additional [REDACTED] expenses of approximately HK\$[REDACTED] million after the Track Record Period, approximately HK\$[REDACTED] million of which is expected to be charged

SUMMARY

to our consolidated statements of profit or loss, and approximately HK\$[REDACTED] million of which is attributable to the [REDACTED] of H Shares and will be deducted from equity upon the [REDACTED]. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million after deducting the [REDACTED] fees and expenses payable by us in the [REDACTED], assuming no exercise of the [REDACTED] and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range stated in this Document. We intend to use the [REDACTED] from the [REDACTED] for the following purposes: (i) approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million, is expected to be used for research and development; (ii) approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million, is expected to be used for our production capacity expansion and the construction of intelligent manufacturing facilities; (iii) approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million, is expected to be used for our vertical integration of downstream resources within the industry; and (iv) approximately [REDACTED]% of the [REDACTED], or approximately HK\$[REDACTED] million, is expected to be used for our working capital and general corporate purposes.

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE

Since 2000, our Company has been listed on the Shanghai Stock Exchange with the stock code of 600366. As of the Latest Practicable Date, save as disclosed in this document, 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. Moreover, save as disclosed in this document, 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.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the [REDACTED] of the Stock Exchange for the granting of the [REDACTED] of, and permission to [REDACTED] our H Shares to be issued pursuant to the [REDACTED] on the basis that, among other things, we satisfy the market capitalization/revenue/cash flow test under Rule 8.05(2) of the Listing Rules with reference to, among other things, (i) our revenue for the year ended December 31, 2025 being over HK\$500 million; (ii) our expected [REDACTED] at the time of the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the [REDACTED] of the indicative [REDACTED] range) exceeds HK\$2 billion; and (iii) our positive cash flow from operating activities of over HK\$100 million in aggregate for the three years ended December 31, 2025, as required by Rule 8.05(2) of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the Controlling Shareholders Group, including Mr. Zhu Yunde, Mr. Zhu Xiaodong, Ms. Dong Weizhen, Ningbo Chengyuan, Yunsheng Holding, Qianhao Investment and Yunsheng Technology Investment were collectively interested in approximately 34.51% of the issued share capital of our Company (including the treasury shares). Immediately following the completion of the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), the Controlling Shareholders Group would continue to hold in aggregate approximately [REDACTED]% of our total share capital. Therefore, they will remain as our group of Controlling Shareholders upon [REDACTED]. For details, see “Relationship with Our Controlling Shareholders”.

SUMMARY

CONNECTED TRANSACTIONS

Prior to the [REDACTED], our Group has entered into certain transactions in our ordinary and usual course of business with parties who will, upon the [REDACTED], become connected persons of our Company. We will continue to engage in certain connected transactions after the [REDACTED]. For details of such continuing connected transactions of our Company following the [REDACTED], see “Connected Transactions.” We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver to us under Rule 14A. 105 of the Listing Rules from strict compliance with the announcement, circular and independent Shareholders’ approval requirements. For details, see “Connected Transactions.”

[REDACTED] STATISTICS

[REDACTED]

DIVIDEND

We may distribute dividends by way of cash or stock. Our final dividends in respect of the previous year, declared and paid during the years ended December 31, 2023, 2024 and 2025 was RMB109.9 million, RMB55.1 million and RMB53.8 million, respectively. We currently do not have a fixed dividend payout ratio. Any future determination to declare and pay any dividends will be at the discretion of our Board and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board deems relevant. In addition, any final dividends for a financial year will be subject to our Shareholders’ approval.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our ability to pay dividends. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

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SUMMARY

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Pursuant to the shareholders’ resolution on May 8, 2026, our Company proposed and declared to distribute a cash dividend of RMB0.1 (tax inclusive) for each ordinary share, amounting to RMB 108,708,000, to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date in respect of the year ended December 31, 2025.

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial and trading position or prospects since December 31, 2025, and there is no event since December 31, 2025 which would materially affect the information shown in the Accountants’ Report, the text of which is set out in Appendix I to this document.

DEFINITIONS

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

“A Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi and is/are listed for trading on the Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of the A Share(s)
“Accountants’ Report”	the accountants’ report of our Company for the Track Record Period, as included in Appendix I to this document
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	the Articles of Association of our Company, as amended, which shall become effective on the [REDACTED], a summary of which is set out in Appendix V
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Baotou Yunsheng Magnetic”	Baotou Yunsheng Magnetic Materials Co., Ltd.* (包頭韻昇強磁材料有限公司), a company established in the PRC with limited liability on May 30, 2001, and a non wholly-owned subsidiary of our Company
“Baotou Yunsheng Technology”	Baotou Yunsheng Technology Development Co., Ltd.* (包頭韻昇科技發展有限公司), a company established in the PRC with limited liability on March 11, 2020, and a non wholly-owned subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“CAGR”	compound annual growth rate
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“China”, “Chinese mainland” or “PRC”	the People’s Republic of China, excluding, for the purposes of this document only, the regions of Hong Kong, Macau Special Administrative Region and Taiwan of the People’s Republic of China, except where the content or context requires otherwise

DEFINITIONS

“CIC”	China Insights Industry Consultancy Limited, a market data research and consulting company and an independent third party of our Group
“Companies (WUMP) 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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Ningbo Yunsheng Co., Ltd. (寧波韻昇股份有限公司), a joint stock company with limited liability established in the PRC on June 30, 1994, the A shares of which are listed on the Shanghai Stock Exchange with the stock code of 600366.SH
“Company Law” or “PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)” or “Controlling Shareholders Group”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhu Yunde, Mr. Zhu Xiaodong, Ms. Dong Weizhen, Ningbo Chengyuan, Yunsheng Holding, Qianhao Investment and Yunsheng Technology Investment, details of which are further detailed in the section headed “Relationship with Our Controlling Shareholders” in this document
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)” or “our Director(s)”	the director(s) of our company
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) as amended, supplemented or otherwise modified from time to time
“ESG”	environmental, social and governance
[REDACTED]	[REDACTED]
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

DEFINITIONS

“Group,” “our Group,” “our,” “we” or “us”	our Company and our subsidiaries (or our Company and any one or more of our subsidiaries, as the content may require), or where the context so requires, in respect of the periods before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guide”	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, modified and/or otherwise supplemented from time to time
“H Share(s)”	overseas [REDACTED] foreign 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] Hong Kong dollars and to be [REDACTED] and [REDACTED] on the Hong Kong Stock Exchange
[REDACTED]	[REDACTED]
“H Shareholder(s)”	holder(s) of our H Share(s)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	[REDACTED]

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DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“IFRS”	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	person(s) or company(ies) who/which, to the best of our Directors’ knowledge, information and belief, is/are not a connected person of our Company
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Latest Practicable Date”	June 7, 2026, being the latest practicable date for the purpose of ascertaining certain information in this document prior to its publication
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

DEFINITIONS

[REDACTED]	[REDACTED]
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange
“Mr. Zhu”	Mr. Zhu Xiaodong (竺曉東), our executive Director, chairman of our Board, general manager and one of our Controlling Shareholders
“Ningbo Chengyuan”	Ningbo Chengyuan Investment Co., Ltd.* (寧波誠源投資有限公司) a limited liability company established in the PRC on April 14, 2005 and one of our Controlling Shareholders
“Ningbo Yunsheng Strong Magnetic”	Ningbo Yunsheng Strong Magnetic Materials Co., Ltd.* (寧波韻昇強磁材料有限公司), a limited liability company established in the PRC on December 13, 1995 and a non wholly-owned subsidiary of our Company
“Nomination Committee”	the nomination committee of our Board
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Company Law”	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

DEFINITIONS

“PRC Law”	the laws and regulations of the PRC, without reference to the laws and regulations of Hong Kong, the Macau Special Administrative Region and the relevant regulations of Taiwan region
“PRC Legal Advisor(s)”	Grandway Law Offices
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Qianhao Investment”	Ningbo Qianhao Investment Co., Ltd.* (寧波乾浩投資有限公司), a company established in the PRC on September 16, 2009, and one of our Controlling Shareholders
[REDACTED]	[REDACTED]
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration and appraisal Committee”	the remuneration and appraisal committee of our Board
“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)
“SAMR”	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Securities Law” or “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
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising the A Shares and H Shares
“Shareholder(s)”	holder(s) of our Share(s)
[REDACTED]	[REDACTED]

DEFINITIONS

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“Sole Sponsor”	the sole sponsor as named in “Directors and Parties Involved in the [REDACTED]” in this document
[REDACTED]	[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, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the three years ended December 31, 2023, 2024 and 2025
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
“United States,” “USA” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars,” “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value added tax
“Yunsheng Bonded Magnet”	Ningbo Yunsheng Bonded Magnet Co., Ltd.* (寧波韻昇黏結磁體有限公司), a company established in the PRC with limited liability on March 21, 2003, and a non wholly-owned subsidiary of our Company
“Yunsheng Coating”	Ningbo Yunsheng Coating Technology Co., Ltd.* (寧波韻昇塗覆科技有限公司), a company established in the PRC with limited liability on August 30, 2017, and a non wholly-owned subsidiary of our Company
“Yunsheng Holding”	Yunsheng Holding Group Co., Ltd.* (韻昇控股集團有限公司), a company established in the PRC with limited liability on August 25, 1991, one of our Company’s Controlling Shareholders

DEFINITIONS

“Yunsheng Investment”	Ningbo Yunsheng Investment Co., Ltd.* (寧波韻昇投資有限公司), a company established in the PRC with limited liability on July 6, 2006, and a non wholly-owned subsidiary of our Company
“Yunsheng Magnet Component”	Ningbo Yunsheng Magnetic Component Technology Co., Ltd.* (寧波韻昇磁體元件技術有限公司), a company established in the PRC with limited liability on November 28, 2001, and a wholly-owned subsidiary of our Company
“Yunsheng New Energy Automobile Materials”	Ningbo Yunsheng New Energy Automobile Materials Co., Ltd.* (寧波韻昇新能源汽車材料有限公司), a company established in the PRC with limited liability on March 22, 2016, and a wholly-owned subsidiary of our Company
“Yunsheng Special Metal”	Ningbo Yunsheng Special Metal Materials Co., Ltd.* (寧波韻昇特種金屬材料有限公司), a company established in the PRC with limited liability on October 30, 2008, and a non wholly-owned subsidiary of our Company
“Yunsheng Technology Investment”	Ningbo Yunsheng Technology Investment Co., Ltd.* (寧波韻昇科技投資有限公司), a company established in the PRC with limited liability on January 14, 2022, and one of our Controlling Shareholders
“%”	per cent
“2020 AIC Agreement”	the acting-in-concert agreement dated December 21, 2020 and entered into between Yunsheng Holding and Qianhao Investment, pursuant to which the parties agreed to act-in-concert on the voting rights in respect of the daily operation and material decision making of our Company. See “History and Corporate Structure — Acting-in-Concert Arrangement” for further details
“2023 AIC Agreement”	the acting-in-concert agreement dated December 15, 2023 and entered into between Yunsheng Holding and Qianhao Investment, pursuant to which the parties agreed to act-in-concert on the voting rights in respect of the daily operation and material decision making of our Company. See “History and Corporate Structure — Acting-in-Concert Arrangement” for further details
“2020 Employee Share Ownership Plan”	an employee share ownership plan adopted by our Company on July 27, 2020. See “Statutory and General Information — Employee Share Ownership Plans” for details
“2022 Employee Share Ownership Plan”	an employee share ownership plan adopted by our Company on September 5, 2022. See “Statutory and General Information — Employee Share Ownership Plans” for details
“2025 Employee Share Ownership Plan”	an employee share ownership plan adopted by our Company on October 13, 2025. See “Statutory and General Information — Employee Share Ownership Plans” for details

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DEFINITIONS

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

For ease of reference, the names of the PRC established companies or entities, laws or regulations 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 specified, in this document, certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY

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

“alloy”	a compound of two or more elements, at least one of which is a metal, and where the resulting material has metallic properties
“anti-demagnetization”	the ability of a permanent magnet to resist demagnetization under external adverse magnetic fields, elevated temperatures or other demagnetizing conditions
“ASP”	average selling price
“CAGR”	compound annual growth rate
“CCD”	charge-coupled device, an image sensor technology used in quality inspection of finished NdFeB PMs, enabling detection of surface defects, dimensional verification, and quality assurance
“coercivity” “intrinsic coercivity”	a measure of the ability of a ferromagnetic material to withstand an external magnetic field without becoming demagnetized
“Dy-Fe”	Dysprosium-Ferrum, a rare earth alloy
“ERP”	enterprise resource planning, a management platform based on information technology that provides decision-making and operating tools for the decision-makers and employees of an enterprises in the light of systematic management
“eVTOL”	electric vertical takeoff and landing
“grain boundary diffusion technology/GBD”	technology allows the Dysprosium or Terbium to penetrate into the magnet through its grain boundary when the heat treatment temperature is higher than the melting point of Nd-rich phase
“Halbach Array”	a special arrangement of permanent magnets that augments the magnetic field on one side while canceling it on the opposite side
“HDDs”	hard disk drives, devices that use permanent magnets (such as NdFeB) in their spindle motors and voice coil motors for data storage
“high-abundance magnets”	a rare earth permanent magnets that use abundant, low-cost elements like cerium and lanthanum to partially or completely replace scarce, expensive heavy rare earths such as dysprosium and terbium
“hydrogen decrepitating”	a process step used in the production of permanent magnets to create extremely small grains in the material
“IATF”	the International Automotive Task Force, an “ad hoc” group of automotive manufacturers and their respective trade associations, which aim to provide improved quality products to automotive customers worldwide
“IATF 16949”	a technical specification aimed at the development of a quality management system which provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the automotive industry supply chain and assembly process

GLOSSARY

“IoT”	Internet of Things, a network of interconnected devices, sensors, and systems that collect and exchange data in real time
“ISO”	the International Organization for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
“ISO9001/ISO27001”	a standard for quality management systems enacted by the International Organization for Standardization (ISO)
“kOe”	kilo-Oersted, a unit of magnetic field strength (1 kOe = 1,000 Oe) commonly used to express coercivity in permanent magnets
“light rare earth”	rare earth elements that are light in atomic weight, which include lanthanum (La), cerium (Ce), praseodymium (Pr) and neodymium (Nd), as advised by CIC, which is consistent with the industry practice and classification
“medium and heavy rare earth”	rare earth elements that are medium and heavy in atomic weight, which include Yttrium (Y), samarium (Sm), europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb), and lutetium (Lu) as advised by CIC, which is consistent with the industry practice and classification
“MES”	acronym for manufacturing execution system, a digital system used to monitor, manage and optimize manufacturing processes on the shop floor
“MGOe”	Mega-Gauss-Oersted, a unit of maximum energy product (BH) _{max} for permanent magnets, measuring the magnetic strength and performance
“Nd”	Neodymium, a rare earth element
“NdFeB permanent magnets” or “NdFeB PMs”	permanent magnets made from an alloy of neodymium, iron, and boron that are divided into two subcategories, namely sintered NdFeB magnets and bonded NdFeB magnets based on different manufacturing processes
“NEVs”	new energy vehicles
“OA”	office automation, a new office solution that combines modern office affairs with computer technology
“OIS”	optical image stabilization
“permanent magnets” or “PMs”	a material that retains its magnetic properties without external magnetic field
“Pr-Nd”	Praseodymium-Neodymium, a rare earth alloy
“rare earth”	a set of seventeen chemically similar metallic elements, comprising light rare earth, medium rare earth and heavy rare earth
“remanence”	magnetization left behind in a magnetic material (such as iron) after an external magnetic field is removed
“sintering”	a heat treatment for mineral powder that applies a temperature below the melting point, the purpose of which is to combine the component particles in order to increase size and strength

GLOSSARY

“smelting”	a refining technology which extracts metal from ores by such methods as roasting, smelting, electrolysis and the use of chemical reagents, reduce impurities contained in the metal, increase a certain composition of the metal and make the required metal
“sq.m.”	square meter(s)
“Tb”	Terbium, a rare earth element
“TISAX”	Trusted Information Security Assessment Exchange, a standardized assessment and exchange mechanism for information security in the automotive industry, developed by the ENX Association in collaboration with the German Association of the Automotive Industry (VDA).
“ton”	1 ton equals to 1,000 kilograms
“torque”	the output rotational force generated by the interaction between the magnetic field of the NdFeB PMs in the rotor and the stator’s electromagnetic field, influencing motor performance, acceleration, load-carrying capacity
“UAV”	unmanned aerial vehicle, an aircraft that operates without a human pilot on board, controlled remotely or autonomously via onboard computers
“VCM”	voice coil motor, a linear motor that generates force through a current-carrying coil in a magnetic field, featuring high precision and fast response, widely used in scenarios like autofocus of smartphone cameras and read/write head drive of hard disk drives.
“VFAC”	variable-frequency air-conditioner

FORWARD-LOOKING STATEMENTS

This document contains, and the documents incorporated by reference herein may contain, forward-looking statements representing our goals, beliefs, expectations, intentions or predictions for the future. These forward-looking statements are contained principally in “Summary,” “Risk Factors,” “Industry Overview,” “Business,” “Financial Information” and “Future Plans and Use of [REDACTED].” Forward-looking statements typically can be identified by the use of words such as “aim,” “anticipate,” “aspire,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goals,” “intend,” “may,” “objective,” “ought to,” “outlook,” “plan,” “potential,” “project,” “schedules,” “seek,” “should,” “target,” “vision,” “will,” “would” and other similar terms. Forward-looking statements reflect the current views of our Directors 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 those listed in “Risk Factors,” which are beyond our control and may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our future business development, financial condition and results of operations;
- our ability to develop and manage our operations and business;
- our ability to control costs and expenses;
- our capital expenditure plan;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, suppliers and other partners to conduct our business;
- our planned use of [REDACTED];
- future developments, trends and competitive landscape in the industries and markets in which we operate or plan to operate;
- relevant government policies and regulations relating to our industry; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates. Should one or more of these risks or uncertainties, among others, materialize, or should the underlying assumptions prove to be incorrect, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Accordingly, you should not place undue reliance on any forward-looking statements.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

FORWARD-LOOKING STATEMENTS

Any forward-looking statement speaks only as of the date on which such statement is made. Except as required by applicable laws, rules and regulations, including the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

RISK FACTORS

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on a stable supply of quality raw materials. Fluctuations in the prices of these raw materials could have a material and adverse impact on our business and results of operations.

Our business operations depend on the timely and sufficient supply of rare earth used for our products that are of adequate quality and at commercially acceptable prices. The supply of rare earth may be adversely affected by a variety of factors beyond our control, such as government regulations and restrictions, production capacity constraints of upstream suppliers, market supply and demand, price fluctuations and natural disasters.

Rare earth production is subject to government policies in China. The PRC government has continued to tighten its regulation on rare earth production so as to protect the national interests and industry security and prevent, among others, illegal mining, destructive mining, and unplanned and over-planned production. On October 1, 2024, Regulations on Rare Earth Management (“《稀土管理条例》”) became effective to further strengthen the regulation on rare earth mining. The PRC government issues two batches of rare earth mining quotas and smelting and separation quotas each year to manage the overall production volume of rare earth in China. In particular, governmental adjustments to production restrictions may lag behind increases in market demand. A shortage in supply may drive up the market prices of rare earth and thereby impact our procurement.

Rare earth prices have exhibited volatility. According to CIC, rare earth prices declined from January 2023 to July 2024, primarily due to the PRC government’s expansion of mining quotas. From July 2024 to December 2025, amid global geopolitical changes and stricter PRC export policies, prices of rare earth generally increased. Key trends include sharp declines in 2023 to mid-2024 and subsequent increases in late 2024 to 2025.

We purchase our raw materials from third-party suppliers, which exposes us to risks of price fluctuations and supply shortages. We cannot assure you that our suppliers will continue to supply sufficient rare earth to us on terms and conditions commercially acceptable to us, or at all. Further, as we scale up our production capacity, there is no guarantee that our increasing demand for rare earth will be satisfied by sufficient and stable supplies from our suppliers. In the event of a significant increase in the prices of rare earth, we cannot assure you that we will be able to pass on any such increase to our customers. Any failure to pass on such increase would have a direct and negative impact on our profitability and results of operations.

We procure a significant portion of our raw materials from our five largest suppliers for each year during the Track Record Period. Any adverse change in business relationships with our major suppliers could materially and adversely affect our business, financial condition and results of operations.

The majority of our raw materials (mainly rare earth raw materials) were procured from our five largest suppliers for each year during the Track Record Period. Our purchases from our five largest suppliers for each year during the Track Record Period amounted to RMB2,615.5 million, RMB2,059.2 million and RMB2,789.3 million for the years ended December 31, 2023, 2024, and 2025, respectively, representing 61.0%, 51.0% and 55.1% of our total purchases for the corresponding periods, respectively. We maintain long-term relationships with our major rare earth suppliers and entered into annual supply agreements with them. However, these agreements do not lock prices and we cannot assure you that our relationship with our rare earth suppliers will continue to be stable, or supply from them will not experience any disruptions in the future. For details on our suppliers, see “Business — Suppliers”.

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In China, rare earth production is subject to government policies and there are only a limited number of rare earth producers. Accordingly, it would be difficult for us to further diversify our rare earth procurement sources. We expect to continue to rely on a limited number of rare earth suppliers in the foreseeable future. Our major rare earth suppliers may cease to supply us for a variety of reasons such as competition, disputes, failure to reach agreement on commercial terms, and suppliers’ own operational or financial difficulties. In the event that a supplier ceases supplying us, and we are unable to procure such raw materials from alternative suppliers on acceptable commercial terms and in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

Our sales to overseas countries are subject to China’s export policies on rare earth substances, which may have a material and adverse impact on our business.

Our overseas sales are affected by China’s export policies on rare earth substances, including but not limited to licensing requirements, tariff regulations, and restrictions on specific destination countries or regions. These policies are formulated and adjusted by relevant Chinese governmental authorities and may change from time to time without prior notice. Any tightening of these export policies could affect our ability to fulfill overseas sales, delay deliveries or increase our export costs. As a result, changes in policies that affect exports to certain countries or regions where we have significant customers may directly reduce our overseas sales volume and market share, resulting in finished goods overstock. Furthermore, compliance with evolving export policies requires us to invest additional resources in trade regulatory tracking and internal controls, which could increase our operational expenses.

In addition, global market demand for our products may fluctuate in response to China’s export policies, as overseas customers may adjust their purchasing strategies or seek alternative suppliers due to concerns about supply stability. Thus, China’s export policies on rare earth substances could have a material and adverse impact on our business.

Our price adjustment mechanism has an impact on our results of operations and may not enable us to promptly respond to the raw material price increase.

We place strong emphasis on establishing long term and solid business relationship with our customers. In order to establish a close cooperation relationship and enhance mutual benefit between our customers and us, we may adopt price adjustment mechanism. Pursuant to this price adjustment mechanism, we are able to adjust the unit price of our products on annual, semi-annual, quarterly or monthly basis, as the case may be. Our price adjustment mechanism varies for customers in different downstream sectors. For details of our price adjustment mechanism, see “Business — Pricing”.

Moreover, there is no assurance that our customers will continue to accept our price adjustment mechanism or cooperate with us in a price adjustment mechanism that is favorable to us. If our customers choose not to accept our price adjustment mechanism, we may not be able to pass the risk of raw material price increase or at all to our customers in a timely manner. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our customer concentration is high, and a loss of our major customers may adversely affect our business operations and financial results.

The percentage of our total revenue attributable to our five largest customers for each year during the Track Record Period combined amounted to RMB2,165.7 million, RMB2,251.7 million and RMB2,119.6 million for the years ended December 31, 2023, 2024, and 2025, representing 40.6%, 45.0% and 39.2% of our total revenue for the same periods, respectively. We cannot assure you that the aforementioned major customers will continue to place orders with us or we can continue to be able to meet the standard required by our major customers. If there is a reduction or cessation of purchase orders from our major customers for whatever reasons, such as failure to

RISK FACTORS

maintain their existing market share, and we are unable to obtain purchase orders of a comparable size and terms in substitution or our plan to diversify or expand our customer base does not succeed, our business, financial condition and results of operations may be materially and adversely affected.

There is no assurance that we will be able to retain our customers, renew our existing contracts or secure new contracts 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 major customers may materially and adversely affect our financial condition and operating results. Besides, if any of our five largest customers experience any liquidity issues, it may result in a delay or default in settling progress 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.

New legislations or changes in the PRC and global regulatory requirements and policies regarding the end markets of our products may affect our business operations and prospects.

At present, both in China and globally, our main business segment, as well as our downstream sectors including NEVs, consumer electronics, and industrial motors and others are generally promoted and supported by the government. However, there is no guarantee that the relevant policy environment will continue to be positive of the same level in the future. New legislation or changes in the PRC and global regulatory requirements that are less favorable or any retreats in subsidies could adversely affect our business, results of operations and prospects. Adjustments to policies governing our downstream industries may disrupt market demand for our products. For example, shifts in policy priorities related to industrial development could lead to changes in support measures for key sectors, which may influence downstream customers’ production plans and procurement needs. Changes to regulations concerning raw material sourcing or environmental management could also affect our business by altering our supply chain costs, which may be passed along to downstream customers and suppress demand for our products. Additionally, updates to industry technical standards may require us to adjust our product designs or manufacturing processes to remain compliant.

Globally, evolving regulatory frameworks in major jurisdictions pose similar uncertainties to our business. For example, environmental and sustainability regulations are a growing area of focus. Many jurisdictions are introducing stricter requirements for product lifecycle management, supply chain transparency, or emission controls, which may require us to invest in process improvements or supply chain tracing systems. Failure to meet these new standards in a timely manner could restrict our access to certain markets or increase the cost of serving overseas customers. Trade policies also present risks, for example, changes to import related regulatory measures, tariff structures or technical barriers to trade could raise the cost of our products in international markets or delay cross-border shipments.

Therefore, we cannot guarantee that we will be able to identify, adapt to or comply with all new legislations or changes in the PRC and global regulatory requirements and policies regarding the end markets of our products. The costs of compliance resulting from such changes could materially harm our business operations and prospects.

Our business, financial condition and results of operations are subject to changes in customer preference, consumer sentiment and spending power in respective downstream markets and general economic conditions.

Our products are the raw materials for the downstream manufacture of many products, such as NEVs, consumer electronics, industrial motors and others. By nature of this upstream positioning, demand for our products is dependent on the demand for these downstream products. Changes in customer preferences, consumer sentiment, and spending power within these downstream markets, or downturns in the global or regional economy, could materially and adversely affect our business, financial condition, and results of operations. For example, in terms of NdFeB PMs applied in main

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drive motors, they are tied to market demand for NEVs, which are influenced by consumer preferences and spending power. Any pullback in consumer willingness to purchase NEVs would lower orders placed from our customers such as domestic and international automakers or automotive part manufacturers. Likewise, weakened demand for consumer electronic devices or slowdown in capital expenditure by manufacturers of industrial motors will also affected procurement volumes for our products.

Any further significant slowdown in economic growth in the PRC 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 profitability. In addition, factors such as general economic conditions, interest rates, inflation and unemployment rates as well as GDP growth in the PRC and the global market will also affect the growth of industries where our products are widely used and applied. As a result, a downturn in the relevant industries in the PRC or in the overseas markets could impact our sales, resulting in downward pressure on the prices, volume and profit margins, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to grow or maintain our revenue or business.

Our ability to grow our revenue depends on a number of factors, such as our ability to continue to grow our core businesses as well as expand our business in emerging industries such as embodied intelligence robots and low-altitude aircraft industries. We are exploring and will continue to explore in the future new business initiatives, including in industries and markets in which we have limited or no experience, as well as new business models, that may be untested. Developing new businesses, initiatives and models requires significant investments of time and resources, and may present new and difficult technological, operational and compliance challenges. Many of these challenges may be specific to business areas we do not have sufficient experience in. We may encounter difficulties or setbacks in the execution of various growth strategies, which we expect to be an important driver of our future growth, and the growth strategies may not generate the returns we expect within the timeframe we anticipate, or at all.

Our business performance is dependent on the general positive development of our downstream industries and our customers. Our downstream industries are generally promoted by a series of favorable policies at home and abroad. For example, as China has pledged to reach carbon neutrality by 2060 and many developed countries, such as U.S., Japan and UK, aim to achieve such goal by 2050, relevant supportive policies have been promulgated. Any slowdown or reverse in relevant international and national policies or the “double carbon” target may impact the development of our downstream industries, causing fluctuation in demands for NdFeB PMs from our customers.

In addition, our revenue growth may slow, or our revenue may decline for other reasons, including changes in the geopolitical landscape, government policies or general economic conditions. As our revenue grows to a higher base level, our revenue growth rate may slow in the future. Furthermore, due to the size and scale we have achieved, our customer base may not continue to grow as quickly or at all.

If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

We face competitions from global competitors. According to CIC, the global NdFeB PM value chain is seeking, or gradually building localized capabilities in aspects such as raw material supply, magnet production and technology R&D. It may exert certain competitive pressure on our overseas business in the future. Existing and new competitors may leverage their established platforms or market positions to introduce innovative business models, to launch highly-engaging products or services that may attract customers and achieve rapid growth, which may materially and adversely affect our business expansion and results of operations. We compete with international players operating in their local markets. These international players benefit from established relationships

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with local downstream resources and may leverage their local market familiarity to limit our access to these markets. If we are unable to compete effectively, the level of our overseas customer’s loyalty may decrease and our market share and profitability may be negatively affected. Our competitors may employ price undercutting as well to prevent us from competing effectively without making losses. The aforementioned competition could materially and adversely affect our business, financial condition and results of operations, as well as our reputation and brand.

Our business, financial conditions and results of operations may be adversely affected if we are unable to enhance our production capacities.

We believe that our future success, in part, depends on our ability to enhance our production capabilities, which include increasing our production utilization rate, improving our production efficiency, acquiring and upgrading equipment and production facilities and modifying our existing production processes. In order to meet demand for our products and achieve a desired level of economies of scale in our operation and to deliver high quality products at a competitive cost level, we may continue to expand our existing production capacity. We are in the process of further expanding our production capacity. For example, we have advanced the construction and commissioning of the “Baotou Yunsheng Technology Development Co., Ltd. Annual Production 15,000 Tons High-Performance Rare Earth Permanent Magnet Materials Intelligent Manufacturing Project.”

We intend to fund such expansions by using cash generated from our operations, the net [REDACTED] from the [REDACTED] and/or debt and/or equity financing in the future. However, adverse changes in market, economic, or political conditions, or in our financial position, could hinder our access to financing on reasonable terms. If we cannot fund equipment or construction, we may fail to expand capacity to meet demand, limiting growth. We cannot guarantee successful, on-time, or on-budget implementation, or that expected benefits will materialize. Demand may also decline due to economic conditions or competition. Weaker demand could cause overcapacity and underutilization of resources, adversely affecting our business, financial condition, and results of operations.

Any failure to maintain an effective quality control system could have material adverse effect on our reputation, business, financial condition and results of operations.

As the quality of our products is essential to the success of our businesses, we must maintain an effective quality control system for our production and other operational activities. The effectiveness of our quality control system depends significantly on a number of factors, including the design of the system and the related training programs, as well as our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure or deterioration of our quality control systems could result in defects in our projects or products, which in turn may subject us to contractual, product liability, warranty and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. A number of factors, many of which are beyond our control, may adversely affect our productivity and increase our cost of production, including technological difficulties, supply disruptions and defects in raw materials or equipment. We cannot assure you that we will be able to maintain a proper utilization rate of our production facilities that will allow us to achieve cost-effective production in the future. If we fail to maintain or improve our production efficiency, our business operations, competitiveness, and financial conditions may be materially and adversely affected. Although we have established quality control systems and processes to prevent and reduce quality risks, the adverse impacts of potential quality deficiencies on our brand, reputation, and marketing capabilities cannot be completely eliminated.

RISK FACTORS

We may fail to effectively manage our distributors. Actions taken by our distributors could materially and adversely affect our business, prospects and reputation.

We have distributors (including Contracted Distributors and traders) to distribute our NdFeB products. See “Business — Sales and marketing — Distributors” for further details. However, we do not have complete control over our distributors. Distributors may fail to distribute our products in the manner contemplated, or traders may resell in ways that do not align with our expectations. See “Business — Sales and marketing — Distributors” for further details. There is no assurance that our existing distributors will continue to place orders with us at historical levels, or that we will be able to secure comparable levels of business from other distributors to offset any loss resulting from losing one or more of these distributors. Further, there is no assurance that we will be able to successfully secure new distributors to capture potential market growth and broaden our distribution channels. If we lose any major distributors, the distribution of our products may be interrupted, as a result of which our sales volumes and business prospects could be adversely affected.

If we fail to effectively manage our inventory or estimate accurately based on the demand for our products, our business, financial condition and results of operations may be materially and adversely affected.

Maintaining an optimal level of inventory is important to our business. We plan our purchase of raw materials and production based on our customers’ purchase orders. If we over-stock our inventories, our required working capital will increase and we may incur additional finance costs. Conversely, if we under-stock our inventories, we may be unable to meet customers’ demand and consequently, our operating results may be adversely affected. If we fail to anticipate, identify or respond to changes in consumer preferences in a timely manner, we may experience a reduced demand for our products, a lower level of revenue and an increased level of inventory turnover days. As of December 31, 2023, 2024 and 2025, our inventories amounted to RMB1,676.4 million, RMB1,401.0 million and RMB1,940.2 million, respectively. Our average inventory turnover days were 161 days, 125 days and 133 days for the years ended December 31, 2023, 2024, and 2025, respectively. See “Business — Inventory management” for further details.

During the Track Record Period, to reduce average cost of rare earth, we also maintained a safety inventory of rare earth with competitive price based on our anticipation of increases in market price of rare earth. Some of our upstream suppliers deliver rare earth materials according to a predetermined schedule, regardless of fluctuations in rare earth market prices. If the customer orders cannot be executed, our estimation of market price of rare earth is inaccurate, or the market demand changes unfavorably, we may not be able to sell the products. If the customers’ orders cannot be executed, we may be subject to a heightened risk of a decline in inventory values, and inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross profit margins or a loss. High inventory levels may increase our inventory holding costs, preventing us from using that capital for other important purposes. As such, our business, financial condition and results of operations could be materially and adversely affected.

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

Our business and operations require intensive capital investment. We have entered into a number of loan agreements with banks. We are subject to the fluctuations in debt interest rates. In case of any default under any of these loan agreements, the lenders may be entitled to accelerate payment of all or any part of the loans under such loan agreements. If we delay or default on our payments, we may have to incur additional legal costs which in turn may adversely affect our financial position and profitability. During the Track Record Period, we have not breached any financial covenants relating to bank loans and other borrowings. For more details of our bank loans and other borrowings, see “Financial Information — Indebtedness — Interest-bearing borrowings”.

RISK FACTORS

The timing of our payment to suppliers may not match our receipt of payment from customers.

To remain competitive in the market, we need to retain adequate level of working capital to guarantee smooth business operation and support the growth of our business. Most of our purchase orders require us to commit a certain amount of cash and/or other resources, such as raw materials prior to receiving any payments from our customers.

We generally grant credit term ranging from 30 to 120 days to our major customers and are therefore subject to credit risks of our customers. Our liquidity depends on our customers making prompt payments to us. For more details of the trade and bills receivables, see “Financial Information — Description of major line items in our consolidated statements of financial position — Trade and bills receivables”.

We recorded trade and bills receivables of RMB2,221.3 million, RMB2,324.0 million and RMB2,767.4 million as of December 31, 2023, 2024 and 2025, respectively. Our trade and bills receivables turnover days for the years ended December 31, 2023, 2024, and 2025 were 152 days, 164 days and 169 days, respectively. If our customers delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables and hence our liquidity may be adversely affected. This may in turn materially and adversely affect our business, financial condition and results of operations.

The credit term offered by our major suppliers to us generally ranges from 30 days, which is generally shorter than the credit term offered to customers by us. As of December 31, 2023, 2024 and 2025, our trade and bills payables amounted to approximately RMB942.3 million, RMB1,617.3 million and RMB2,524.4 million, respectively. Our trade and bills payables turnover days for the years ended December 31, 2023, 2024 and 2025 were 73 days, 104 days and 165 days, respectively. With our revenue continuously growing, any mismatch between trade and bills receivables turnover days and trade and bills payables turnover days would raise our liquidity risk. The gap between trade and bills receivables turnover days and trade and bills payables turnover days can result in high gearing ratio when we rely on bank borrowings to ease the pressure of our cash flow. Moreover, any default or delay in payment by our customers or our failure to collect trade and bills receivables from them may broaden our cash flow mismatch, which may result in significant cash flow shortcomings in the future and adversely affect our cash position and results of operations. Even where we are able to recover any losses incurred, the process of such recovery is usually time-consuming and requires financial and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favor or that any dispute will be resolved in a timely manner. Failure to secure adequate payments in time or to manage bad debt effectively could have a material adverse effect on our business, financial position, results of operations and prospects.

We have recorded decreased net cash flows generated from operating activities, and there can be no assurance that we will not experience net operating cash outflows in the future.

For the years ended December 31, 2023, 2024 and 2025, our net cash flows from operating activities recorded successive declines, while our cash and cash equivalents balance reduced continuously each year. See “Financial Information — Liquidity and capital resources” for further details. We cannot assure that our prospective business activities or other factors beyond our control, such as market competition and macroeconomic fluctuations, will not adversely impact our operating cash flow or accelerate its downward trend or eventually result in net operating cash outflows. If we incur prolonged, sustained net operating cash outflows, we may face a shortfall in working capital to cover our operating expenses, which could materially and adversely affect our business, financial condition, results of operations and future prospects.

RISK FACTORS

We are subject to credit risks from our customers, and our inability to collect on our trade and bills receivables from our customers may materially and adversely affect our cash flows, business, financial condition and results of operations.

Our trade and bills receivables are in relation to our sales of products to customers. Our customers may fail to settle trade and bills receivables in a timely manner, or at all, and we may not properly assess and respond in a timely manner to changes in their credit profiles and financial condition. As of December 31, 2023, 2024 and 2025, we incurred impairment of trade and bills receivables of RMB24.9 million, RMB58.4 million and RMB58.1 million. Adverse changes in our customers’ financial condition may negatively affect the time to collect associated trade and bills receivables measured at amortized cost or reduce the likelihood of ultimate collection, which would in turn materially and adversely affect our business, financial condition and results of operations. As we grow our business, the amount of trade and bills receivables may increase, which may negatively impact our cash flow.

We are subject to various risks relating to third-party payment arrangements.

During the Track Record Period, certain customers settled payments with us through third-party payers in the absence of clear contractual arrangements authorizing such third-party payments (“**Third-Party Payment Arrangements**”). The Third-Party Payment Arrangements primarily involved settlements by the entities within the same group of the relevant customers, or between parties with related party relationships (“**Relevant Customers**”). For the years ended December 31, 2024 and 2025, there was one Relevant Customer in each year, with the aggregate amount of Third-Party Payment Arrangements amounting to RMB48,384 and RMB950, respectively, representing less than 0.001% of our total revenue in each year.

As of the Latest Practicable Date, we had ceased all Third-Party Payment Arrangements and all payments made under the ceased Arrangements had been fully settled. We may be subject to risks relating to such Third-Party Payment Arrangements, including possible claims from third-party payers for the return of funds, which could adversely affect our business, financial condition, results of operations and prospects. See “Business — Customers — Third party payment arrangements” for further details.

If we fail to fulfill our obligations in respect of contract liabilities, we could be exposed to legal liability, loss of reputation, reduced revenue, or liquidity challenges.

During the Track Record Period, our contract liabilities represented obligations to transfer goods to customers for which we have received advances. Such contract liabilities are recognized as revenue when we perform such obligations to customers. See “Financial Information — Description of major line items in our consolidated statements of financial position” for further details. As of December 31, 2023, 2024 and 2025, we had contract liabilities of approximately RMB25.6 million, RMB22.9 million and RMB12.8 million, respectively. If we fail to honor our obligations in respect of our contract liabilities, customers may exercise their rights to terminate a contract, exposing us to legal liability, damage to our reputation, reduced revenue or liquidity challenges.

Our operations depend on our R&D capabilities, which may not always produce positive results.

Our ability to improve production capabilities, upgrade existing products and meet evolving downstream demands depends largely on our R&D capabilities. The NdFeB PM industry is technologically dynamic in which customers increasingly demand advanced materials to improve the performance of their end products. To retain our market position and competitiveness, we need to continuously design and implement new production methods, develop NdFeB products, and advance core technologies to keep pace with these higher demands from our customers.

RISK FACTORS

Accordingly, we have devoted resources to our R&D efforts. For the years ended December 31, 2023, 2024, and 2025, our R&D expenses were RMB313.7 million, RMB205.6 million and RMB275.9 million, respectively. However, we cannot assure you that our R&D efforts can be completed in the anticipated time frame and lead to new technology that is commercially successful. Even if such efforts are successful, we may be unable to apply our newly developed technologies to our products in ways that are accepted by our customers. If we are unable to maintain or enhance our research and development capabilities, we may encounter delays in production development and technology integration. If we fail to meet changing market demands, if we fail to successfully introduce new and competitive products to the market, or if our R&D results and technologies fail to keep in line with or meet the changes in customers’ demands in a timely manner and if our competitors respond more rapidly with innovative products than we do, our competitiveness may be undermined and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to foreign currency exchange fluctuations.

During the Track Record Period, we generated significant revenue overseas, which was generally denominated in U.S. dollar and Euro. For the years ended December 31, 2023, 2024, and 2025, our revenue generated overseas amounted to RMB1,228.6 million, RMB1,435.7 million and RMB1,440.1 million, respectively, representing 23.1%, 28.7% and 26.6% of our total revenue, respectively. In addition, certain line items in our financial statements such as cash and cash equivalents and trade and bills receivables are denominated in foreign currency including U.S. dollar and Euro, subjecting us to foreign currency risk. Such mismatch could lead to fluctuations in our results of operations due to fluctuations in exchange rates.

The Renminbi has fluctuated against foreign currencies, sometimes significantly and unpredictably. The value of Renminbi against foreign currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against foreign currencies in the future. It is difficult to predict how market forces or PRC or the foreign government policies may impact the exchange rate between Renminbi and foreign currencies in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our H Shares in foreign currency. For example, to the extent that we need to convert Hong Kong dollars we receive from the [REDACTED] into Renminbi to pay our operating expenses, appreciation of Renminbi against the Hong Kong dollars would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against Hong Kong dollars may significantly reduce Hong Kong dollars equivalent of our earnings, which in turn could adversely affect the price of our H Shares.

In order to effectively hedge against and manage the risks related to foreign currency exchange, we have entered into agreements with commercial banks for trading foreign exchange derivatives. We recorded other gains on fair value changes of forward exchange agreements of a loss of RMB30.3 million, a gain of RMB0.7 million and a loss of RMB0.9 million for the years ended December 31, 2023, 2024, and 2025, respectively. However, we cannot assure you of the availability and effectiveness of our forward foreign exchange agreements and we may not be able to adequately hedge our exposure.

RISK FACTORS

We face risks associated with our international sales and operations.

We operate overseas subsidiaries in jurisdictions under different legal frameworks and government policies. Our international business exposes our business operations to a variety of risks, including unfavorable regulatory environments, political instability, currency fluctuations, taxation challenges and labor conditions, which could materially and adversely affect our business, prospects, results of operations, and financial condition. Operating in international markets requires the compliance with diverse legal, political, regulatory, and societal requirements, as well as adapting to varying economic conditions within these jurisdictions.

Moreover, international operation or its expansion demand extensive coordination across various jurisdictions and time zones, placing significant requirements on our management resources. We will be subject to numerous risks associated with international business activities that may increase costs, affect our capacity to market and sell our solutions, and require substantial managerial attention, including but not limited to:

- exposure to risks associated with changes in international, regional and local economic, trade, financial conditions;
- exposure to risks associated with changes in political, geopolitical and regulatory policies;
- exposure to different legal standards and limitation on ability to enforce contracts in some jurisdictions;
- control of foreign exchange and fluctuations in foreign exchange rate;
- developments in labor law and increase in staff cost;
- failure to negotiate the collective labor agreements on satisfactory terms with trade unions;
- restrictions or requirements relating to foreign investments;
- limitations on repatriation of earnings, including withholding and other taxes on remittances and other payments by subsidiaries;
- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations;
- exposure to risk of government enforcement actions, civil or criminal penalties, loss of business, or other adverse effects as a result of failure to comply with, or becoming targeted by, sanctions;
- exposure to tax duty and import restrictions in countries we operate in;
- additional tax duty on imported goods;
- various foreign trade regulation measures, including anti-dumping, anti-subsidy and other related restrictive measures imposed on us;
- encumbrances on our foreign assets;
- failure to protect our reputation from negative publicity against us; and
- limitation on ability of non-nationals to reside and work in such countries.

RISK FACTORS

In the event that we fail to manage these risks associated with our international sales and operations, we may experience reduced revenue, higher compliance and operational costs, and reputational damage, which could have a material adverse effect on our business, financial condition, and results of operations.

We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate, retain or recruit our staff could severely restrict our ability to maintain and grow our business.

Our future success is significantly dependent upon the continued service of our key management and other key employees, particularly in new business areas we are expanding into. Their industry experience, expertise and contributions are essential to our business operations. We will require an increasing number of experienced and competent employees in the future to implement our expansion plans. However, our various incentive initiatives may not be sufficient to retain or attract our management and employees. We may need to offer better remuneration and other benefits to attract and retain key personnel. However, we cannot assure you that we will have the resources to fully achieve our staffing needs or that our costs and expenses will not increase significantly as a result of increased talent acquisition and retention cost. Our failure to attract and retain competent personnel, and any increase in staffing costs to retain such personnel may have a negative impact on our ability to maintain our competitive position and grow our business. We may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff. If this occurs, our businesses, financial condition and results of operations may be materially and adversely affected.

Failure to obtain, maintain or renew required government permits, licenses and approvals could materially and adversely affect our business, results of operations, financial position and growth prospects.

Our operations require certain government permits, licenses, approvals and certificates. For more details of the permits, licenses, and approvals required for our operations, see “Regulatory Overview”. We cannot assure you that we will not encounter delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary permits, licenses and approvals for our operations in a timely manner, or at all. Any failures by us to obtain, renew or abide by, or encounter delays in obtaining or renewing, such approvals may result in enforcement actions against us, including suspension or termination of licenses, approvals, assurances, accreditations, permits, registrations, and certificates, orders issued by the relevant regulatory authorities causing operations to cease, fines and other penalties, and may include corrective measures requiring capital expenditure or remedial actions. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

Our businesses and operations require significant capital resources on an ongoing basis and are subject to uncertainties.

Our business and operations are capital intensive. We have been undertaking, and may undertake in the future, capital intensive projects or businesses as part of our growth strategies, which could be delayed or otherwise adversely affected by a number of risks and uncertainties, including, among other things, those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of sufficient funding, disputes with business partners, technology and equipment suppliers and other contractors, employees, and local governments and communities, natural disasters, availability of power and other energy supplies, availability of technical or human resources, adverse changes in the relationships between China and relevant foreign countries, and war or other significant adverse developments in international relations.

RISK FACTORS

There is no assurance that each project or business, either ongoing, planned or to be undertaken, will ultimately be implemented or will generate any profit. Moreover, actual costs for these projects or businesses may exceed the initial budgets due to factors such as delays, changes in scope, increases in funding costs due to foreign exchange and interest rate volatility and increases in raw material, equipment or labor costs. In addition, these projects or businesses may not be able to achieve the anticipated economic results and commercial viability due to various factors, including but not limited to adverse changes in market conditions, low capacity utilization in respect of production and manufacturing facilities, high construction and production costs and decreased demand for and prices of our products. In addition, we require significant capital resources to fund our research and development programs. If any of these projects, businesses or programs is not completed as planned, exceeds our initial budgets or time limits, or fails to achieve the anticipated economic results or commercial viability, our business, financial condition and results of operations could be materially and adversely affected.

We currently fund our operations primarily through proceeds generated from operations, bank loans, the issuance of shares as well as bonds and debt and other borrowings. There is no assurance that the proceeds generated from our existing operations will be sufficient to fund our development and expansion. The availability of external funding is subject to various factors, including governmental approvals, market conditions, credit availability, interest rates and the performance of the businesses we operate. To the extent that additional financing proves to be unavailable or unaffordable when needed for a particular investment or acquisition, we may be compelled to restructure, delay or abandon the transaction and, as a result, our business, financial condition, results of operations, growth prospects and expansion plans may be materially and adversely affected.

The discontinuation of any preferential tax treatment or government grants currently available to us or other unfavorable changes in relevant laws and regulations may adversely affect our results of operations.

We currently benefit from several preferential tax treatments. The discontinuation of any of the preferential income tax treatments that we currently enjoy could have a material adverse effect on our results of operations. We cannot assure you that we will be able to maintain or lower our current effective tax rate in the future.

Additionally, we have received various government grants, representing subsidies granted by the PRC local government authorities as incentives for our operating activities. Any delay or uncertainty in collection or the discontinuation of these governmental subsidies or the imposition of any additional taxes could adversely affect our results of operations.

We may suffer losses from our finished products stored at third-party warehouses.

During the Track Record Period, we stored some finished products at third-party warehouses designated by certain customers to satisfy their short-term procurement and production needs on a rolling basis and inventory management requirements. Such customers were mainly in NEV sector. Such finished products were generally stored at third-party warehouses at our own risk. We had limited control over the timing of product drawdowns, warehouse storage conditions, and the customers' actual taking of goods and payment schedules. In the event of damage or deterioration caused by factors beyond our control including inadequate storage management or unforeseen incidents like fire or explosion, we may suffer losses that are not compensated in a timely or adequate manner. This could adversely affect our performance and financial position.

RISK FACTORS

Delays in delivery by third-party logistics providers may affect our sales and damage our reputation.

Domestic and international third-party logistics service providers are engaged to deliver raw materials from our suppliers to us and deliver our products to our customers and they may experience interruptions or failures to timely and properly deliver products. These interruptions or failures may be due to events that are beyond the control of us or these logistics service providers, such as inclement weather, natural disasters, accidents, transportation disruptions, including special or temporary restrictions or closings of facilities or transportation networks due to regulatory or political reasons, or labor unrest or shortages. These logistics services could also be affected or interrupted by business disputes, industry consolidation, insolvency or government shutdowns. We may not be able to find alternative logistics service providers to provide logistics services in a timely and reliable manner, or at all. If we encounter delays in receiving the raw materials from our suppliers or if the products sold by us are not delivered in proper conditions, on a timely basis or at shipping rates that are commercially acceptable to marketplace participants, our business and prospects, as well as our financial condition and results of operations could be materially and adversely affected.

Work stoppage and other labor related issues may have an adverse effect on our businesses.

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

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase. If labor costs in these regions continue to increase, our production costs will increase. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our results of operations.

Future alternatives to our products and our failure to upgrade our technological capabilities in line with technological advances may materially and adversely affect our business growth, operational efficiency and reputation.

Ongoing technological progress in the PM industry such as rare earth iron-nitrogen compounds, manganese-based alloys, or other rare-earth-lean/free alternatives may become suitable for selected applications. If customers adopt these substitute materials to mitigate rare earth dependency, price volatility, and geopolitical risks, demand for our NdFeB products could decline sharply and potentially irreversibly. Failure to anticipate such shifts, invest adequately in R&D, or upgrade our technological capabilities to adapt or compete may lead to product obsolescence, lost market share, reduced operational efficiency, damaged reputation as a reliable supplier, and material adverse effects on our business growth, results of operations, and prospects.

We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position.

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical assets underpinning our competitiveness in the industry. To prevent unauthorized use of our intellectual property, we have also established a code of conduct for our employees. We enter into confidentiality agreements with our employees and any third parties who may access our proprietary information, and we rigorously control access to our proprietary technology and information. Our management above the supervisory level, core positions or core personnel in the technical and business departments have signed confidentiality agreements at the time of joining us, which are subsequently supplemented by non-compete agreements and post-employment non-competition

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agreements. Despite rigorous measures we take to protect our core technology, our intellectual property or core technology may be infringed or leaked for reasons that we have little or no control. Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for these breaches. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China or elsewhere.

In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, this litigation could result in substantial costs and a diversion of our managerial and financial resources. There can be no assurance that we will prevail in any litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors.

As a result, we may lose our competitive advantages derived from such intellectual property. Significant impairments on our intellectual property rights may result in a material and adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may be time-consuming and force us to incur legal expenses and, if determined adversely against us, may materially disrupt our business.

Our success depends on our ability to use, develop and protect our technology and know-how without infringing the intellectual property rights of third parties. We seek to protect our intellectual property rights, trade secrets and proprietary technology and processes. We maintain a combination of patent filings for our invention patents in the PRC and utility model patents. In addition, we maintain trademark registrations and patents in the PRC and may need to make filings with relevant authorities in order to maintain such trademark registrations and annual fees to maintain our authorized patents. Any failure to promptly make such filings or pay such fees may adversely affect our intellectual property rights, which may in turn have an adverse effect on our business, financial condition and operating results.

We may be unable to obtain, maintain and protect our intellectual property rights or prevent third parties from any unauthorized use of our technologies. Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We may face claims or disputes arising from third parties alleging ownership of certain intellectual property rights, trade secrets, or proprietary technologies and processes. As we continue to expand our international markets and gain greater market share, we face a higher risk of being the subject of claims for intellectual property infringement, invalidity or indemnification. Our competitors have made, and will continue to make, substantial investment in developing competing technologies, and have or may obtain patents that may prevent, limit or interfere with our ability to make, use or sell our existing or future products in China or overseas. Legal proceedings may be required to enforce our intellectual property rights, protect our trade secrets and proprietary technologies or processes, or determine the validity and scope of proprietary rights claimed by others, and our competitors and other third parties may, whether rightly or falsely, bring legal claims against us for infringing their patents, copyrights, trademarks or other intellectual property rights. Any action we may take to protect our intellectual property rights could be costly and could absorb a significant amount of our time and attention. If any of the foregoing occurs, we may be unable to execute our business plan. There is no guarantee that we can obtain favorable judgment in all legal cases. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation may also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigations. The failure to protect our intellectual property rights may have an adverse effect on our business, financial condition and operating results.

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

Our business growth and value enhancement rely on the effective execution of our business plans and business strategies, which serve as the core support for guiding resource allocation, market expansion and operational optimization. However, strategic execution is subject to multiple uncertainties, and we may face challenges in fully or effectively implementing such plans and strategies, which could have a material adverse impact on our business operations, financial condition, and results of operations. The failure to execute our business strategies effectively may stem from both internal and external factors. Internally, it may involve unreasonable resource allocation and insufficient coordination among functional departments. Externally, sudden changes in the market, adjustments to industry regulatory policies, and intensified competition from peers may all disrupt our business plans.

Therefore, in the event of the failure in executing our business plans and strategies, it could lead to a material and adverse effect on our business, financial condition and results of operations.

Our business and prospects depend on our ability to build our brand and reputation, which could be harmed by negative publicity regarding us, our Directors, employees, branding, suppliers or other third parties. Any negative publicity, whether warranted or not, could adversely affect our business and prospects.

We value and rely on our reputation to maintain and grow our business. Our customers, who are particularly in industry segments such as main drive motors, consumer electronics and industrial motors, prioritize high quality and reliable suppliers. We have built our reputation over decades through consistent quality and long-term partnerships with our customers. However, negative publicity associated with our operations could cause loss of business, divert management attention and other resources and incur litigation costs.

We conduct business with a number of counterparties, including customers, suppliers and other business partners. If any of such counterparties, or any 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, employees, branding, suppliers or other third parties, our business may be adversely affected.

In addition, any negative publicity on any form of social media or other online forums following such complaints or allegations, regardless of whether the court has ruled in our favor or otherwise, may also damage our reputation and impact customers’ perceptions of our brand. In the fast-paced online environment, such negative publicity can circulate rapidly to reach our customers, investors, and industry stakeholders, which may in turn, materially and adversely affect our business, results of operations and prospects.

We depend on information technology systems and other infrastructure that are exposed to certain risks, including technological failure, cyber security breach or other disruptions, which may adversely impact our business.

The satisfactory performance, reliability and availability of our information technology systems is critical to our business. Any technological failure, cyber security breach or other disruptions in our information technology system due to faulty interaction with systems of other industry players, power outage, software errors, system breakdown, infrastructure upgrades, viruses, unauthorized access, wear and tear, failures on the part of internet service providers or other vendors or other factors could have adverse impact on our business. Our information technology system is also subject to hacking or other cyber attacks. We cannot assure you that our current security mechanisms can successfully block and prevent all hackings or other cyberattacks. As a result, failure to meet our customers’ demand or to protect against technological disruptions of our operations or operations of our customers could materially and adversely affect our business.

RISK FACTORS

We are, and may in the future be, subject to legal and regulatory proceedings and/or investigations in the ordinary course of our business.

We are, and may in the future be, subject to legal and regulatory proceedings, arbitrations, and or investigations in the ordinary course of our business, including claims involving customers and suppliers and commercial disputes arising from our contractual arrangements with third parties.

In the ordinary course of business, claims involving customers and suppliers may be brought against us in connection with our contracts. Claims may be brought against us for back charges for alleged defective or incomplete work, liabilities for defective products, personal injuries and deaths, damage to or destruction of property, breaches of warranty, delayed payments to our suppliers, late completion or other contractual disputes. The claims and back charges may involve actual damages and contractually agreed upon liquidated sums.

We generally incorporate confidentiality provisions into our agreements with customers and we have adopted rigorous measures and internal guidelines for the protection of the confidential information of our customers. Nevertheless, the efforts that we make to protect our customers’ information may not always be sufficient or effective. Any improper handling or leakage of our customers’ information as a result of any misconduct by our employees or external factors, such as unauthorized access to our database or cyberattacks, could harm our business reputation and our customers’ confidence in us. Such failures to properly protect our customers’ confidential information may constitute a breach of law and subject us to litigations.

From time to time, we are involved in commercial disputes and contractual claims arising from our commercial arrangements with third parties. In particular, in Q2 of 2024, an Independent Third Party commenced arbitration proceedings against our Company and several others at the Singapore International Arbitration Centre, claiming outstanding payments of approximately US\$11.8 million and damages of approximately US\$33.506 million for an alleged breach of certain agreements. As of the Latest Practicable Date, the arbitration proceedings were ongoing. We have made full provisions of RMB181.0 million as of December 31, 2025 in respect of the relevant fees. See “Business — Compliance and legal proceedings — Legal proceedings” for further details.

If we are found liable on any of the claims, we would have to incur a charge against our current earnings to the extent that a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance coverage. Claims brought by us against third parties may include claims for additional costs incurred in excess of current contract provisions arising out of delays and changes in the initial scope of work. Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realized from claims brought by us could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project or other contract. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our businesses, financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects to secure contracts in the future.

Our insurance coverage strategy may not be adequate to protect us from all business risks and cover all of our potential losses.

We maintain insurance coverage to mitigate certain business risks and potential losses. We face various operational risks in connection with our businesses, including production interruptions caused by operational errors, electricity outages, the failure of equipment and other risks, operating limitations imposed by environmental or other regulatory requirements, social, political and labor unrest, environmental or industrial accidents, catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

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We may not have adequate or any insurance coverage on the abovementioned operational risks. We have insurance coverage for our plant, machinery and the inventory. We generally purchase insurance for each batch of products to be delivered to our customers. We also maintain product liability insurance. For more details of our insurance, see “Business — Insurance”. There can be no assurance that the insurance policies held by us will be sufficient to cover all business risks we encounter in our operations. We maintain endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance for our employees in China pursuant to the relevant PRC laws and regulations and in line with customary practices in the PRC.

We have established insurance policies to safeguard against risks and unexpected events. Certain kinds of losses cannot be insured at all or insured at a commercially reasonable cost, and our existing insurance policies are subject to liability limits and exclusions. We cannot assure you that we will be able to successfully claim our losses under our current insurance policies on a timely basis or our losses incurred can be compensated in a timely manner. If we incur any loss that is not covered by our insurance policies, the compensated amount is significantly less than our actual loss or the compensation is significantly delayed for factors beyond our control, our business, financial condition and results of operations could be materially and adversely affected. In the event of a successful product liability claim against us, we will be liable for damages and may be ordered to suspend or cease production by the relevant government authorities. This may result in negative publicity and our reputation may be adversely affected, which could lead to a reduction in sales, cancelation of major contracts or cessation of our business. Any claims by consumers, our employees or the government relating to our rare earth permanent magnet products could have a material adverse effect on our reputation with existing and potential customers and on our business, results of operations and financial position.

We may grant share incentives, which may result in increased share-based payment expenses relating to employees.

We have implemented employee shareholding plans to provide incentives to eligible participants, including Directors, senior management and core employees. According to these plans, employees may acquire our shares (treasury shares) at discount to their trading price. We recognize equity-settled share-based payment expenses in connection with these plans. Such expenses have been and may continue to be incurred, increasing our operating expenses. For the years ended December 31, 2023, 2024, and 2025, our share-based payment expenses relating to employees were RMB44.8 million, RMB17.6 million and RMB10.5 million, respectively. To the extent we implement additional employee shareholding plans in the future, we may incur further share-based payment expenses. These expenses could have a material and adverse effect on our financial conditions and results of operations.

Non-compliance with relevant regulations regarding the social insurance fund and/or housing provident fund may result in penalties and have an adverse impact on our business, financial condition, results of operations and prospects.

During the Track Record Period and up to the Latest Practicable Date, 11 subsidiaries of our Group did not open social insurance and housing provident fund accounts as they did not actually employ any employees. See “Business — Employees — Social insurance and housing provident fund contributions” for further details. According to the applicable PRC laws and regulations, the relevant authorities may order us to rectify within a prescribed period. Failure to comply with such rectification order may result in an administrative fine ranging from RMB10,000 to RMB50,000. See “Regulatory Overview — Laws and regulations in relation to employment and social welfare — Social insurance and housing provident fund” for further details. However, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not impose penalties on us. As a result, our financial condition and results of operations and prospects could be affected.

RISK FACTORS

Failure to obtain building ownership certificates for certain of our self-used buildings may affect our business, financial condition and results of operations.

As of December 31, 2025, we occupied buildings in China with a total GFA of approximately 662,598 sq.m. As of the Latest Practicable Date, we had not obtained the building ownership certificates for buildings with a GFA of approximately 18,370 sq.m. primarily because the full planning application, construction approval and filing procedures were not completed prior to construction. These buildings constitute illegally constructed buildings, which prevented completion of the subsequent application for building ownership certificates.

The buildings without ownership certificates carry the risk of being identified as illegal constructions, which may lead to orders for demolition and imposition of penalties. In addition, seven of these buildings without ownership certificates have been leased to third parties, and the relevant lease agreements may be deemed invalid, which could result in disputes or other adverse consequences. See “Business — Properties” for further details. While we have not yet received any demolition or penalty orders, the lack of ownership certificates for these buildings exposes us to potential enforcement actions, including fines, forced relocation, or lease invalidation for the affected properties. As a result, our business, financial condition and results of operation could be affected.

We may face penalties for the non-registration of our lease agreements in China.

As of December 31, 2025, we leased one property in China for our production facilities and entered into a lease agreement. In addition, we leased out 17 properties to third parties and entered into lease agreements with those tenants. As of the Latest Practicable Date, seven of those we leased out to third parties in China have not been registered with the relevant PRC housing administration authorities. Although the failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties, it could result in the imposition of the fines ranging from RMB1,000 to RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. See “Business — Properties” for further details. As of the Latest Practicable Date, we had not been ordered by any PRC government authorities to register the relevant leases. However, if we are fined by relevant government authorities for our failure to complete the lease registration within the time limit, we may be unable to require the other parties to reimburse us and our financial condition and results of operations may be adversely affected.

Our business operations are subject to risks relating to potential accidents arising from our operations and failure to comply with safety measures and procedures. For instance, our workers may be subject to risks of serious injury caused by the use of machinery, production equipment or tools.

We rely on our production machinery and equipment to achieve mass production. Any mechanical failure or breakdown may materially disrupt our production and cause us to incur additional costs to repair or replace the affected systems. We cannot assure you that our production facilities will be foolproof, or that we will be able to address such problems or obtain replacements in a timely manner. Problems with key production facilities at one or more of our plants may affect our ability to produce our products or cause us to incur significant expense. For certain damage, facilities may need to be transported to the original supplier for repair, which may take several months. Furthermore, our workers may be subject to risks of serious injury caused by the use of machinery or equipment. The operation of our production facilities also depends on stable and continuous supply of utilities such as electricity. Any disruption to electricity supply may disrupt our production or cause deterioration or loss of our inventories or products. We cannot predict whether the government will continue to impose such restrictions. If power outages deteriorate or restrictions continue, our business, financial condition, and results of operations may be materially and adversely affected.

RISK FACTORS

We are subject to various environmental, occupational health and safety laws and regulations, which may result in potential costs for compliance, as well as monetary damages, fines, liabilities, and reputational harm in the event of non-compliance.

We are subject to stringent environmental, occupational health and safety laws and regulations and may incur substantial costs in complying with such laws and regulations and resolving relevant risks.

Our production generates sewage and other industrial waste at different stages of the production process. As a result, our operations are subject to various environmental, occupational health and safety laws and regulations. The environmental, occupational health and safety laws and regulations impose stringent standards on our production operations, which cover aspects such as our handling and disposal of waste and emission of sewage, regular safety inspections and maintenance of production machinery, mandates for providing personal protective equipment. If we fail to comply with any of the regulations or to satisfy any of the conditions required for the maintenance of our licenses and certificates, such licenses and certificates could be temporarily suspended or revoked upon renewal or delayed for renewal upon expiry of their original terms. This could materially and adversely affect our business, financial condition and results of operations. Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may cost substantial financial and other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations.

Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, termination of government contracts or suspension of their operations. Such events could impact on our results of operations, financial condition and reputation, all of which could adversely affect our ability to stay profitable and attract new customers.

In addition, the environmental, chemical manufacturing, health and safety laws and regulations, administrative adjudications and court decisions in China and other jurisdictions which we are subject to continue to evolve, which may lead to stricter standards and enforcement trends, increased fines and penalties for non-compliance and remedial measures, as well as increased liability exposure for us and our officers, directors and employees. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures, costs that may not be able to be passed on to our customers, or other obligations or liabilities, which could decrease our capital and our ability to pursue developments in other areas.

Shutdown of our operations to curtail pollution may also be ordered by authorities and such actions will result in unexpected business interruptions or suspension of our operations at our production facilities and may lead to significant financial and reputational loss if we cannot find suitable alternatives to fulfill orders in time. It could result in material and adverse impact on our business, financial condition and results of operations.

There can be no assurance that we will be able to comply with the relevant environmental, occupational health and safety laws or able to maintain or renew our existing licenses and certificates or obtain future licenses and certificates required for our continued operations on a timely basis or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary licenses or certificates, our qualification to conduct our various businesses may be adversely affected, which may adversely affect our business, financial condition and results of operations.

RISK FACTORS

We face risks related to health epidemics, natural disaster, terrorist activities, political unrest, financial or economic crisis and other force majeure events, which could significantly disrupt our operations.

Outbreaks of health epidemics or pandemics could affect our business, financial condition, results of operations, prospects, and cash flows through mobility restrictions, disrupted operations, reduced economic activity, and increased costs. Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the countries and regions where we have operations could materially disrupt our business and operations. Such events could also significantly affect our industries and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material and adverse effect on our business, results of operations, financial conditions and prospects.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition and results of operations. With a deteriorating worldwide economy, consumer spendings and consumption of non-essential items may diminish, which in turn will affect the demand for our sales. It is unclear whether these challenges will be contained and what effects they each may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the economies where we operate our businesses, include China. To the extent any fluctuations in the global economy significantly and adversely affect consumers’ demand for our solutions, our business, results of operations, financial conditions and prospects may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS IN WHICH WE OPERATE

Changes in the economic, political and legal conditions, as well as the interpretation and implementation of relevant laws, regulations and government policies, may affect our business, prospects, results of operations, financial condition, and cash flows.

The Chinese economy differs from the economies of most developed countries in many respects, including the structure of the economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources. The Chinese economy has been undergoing transformation.

For the past four decades, the PRC government has implemented economic reform measures to emphasize the utilization of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, we cannot predict whether changes in China’s political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition and results of operations.

We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Moreover, even if macroeconomic measures and monetary policies adopted by the PRC Government are effective in improving economic growth, such measures could materially and adversely affect us if they reduce demand for our products.

RISK FACTORS

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures for 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”) along with five relevant guidelines, which became effective on March 31, 2023. The Trial Measures require, among others, that PRC domestic companies that seek to initially offer and list securities in overseas markets, either directly or indirectly, shall file the required documents with the CSRC within three business days after its application for overseas listing is submitted. We will file with CSRC within a specific time limit as required by the Trial Measures. However, we cannot assure you that we could complete such filing in a timely manner or at all, the failure of which may restrict our ability to complete the proposed [REDACTED] and have a material and adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

On February 24, 2023, the CSRC, the Ministry of Finance of the PRC, 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. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, prospects, results of operations, financial condition, and cash flows. See “Regulatory Overview — Laws and regulations in relation to overseas securities offering and listing by domestic enterprises” for further details.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this [REDACTED] or our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the [REDACTED] from the [REDACTED] into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

Changes in international trade policies and relationships between the PRC and other countries, may adversely impact our business and operating results.

Unfavorable government policies related to international trade, including capital controls or tariffs, or adverse shifts in diplomatic relations between China and foreign countries or regions, have the potential to impact the sales of our solutions, in international markets. These factors may also affect our ability to recruit engineers and other R&D personnel and influence the import or export of raw materials essential to our international expansion efforts. The implementation of new tariffs,

RISK FACTORS

changes in legislation and regulations, or the renegotiation of existing trade agreements could result in a material adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

We are subject to the currency exchange regulatory system.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Therefore, shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations.

Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the [REDACTED], do not require prior approval from SAFE, but we are required to comply with certain procedural requirements regarding such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to carry out such foreign exchange business and other procedural requirements. Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we could not rule out the possibility that the PRC government may, at its own discretion, take measures to restrict relevant foreign exchange policies regarding payment of dividends in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our business, prospects, results of operations, financial condition, and cash flows.

Holders of H Shares may be subject to PRC income taxes.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to taxes with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments.

Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if we know the identity of the individual shareholder and the tax rate applicable thereto. There is uncertainty as to whether gains realized upon disposition of Shares [REDACTED] on an overseas stock exchange by non-PRC individuals are subject to PRC individual income tax.

RISK FACTORS

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to PRC enterprise income tax at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents. Taxes may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise [REDACTED] of our H Shares (including [REDACTED]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to verification by PRC tax authorities.

There remain significant uncertainties as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax on gains derived by holders of our H Shares from their disposition of our H Shares on the overseas stock exchange may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

While this may also apply to other jurisdictions, there might be difficulties in affecting service of legal process, enforcing foreign judgments against us or our Directors and senior management in the PRC.

Most of our assets are in China. All of our executive Directors and senior management reside in China. Therefore, there is no assurance that you will be able to effect service of process within Hong Kong or elsewhere outside of China upon us or our management.

On July 14, 2006, the Supreme People’s Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”). Under such Arrangement, where any designated people’s court of the PRC or any designated 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 in writing by the parties, any party concerned may apply to the relevant people’s court of the PRC or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. It may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

On January 18, 2019, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”). The New Arrangement seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between the two places.

The New Arrangement will be implemented by local legislation in Hong Kong. It will take effect after both China and Hong Kong have completed the necessary procedures to enable implementation and will apply to judgments made on or after the commencement date. The Arrangement will be abolished upon the effectiveness of the New Arrangement.

RISK FACTORS

However, it is unclear as to when the implementation of the New Arrangement in both places will be completed. To the extent that the Arrangement is still in force, it remains difficult or impossible for [REDACTED] to enforce a Hong Kong court judgment against our assets or our Directors or senior management who reside in China.

Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. Hence, recognition and enforcement in China of a court judgment obtained in any of these jurisdictions in relation to matters that are not subject to a binding arbitration provision may be difficult or impossible.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to PRC and Hong Kong [REDACTED] and regulatory requirements.

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

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

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

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

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

RISK FACTORS

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

Prior to the [REDACTED], no [REDACTED] for the H Shares existed. We cannot assure you that a [REDACTED] for our H Shares with adequate liquidity will develop and be sustained following the completion of [REDACTED]. The initial [REDACTED] for our H Shares to the public will be the result of negotiations, and the [REDACTED] may differ significantly from the [REDACTED] of the H Shares following the [REDACTED].

We have applied to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the H Shares (including any H Shares which may be issued pursuant to the exercise of the [REDACTED]). However, the [REDACTED] on the Stock Exchange does not guarantee that an active and liquid [REDACTED] market for our H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of the H Shares will not decline following the [REDACTED]. If an active [REDACTED] for our H Shares does not develop following the completion of the [REDACTED], the [REDACTED] and liquidity of our H Shares could be materially and adversely affected.

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

The [REDACTED] and [REDACTED] of our H Shares may be highly volatile and could fluctuate widely in response to factors beyond our control. Factors impacting the [REDACTED] and [REDACTED] of our H Shares include, but are not limited to, actual or anticipated fluctuations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, potential strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, fluctuations in the selling prices and demand for our products, public perception or negative news about our products, unexpected business disruptions resulting from natural disasters or power shortages, our inability to obtain or maintain regulatory approval for our operations, litigation, government investigation or other legal or regulatory proceeding, or political, economic, financial and social developments in China, Hong Kong and elsewhere in the world. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially adversely affect the [REDACTED] of our H Shares. Moreover, shares of other companies [REDACTED] on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in [REDACTED] not directly related to our performance.

Potential [REDACTED] will experience immediate and substantial dilution and may experience further dilution in the future.

The [REDACTED] of the H Shares is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, [REDACTED] of our H Shares in the [REDACTED] will experience a substantial immediate dilution. There can be no assurance that if we were to immediately liquidate after the [REDACTED], any assets will be distributed to Shareholders after the creditors’ claims. To expand our business, we may consider [REDACTED] and [REDACTED] additional H Shares in the future. [REDACTED] of the H Shares may experience dilution in the net tangible asset value per H Share of their H Shares if we [REDACTED] additional H Shares in the future at a [REDACTED] which is lower than the net tangible asset value per H Share at that time.

RISK FACTORS

Actual or perceived sale or availability for sale of substantial amounts of our Shares could adversely affect the [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the [REDACTED] of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. Certain amounts of the Shares controlled by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which our Shares are [REDACTED] on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares, we cannot assure you that they will not dispose of any Shares they may own now or in the future. In addition, certain existing Shareholders of our Shares are not subject to lock-up agreements. [REDACTED] of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [REDACTED] of our Shares.

Certain facts, forecasts and statistics obtained from official government sources in this document may not be fully reliable.

Certain facts, statistics and data contained in this document in and outside China have been derived from various official government publications. Nevertheless, the information from official government sources has not been independently verified by us or any other party involved in the [REDACTED] and no representation is given as to its accuracy. We cannot guarantee that it is presented or compiled on the same basis, with the same level of accuracy, or in a manner consistent with similar statistics elsewhere. The information may also be incomplete or outdated. You should therefore not place undue reliance on such information.

Our historical dividends may not be indicative of our future dividend policy, and there is no assurance whether and when we will declare and pay dividends in the future, which is subject to restrictions under PRC law.

We declared and paid dividends during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. See “Financial Information — Dividends and dividend policy” for details of our distribution of dividends during the Track Record Period and the relevant laws and regulations regarding declaration and payment of dividends of our Company. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRSs. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRSs. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations. 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, and there can be no assurance whether and when we will pay dividends in the future.

RISK FACTORS

The interests of our Controlling Shareholder Group may not be aligned with the interests of our other Shareholders.

Immediately following completion of the [REDACTED] and assuming the [REDACTED] is not exercised, our Controlling Shareholder Group will hold approximately [REDACTED]% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares in the course of a sale of our Company and might reduce the [REDACTED] of our H Shares. The aforementioned potential events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholder Group may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder Group may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Forward-looking statements contained in this document are subject to risks and uncertainties, which may not represent our overall performance for periods of time to which such statements relate.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and the negative forms of these terms and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and [REDACTED] should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Hong Kong Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

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

Prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [REDACTED], there may have been or may be press and media coverage regarding us, our business, our industry and the [REDACTED]. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We do not have sufficient control over the press and media coverage, and analysts might issue negative views or recommendations on us, which could have an adverse effect on the [REDACTED] of H Shares. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

RISK FACTORS

with the contents of this document, we expressly disclaim responsibility for them. Accordingly, prospective [REDACTED] should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to [REDACTED] in our [REDACTED]. By applying to [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this document, the [REDACTED], and any formal announcements made by us in Hong Kong in relation to our [REDACTED].

WAIVERS AND EXEMPTIONS

In preparation for the [REDACTED], our Company has applied for the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules and the Companies (WUMP) Ordinance:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 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.

Since the business operations of our Group are managed and conducted outside of Hong Kong, and our executive Directors ordinarily reside outside Hong Kong, we consider it practicably difficult and commercially unreasonable for us to arrange two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of the executive Directors to Hong Kong or appointment of additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 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 Rules 8.12 and 19A.15 of the Listing Rules, provided that our Company implements the following arrangements:

- (a) we have appointed Mr. Zhu Xiaodong (竺曉東) (our executive Director) and Mr. Zhao Jiakai (趙佳凱) (“**Mr. Zhao**”) (our joint company secretary) as our authorized representatives pursuant to Rule 3.05 of the Listing Rules. The authorized representatives will act as our Company’s principal channel of communication with the Stock Exchange. The authorized representatives will be readily contactable by phone and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;
- (b) when the Stock Exchange wishes to contact our Directors on any matter, each of the authorized representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly as and when required, including means to communicate with our Directors when they are traveling. Our Company will also inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives in accordance with the Listing Rules. We have provided the contact details of each Director (such as mobile phone numbers, office phone numbers (if any), email addresses and fax numbers (if any)) to each of the authorized representatives and the Stock Exchange;
- (c) we confirm and will ensure that all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange;
- (d) we have appointed Maxa Capital Limited as our compliance advisor upon [REDACTED] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [REDACTED] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED]. Our compliance advisor will serve as the additional channel of communication with the Stock Exchange when the authorized representatives are not available and will have access at all times to our authorized representatives, our Directors and our senior management as prescribed by Rule 3A.23 of the Listing Rules; and
- (e) meetings between the Stock Exchange and our Directors can be arranged through our authorized representatives or our compliance advisor, or directly with our Directors within a reasonable time frame.

WAIVERS AND EXEMPTIONS

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

Pursuant to the Guide for New Listing Applicants issued by the Stock Exchange (the “**Guide**”), the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

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

Further, pursuant to the Guide, such waiver, if granted, will be for a three-year period (the “**Waiver Period**”) and on the following conditions:

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

Our Company has appointed Mr. Zhao, our senior management, as one of our joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Mr. Wong Keith Shing Cheung (王承鐸) (“**Mr. Wong**”), a member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other

WAIVERS AND EXEMPTIONS

joint company secretary and to provide assistance to Mr. Zhao for an initial period of three years from the [REDACTED] to enable Mr. Zhao to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Given Mr. Wong’s professional qualification and experience, he will be able to explain to both Mr. Zhao and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Mr. Wong will also assist Mr. Zhao in organizing Board meetings and Shareholders’ meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Mr. Zhao is expected to work closely with Mr. Wong and will maintain regular contact with Mr. Wong. In addition, Mr. Zhao will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance his knowledge of the Listing Rules during the three-year period from the [REDACTED]. He will also be assisted by our compliance advisor and our legal advisors as to the Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Mr. Zhao does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Zhao as a joint company secretary of our Company. The waiver is valid for an initial period of three years from the [REDACTED] on the conditions that (a) Mr. Zhao must be assisted by Mr. Wong who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules; and (b) the waiver will be revoked immediately if and when Mr. Wong ceases to provide assistance to Mr. Zhao as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

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

EXEMPTION IN RESPECT OF DISCLOSURE OF DIRECTORS’ RESIDENTIAL ADDRESSES

Paragraph 6 of the Third Schedule to the Companies (WUMP) Ordinance requires this document to include the addresses of the directors and paragraph 45 of the Third Schedule to the Companies (WUMP) Ordinance provides that such address means the place of usual residence of the directors.

We have applied for, and the SFC [has granted] us, a certificate of exemption under section 342A of the Companies (WUMP) Ordinance from strict compliance with paragraph 6 of the Third Schedule to the Companies (WUMP) Ordinance in respect of the disclosure of the residential addresses of Mr. Zhu Xiaodong (竺曉東), Mr. Zhu Shidong (朱世東), Ms. Zhang Yingchun (張迎春), Mr. Wang Haiguo (王海國) and Mr. Zhu Limin (朱利民) (the “**Relevant Directors**”) on the ground that such disclosure would be inappropriate having considered the following factors:

(a) Unnecessary attention and real risks to the Relevant Directors

Given the [REDACTED] would likely attract considerable media and public attention in light of our market position in the NdFeB permanent magnet industry and the broader rare earth supply chain, it is reasonable for our Company to believe that the disclosure of the residential addresses of the Relevant Directors may expose the Relevant Directors and their families to unnecessary attention, disturbance and personal safety risks, in particular considering the geopolitical landscape for rare earth related matters.

WAIVERS AND EXEMPTIONS

(b) Risks to our business operations

Public disclosure of the Relevant Directors’ residential addresses may also distract or deter the Relevant Directors from effectively managing our business and/or our Board affairs. If the Relevant Directors become susceptible to actual or perceived attacks to themselves and their families by virtue of the disclosure, their ability to focus on their duties and make sound decisions for our Group may be affected. Meanwhile, it may facilitate the potential theft or fraud of confidential information or other malicious activities against the Relevant Directors, causing financial losses, reputational damage or legal disputes to the Relevant Directors and our Group.

(c) Minimal impact on [REDACTED] public

The addresses of our head office and principal place of business as well as the business addresses of the Relevant Directors have been disclosed in this document, such that the communicability and accountability of the Relevant Directors is not compromised. All other material information in relation to the Relevant Directors as required to be disclosed under the Listing Rules and the Third Schedule to the Companies (WUMP) Ordinance, including their names, ages, working experiences, academic backgrounds and qualifications, have been properly disclosed in this document. Given our business and financial performance as set out in this document as well as our disclosure track record, the non-disclosure of the residential addresses of the Relevant Directors would have minimal impact on the decision of the potential [REDACTED] to [REDACTED] in the H Share of our Company, would not interfere with the provision of information to [REDACTED] to make an informed assessment of the Relevant Directors’ character, experience and integrity acting as a director of a H-share [REDACTED], and would not prejudice the interests of the [REDACTED] public or affect their ability to make informed [REDACTED] decisions. On the contrary, the Relevant Directors include key figures to our business, and any coercion, harassment or other actual or potential security threats that may be incurred as a result of the public disclosure of their personal addresses, or damage to our reputation or disruption of our operations, could have a material adverse effect on our business, financial position and results of operations, thereby exposing the Shareholders to the risk of substantial loss of their [REDACTED].

The exemption [is granted] by the SFC on the conditions that (i) the business addresses of the Relevant Directors are disclosed in this document; (ii) the particulars of the exemption are disclosed in this document, and (iii) this document is issued on or before [REDACTED].

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTION

As stated in “Connected Transactions,” our Group engages in and is expected to continue to conduct certain transactions which will constitute a partially-exempt continuing connected transaction of our Company under the Listing Rules upon the [REDACTED]. The Directors consider that strict compliance with the announcement requirements of the Listing Rules would be unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, our Company has applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules in respect of such partially-exempt continuing connected transaction upon the [REDACTED]. For details, see “Connected Transactions.”

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WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVERS AND EXEMPTIONS

[REDACTED]

WAIVER AND EXEMPTION IN RELATION TO THE 2025 EMPLOYEE SHARE OWNERSHIP PLAN

Rule 17.02(1)(b) of the Listing Rules requires a [REDACTED] applicant to, *inter alia*, disclose in this Document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options.

Paragraph 27 of Appendix D1A to the Listing Rules requires a listing applicant to disclose, *inter alia*, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (WUMP) Ordinance, the document must state the matters specified in Part I of the Third Schedule.

WAIVERS AND EXEMPTIONS

Under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the document.

The maximum number of A Shares that can be granted under the 2025 Employee Share Ownership Plan is 11,796,300 A Shares. As of the Latest Practicable Date, our Company had granted A Shares under the 2025 Employee Share Ownership Plan to 295 participants (the “**Grantee(s)**”) for an aggregate of 10,835,800 A Shares, among which 1,740,000 A Shares were granted to four Directors, namely, Mr. Zhu Xiaodong, Mr. Zhu Shidong, Ms. Zhang Yingchun and Mr. Wang Haiguo, and two senior management of our Group, namely, Mr. Zhao Jiakai and Mr. Zhao Yuliang, 9,095,800 A Shares were granted to 289 other employees of our Group, who are not Directors, members of senior management, consultants or connected persons of our Company.

The A Shares underlying the 2025 Employee Share Ownership Plan represent approximately [REDACTED]% of the total number of Shares in issue (including treasury shares) immediately after completion of the [REDACTED], assuming there are no other changes to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED], and that the [REDACTED] is not exercised.

No awards under the 2025 Employee Share Ownership Plan will be further granted after the [REDACTED]. For more details of the 2025 Employee Share Ownership Plan, see “Statutory and General information — Employee Share Ownership Plans — 2025 Employee Share Ownership Plan” in Appendix VI to this document.

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules; and (ii) the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance pursuant to section 342A of the Companies (WUMP) Ordinance in connection with the disclosure of certain details relating to the 2025 Employee Share Ownership Plan and the Grantees on the ground that full compliance with such disclosure requirements would be unduly burdensome for our Company and the waiver and the exemption would not prejudice the interest of the [REDACTED] public for the following reasons:

- a) given that 295 Grantees are involved, our Directors consider that it would be unduly burdensome to disclose full details of all the A Shares granted by us in this document, which would involve a substantial number of pages of content to be inserted into this document, significantly increasing the cost and timing for information compilation and document, preparation;
- b) the key information of the 2025 Employee Share Ownership Plan will be disclosed in this document, including (i) a summary of the terms of the 2025 Employee Share Ownership Plan; (ii) the aggregate number of the A Shares under the 2025 Employee Share Ownership Plan and the percentage of our A Shares of which such number represents; (iii) the potential dilution effect (if any) on shareholdings immediately following completion of the [REDACTED]; (iv) the details of the A Shares granted under the 2025 Employee Share Ownership Plan including grant prices, grant dates, vesting periods and the percentage of our Company’s total issued share capital represented upon completion of the [REDACTED];
- c) the grant and exercise in full of the A Shares under the 2025 Employee Share Ownership Plan will not cause any material adverse impact to the financial position of our Group; and

WAIVERS AND EXEMPTIONS

- d) the lack of full compliance with the disclosure requirements set out above will not prevent potential [REDACTED] from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interests of any potential [REDACTED].

In light of the above, our Directors believe that the grant of the waiver and exemption sought under this application and the non-disclosure of the required information will not hinder potential [REDACTED] from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the public [REDACTED].

The Stock Exchange [has granted] to us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules with respect to the awards granted under the 2025 Employee Share Ownership Plan subject to the conditions that:

- a) the grant of a certificate of exemption from strict compliance with the relevant Companies (WUMP) Ordinance requirements by the SFC;
- b) on an individual basis, full details of the A Shares granted to each of the Directors, senior management and connected persons (if any) of our Company which include all the particulars required under Rule 17.02(1)(b) of the Listing Rules are disclosed in this document on an individual basis. In addition, with respect to the A Shares granted to persons other than connected persons, disclosure are made in the document on an aggregate basis, and details including the aggregate number of such Grantees and the number of A Shares subject to the 2025 Employee Share Ownership Plan, the consideration paid for the grant of the A Shares, the grant dates and vesting period of the A Shares granted, the percentage of our Company’s total issued share capital represented by such A Shares granted upon completion of the [REDACTED], will be disclosed in this document;
- c) the aggregate number of A Shares granted and the percentage of our Company’s total issued share capital immediately following completion of the [REDACTED] have been disclosed in the document;
- d) a summary of the principal terms of the 2025 Employee Share Ownership Plan has been disclosed in “Statutory and General information — Employee Share Ownership Plans — 2025 Employee Share Ownership Plan” in Appendix VI to the document.
- e) the particulars of this waiver are set out in this document; and
- f) a full list of all the Grantees who had been granted A Shares under the 2025 Employee Share Ownership Plan, containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix VII to this document.

The SFC [has granted us] a certificate of exemption under section 342A of the Companies (WUMP) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (WUMP) Ordinance, subject to the conditions that:

- a) on an individual basis, full details of the A Shares granted to each of the Directors, senior management and connected persons (if any) of our Company which include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance are disclosed in this document on an individual basis. In addition, with respect to the A Shares granted to persons other than connected persons, disclosure are made in this document on an aggregate basis, and details including the aggregate number of such Grantees and the number of A Shares subject to the 2025 Employee Share

WAIVERS AND EXEMPTIONS

Ownership Plan, the consideration paid for the grant of the A Shares, the grant dates and vesting period of the A Shares granted, the percentage of our Company’s total issued share capital represented by such A Shares granted upon completion of the [REDACTED], will be disclosed in the document;

- b) a full list of all the Grantees who had been granted A Shares under the 2025 Employee Share Ownership Plan, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance be made available for public inspection in accordance with “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix VII to this document; and
- c) the particulars of the exemption be set out in this document.

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. ZHU Xiaodong (竺曉東)	No.1 Yangfan Road Gaoxin District Ningbo City Zhejiang Province PRC	Chinese
Mr. ZHU Shidong (朱世東)	No.1 Yangfan Road Gaoxin District Ningbo City Zhejiang Province PRC	Chinese
Ms. ZHANG Yingchun (張迎春)	No.1 Yangfan Road Gaoxin District Ningbo City Zhejiang Province PRC	Chinese
Mr. WANG Haiguo (王海國)	No.1 Yangfan Road Gaoxin District Ningbo City Zhejiang Province PRC	Chinese
Non-executive Director		
Mr. ZHU Limin (朱利民)	No.1 Yangfan Road Gaoxin District Ningbo City Zhejiang Province PRC	Chinese
Independent non-executive Directors		
Mr. WANG Jian (王健)	Unit 16–104 Yicheng East Garden Haidian District Beijing PRC	Chinese
Mr. YE Yuanhua (葉元華)	Room 306, Building 10 Gangdu Mingzhai Xiaogang Street Beilun District Ningbo City Zhejiang Province PRC	Chinese

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DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
Mr. CHEN Lingguo (陳靈國)	Room 101, No. 19 Lane 195, Baiyang Street Haishu District Ningbo City Zhejiang Province PRC	Chinese
Mr. WONG Wai Leung (黃偉亮)	Flat 27D, Tower 1 Park Towers 1 King's Road Tin Hau Hong Kong	Chinese (Hong Kong)

For the biographies and other relevant information of our Directors, please see “Directors and Senior Management” in this document.

PARTIES INVOLVED IN THE [REDACTED]

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

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisors to our Company

As to Hong Kong laws:

**Eric Chow & Co. in Association with
Commerce & Finance Law Offices**
3401, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC laws:

Grandway Law Offices
7/F Beijing News Plaza
No.26 Jiangguomennei Dajie
Beijing
PRC

**Legal Advisors to the Sole Sponsor
and [REDACTED]**

As to Hong Kong laws:

Jingtian & Gongcheng LLP
Suites 3203–3209
32/F, Edinburgh Tower, The Landmark
15 Queen’s Road Central
Hong Kong

As to PRC laws:

Beijing DeHeng Law Offices
12/F, Tower B, Focus Place
19 Finance Street
Xicheng District
Beijing, PRC

Auditors and Reporting Accountants

Ernst & Young
*Certified Public Accountants and
Registered Public Interest Entity Auditor
under the Accounting and Financial Reporting
Council Ordinance*
27/F, One Taikoo Place
979 King’s Road
Quarry Bay
Hong Kong

Industry Consultant

China Insights Industry Consultancy Limited
10F, Block B
Jing’an International Center
88 Puji Road, Jing’an District
Shanghai City
PRC

**Compliance Advisor
[REDACTED]**

Maxa Capital Limited
[REDACTED]

CORPORATE INFORMATION

Registered Office	No. 348 Min'an Road Yinzhou District, Ningbo City Zhejiang Province PRC
Headquarters and Principal Place of Business in the PRC	No.1 Yangfan Road Gaoxin District, Ningbo City Zhejiang Province PRC
Principal Place of Business in Hong Kong	Room 1912, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
Company's Website	<u>www.yunsheng.com</u> <i>(Information contained on this website does not form part of this document)</i>
Joint Company Secretaries	Mr. Zhao Jiakai (趙佳凱) No.1 Yangfan Road, Gaoxin District, Ningbo City, Zhejiang Province, PRC Mr. Wong Keith Shing Cheung (王承鐸) <i>(Chartered Secretary, Chartered Governance Professional, an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom, and a fellow of the Hong Kong Institute of Certified Public Accountants)</i> Room 1912, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
Authorized Representatives	Mr. Zhu Xiaodong (竺曉東) No.1 Yangfan Road Gaoxin District Ningbo City Zhejiang Province PRC Mr. Zhao Jiakai (趙佳凱) No.1 Yangfan Road, Gaoxin District, Ningbo City, Zhejiang Province, PRC
Audit Committee	Mr. Chen Lingguo (陳靈國) (Chairperson) Mr. Wang Jian (王健) Mr. Ye Yuanhua (葉元華)

CORPORATE INFORMATION

Remuneration and Appraisal Committee	Mr. Ye Yuanhua (葉元華) (<i>Chairperson</i>) Ms. Zhang Yingchun (張迎春) Mr. Chen Lingguo (陳靈國)
Nomination Committee	Mr. Wang Jian (王健) (<i>Chairperson</i>) Ms. Zhang Yingchun (張迎春) Mr. Ye Yuanhua (葉元華)
Strategy Committee	Mr. Zhu Xiaodong (竺曉東) (<i>Chairperson</i>) Mr. Zhu Shidong (朱世東) Mr. Wang Jian (王健)
[REDACTED]	[REDACTED]
Principal Banks	Bank of China, Yinzhou Branch No. 8, Shounan West Road Yinzhou District, Ningbo City Zhejiang Province PRC Agricultural Bank of China, Ningbo Branch No. 88, Caihong North Road Jiangdong District, Ningbo City Zhejiang Province PRC Bank of Communications, Yinzhou Branch No. 455, Haiyan North Road Yinzhou District, Ningbo City Zhejiang Province PRC

INDUSTRY OVERVIEW

This section and elsewhere in this document contain certain information, statistics and data which are derived from various official government publications and other publicly available publications, and a report commissioned by us and prepared by our industry consultant, CIC. We believe that the sources of the information in this section and elsewhere in this document are appropriate sources for such information and have taken reasonable care in selecting and identifying such information sources, compiling, extracting and reproducing such information, and ensuring no material omission of such information. We have no reason to believe that such information is false in any material respect or misleading or that any fact has been omitted that would render such information false or misleading. The information, statistics and data from official government sources have not been independently verified by us, the [Sole] Sponsor, the [REDACTED], the [REDACTED], any of our or their respective directors, officers, employees, advisors or agents or any other party (other than CIC) involved in the [REDACTED], and no representation is given as to their accuracy, reliability or completeness.

OVERVIEW OF THE GLOBAL RARE EARTH RESOURCES

Rare earths, which comprise a group of 17 metallic elements including scandium, yttrium and the lanthanide series, are characterized by similar properties such as high reactivity, strong magnetic and luminescent behavior, and electrical conductivity, and can be classified into light and heavy rare earths, with light rare earths, ranging from lanthanum (atomic number 57) to europium (atomic number 63), being more abundant and more concentratively distributed in major deposits than heavy rare earths. According to USGS, global rare earth proven reserves and production amounted to 92.2 million tons and 389.3 thousand tons, respectively, in 2025, of which China accounted for 47.7% and 69.4%, respectively. Supported by its large resource base, mature refining and separation capabilities, China occupies a dominant position in the global rare earth supply landscape.

OVERVIEW OF THE GLOBAL NDFEB PERMANENT MAGNET INDUSTRY

Definition and categorization of NdFeB PM

Rare earth functional materials are produced by incorporating rare earths into functional material systems to enhance magnetic, optical and electrical properties, and are commonly classified into rare earth permanent magnets, rare earth catalytic materials, rare earth luminescent materials, rare earth hydrogen storage materials, and rare earth polishing materials. Rare earth permanent magnets are high-performance magnetic materials based on rare earth-transition metal intermetallic compounds and are mainly classified into NdFeB PMs and SmCo permanent magnets. Among them, NdFeB PMs have become the more mainstream ones due to their lower production cost and better processing performance.

NdFeB PMs are intermetallic compounds composed of neodymium, iron, and boron, and can be categorized into sintered NdFeB PMs, bonded NdFeB PMs and hot-pressed NdFeB PMs. Sintered NdFeB PMs are produced through powder metallurgy, involving pressing and high-temperature sintering. Bonded NdFeB PMs are manufactured by mixing magnetic powders with polymer binders and forming them through compression or injection molding. Hot-pressed NdFeB PMs are fabricated by deforming rapidly solidified magnetic powders under heat and pressure. Sintered NdFeB PMs and bonded NdFeB PMs are more common. Both offer advantages including lower production costs, higher manufacturing efficiency, greater design and shape flexibility, and more mature production processes. These advantages make them well suited for mass production, thereby supporting their broader adoption across various downstream applications.

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Value chain of the NdFeB PM industry

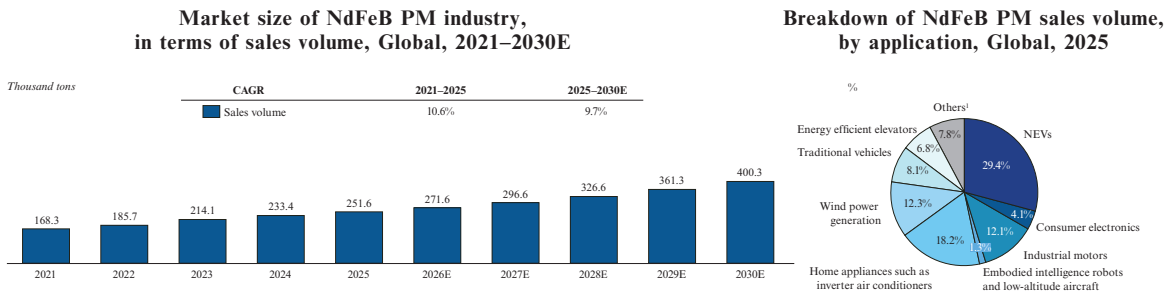
Upstream primarily involves the mining of light rare earth minerals (e.g., monazite, bastnaesite) and medium-heavy rare earth minerals (e.g., ion-adsorption clays). Following smelting and separation of the above minerals, rare earth metals are produced, serving as the fundamental raw materials for the NdFeB PM industry.

Midstream focuses on advanced processing of NdFeB PMs. Taking the production of sintered NdFeB PMs as an example, the production of these magnets involves a multi-stage process: rare earth metals are alloyed with iron and boron, followed by hydrogen crushing, jet milling, oriented compaction and sintering, etc., to become NdFeB PM blanks. These blanks are finally machined to precise dimensions and coated for protection to become NdFeB PMs.

Downstream encompasses the application of NdFeB PMs. NdFeB PMs are extensively used in a wide range of fields, including NEVs, consumer electronics, industrial motors, embodied intelligence robots, low-altitude aircraft, home appliances such as inverter air conditioners, wind power generation, traditional vehicles, energy efficient elevators, and others (e.g. aerospace).

The market size of the global NdFeB PM industry

From 2021 to 2025, the global NdFeB PM market size, measured by sales volume, increased from 168.3 thousand tons to 251.6 thousand tons, representing a CAGR of 10.6%. In terms of downstream application distribution, the NEV sector became the largest source of demand in 2025, accounting for 29.4% of the global market, while the industrial motors and consumer electronics sectors accounted for 12.1% and 4.1%, respectively. The market is expected to further expand, with global market size projected to reach 400.3 thousand tons by 2030, representing an expected CAGR of 9.7% from 2025 to 2030. From 2025 to 2030, the global NdFeB PM sales volumes in the embodied intelligence robots and low-altitude aircraft segments are expected to record CAGRs of 128.3% and 49.8%, respectively, and are poised to become the fastest-growing sectors.



Source: Association of China Rare Earth Industry, CIC Report

Note: The figures of the chart have been rounded up to one decimal place.

1. Others include aerospace, rail transportation, two-wheeled electric vehicles, etc.

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Chinese companies’ sales volume of NdFeB PMs

Chinese enterprises play a critical role in the global NdFeB PM market, with China being the country with the largest sales volume of NdFeB PMs. Benefiting from abundant domestic rare earth resources and a mature, well-established value chain, Chinese enterprises have secured a dominant position in the global NdFeB PM industry. From 2021 to 2025, the total sales volume of NdFeB PMs of Chinese enterprises increased from 151.9 thousand tons to 229.1 thousand tons, representing a CAGR of 10.8%. Chinese companies accounted for approximately 91.1% of the global sales volume in 2025. Looking ahead, Chinese companies’ NdFeB PM sales volume is projected to reach 369.5 thousand tons by 2030, with an expected CAGR of 10.0% from 2025 to 2030.

Drivers of the global NdFeB PM industry

The replacement cycle across NEVs, consumer electronics, and industrial motors. The NEVs, consumer electronics, and industrial motors sectors are the three key drivers underpinning the growth in demand for NdFeB PMs. In the NEV sector, as drive system technologies continue to evolve, the penetration rate of high-efficiency PM synchronous motors continues to increase, further strengthening demand for NdFeB PMs. In the consumer electronics sector, the trend toward miniaturization of terminal devices has become increasingly evident, and such changes in end products have sustained strong demand for high-performance materials, including NdFeB PMs. In the industrial motors sector, the trends toward industrial automation and high energy efficiency require industrial motors to upgrade toward higher efficiency and precision, thereby increasing demand for NdFeB PMs.

New application fields of embodied intelligence robots and low-altitude aircraft. Embodied intelligence robots require high-efficiency motors and customized magnets to achieve high torque density and precise motion control. Motors using NdFeB PM materials can deliver high torque output within compact joint structures, thereby enabling more flexible and precise movements. Propulsion systems of low-altitude aircraft have high requirements for lightweight magnets and high power density, while NdFeB PMs help such propulsion systems achieve lightweight design and high efficiency, enabling responsive flight control. As these high-growth and technically demanding emerging application sectors continue to develop, the NdFeB PM industry is expected to benefit from clear and sustained growth opportunities.

China’s supportive policies. As the global primary production hub for NdFeB PMs, China has implemented multiple industrial policies to support and advance this industry. For instance, the *2017 Guidelines for the Development of New Materials Industry* emphasized that rare earth permanent magnets, as key strategic materials, should be widely adopted in areas such as servo motors. *The Guiding Catalogue for the First Application Demonstration of Key New Materials (2024 Edition)* issued by the Ministry of Industry and Information Technology includes high-end NdFeB PMs in the catalogue of key new materials in 2024 and aims to promote the application demonstration and commercialization of high-end NdFeB PMs. These national support policies encourage corporate development and consolidate China’s position as the world’s largest NdFeB PM producer.

Trends of the global NdFeB PM industry

Continuous performance enhancement. Sustained improvements in key magnetic properties of NdFeB PMs, including magnetic energy density, maximum energy product and intrinsic coercivity, directly enhance the performance of downstream applications. Halbach array technology, which is primarily mastered by leading industry players, offers several advantages, including enhanced magnetic field utilization and reduced NdFeB PM usage, minimized magnetic leakage, and reduced electromagnetic interference. This series of technological advancements has enabled NdFeB PMs to better meet downstream requirements, such as delivering stronger magnetic force within a smaller volume, thereby effectively addressing key downstream demands for high power density and lightweight design.

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Low-Dy/Tb and Dy/Tb-free technologies development. Leading companies are accelerating the development of new technologies, with low-Dy/Tb and Dy/Tb-free magnets being rapidly adopted. High-cost heavy rare earths, such as Dy and Tb, are not only expensive but also constrained by limited reserves, uneven distribution, and volatile supply chains affected by policies and geopolitics, leading to persistently high production costs. One of the industrialized solutions for reducing heavy rare earths usage is GBD technology. GBD forms a rare earth-enriched layer on the surface of the grains, achieving the required intrinsic coercivity. GBD reduces heavy rare earths consumption and represents a core advanced manufacturing process for NdFeB PMs.

Increased use of NdFeB PM splicing. The fabrication of NdFeB PM increasingly leverages advanced splicing techniques and modular design principles. This methodology involves the precise, high-performance assembly of multiple individual magnetic blocks into a larger, complex magnetic module. The formal inclusion of spliced sintered NdFeB PM technology into the national standard, *Specification for Joining of Sintered Rare Earth Permanent Magnets*, which was published in June 2025 by the State Administration for Market Regulation and the Standardization Administration of China, marks a milestone in its evolution from fragmented corporate initiatives to industry-wide maturity and standardization.

Sustainable solutions for NdFeB PM recycling. NdFeB PM scrap materials contain approximately 30% rare earth elements, approximately three times greater than that found in primary rare earth ores, making them a highly valuable secondary resource. The efficient recovery of rare earth elements from NdFeB PM scrap materials is of great importance for ensuring rare earth resource security, reducing environmental pollution, and promoting sustainable development. It is an industry norm for NdFeB PM manufacturers to purchase rare earth materials from suppliers, and sell scrap materials generated during manufacturing to suppliers which possesses specialized recycling companies for further treatment. Collectively, these advanced recycling pathways not only mitigate the environmental footprint of rare earth mining and processing but also enhance resource utilization efficiency and strengthen supply chain resilience.

Cost analysis in the NdFeB PM industry

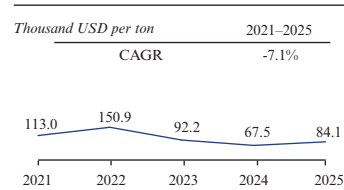
Rare earth metals are the core raw materials for the production of NdFeB PMs, and their price trends in China are generally influenced by changes in China’s rare earth mining quota policies.

Praseodymium-neodymium metal is a metallic alloy primarily composed of praseodymium and neodymium and a major raw material used in the production of NdFeB PMs. From 2021 to 2022, the average price increased from USD113.0 thousand per ton to USD150.9 thousand per ton, primarily due to strengthened market expectations of supply constraints. From 2022 to 2024, with the continuous expansion of rare earth mining quotas, the price declined and reached USD67.5 thousand per ton in 2024. In particular, China’s light rare earth mining quota increased from 190,850 tons in 2022 to 250,850 tons in 2024. Starting from 2025, the Ministry of Industry and Information Technology has allocated quota indicators directly to rare earth production enterprises without setting a procedure for public disclosure of specific quota amounts. In 2025, the growth rate of light rare earth quotas was less than 5%, while the quotas for medium-to-heavy rare earths have remained subject to strict control. In 2025, China implemented stricter export control measures on certain medium and heavy rare earth-related items, including *Announcement No. 18 of 2025* issued by the Ministry of Commerce and the General Administration of Customs. These policies strengthened market expectations of tighter overall rare earth supply, including light rare earth materials such as praseodymium-neodymium. Together with the continued growth in downstream demand for praseodymium-neodymium metal, particularly in high-performance applications, downstream manufacturers accelerated procurement and increased safety inventories in advance, which further strengthened demand and pushed up its market price. The average price of praseodymium-neodymium metal increased to USD84.1 thousand per ton in 2025, according to the Association of China Rare Earth Industry.

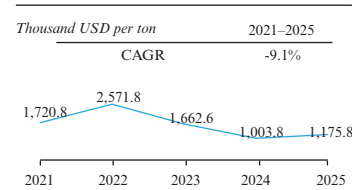
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Terbium metal, one of the representative heavy rare earth metals, is also an important raw material for NdFeB PMs. Its price trend from 2021 to 2024 was generally affected by similar quota-related factors. In 2025, the price of terbium metal increased to USD1,175.8 thousand per ton, mainly due to the mining quota for medium-to-heavy rare earths remained subject to strict control, while China’s export control measures focused more directly on medium and heavy rare earth-related items. These factors intensified global concerns over the scarcity of terbium and pushed up its market price.

Average price of praseodymium-neodymium metal, China, 2021–2025



Average price of terbium metal, China, 2021–2025



Source: Association of China Rare Earth Industry, National Development and Reform Commission Rare Earth Office, CIC Report

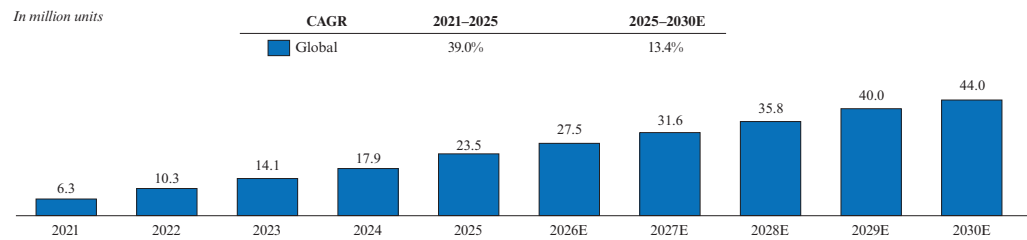
Note: The figures of the chart have been rounded up to one decimal place. The prices are average spot prices for each year

ANALYSIS OF NDFEB PERMANENT MAGNET APPLICATION

NEV industry

NEVs refer to vehicles powered by new power systems such as electricity, and NdFeB PMs are applied in their main drive motors, as well as in a wide range of auxiliary components such as electric power steering sensors, electric pumps, and various other motors, sensors, and pump assemblies. Globally, NEV sales volume increased from 6.3 million units in 2021 to 23.5 million units in 2025, representing a CAGR of 39.0%, and are projected to reach 44.0 million units by 2030 at a 13.4% CAGR from 2025 to 2030. Benefiting from extremely high magnetic energy product, NdFeB PMs enable higher efficiency, stronger power output, and longer driving range, and have therefore become the mainstream choice for main drive motors in NEVs. In 2025, NdFeB PM sales volume used in NEV main drive motors reached 53.4 thousand tons, accounting for approximately 72.1% of NdFeB PM sales volume used in the global NEV sector.

Market size of NEV industry, in terms of sales volume, Global, 2021–2030E



Source: CPCA, CIC Report

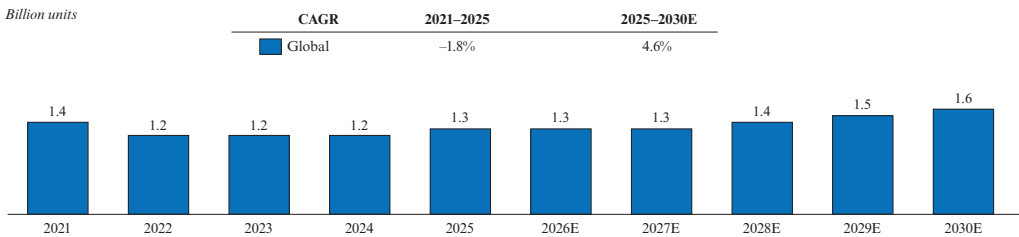
Note: The figures of the chart have been rounded up to one decimal place.

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Consumer electronics industry

Consumer electronics refer to electronic devices used for communication, entertainment, or information purposes, as well as automotive electronics such as in-car audio systems, etc. Taking smartphones as an example, the global smartphone market, in terms of shipments, is expected to grow from 1.3 billion units in 2025 to 1.6 billion units by 2030, representing a CAGR of 4.6% from 2025 to 2030. As AI accelerates the demand for higher-performance chips, more advanced imaging, richer audio interaction and intelligent IoT ecosystems, both demand and the hardware complexity of consumer electronics are expected to continue to rise. HDDs in the consumer electronics sector serve as important data storage carriers, and their high-performance operation relies on the support of key components. In consumer electronics HDDs, the VCM is a critical actuator that enables precise positioning of the read/write head and high-speed seek operations. Leveraging their high magnetic energy product and stable magnetic performance, NdFeB PMs provide strong and stable magnetic field support for VCMs, thereby meeting HDDs’ performance requirements for high capacity, high reliability, and high operational efficiency.

Market size of smartphone industry, in terms of shipments, Global, 2021–2030E



Source: CIC Report

Note: The figures of the chart have been rounded up to one decimal place.

Industrial motors industry and others

Industrial motors refer to motors used in equipment for industrial production that convert electrical energy into mechanical energy. Industrial motors are widely used in industrial production scenarios, including industrial robots such as robotic arms, CNC machine tools, and industrial fluid equipment. Driven by accelerating trends in industrial automation, the global industrial motors market is expected to maintain steady growth. Industrial robots represent an important application area for industrial motors, as they are widely deployed in the form of robotic arms and other automated equipment to support precision manufacturing, assembly, welding, material handling and other industrial production processes. According to the International Federation of Robotics, global newly installed industrial robots reached 555.0 thousand units in 2025 and are projected to increase to 676.3 thousand units by 2030. As high-performance motor systems are increasingly required to deliver high torque density, precision and energy efficiency, demand for NdFeB PMs is expected to remain robust.

Embodied intelligence robots are intelligent robotic systems featuring biomimetic structures, multi-degree-of-freedom motion and AI-enabled perception and control. The global embodied intelligence robot market, in terms of shipments, is expected to grow rapidly from 18.0 thousand units in 2025 to 1,224.4 thousand units by 2030, representing a CAGR of 132.6% from 2025 to 2030. NdFeB PMs serve as core components in motion control systems, including frameless motors, harmonic reducers and bearings, supporting high torque density, fast response and precise movement, and are therefore critical to the large-scale commercialization of embodied intelligence robots.

Low-altitude aircraft refer to aircraft operating below 3,000 meters, including consumer and industrial drones, eVTOL aircraft and helicopters. The global low-altitude aircraft market, in terms of shipments, is expected to grow from 17.8 million units in 2025 to 57.9 million units by 2030,

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representing a CAGR of 26.7% from 2025 to 2030. NdFeB PMs are widely used in propulsion and control systems such as motors, sensors, pumps, rotors and fans, where their high magnetic energy density enables lightweight design, high thrust-to-weight ratios and stable flight control.

COMPETITIVE LANDSCAPE OF NDFEB PERMANENT MAGNET INDUSTRY

Overview of competitive landscape

China is the world’s major supplier of NdFeB PMs and has become a global manufacturing and export hub, supported by abundant rare earth resources, a complete value chain, and continued policy support. In 2025, NdFeB PM sales volume of Chinese enterprises reached 229.1 thousand tons. As of 2025, China had approximately 200 NdFeB PM manufacturers, most of which are small- and medium-sized enterprises with relatively limited business coverage. While Japan, South Korea, the United States, and European countries also possess production capabilities, their overall market scale remains comparatively limited.

Ranking of the global NdFeB PM industry

The Company is one of the first movers in China’s NdFeB PM industry. It has witnessed and actively participated in the industry’s entire development cycle, from its inception to maturity, accumulating profound technical expertise and industry experience. The Company is one of the few players to achieve comprehensive coverage across downstream application sectors in the global market. Based on refined process control and continuous technological iteration, the Company was the first globally in the industry to achieve a combined magnetic performance, in terms of maximum energy product and intrinsic coercivity, of up to 86.5 for its NdFeB PM products, representing the highest level of performance among products in the global industry.

In 2025, the Company’s sales volume of NdFeB PMs reached 14.2 thousand tons, ranking third in the global NdFeB PM market and capturing a 5.6% market share.

Top 5 NdFeB PM producers, in terms of sales volume of NdFeB PMs, Global, 2025

Ranking	Company	Sales volume (thousand tons)	Market share
1	Company A	25.3	10.1%
2	Company B	19.3	7.7%
3	The Company	14.2	5.6%
4	Company C	12.6	5.0%
5	Company D	10.2	4.0%

Source: CIC Report

Note: The figures of the table have been rounded up to one decimal place.

Company A: A company established in 2008 and headquartered in Jiangxi. It entered the NdFeB PM market in 2008. It was listed on the Shenzhen Stock Exchange in 2018 and the Hong Kong Stock Exchange in 2022.

Company B: A company established in 2000 and headquartered in Shandong. It entered the NdFeB PM market in 2000, specializing in NdFeB PMs and magnet components. It was listed on the Shenzhen Stock Exchange in 2011.

Company C: A company established in 1980 and headquartered in Beijing. It engaged in the NdFeB PM market in 1985. It was listed on the Shenzhen Stock Exchange in 2000.

Company D: A company established in 2000 and headquartered in Shandong. It diversified into the NdFeB PM market in 2008, specializing in the production of NdFeB PMs.

As of the end of 2025, in terms of installed and pipeline capacity (including existing capacity, capacity under construction and planned capacity) of NdFeB PM blanks, the Company ranked among the top three NdFeB PM producers globally, with its total combined capacity reaching 36.0 thousand tons. Leading companies are proactively expanding production capacity to strengthen their market share and solidify their position in the global market, thereby meeting growing downstream demand.

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The consumer electronics sector, particularly VCM applications, requires NdFeB PMs with high precision, consistency and reliability, with HDD VCMs representing a specialized segment that demands precise positioning and stable performance. The Company has secured its position as a leading player in the specialized segment of NdFeB PMs for consumer electronics HDD VCMs, ranking first globally by NdFeB PM sales volume in this segment in 2025, with a 37.8% market share, and this achievement underscores its competitive presence in a high-precision application field. The leading position also reflects the Company’s technical and manufacturing capabilities, which may support its further expansion into emerging precision-driven applications such as embodied intelligence robots. In 2025, the Company ranked second among global producers in terms of sales volume used in main drive motors of NEVs, capturing 12.0% of global market share. The Company’s products profoundly empower the global NEV industry’s upgrade, providing efficient and stable magnetic energy support for NEVs’ main drive motors.

In 2025, the total Chinese NdFeB PM producers’ export volume reached 57.4 thousand tons. The Company demonstrated strong performance in overseas markets, ranking second among Chinese NdFeB PM producers, in terms of NdFeB PM export volume, with a 7.2% market share. South Korea has globally leading consumer electronics brands, which creates resilient demand for NdFeB PMs used in related applications. In 2025, South Korea was the third-largest country-level export destination for China’s NdFeB PMs, after Germany and the United States, representing 10.3% of China’s total export volume. Among Chinese suppliers to the South Korean market, the Company ranked first by export volume, capturing a market share of 11.4% in 2025. In Southeast Asia, demand is more closely associated with the establishment and expansion of local production bases by global NEV and consumer electronics companies, which has supported regional demand for NdFeB PMs. In 2025, Southeast Asia ranked as the third-largest export region, following Western Europe and East Asia, and constituted 16.0% of China’s total export volume. The Company also ranked first among Chinese manufacturers exporting to Southeast Asia, with a market share of 12.4% in 2025.

Entry barriers of the global NdFeB PM industry

Extensive technical and equipment accumulation. The production process for NdFeB PMs involves complexity and core technologies and equipment that require specialized experience and accumulation to achieve stable mass production and competitive products. The lack of key core technologies and equipment directly limits the competitiveness of new entrants. For instance, GBD technology can reduce the usage of medium and heavy rare earth elements, lower costs and create a price advantage. Especially under China’s strict controls on medium and heavy rare earth elements, mastering core technologies to reduce usage has become crucial. Also, the accumulation developed around equipment such as jet mills, magnetic field-oriented molding presses and sintering furnaces is critical for producers to meet the customized performance, specification and stable delivery requirements of different downstream customers.

Secure and stable supply of rare earth resources. Rare earth mining and separation capacity is highly concentrated, with China maintaining strict quota and export controls, resulting in supply chain volatility and cost uncertainty for new entrants. Leading enterprises have established long-term off-take arrangements, enabling them to secure stable supply. By contrast, new entrants, without a stable rare earth resource supply system in place, are unable to maintain production stability, making it difficult to achieve cost competitiveness or reliably supply high-performance products to downstream sectors.

Rigorous and extended customer qualification cycle. The customer qualification barrier in the NdFeB PM industry is particularly pronounced in the NEV sector. International leading NEV manufacturers impose extremely stringent requirements on the performance, stability, and customization compatibility of PMs. NEV companies require NdFeB PM suppliers to hold key certifications such as IATF 16949, which usually takes 1–2 years for new entrants. As a result, new players often struggle to rapidly penetrate the high-value NEV market due to customer qualification barriers.

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Key success factors of the global NdFeB PM industry

Comprehensive R&D mechanism. The NdFeB PM industry is characterized by rapid technological evolution, requiring companies to maintain dynamic and continuously updated R&D capabilities. This involves sustaining systematic development across multiple domains: from fundamental materials science and GBD technology to advanced processing methods and surface protection techniques. By building a comprehensive R&D pathway that spans theoretical principles to practical applications, companies can achieve sustained technological iteration rather than relying on one-time breakthroughs.

Sustained quality standards. In the NdFeB PM market, quality stability acts as a direct multiplier of competitive success. Taking sintered NdFeB PMs as an example, their production process involves multiple complex procedures. Instability at any single point in this extensive value chain can lead to performance fluctuations. Enterprises must ensure batch-to-batch consistency. The ability to guarantee this stability lowers the enterprise’s operational risk and is the primary prerequisite for securing and maintaining the demanding certification and supply contracts.

Extensive downstream coverage. Customers across downstream sectors have distinctly different requirements for NdFeB PMs in terms of shape specifications and cost control, driven by variations in application scenarios and product characteristics. Companies capable of accurately identifying these varying downstream demands and developing the capacity to meet diverse application requirements typically achieve greater market share and enhanced market competitiveness.

SOURCES OF INFORMATION

We have engaged CIC, an independent market research consulting firm, to conduct a detailed analysis and prepare an industry report on the markets in which we operate. CIC is an independent global consulting firm founded in China. It is principally engaged in the provision of market research consultancy services, conducting industry research, and providing market and enterprise strategies and consultancy services across various industries. We incurred a total of RMB1,399,836 in fees and expenses in connection with the preparation and use of the CIC Report.

CIC conducted both primary and secondary research using a variety of resources in the completion of this report. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the International Energy Agency, United States Geological Survey, General Administration of Customs of China, company reports, independent research reports and the internal database of CIC.

The market projections in the commissioned report are based on the following key assumptions: (i) China’s overall social, economic, and political environment is expected to maintain a stable trend during the forecast period; (ii) the key industry drivers are likely to continue to drive the growth in each market during the forecast period, and (iii) there is no extreme force majeure or unforeseen industry regulations that may affect the market may be affected either dramatically or fundamentally during the forecast period. All statistics are reliable and based on information available as at the date of this report. Other sources of information, including those from the government, industry associations, or market participants, may have provided some of the information on which the analysis or its data is based. All the information regarding the Company has been sourced from the Company’s audited report or management interviews.

REGULATORY OVERVIEW

LAWS AND REGULATIONS IN RELATION TO COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

Company Establishment

Pursuant to the Company Law of the People’s Republic of China (《中華人民共和國公司法》) promulgated by the Standing Committee of the National People’s Congress on December 29, 1993, last amended on December 29, 2023 and became effective from July 1, 2024, both limited liability companies and joint-stock limited companies lawfully established in the PRC possess legal person status. The liability of shareholders in these two types of companies is limited to the amount of capital they have subscribed to or the shares they have purchased. This law also applies to foreign invested enterprises, unless otherwise provided by specific laws governing foreign invested enterprises.

Pursuant to the Guidance on the Application of Regulatory Rules — Overseas Issuance and Listing Category No. 1 (《監管規則適用指引 — 境外發行上市類第1號》) promulgated by the China Securities Regulatory Commission on February 17, 2023 and became effective from the same date, PRC domestic enterprises seeking to list overseas shall amend their articles of association in accordance with the Guidance on Articles of Association for Listed Companies (《上市公司章程指引》) promulgated by the China Securities Regulatory Commission and other relevant rules and regulations in relation to corporate governance. Pursuant to the Guidance on Articles of Association for Listed Companies (2025) (《上市公司章程指引 (2025) 》) promulgated by the China Securities Regulatory Commission on March 28, 2025 and became effective from the same date, as a joint stock limited company incorporated in the PRC and seeking listing, the Company shall, in accordance with the Overseas Listing Trial Measures (《境外上市試行辦法》), fully comply with the Company Law of the People’s Republic of China and formulate its articles of association with reference to (rather than in accordance with) the then applicable Guidelines on Articles of Association for Listed Companies. The Company’s articles of association fully comply with the requirements of the Guidance on Articles of Association for Listed Companies. In particular, following the relevant amendments, the Company has abolished the board of supervisors and established an audit committee to perform the duties originally undertaken by the board of supervisors.

Foreign Investment

The National People’s Congress promulgated the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) on March 15, 2019, which became effective from January 1, 2020. Simultaneously, three laws, namely, the Law of the People’s Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People’s Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), and the Law of the People’s Republic of China on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》), were repealed and ceased to be in force. Since then, the Foreign Investment Law has become the core and foundational law governing foreign invested enterprises wholly or partially established by foreign investors. In particular, the organizational forms, structures, and operational standards of foreign invested enterprises shall comply with the Company Law of the People’s Republic of China and other relevant laws. The PRC implements a management system for foreign investment based on “pre-establishment national treatment plus special administrative measures for foreign investment access (negative list)”, abolishing the previous approval and filing mechanisms for the establishment and changes of foreign invested enterprises. “Pre-establishment national treatment” refers to the treatment accorded to foreign investors and their investments during the investment access stage, which shall not be less favorable than that accorded to domestic investors and their investments.

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Pursuant to the Measures for Reporting Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the Ministry of Commerce and the State Administration for Market Regulation on December 30, 2019 and became effective from January 1, 2020, all relevant parties involved in the establishment of foreign invested enterprises, the acquisition of equity in domestic enterprises by foreign investors, or the subscription of additional registered capital in domestic enterprises by foreign investors shall submit an initial information report through a dedicated registration system. Furthermore, should subsequent changes occur to the significant matters of such enterprises (such as equity structure or investment amounts), the relevant parties shall submit change reports through the same registration system. Foreign investors’ activities in the PRC are primarily regulated by the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) (the “**Negative List**”), which was promulgated by the National Development and Reform Commission and the Ministry of Commerce on September 6, 2024 and became effective from November 1, 2024, and The Catalogue of Encouraged Industries for Foreign Investment (2025 Edition) (《鼓勵外商投資產業目錄(2025年版)》) (the “**Encouraged Catalogue**”), which was promulgated on December 15, 2025, and became effective from February 1, 2026. This edition of the Negative List establishes specialized management measures for foreign investment access in a unified and standardized manner: foreign investors are prohibited from investing in sectors explicitly banned by the Negative List, and investments in restricted sectors under the Negative List shall meet specified conditions. Foreign investments outside the Negative List are managed under the principle of equal treatment for domestic and foreign capital.

The Foreign Investment Law strengthens the promotion and protection of investment while further standardizing foreign investment management procedures. It explicitly mandates the establishment of a reporting system for foreign investment information, which replaces the previous approval and filing mechanisms for foreign invested enterprises administered by the Ministry of Commerce. The reporting of foreign investment information is regulated by the Measures for Reporting Foreign Investment Information, which was promulgated by the Ministry of Commerce and the State Administration for Market Regulation on December 30, 2019 and became effective from January 1, 2020. Pursuant to the Measures for Reporting Foreign Investment Information, foreign investors engaging in investment activities within the PRC, either directly or indirectly, shall submit relevant investment information to the competent commerce authorities through the enterprise registration system and the National Enterprise Credit Information Publicity System. Report types include, among others, initial reports, change reports, cancellation reports, and annual reports.

LAWS AND REGULATIONS IN RELATION TO THE PRC’S EXPORT ADMINISTRATION

Pursuant to the Export Control Law of the People’s Republic of China (《中華人民共和國出口管制法》) promulgated by the Standing Committee of the National People’s Congress on October 17, 2020 and became effective from December 1, 2020, the state implements export controls on dual-use items, military goods, nuclear materials, and other goods, technologies, services, and related items pertinent to safeguarding national security and interests, as well as fulfilling international obligations such as non-proliferation. Controlled items include technical documentation and other data related to such items.

Pursuant to the Rare Earth Management Regulations (《稀土管理條例》) promulgated by the State Council on June 22, 2024 and became effective from October 1, 2024, enterprises engaged in rare earth mining, smelting and separation, metal smelting, comprehensive utilization, and export of rare earth products shall establish a tracking system for the flow of rare earth product. They shall truthfully record information in respect of the flow of rare earth products and input it into the rare earth product information traceability system. On February 19, 2025, the Ministry of Industry and Information Technology drafted the “Management Measures for the Traceability of Rare Earth Product Information (Trail) (Draft for Public Comment)” (《稀土產品信息追溯管理辦法(暫行)(公開徵求意見稿)》), which provides detailed provisions for the operation of the rare earth traceability system.

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Pursuant to the Regulations of the People’s Republic of China on the Export Control of Dual-Use Items (《中華人民共和國兩用物項出口管制條例》) promulgated by the State Council on September 30, 2024 and became effective from December 1, 2024, export operators shall apply to the competent commerce authorities of the State Council for a license to export dual-use items listed on the Export Control List for Dual-Use Items or dual-use items subject to temporary control. A one-off license permits an export operator to conduct a single export of specific dual-use item(s) to a single end-user within the scope, conditions, and validity period specified in the export license. The validity period of a one-off license shall not exceed one year. Upon completion of the export within the validity period, the export license shall automatically expire. A general license permits an export operator to conduct multiple exports of specific dual-use item(s) to one or more end-users within the scope, conditions, and validity period specified in the export license. The validity period of a general license shall not exceed three years. For exports conducted under an export license obtained through registration and information reporting, the export operator shall register with the competent commerce authorities of the State Council prior to each export of the specified dual-use item(s). After truthfully reporting the relevant information as required and obtaining the export certificate, the operator may conduct the export independently using the license.

Pursuant to the Announcement on Strengthening the Export Control of Dual-Use Items to Japan (《關於加強兩用物項對日本出口管制的公告》) (Ministry of Commerce Announcement No. 1 of 2026) issued by the Ministry of Commerce of the People’s Republic of China on 6 January 2026, regulations have been established for the export to Japan of dual-use items, including rare earths. The export of all dual-use items to military end-users in Japan, military purposes, and any other end-use that may contribute to enhancing Japan’s military capabilities is prohibited. Any organisations or individuals, from any country or region, who violate these regulations by transferring or providing relevant dual-use items originating from the People’s Republic of China to organisations or individuals in Japan, will be held legally accountable in accordance with the law.

LAWS AND REGULATIONS IN RELATION TO THE IMPORT AND EXPORT OF GOODS

According to the Foreign Trade Law of the People’s Republic of China (《中華人民共和國對外貿易法》), promulgated by the Standing Committee of the National People’s Congress on May 12, 1994, amended on December 30, 2022, and most recently revised on December 27, 2025 with effect from March 1, 2026, foreign trade includes the import and export of goods, the import and export of technologies, and international trade in services. The State permits the free import and export of goods and technologies, except as otherwise provided by laws and administrative regulations.

Pursuant to the Customs Law of the People’s Republic of China (《中華人民共和國海關法》) promulgated by the Standing Committee of the National People’s Congress on January 22, 1987, last amended on April 29, 2021 and became effective from the same date, customs is the state authority responsible for supervising and managing the entry and exit of goods across the national border. It has the authority to oversee the entry and exit of means of transport, goods, luggage, postal items, and other items; collect customs tariffs and other taxes and fees; investigate and suppress smuggling; compile customs statistics; and handle other customs-related operations. A customs declaration entity refers to a consignee/consignor of imported/exported goods or a customs declaration enterprise have filed records with customs authorities. Consignees/consignors of imported/exported goods may handle customs declaration procedures themselves or entrust a customs declaration agency to handle such procedures.

Pursuant to the Law of the People’s Republic of China on the Inspection of Imported and Exported Commodities (《中華人民共和國進出口商品檢驗法》) promulgated by the Standing Committee of the National People’s Congress on February 21, 1989, last amended on April 29, 2021 and became effective from the same date, and the Implementing Rules of the Law of the People’s Republic of China on the Inspection of Imported and Exported Commodities (《中華人民共和國進出口商品檢驗法實施條例》) promulgated by the State Council on August 31, 2005, last amended on March 29, 2022 and became effective from May 1, 2022, the General Administration of Customs of the People’s Republic of China oversees the inspection of imported and exported

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commodities nationwide. Its subordinate entry-exit inspection and quarantine agencies conduct inspections on imported and exported commodities listed in the relevant catalog, as well as other imported and exported commodities required by laws and administrative regulations to undergo inspection by entry-exit inspection and quarantine agencies. For imported and exported commodities not subject to such inspections, entry-exit inspection and quarantine agencies conduct random inspections in accordance with national regulations. Imported goods subject to mandatory inspection that have not undergone inspection shall not be sold or used. Exported goods subject to mandatory inspection that have not undergone inspection or have failed such inspection shall not be exported. Consignees/consignors of imported/exported goods may handle inspection declaration procedures themselves or entrust an inspection declaration agency to handle such procedures.

Pursuant to the Regulations on the Administration of Record-filing for Customs Declaration Entities of the People’s Republic of China (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the People’s Republic of China on November 19, 2021 and became effective from January 1, 2022, a customs declaration entity refers to a consignee/consignor of imported/exported goods or a customs declaration enterprise have filed records with customs authorities under these regulations. Consignees/consignors of imported/exported goods and customs declaration enterprises applying for filing shall possess market entity status. Consignees/consignors of imported/exported goods applying for filing shall additionally obtain filing as foreign trade operators.

Pursuant to the Notice on Matters Concerning the Filing of Consignees/Consignors of Imported/Exported Goods (《關於進出口貨物收發貨人備案有關事宜的通知》) promulgated by the Department of Enterprise Management and Audit of the General Administration of Customs of the People’s Republic of China on January 3, 2023 and became effective from the same day, consignees/consignors of imported/exported goods applying for filing shall possess market entity status but are not required to obtain filing as foreign trade operators.

Pursuant to the Customs Tariff Law of the People’s Republic of China (《中華人民共和國關稅法》) promulgated by the Standing Committee of the National People’s Congress on April 26, 2024 and became effective from December 1, 2024, customs tariffs shall be levied by customs authorities on goods and inbound items permitted for import and export in accordance with applicable laws and regulations. The consignee of imported goods, the consignor of exported goods, or the bearer or recipient of inbound items shall be the taxpayer of customs tariffs. The classification, applicable rates, and applicable rules of customs tariffs shall be implemented in accordance with the Import and Export Tariff of the People’s Republic of China (《中華人民共和國進出口稅則》).

LAWS AND REGULATIONS IN RELATION TO PRODUCT QUALITY

Pursuant to the Product Quality Law of the People’s Republic of China (《中華人民共和國產品質量法》) promulgated by the Standing Committee of the National People’s Congress on February 22, 1993, last amended on December 29, 2018 and became effective from the same date, producers shall be responsible for the quality of the products they manufacture, while sellers shall take necessary measures to ensure the quality of the products they sell. If a product defect causes personal injury or property damage other than to the defective product itself, the producer shall bear corresponding liability for compensation. However, the producer may be exempt from liability if they can provide evidence for the following circumstances: (1) the product has not entered the distribution; (2) the defect did not exist when the product entered distribution; or (3) the defect could not have been detected with the level of scientific and technological knowledge available when the product entered distribution.

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Where a defect in a product causes personal injury or damage to another person’s property due to the fault of the seller, the seller shall bear liability for compensation. If the seller cannot identify the producer or supplier of the defective product, the seller shall also bear liability for compensation. Where a defect in a product causes personal injury or damage to another person’s property, the victim has the right to claim compensation from either the producer or the seller.

Pursuant to the Civil Code of the People’s Republic of China (《中華人民共和國民法典》) (the “**Civil Code**”) promulgated by the National People’s Congress on May 28, 2020 and became effective from January 1, 2021, where a defect in a product causes harm to another person, the injured party may claim compensation from either the producer or the seller of the product and has the right to demand that they bear tort liability, including ceasing the infringement, removing the obstruction, and eliminating the danger.

LAWS AND REGULATIONS IN RELATION TO WORK SAFETY, ENVIRONMENTAL PROTECTION, AND ENERGY CONSERVATION REVIEW

Work Safety

The Work Safety Law of the People’s Republic of China (《中華人民共和國安全生產法》) (the “**Work Safety Law**”), which was promulgated by the Standing Committee of the National People’s Congress on June 29, 2002, last amended on June 10, 2021 and became effective from September 1, 2021, explicitly stipulates that entities engaged in production and business operations within the PRC must comply with the Work Safety Law and other relevant laws and regulations concerning work safety. Production and business entities shall strengthen work safety management, establish and improve work safety responsibility systems and work safety rules and regulations, enhance work safety conditions, advance work safety standardization, elevate work safety levels, and ensure work safety. The principal responsible person of a production and business entity shall bear overall responsibility for the work safety of that entity. Violations of the Work Safety Law shall be subject to penalties including fines, suspension of production and business operations, or orders to cease production and business activities, depending on the circumstances of the violation. Where a crime is constituted, criminal liability shall be pursued.

Beyond general work safety requirements, for new, altered, or expanded construction projects, pursuant to the Supervision and Administration Measures for the “Three Simultaneities” of Safety Facilities in Construction Projects (《建設項目安全設施“三同時”監督管理辦法》) promulgated by the former State Administration of Work Safety on December 14, 2010, and last amended on April 2, 2015, safety facilities in new, altered, or expanded construction projects shall be designed, constructed, and put into operation and use simultaneously with the main project. For construction projects specifically stipulated in the Supervision and Administration Measures for the “Three Simultaneities” of Safety Facilities in Construction Projects, a qualified safety evaluation agency shall conduct a comprehensive study and preliminary evaluation of the project’s safety production conditions. If an enterprise violates relevant regulations, it may be ordered to rectify within a specified time limit, halt construction, or suspend production and business operations for rectification, and may be subject to fines.

Environmental Protection

Pursuant to the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) promulgated by the Standing Committee of the National People’s Congress on September 13, 1979, last amended on April 24, 2014 and became effective from January 1, 2015, any entity that discharges or is about to discharge pollutants in the course of its operations or other activities shall adopt effective environmental protection measures to control and properly handle harmful substances generated by such activities, including exhausts, wastewater, waste residues, dust, malodorous gases, radioactive substances, noise, vibration, and electromagnetic radiation. The state implements a permit system to manage pollutant discharge in accordance with relevant laws.

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Pursuant to the Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》) promulgated by the Standing Committee of the National People’s Congress on October 28, 2002, last amended on December 29, 2018 and became effective from the same date, the Administrative Regulations on 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, last amended on July 16, 2017 and became effective from October 1, 2017, and the Interim Measures for Environmental Protection Acceptance of Completed Construction Projects (建設項目竣工環境保護驗收暫行辦法) promulgated by the former Ministry of Environmental Protection on November 20, 2017 and became effective from the same day, the PRC implements an environmental impact assessment system for construction projects within its territory. Before commencing the construction project, the construction entity shall submit an environmental impact report or environmental impact report form for approval, or file an environmental impact registration form for record-keeping in accordance with the requirements of the administrative authority for environmental protection under the State Council. Furthermore, upon completion of a construction project requiring the preparation of an environmental impact report or environmental impact report form, the construction entity shall conduct acceptance inspection of the supporting environmental protection facilities in accordance with the standards and procedures stipulated by the administrative authority for environmental protection under the State Council, and prepare an acceptance report. For construction projects implemented in phases, or put into production or use in phases, the corresponding environmental protection facilities shall undergo acceptance in phases. Supporting environmental protection facilities constructed for a construction project may only be put into production or use after passing acceptance. Those that have not undergone acceptance or have failed acceptance shall not be put into production or use.

Pursuant to the Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) (the “**Solid Waste Law**”) promulgated by the Standing Committee of the National People’s Congress on October 30, 1995, last amended on April 29, 2020 and became effective from September 1, 2020, any entity or individual generating, collecting, storing, transporting, utilizing, or disposing of solid waste shall take measures to prevent or reduce environmental pollution caused by such waste and shall bear legal responsibility for any resulting environmental pollution. Where hazardous waste is present within solid waste, it shall be treated as hazardous waste for management purposes. Furthermore, the Solid Waste Law introduces for the first time a legal framework for establishing an extended producer responsibility system for products such as automotive power batteries, which requires producers of automotive power battery products to establish a waste product recovery system commensurate with their sales volume, either through self-initiative or entrustment, thereby making significant top-level arrangements for constructing a recovery and treatment system for discarded automotive power batteries.

Pursuant to the Law of the People’s Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated by the Standing Committee of the National People’s Congress on May 11, 1984, last amended on June 27, 2017 and became effective from January 1, 2018, enterprises, institutions, and other production and business operators that directly or indirectly discharge industrial wastewater, medical sewage, or other wastewater and sewage requiring a discharge permit under regulations into water bodies shall obtain a discharge permit. Furthermore, new, altered, or expanded construction projects and other water facilities that directly or indirectly discharge pollutants into water bodies shall undergo environmental impact assessments in accordance with relevant laws. Control and prevention facilities for water pollution shall be designed, constructed, and put into operation simultaneously with the main project.

Pursuant to the Law of the People’s Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) promulgated by the Standing Committee of the National People’s Congress on September 5, 1987, last amended on October 26, 2018 and became effective from the same date, enterprises, institutions, and other production and business operators shall monitor their emissions of industrial exhausts and toxic and harmful air pollutants listed in the

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catalog published in accordance with Article 78 of the Law of the People’s Republic of China on the Prevention and Control of Air Pollution, in compliance with relevant national regulations and monitoring standards, and maintain the original monitoring records. Enterprises, institutions, and other entities that emit industrial exhausts or toxic and harmful air pollutants listed in the aforementioned catalog, as well as other entities subject to pollutant discharge permit management in accordance with relevant laws, shall obtain a pollutant emission permit. Furthermore, enterprises, institutions, and other production and business operators constructing projects that impact the atmospheric environment shall conduct environmental impact assessments and disclose environmental impact assessment documents in accordance with relevant laws. Where pollutants are emitted into the atmosphere, such emissions shall comply with atmospheric pollutant emission standards and adhere to the requirements for controlling the total emissions of key atmospheric pollutants.

Pursuant to the Administrative Regulations on Pollutant Discharge (《排污許可管理條例》) promulgated by the State Council on January 24, 2021 and became effective from March 1, 2021, the Classified Management Catalogue of Fixed-Source Pollution Discharge Permits (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment on December 20, 2019 and become effective from the same date, and the Administrative Measures for Pollutant Discharge Permit (《排污許可管理辦法》) promulgated by the Ministry of Ecology and Environment on April 1, 2024 and became effective from July 1, 2024, the state implements a classification management system (i.e., key management and simplified management) for enterprise pollutant discharge permit based on factors such as pollutant generation volume, pollutant discharge volume, and environmental impact. Enterprises, institutions, and other production and business operators included in the Classified Management Catalogue of Fixed-Source Pollution Discharge Permits (2019 Edition) shall apply for and obtain a pollutant discharge permit within the prescribed time limit. Those without a pollutant discharge permit shall not discharge pollutants.

Fire Protection

Pursuant to the Fire Protection Law of the People’s Republic of China (《中華人民共和國消防法》) promulgated by the Standing Committee of the National People’s Congress on April 29, 1998, last amended on April 29, 2021 and became effective from the same date, the emergency management authorities of the State Council and the emergency management authorities of the local people’s governments at or above the county level shall supervise and manage fire protection work. The fire protection design and construction of construction projects shall comply with the national standards for fire protection technology in construction projects.

Pursuant to the Interim Administrative Regulations on the Review and Acceptance of Fire Protection Design for Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, last amended on August 21, 2023 and became effective from October 30, 2023, special construction projects shall undergo fire design review and fire acceptance inspection. Construction projects other than special construction projects shall file their fire acceptance inspection with the competent authorities.

Energy Conservation Review

Pursuant to the Energy Conservation Law of the People’s Republic of China (《中華人民共和國節約能源法》) promulgated by the Standing Committee of the National People’s Congress on November 1, 1997, last amended on October 26, 2018 and became effective on the same date, the state implements an energy conservation assessment and review system for fixed asset investment projects. Projects that fail to meet mandatory energy conservation standards shall not be commenced by the construction entity, and those already completed shall not be put into operation or use. For government-invested projects that fail to meet mandatory energy conservation standards, the competent authority responsible for project approval under relevant laws shall not approve the

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construction. Specific measures shall be formulated by the authority responsible for energy conservation administration under the State Council in conjunction with relevant departments of the State Council.

Pursuant to the Measures for Energy Conservation Review and Carbon Emission Evaluation of Fixed Asset Investments (《固定資產投資項目節能審查和碳排放評價辦法》) promulgated by the National Development and Reform Commission on July 17, 2025 and became effective from September 1, 2025, the energy conservation review opinion for fixed asset investments serves as a crucial basis for project commencement, completion acceptance, and operational management. For government-invested projects, the construction entity shall obtain the energy conservation review opinion issued by the energy conservation review authority before submitting the project feasibility study report. For enterprise-invested projects, the construction entity shall obtain the energy conservation review opinion issued by the energy conservation review authority before commencing construction. Projects that have not undergone energy conservation review as required, or whose energy conservation review has not been approved, shall not be commenced by the construction entity, and those already completed shall not be put into operation or use.

LAWS AND REGULATIONS IN RELATION TO CONSTRUCTION

Pursuant to the Urban and Rural Planning Law of the People’s Republic of China (《中華人民共和國城鄉規劃法》) promulgated by the Standing Committee of the National People’s Congress on December 26, 1989, last amended on April 23, 2019 and became effective from the same date, construction entities undertaking construction projects within urban or town planning zones shall apply to the competent urban and rural planning authorities for a construction project planning permit.

Pursuant to the Construction Law of the People’s Republic of China (《中華人民共和國建築法》) promulgated by the Standing Committee of the National People’s Congress on November 1, 1997, last amended on April 23, 2019 and became effective from the same date, construction entities shall apply to the competent construction administrative authority for a construction permit before commencing construction projects, except for small-scale projects that meet the regulations and conditions set by the competent construction administrative authority.

Pursuant to the Administrative Measures for Construction Permit of Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on October 15, 1999, last amended on March 30, 2021 and became effective on the same date, construction entities shall apply for a construction permit before commencing work on the construction, renovation, and installation of supporting lines, pipelines, and equipment for all types of buildings and their ancillary facilities within the territory of the People’s Republic China, as well as on the construction of urban municipal infrastructure projects. Construction projects with an investment amount below RMB300,000 or a building area below 300 square meters are exempt from applying for a construction permit.

Pursuant to the Administrative Measures for Filing Acceptance of Building Construction and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on October 19, 2009 and became effective on the same date, construction entities shall file completion acceptance for new construction, expansion, or alteration of all types of buildings and municipal infrastructure projects within the territory of the People’s Republic of China with the competent construction authority within 15 days from the date of passing the completion acceptance.

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LAWS AND REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY

Trademark

Pursuant to the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) promulgated by the Standing Committee of the National People’s Congress on August 23, 1982, last amended on April 23, 2019 and became effective from November 1, 2019, and the Implementing Rules of the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》), which serves as its complementary, promulgated by the State Council on August 3, 2002, last amended on April 29, 2014 and became effective from May 1, 2014, a trademark approved for registration by the Trademark Office of the National Intellectual Property Administration is a registered trademark. This includes trademarks for goods, service marks, collective marks, and certification marks. The validity period of a registered trademark is 10 years from the date of approval for registration. Upon expiration of a registered trademark. If continued use is desired, renewal procedures shall be completed within 12 months prior to expiration in accordance with regulations. Each renewal extends the validity period for ten years, commencing from the day following the expiration of the preceding validity period.

Patent

Pursuant to the Patent Law of the People’s Republic of China (《中華人民共和國專利法》) promulgated by the Standing Committee of the National People’s Congress on March 12, 1984, last amended on October 17, 2020 and became effective from June 1, 2021, and the Implementing Rules of the Patent Law of the People’s Republic of China (《中華人民共和國專利法實施細則》) promulgated by the State Council on June 15, 2001, last amended on December 11, 2023 and became effective from January 20, 2024, the law of PRC explicitly defines three types of patents, namely, invention patents, utility model patents, and design patents. In particular, the protection period for invention patents is 20 years, for utility model patents is 10 years, and for design patents is 15 years. All these periods commence from the filing date of the patent application. The patent system of the PRC follows the “first-to-file” principle, which specifically means: if two or more entities file patent applications for the same invention or creation, the patent authority will grant the patent right to the entity that filed first. Applications for invention or utility model patents must satisfy three core requirements, namely, novelty, inventive step, and industrial applicability. Except where otherwise provided by relevant laws and regulations, third parties wishing to use another party’s patent must obtain prior permission from the patent holder or acquire a valid patent license. If a patent is used without completing the aforementioned procedures, such use shall constitute an infringement of the patent rights.

Copyright

Pursuant to the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》) promulgated by the Standing Committee of the National People’s Congress on September 7, 1990, last amended on November 11, 2020 and became effective from June 1, 2021, and the Implementing Rules of the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法實施條例》) promulgated by the State Council on May 30, 1991, last amended on January 30, 2013 and became effective from March 1, 2013, works created by any citizens, legal persons, or other organizations of the PRC in the fields of literature, art, and science shall enjoy copyright protection regardless of whether they have been published.

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Furthermore, internet-related activities, products disseminated via the internet, and software products are also protected by copyright. Pursuant to 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 on February 20, 2002 and became effective from the same date (as amended by the Decision of the General Administration of Press and Publication and the National Copyright Administration on the Implementation of the Administrative Licensing Law of the People’s Republic of China and the Cleanup of Relevant Regulations and Normative Documents ((《新聞出版總署、國家版權局關於實施〈中華人民共和國行政許可法〉清理有關規章、規範性文件的決定》) promulgated by the former General Administration of Press and Publication and the National Copyright Administration on June 18, 2004 and became effective from July 1, 2004), and the Regulations on the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991, last amended on January 30, 2013 and became effective from March 1, 2013, the National Copyright Administration is the primary department responsible for the registration and management of software copyright in the PRC, with the China Copyright Protection Center designated as the software registration agency. The China Copyright Protection Center shall issue registration certificates to applicants for computer software copyright in accordance with the Measures for the Registration of Computer Software Copyright (as amended) and the Regulations on the Protection of Computer Software.

Domain Name

Pursuant to the Administration Measures for Internet Domain Name (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and became effective from November 1, 2017, and the Implementing Rules for the Registration of National Top-Level Domains (《國家頂級域名註冊實施細則》) promulgated by the China Internet Network Information Center on June 18, 2019 and became effective from the same date, domain name registration is processed through domain name service providers established in accordance with relevant regulations. Upon successful registration, the applicant becomes the domain name holder.

Trade Secret

Pursuant to the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》) promulgated by the Standing Committee of the National People’s Congress on September 2, 1993, last amended on June 27, 2025 and became effective from October 15, 2025, “trade secret” refer to technical and operational information that is not publicly known, possesses commercial value, and has been subject to appropriate confidentiality measures by the rights holder. Pursuant to this law, business operators shall not engage in the following acts to infringe trade secrets: (i) obtaining the trade secrets of the right holder through theft, bribery, fraud, coercion, or other improper means; (ii) disclosing, using, or permitting others to use the trade secrets of the right holder obtained through the means described in (i) above; (iii) disclosing, using, or permitting others to use trade secrets in their possession in violation of agreements or the right holder’s requirements for maintaining confidentiality; (iv) inducing, enticing, or assisting others to obtain, disclose, use, or permit others to use the right holder’s trade secrets in violation of confidentiality obligations or the right holder’s requirements for maintaining confidentiality. Where a third party knowingly or should have known of the aforementioned unlawful acts and still obtains, discloses, uses, or permits others to use such trade secrets, such acts shall be deemed an infringement of trade secrets. The party whose trade secrets have been infringed may request administrative corrective measures. Regulatory authorities shall order the cessation of the unlawful acts and impose fines on the infringing party.

REGULATORY OVERVIEW

LAWS AND REGULATIONS IN RELATION TO REAL ESTATE

Owned Real Property

Pursuant to the Civil Code, the establishment, alteration, transfer, or termination of real property rights shall take effect only upon registration in accordance with relevant laws. A real estate ownership certificate serves as proof that the holder enjoys the relevant real property rights.

Pursuant to the Land Administration Law of the People’s Republic of China (《中華人民共和國土地管理法》) promulgated by the Standing Committee of the National People’s Congress on June 25, 1986, last amended on August 26, 2019 and became effective from January 1, 2020, the PRC implements socialist public ownership of land, namely, ownership by the entire people or collective ownership by the working masses. The state formulates master plans for land use, designating land purposes and categorizing land into agricultural land, construction land, and unutilized land. Entities and individuals using land must strictly adhere to the designated purposes specified in the master plans for land use.

Lease

Pursuant to the Civil Code, a lease contract typically includes the name, quantity, and purpose of the leased property, and terms such as the lease term, rent, payment schedule and method, and maintenance of the leased property. With the lessor’s consent, the lessee may sublease the leased property to a third party. Failure to complete the registration and filing procedures for the lease contract as required by laws and administrative regulations shall not affect the validity of the contract.

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), promulgated by the SCNPC on July 5, 1994 and last amended on August 26, 2019 and became effective from January 1, 2020, as well as the Administrative Measures for Commercial Housing Leases (《中華人民共和國勞動法》) promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and became effective from February 1, 2011, within thirty days after the conclusion of a lease contract for commercial housing, the parties to the lease shall register and file the lease with the construction (real estate) administrative authority of the municipal, city, or county people’s government where the leased property is located. Those who fail to comply with the abovementioned filing requirements may be ordered by the competent authority to rectify within a specified time limit. If the entity fails to rectify within the specified period, it may be subject to a fine ranging from RMB1,000 to RMB10,000.

LAWS AND REGULATIONS IN RELATION TO EMPLOYMENT AND SOCIAL WELFARE

Employment

Pursuant to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》) promulgated by the Standing Committee of the National People’s Congress on July 5, 1994, last amended on December 29, 2018 and became effective from the same date, employers shall establish and improve occupational safety and health systems, strictly comply with national regulations and standards concerning occupational safety and health, and provide trainings on occupational safety and health to employees to prevent workplace accidents and reduce occupational hazards. In particular, occupational safety and health facilities shall meet nationally prescribed standards. Additionally, employers shall provide employees with occupational safety and health conditions and necessary labor protection equipment meeting national standards.

REGULATORY OVERVIEW

Pursuant to the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》) promulgated by the Standing Committee of the National People’s Congress on June 29, 2007, last amended on December 28, 2012 and became effective from July 1, 2013, enterprises, individual economic organizations, private non-enterprise entities, and other entities who intend to establish or have established labor relations with employees shall enter into written labor contracts. The law explicitly prohibits employers from compelling employees to work overtime or requiring overtime through disguised means. Employers must pay overtime wages to employees in accordance with national regulations. Furthermore, wages paid by employers to employees shall not be lower than the local minimum wage standard and must be paid to employees in full and on time.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the National People’s Congress on October 28, 2010, last amended on December 29, 2018 and became effective from the same date, every employer and individual within the PRC shall contribute to social insurance in accordance with relevant laws. This specifically includes basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance. Employers failing to pay social insurance contributions in full and on time shall be ordered by relevant authorities to make payments or make up arrears within a specified time limit, while incurring a daily overdue fine of 0.05% from the due date. If employers fail to make payments within the specified period, relevant administrative authorities shall impose fines ranging from one to three times the amount of arrears.

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 (《關於審理勞動爭議案件適用法律問題的解釋(二)》) (the “Interpretation (II)”), which was approved by the Trial Committee of the Supreme People’s Court on February 17, 2025, and implemented on September 1, 2025, Article 19, Paragraph (1) stipulates that if an employer and an employee agree, or the employee pledges, that social insurance contributions need not be paid, the People’s Court shall deem such an agreement or pledge invalid. Furthermore, if an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labour contract and claim economic compensation from the employer pursuant to Article 38, Paragraph (3) of the Labour Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), the People’s Court shall support such claims in accordance with the law. This clarifies that where an employer fails to pay social insurance contributions as required by law, the employee is entitled to request the termination of their labor contract and receive corresponding economic compensation under the Labour Contract Law of the People’s Republic of China.

Pursuant to the Administrative Regulations of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, last amended on March 24, 2019 and became effective from the same date, every employer and individual within the PRC shall contribute to the housing provident fund in accordance with relevant laws. If an employer violates these regulations by failing to make contributions to the Housing Provident Fund on time or accumulating arrears, the Housing Provident Fund Management Center shall order the employer to complete the contributions within a specified time limit. Should the employer still fail to make the contributions after the specified period, the Housing Provident Fund Management Center may apply to the People’s Court for enforcement.

REGULATORY OVERVIEW

Prevention and Control of Occupational Diseases

Pursuant to the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) promulgated by the Standing Committee of the National People’s Congress on October 27, 2001, last amended on December 29, 2018 and became effective on the same date, employers shall provide work environments and conditions that meet national occupational health standards and hygiene requirements, take measures to ensure occupational health protection for workers, establish and improve occupational disease prevention and control responsibility systems, strengthen management of occupational disease prevention and control, enhance occupational disease prevention and control levels, and bear responsibility for the harm caused by occupational diseases. Furthermore, where occupational disease hazard factors listed in the occupational disease catalog are present in the workplace, production entities shall promptly and truthfully report to the local health administrative authority and accept its supervision.

Laws and Regulations in Relation to Foreign Exchange

Pursuant to the Regulations of the People’s Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, last amended on August 5, 2008 and became effective from the same date, international payments and transfers of foreign currency under the current account are not subject to national-level controls or restrictions; However, foreign currency transactions under the capital account (such as direct investment and capital contributions) remain subject to regulatory restrictions and require approval from or registration with foreign exchange authorities.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Management Policy for Capital Account Exchange Settlement (《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》) promulgated by the State Administration of Foreign Exchange on June 9, 2016 and became effective on the same date (as amended by the Notice of the State Administration of Foreign Exchange on Further Deepening Reforms to Facilitate Cross-Border Trade and Investment (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》) promulgated by the State Administration of Foreign Exchange on December 4, 2023 and effective from the same date), the foreign exchange income of domestic institutions under the capital account is subject to the requirements of the voluntary exchange policy. In particular, for foreign exchange income under the capital account explicitly included in the scope of voluntary exchange under relevant policies (including, among others foreign exchange capital, foreign debt funds, repatriated funds raised through overseas listings.), domestic institutions may handle exchange procedures with banks based on their actual business needs. The voluntary exchange ratio for the foreign exchange income of domestic institutions under the capital account is provisionally set at 100%. The State Administration of Foreign Exchange may adjust this ratio as and when appropriate based on the balance of receipts and payments. Domestic institutions may also choose to utilize their foreign exchange income under the capital account through the “payment-based exchange system” when such income meets the conditions for voluntary exchange. When processing each foreign exchange conversion for domestic institutions under the “payment-based exchange system”, banks shall verify the authenticity and compliance of the fund usage of the institution’s previous foreign exchange conversion (including both voluntary and payment-based exchanges). Furthermore, foreign exchange income of domestic institutions under the capital account and the renminbi funds obtained from such exchange are subject to explicit usage restrictions. They shall not be used directly or indirectly for expenditures outside the enterprise’s business scope or for expenditures prohibited by national laws and regulations; unless otherwise specified, shall not be used directly or indirectly for securities investments, other investments, or wealth management activities beyond bank principal-protected products; shall not be used to extend loans to non-affiliated enterprises (except where the enterprise’s business scope explicitly permits such activities); and shall not be used for the construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

REGULATORY OVERVIEW

Pursuant to the Notice of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated by the State Administration of Foreign Exchange on April 10, 2020 and became effective on the same date, qualified enterprises are permitted to use income under the capital account (such as capital contributions, overseas credit funds, and overseas listing proceeds) for domestic payments without the need to provide proof of authenticity for each transaction to banks in advance, provided that the use of such funds is genuine and compliant, and adheres to current regulations governing the utilization of income under capital account. Local foreign exchange authorities shall enhance monitoring and analysis, and strengthen both ongoing and post-transaction supervision.

Pursuant to the Notice on Issues Concerning the Management of Funds for Overseas Listings by Domestic Enterprises (《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 on December 24, 2025 and became effective from April 1, 2026, the People’s Bank of China, the State Administration of Foreign Exchange, and their branches shall supervise, manage, and inspect the business registration, account opening and usage, cross-border receipts and payments, and fund exchanges in relation to the overseas listings of domestic enterprises. Domestic enterprises who have been listed overseas shall, within 30 working days from the first trading day of the overseas listing or the completion of the over-allotment option, apply for overseas listing registration with a provincial bank where it is registered/a bank in the city specified in the planning list by submitting required material.

LAWS AND REGULATIONS IN RELATION TO TAX

Enterprise Income Tax Law

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》) promulgated by the Standing Committee of the National People’s Congress on March 16, 2007, last amended on December 29, 2018 and became effective from the same date, and the Implementation Regulations of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the Standing Committee of the National People’s Congress on December 6, 2007, last amended on December 6, 2024 and became effective from January 20, 2025 (collectively, the “**Enterprise Income Tax Law**”), enterprise income tax applies to both resident enterprises and non-resident enterprises. In particular, resident enterprises fall into two categories, namely, enterprises established in accordance with relevant laws within the PRC; and enterprises established under the laws of a foreign country (or region) but with their place of *de facto* management located within the PRC. Non-resident enterprises also comprise two types, namely, enterprises established under the laws of a foreign country (or region) with no place of *de facto* management within the PRC, but having an establishment or place of business within the PRC; and enterprises that do not have any establishment or places of business within the PRC, but derive income from sources within the PRC. The statutory enterprise income tax rate is 25%. Qualified small and low-profit enterprises are entitled to a reduced tax rate of 20% for enterprise income tax.

Pursuant to the Administrative Measures for the Recognition of High-Tech Enterprises (《高新技術企業認定管理辦法》) promulgated by the Ministry of Science and Technology, the Ministry of Finance, and the State Taxation Administration on January 29, 2016 and became effective from January 1, 2016, entities recognized as high-tech enterprises are entitled to a preferential rate of 15% for enterprise income tax. The validity period of high-tech enterprise certification is three years from the date of issuance of the high-tech enterprise certificate. Upon expiration of the certificate’s validity period, enterprises may reapply for high-tech enterprise certification.

REGULATORY OVERVIEW

Income Tax on Dividend Distributions

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) promulgated by the State Administration of Taxation on August 21, 2006 and became effective from December 8, 2006, along with its supplementary protocol, if a Hong Kong enterprise directly holds an equity interest of no less than 25% in a company within the PRC, dividends distributed by such PRC company to the Hong Kong enterprise shall be subject to a 5% tax rate. If the Hong Kong enterprise's equity interest in the PRC company falls below the aforementioned 25% threshold, the relevant dividends shall be subject to a 10% withholding income tax rate.

Pursuant to the Administrative Measures for the Entitlement to Tax Treaty Benefits of Non-Resident Taxpayers (《非居民納稅人享受協定待遇管理辦法》) promulgated by the State Taxation Administration on October 14, 2019 and became effective January 1, 2020, the entitlement to tax treaty benefits of non-resident taxpayers is subject to the principals of “self-assessment, self-declaration, and maintenance of relevant documentation for inspection”. Non-resident taxpayers who self-assess their eligibility for treaty benefits may claim such benefits when filing their tax returns or through the withholding agent when filing withholding declarations. In addition, they must collect and maintain relevant supporting documentation as required for tax authority verification and accept subsequent management by the tax authorities.

Pursuant to the Personal Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) promulgated by the Standing Committee of the National People's Congress on September 10, 1980, last amended on August 31, 2018 and became effective from January 1, 2019, and the Implementing Rules of the Personal Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) promulgated by the State Council on January 28, 1994, last amended on December 18, 2018 and became effective from January 1, 2019, it is explicitly stated that income from interest, dividends, bonuses, property rentals, property transfers, and incidental gains shall be subject to a proportional tax rate, uniformly set at 20%.

Further, pursuant to the Notice on Issues Concerning Differential Income Tax Policies for Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) promulgated by the Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission on September 7, 2015 and became effective from September 8, 2015, differential income tax policies apply to dividend income derived from shares of listed companies acquired on the market through public issuance and transfer, which shall be calculated based on the holding period. If the holding period exceeds one year, dividend income is temporarily exempt from individual income tax. If the holding period is one month or less (inclusive), the entire amount of dividend income is taxable. If the holding period is between one month and one year (inclusive), 50% of the dividend income constitutes taxable income. The taxable income under each of the above scenarios is uniformly subject to a 20% tax rate for individual income tax.

Pursuant to the abovementioned Enterprise Income Tax Law, the statutory enterprise income tax rate is 25%. For non-resident enterprises that do not have any establishment or place of business within the PRC, or those that have such establishment or place of business, but whose income is not effectively connected with it, income sourced from within the PRC shall be subject to a reduced enterprises income tax rate of 10%. The abovementioned withholding tax payable by non-resident enterprises is subject to a withholding-at-source system, with the entity or individual making the payment acting as the withholding agent. The withholding agent shall withhold and remit the corresponding tax from the amount payable or due at each payment or when the payment becomes due.

REGULATORY OVERVIEW

The Notice of the State Administration of Taxation on Issues Concerning Withholding and Remitting Enterprise Income Tax for the Distribution of Dividends by Chinese Resident Enterprises to Overseas Non-Resident Enterprise Holders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was promulgated by the State Administration of Taxation on November 6, 2008 and became effective on the same date, further clarifies relevant requirements for the collection and administration of such taxes. When PRC resident enterprises distribute dividends for 2008 and subsequent years to overseas non-resident enterprise holders of H shares, they shall withhold and remit enterprise income tax at a uniform rate of 10%. Non-resident enterprise shareholders may apply to the competent tax authority for tax treaty (or tax arrangement) benefits after receiving such dividends. Upon verification and confirmation of eligibility by the competent tax authority, the difference between the tax already collected and the tax payable calculated at the rate specified in the tax treaty (or arrangement) shall be refunded.

Value-Added Tax (“VAT”)

Pursuant to the Value-Added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法》) promulgated by the Standing Committee of the National People’s Congress on December 25, 2024 and became effective from January 1, 2026, as well as the Implementing Regulations of the Value-Added Tax Law of the People’s Republic of China (《中華人民共和國增值稅法實施條例》) approved at the 75th Executive Meeting of the State Council on December 19, 2025, and became effective from January 1, 2026, entities and individuals who engage in the sale of goods, provision of processing, repair, or maintenance services, or import of goods within the PRC are subject to value-added tax.

Pursuant to the Notice of the Ministry of Finance and the State Taxation Administration on Adjusting the Value-Added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) promulgated by the Ministry of Finance and the State Taxation Administration on April 4, 2018 and became effective from May 1, 2018, the VAT rates for the sale and import of goods were adjusted from 17% and 11% to 16% and 10%, respectively.

Pursuant to the Announcement on Policies Concerning the Deepening of Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) promulgated by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs of the People’s Republic of China on March 20, 2019 and became effective from April 1, 2019, the VAT rates for the sale and import of goods were adjusted from 16% and 10% to 13% and 9%, respectively.

Pursuant to the Announcement on the Additional Deduction Policy for Value-Added Tax of Advanced Manufacturing Enterprises (關於先進製造業企業增值稅加計抵減政策的公告) promulgated by the Ministry of Finance and the State Taxation Administration on September 3, 2023, within the period from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are permitted to deduct an additional 5% of their current deductible input tax from their payable VAT.

REGULATORY OVERVIEW

LAWS AND REGULATIONS IN RELATION TO OVERSEAS INVESTMENT BY DOMESTIC ENTERPRISES

Regulations of the National Development and Reform Commission on Overseas Investment by Domestic Enterprises

Pursuant to the Administrative Measures of Overseas Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the National Development and Reform Commission on December 26, 2017 and became effective from March 1, 2018, the state implements a classification management system for the approval and filing of investment projects undertaken by domestic enterprises (the “**Investing Entity(ies)**”), either directly or through their controlled overseas enterprises, to acquire overseas ownership, control, operational management rights, or other related interests through means such as contributing assets, equity interests, or providing financing and guarantees (including investment projects conducted in the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan Region). Approval management applies to sensitive projects undertaken directly by the Investing Entity or through its controlled overseas enterprises, with the National Development and Reform Commission serving as the approving authority. Filing management applies to non-sensitive projects undertaken directly by the Investing Entity, specifically non-sensitive projects involving the direct contribution of assets, equity interests, or provision of financing or guarantees by the Investing Entity. For projects where the Investing Entity is a centrally administered enterprise (including centrally administered financial enterprises and enterprises directly administered by the State Council or its affiliated agencies), or where the entity is locally administered and the Chinese investment amount is US\$300 million or above, the filing authority shall be the National Development and Reform Commission. For projects where the investing entity is a locally administered enterprise and the Chinese investment amount is below US\$300 million, the filing authority shall be the provincial-level development and reform authority where the investing entity is registered.

For projects subject to approval or filing management, the investing entity shall obtain the project approval document or filing notification before contributing assets or equity (excluding pre-project expenses for approval or filing) or providing financing or guarantees through itself or its controlled overseas enterprises. Without a valid approval document or filing notification, relevant departments such as foreign exchange administration and customs shall refuse to process related transactions in accordance with relevant laws, and relevant financial institutions shall not process related fund settlement or financing services in accordance with relevant laws.

The investment entity shall submit a project completion report form through the online system within 20 working days after the completion of the construction project, transfer of target equity or assets, or full disbursement of the Chinese investment amount.

For violations of the Administrative Measures of Overseas Investment by Enterprises by the investment entity, the approving or filing authority shall have the right to refuse approval or filing, revoke the approval document or filing notice, order the investment entity to suspend or cease implementation of the project, require remedial actions, order rectification in a specified time limit, issue warnings to the investment entity and its principal responsible persons, and other measures. Where a crime is constituted, criminal liability shall be pursued.

REGULATORY OVERVIEW

Regulations of the Ministry of Commerce on Overseas Investment by Domestic Enterprises

Pursuant to the Administrative Measures of Overseas Investment (《境外投資管理辦法》) promulgated by the Ministry of Commerce on March 16, 2009, last amended on September 6, 2014 and became effective from October 6, 2014, enterprises lawfully established within the PRC that own interests in non-financial enterprises overseas, or acquire ownership, control, management rights, or other interests in existing non-financial enterprises overseas, in each case through establishment, mergers and acquisitions, or other means, shall be subject to approval or filing management by the Ministry of Commerce and provincial-level commerce authorities based on the specific circumstances of the overseas investment. In particular, for overseas investments by enterprises involving countries that have not established diplomatic relations with the PRC, countries subject to United Nations sanctions, industries exporting products and technologies restricted for export from the PRC, or industries affecting the interests of more than one country (region), approval management shall be implemented. For overseas investments by enterprises in other circumstances, filing management shall be implemented.

For overseas investments subject to approval, enterprises shall submit an application to the competent commerce authority, which shall solicit opinions from Chinese embassies (consulates) or commercial offices abroad. For approved overseas investments, the Ministry of Commerce shall issue a written approval decision and grant an Enterprise Overseas Investment Certificate.

For overseas investments subject to filing, enterprises shall complete the Overseas Investment Filing Form and submit it along with a copy of their business license to the competent commerce authority for filing. Upon filing obtain the Overseas Investment Certificate issued by the competent commerce authority.

For violations of the Administrative Measures of Overseas Investment, the competent commerce authority has the right to revoke the enterprise’s overseas investment filing, issue a warning, publicly announce the penalty decision in accordance with relevant laws, prohibit the enterprise from reapplying for such approval for one or three years, and prohibit the enterprise from enjoying relevant national incentive or support policies for three years. Where a crime is constituted, criminal liability shall be pursued.

LAWS AND REGULATIONS IN RELATION TO OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC ENTERPRISES

Pursuant 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》) promulgated by the China Securities Regulatory Commission on February 17, 2023 and became effective from March 31, 2023, domestic enterprises seeking overseas offering and listing shall file with the China Securities Regulatory Commission. For issuers seeking an initial public offering or listing overseas, filing with the China Securities Regulatory Commission shall be completed within three business days after submitting the offering and listing application documents overseas.

REGULATORY OVERVIEW

Pursuant to the Regulations on Strengthening Confidentiality and Archival Management for Securities Offering and Listing by Domestic Enterprises (《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》) promulgated by the China Securities Regulatory Commission, the Ministry of Finance, the State Administration for State Secrets Protection, and the National Archives Administration on February 24, 2023 and became effective from March 31, 2023, in the course of overseas offering and listing, the domestic enterprises and the securities companies and securities service institutions providing relevant services shall, in strict compliance with the requirements of the relevant laws and regulations of the People’s Republic of China and the Regulations on Strengthening Confidentiality and Archival Management for Securities Offering and Listing by Domestic Enterprises, enhance their legal awareness regarding the protection of state secrets and strengthen archival management, establish and improve confidentiality and archival systems, take necessary measures to satisfy confidentiality and archival management responsibilities, and shall not disclose state secrets or work secrets of state organs, nor harm the interests of the state or the public. Domestic enterprises providing documents or data involving state secrets or work secrets of state organs to relevant securities companies, securities service institutions, overseas regulatory authorities, or other entities and individuals, or publicly disclosing such documents or data, or providing or publicly disclosing such documents or data through their overseas listed entities, shall obtain approval from the competent authority with approval jurisdiction in accordance with relevant laws and file with the confidentiality administrative authority at the same level. Domestic enterprises providing other documents or data whose disclosure would adversely affect national security or the public interest to relevant securities companies, securities service institutions, overseas regulatory authorities, or other entities and individuals, or publicly disclosing such documents or data, or providing or publicly disclosing such documents or data through their overseas listed entities, shall strictly follow the corresponding procedures in accordance with relevant national regulations.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

We are a global leading supplier of NdFeB permanent magnets (“NdFeB PMs”). We first entered the rare earth permanent magnet industry in 1996. Through profound technological accumulation and continuous independent innovation, we have developed NdFeB PMs with superior properties. We continue to focus deeply on three major downstream business sectors: NEVs, consumer electronics, and industrial motors and others. At the same time, we are actively exploring high-growth emerging markets such as embodied intelligence robots and low-altitude aircraft. We are one of the few enterprises in China that possess a complete set of preparation technologies for NdFeB PMs, covering a broad range of downstream applications, according to CIC. Through independent R&D and continuous improvement of full-process equipment and advanced preparation technologies, we have significantly enhanced the quality and production capacity of our magnetic materials. As of the Latest Practicable Date, we had achieved an annual production capacity of 26,000 tons of NdFeB PM blanks, making us one of the largest rare earth permanent magnet manufacturers globally, according to CIC.

By intensifying technological innovation and continuously improving the production processes and equipment for rare earth permanent magnets, the performance and quality of our main products have reached international advanced levels. As of the Latest Practicable Date, through independent R&D, we had obtained 118 invention patents and three utility model patents in China and overseas jurisdictions, and had successively completed six national high-tech R&D programs of China (“National 863 Program”). We have a national-level enterprise technology center, which was awarded to us by the National Development and Reform Commission in 2016. Our R&D projects have been awarded two “Second Prizes of the National Science and Technology Progress”. Our high-performance rare earth permanent magnet material industrialization project has been recognized as a national major scientific and technological achievement transformation project. Our YUNSHENG brand NdFeB PMs applied in HDD VCMs were recognized as “Champion Product in Manufacturing Industry” by Ministry of Industry and Information Technology of the PRC in 2020.

We continuously emphasize R&D investment and deepen our technological capabilities through core technologies such as high-purity magnet manufacturing technology, grain refinement control technology, grain boundary optimization technology, grain boundary diffusion technology, area-selective diffusion technology, magnet splicing technology and magnet recycling technology. These efforts enable us to produce rare earth permanent magnets with superior performance characteristics. Our sintered NdFeB PMs, bonded NdFeB PMs, and magnetic components have successfully penetrated high-end manufacturing industries, including the NEV sector, consumer electronics sector, and industrial motors and others sector. At the same time, we have entered fast-growing and high-potential emerging industries such as embodied intelligence robots and low-altitude aircraft. Our products have achieved outstanding market performance and have been successfully adopted by leading enterprises across various industries.

KEY CORPORATE AND BUSINESS DEVELOPMENT MILESTONES

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

Year	Event
1994	Our Company (formerly known as Ningbo Yunsheng (Group) Co., Ltd.* (寧波韻聲(集團)股份有限公司)) was established.
1995	Yunsheng (U.S.A) Inc., one of our subsidiaries, was established, marking our Company’s determination to expand into the U.S. market.
1996	Our Company officially entered the rare earth permanent magnetic materials industry.

HISTORY AND CORPORATE STRUCTURE

Year	Event
2000	Our Company was listed on the Shanghai Stock Exchange (Stock Code: 600366.SH).
2001	Baotou Yunsheng Magnet, one of our major subsidiaries, was established.
2003	Our Company established a major production base for rare earth permanent magnetic materials in Baotou, expanding our manufacturing scale.
2006	Our VCM magnetic steel research and development project was successfully completed.
2011	The Yunsheng Technology Industrial Park Phase III* (韻昇科技工業三園) was completed, supporting further capacity and industrial development.
2012	Yunsheng Magnetics (Europe) GmbH, one of our subsidiaries, was established, marking our Company’s determination to expand into the European market.
2014	Our Company’s project, “Technical Upgrading and Integrated Innovation of Rare Earth Permanent Magnet Industry”* (“稀土永磁產業技術升級與集成創新”項目) was awarded the National Science and Technology Progress Second Prize* (國家科學技術進步二等獎).
	The Yunsheng Technology Industrial Park Phase IV* (韻昇科技工業四園) was completed, enhancing our industrial capacity and economic expansion.
2018	The Yunsheng Technology Industrial Park Phase VI* (韻昇科技工業六園) was completed, supporting further capacity and industrial development.
	Our “6000 Tons Annual Production of NdFeB permanent magnets blanks Relocation and Expansion Project” was completed in Baotou.
2022	Our Company commenced a project for the annual production of 15,000 tons of high-performance rare earth permanent magnet materials in Baotou.
2024	Our Company was honored with the title of National Leading Enterprise in the Rare Earth New Materials field in recognition of its industry standing.

For further details of the major awards, recognitions and accreditations received by our Group, please refer to “Business — Awards and recognitions” in this document.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Early Development of our Company

On January 22, 1994, the Ningbo Municipal Commission for Restructuring the Economic System (寧波市經濟體制改革委員會) issued the “Reply to the Establishment of Ningbo Yunsheng (Group) Co., Ltd. (《關於設立寧波韻聲(集團)股份有限公司的批覆》)” (Yong Gu Gai [1994] No. 4), which agreed to jointly establish Ningbo Yunsheng (Group) Co., Ltd.* (寧波韻聲(集團)股份有限公司), with an investment of RMB21.54 million from Ningbo Yunsheng Precision Machinery Co., Ltd.* (寧波韻聲精機公司), RMB2 million from Ningbo Jiangdong Shuguang Industrial Company* (寧波江東曙光工業公司), RMB3 million from Ningbo Zhongnongxin International Trade Corporation* (寧波中農信國際貿易總公司), RMB3 million from Ningbo Zhongjian Real Estate Development Company Jiangdong Branch* (寧波中建房地產開發公司江東分公司) and RMB0.5 million from Yinxian Dongfang Die Casting Factory* (鄞縣東方壓鑄廠). It was agreed that the total share capital of Ningbo Yunsheng Group amounted to RMB30.70 million, with RMB1 per share, equivalent to 30,700,000 shares. Among them, 30,040,000 shares were subscribed by the

HISTORY AND CORPORATE STRUCTURE

aforementioned initiators, representing 97.85% of the total share capital. 660,000 shares were raised from Ningbo Yunsheng Group’s internal employees, representing 2.15% of the total share capital. On June 30, 1994, our Company completed its incorporation as a joint-stock company with limited liability and Mr. Zhu Yunde was one of our founders.

Listing on the Shanghai Stock Exchange in October 2000

With the approval of the CSRC’s “Notice on the Approval of the Public Issuance of Shares by Ningbo Yunsheng (Group) Co., Ltd. (《關於核准寧波韻昇(集團)股份有限公司公開發行股票的通知》)” (CSRC issuance [2000] No. 134), our Company was listed for dealing through online price offering on the Shanghai Stock Exchange from October 30, 2000, with the stock name of “Ningbo Yunsheng” and stock code of “600366”. After the completion of the public offering, the registered capital of our Company changed to RMB127.10 million.

Share Capital Change in April 2001

In April 2001, we resolved to implement a capital reserve capitalization based on the total share capital of 127,100,000 A Shares, issuing 5 additional A Shares for every 10 A Shares held by all A Shares shareholders, resulting in a total of 63,550,000 new A Shares. This capital reserve capitalization was completed in May 2001. Upon implementation, our total share capital increased to 190,650,000 A Shares.

Share Capital Change in April 2002

In April 2002, we resolved to implement a capital reserve capitalization based on the total share capital of 190,650,000 A Shares, issuing 5 additional A Shares for every 10 A Shares held by all A Shares shareholders, resulting in a total of 95,325,000 new A Shares. This capital reserve capitalization was completed in July 2002. Upon implementation, our total share capital increased to 285,975,000 A Shares.

Share Capital Change in June 2006

In June 2006, we resolved to implement a capital reserve capitalization based on the total share capital of 285,975,000 A Shares, issuing 3 additional A Shares for every 10 A Shares held by all A Shares shareholders, resulting in a total of 85,792,500 new A Shares. This capital reserve capitalization was completed in June 2006. Upon implementation, our total share capital increased to 371,767,500 A Shares.

Non-Public Share Issuance on April 30, 2007

On April 30, 2007, our Company resolved to approve a non-public issuance of shares to specific investors.

With the approval of the CSRC’s “Notice on the Approval of the Non-Public Issuance of Shares by Ningbo Yunsheng Co., Ltd. (《關於核准寧波韻昇有限公司非公開發行股票的通知》)” (CSRC issuance [2007] No. 399), our Company was allowed to issue no more than 25,000,000 A Shares. Following a pricing inquiry with specific investors, we issued 24,000,000 A Shares at a price of RMB8.05 per share to five targeted investors.

On April 12, 2008, we completed the registration of this change, increasing its registered capital from 371,767,500 A Shares to 395,767,500 A Shares.

Capitalization of Undistributed Profits in May 2011

On May 25, 2011, we resolved to distribute profits based on a total share capital of 395,767,500 A Shares, by issuing 3 bonus A Shares for every 10 A Shares held by all A Shares shareholders, resulting in a total of 118,730,250 new A Shares. This capitalization of undistributed profits was completed in August 2011. Upon implementation, our total share capital increased to 514,497,750 A Shares.

HISTORY AND CORPORATE STRUCTURE

The 2015 Restricted Share Incentive Plan

On April 17, 2015, we adopted a restricted share incentive plan (the “**2015 Restricted Share Incentive Plan**”) to establish a long-term incentive mechanism, incentivize employees and better align employee interests with our Company’s strategic development. Pursuant to the 2015 Restricted Share Incentive Plan, share awards representing a total of 20,480,000 restricted A Shares were granted to 155 eligible recipients with vesting conditions. Upon completion of issuance and registration procedures on August 10, 2015, our Company’s registered capital increased from 514,497,750 A Shares to 534,977,750 A Shares.

Issuance of Shares for Asset Acquisition in August 2015

On August 19, 2015, our Company passed a resolution to approve the proposal concerning the “Scheme for Issuing Shares to Purchase Assets”* (《關於本次發行股份購買資產方案的議案》).

On November 26, 2015, our Company received the “Reply to approve the issuance of shares to Huiyuan (Hong Kong) Limited and others for asset acquisition”* (《關於核准寧波韻昇股份有限公司向匯源(香港)有限公司等發行股份購買資產的批復》)” (CSRC Permit [2015] No. 2764) issued by the CSRC. This approval authorized our Company to issue 15,102,084 A Shares to Huiyuan (Hong Kong) Limited, 2,010,208 A Shares to Liu Xiaohui (劉曉輝), 1,467,633 A Shares to Yang Jinxin (楊金錫), 1,235,476 A Shares to Nanhai Growth Selection (Tianjin) Equity Investment Fund Partnership (Limited Partnership)* (南海成長精選(天津)股權投資基金合夥企業(有限合夥)), 411,828 A Shares to Qingdao Jingyuan Venture Capital Co.,* (青島靜遠創業投資有限公司), 411,828 A Shares to Beijing Jianhua Venture Capital Co.,* (北京建華創業投資有限公司), 363,175 A Shares to Liu Guangqing (劉光清), 306,296 A Shares to Yang Chunmei (楊春梅), 65,631 A Shares to Zhao Yuqing (趙育清), 43,760 A Shares to Yang Liang (楊良), and 26,256 A Shares to Zhu Hua (朱華) for the purchase of related assets held by them. Upon completion of issuance and registration procedures in November 2016, our total share capital increased to 556,421,925 A Shares.

Repurchase and Cancellation of Restricted Shares in April 2016

On April 7, 2016, our Company resolved to repurchase and cancel 310,000 restricted A Shares that had been granted to eligible recipients but had not met the vesting conditions under the 2015 Restricted Share Incentive Plan. Upon completion of the repurchase and cancellation and registration procedures on December 7, 2016, our Company’s registered capital decreased from 556,421,925 A Shares to 556,111,925 A Shares.

Further Grant Under the 2015 Restricted Share Incentive Plan

On March 29, 2016, our Company resolved to further grant, share awards representing a total of 1,375,000 restricted A Shares to 71 eligible recipients. Upon completion of the issuance and registration procedures on 28 December 2016, our Company’s registered capital increased from 556,111,925 A Shares to 557,486,925 A Shares.

Repurchase and Cancellation of Restricted Shares in March 2017

On March 17, 2017, our Company resolved to repurchase and cancel 415,000 restricted A Shares that had been granted to eligible recipients but had not met the vesting conditions under the 2015 Restricted Share Incentive Plan. Upon completion of the repurchase and cancellation and registration procedures on July 31, 2017, our Company’s registered capital decreased from 557,486,925 A Shares to 557,071,925 A Shares.

HISTORY AND CORPORATE STRUCTURE

Repurchase and Cancellation of Restricted Shares in February 2018

On February 9, 2018, our Company resolved to repurchase and cancel 113,500 restricted A Shares that had been granted to eligible recipients but had not met the vesting conditions under the 2015 Restricted Share Incentive Plan. Upon completion of the repurchase and cancellation and registration procedures on July 31, 2017, our Company’s registered capital decreased from 557,071,925 A Shares to 556,958,425 A Shares.

Share Capital Change in May 2018

On May 8, 2018, we resolved to implement a capital reserve capitalization based on the total share capital of 556,958,425 A Shares, issuing a total of 445,566,740 new A Shares. This capital reserve capitalization was completed in April 2019. Upon implementation, our total share capital increased to 1,002,525,165 A Shares.

Repurchase and Cancellation of Restricted Shares in August 2018

On August 30, 2018, we resolved to repurchase and cancel 13,411,444 restricted A Shares that had been granted to eligible recipients but had not met the vesting conditions under the 2015 Restricted Share Incentive Plan. Following completion of the repurchase and cancellation and registration procedures on April 16, 2019, our Company’s registered capital was reduced from 1,002,525,165 A Shares to 989,113,721 A Shares.

Non-public Issuance of Shares and the 2022 Restricted Share Incentive Plan in March and September 2022

On March 15, 2022 and September 5, 2022, our Company resolved to conduct the non-public issuance of A shares to specific investors and implement the 2022 Restricted Share Incentive Plan (the “**2022 Restricted Share Incentive Plan**”).

Following the approval by the CSRC, our Company completed a non-public issuance of 102,854,330 A shares to specific investors. Pursuant to the 2022 Restricted Share Incentive Plan, 20,410,000 restricted A Shares were granted to eligible incentive recipients. Upon completion of the issuance and registration procedures on March 13, 2023, our Company’s registered capital increased from 989,113,721 A Shares to 1,112,368,051 A Shares.

Repurchase and Cancellation of Restricted Shares in August and October 2023

In August and October 2023, we resolved to repurchase and cancel a total of 610,000 restricted A Shares that had been granted to eligible recipients but had not met the vesting conditions under the 2022 Restricted Share Incentive Plan. Upon completion of the repurchase and cancellation and registration procedures on June 27, 2025, our Company’s registered capital was reduced from 1,112,368,051 A Shares to 1,111,758,051 A Shares.

Repurchase and Cancellation of Restricted Shares in July and September 2024

On July 31, 2024, our Company resolved to terminate the 2022 Restricted Share Incentive Plan, repurchase and cancel the related A Shares that had been granted to eligible recipients but had not met the vesting conditions. Following the repurchase and cancellation of 11,874,000 restricted A Shares, our Company’s total issued share capital was reduced to 1,099,884,051 A Shares.

On September 20, 2024, our Company resolved to cancel 843,000 treasury Shares. Upon completion of the repurchase and cancellation procedure on July 9, 2025, our Company’s registered capital was reduced to 1,099,041,051 A Shares.

As a result of the foregoing, as at the Latest Practicable Date, our Company had an issued share capital of 1,099,041,051 A Shares, with a nominal value of RMB1.00 each.

HISTORY AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

The principal business activities and date of establishment of each of our Major Subsidiaries, which had made a material contribution to our results of operation and/or have strategic importance to our development, are shown below:

Name of Major Subsidiary	Date and Place of Establishment	Equity Interest Attributable to Our Group	Principal business activities
Baotou Yunsheng Magnetic	May 30, 2001, PRC	99.97%	Production of NdFeBPMs and magnetic components
Yunsheng Magnet Component	November 28, 2001, PRC	100.00%	Production of NdFeBPMs and magnetic components
Yunsheng Bonded Magnet	March 21, 2003, PRC	99.00%	Production of NdFeB PMs and magnetic components
Yunsheng Investment	July 6, 2006, PRC	90.00%	Investment holding
Yunsheng Special Metal	October 30, 2008, PRC	99.00%	Production of NdFeB PMs and magnetic components
Yunsheng New Energy Automobile Materials	March 22, 2016, PRC	100.00%	Production of NdFeB PMs and magnetic components
Yunsheng Coating	August 30, 2017, PRC	99.00%	Research and development of metal surface coating technology, surface coating processing, production and sales of magnetic materials
Baotou Yunsheng Technology	March 11, 2020, PRC	99.97%	Production of NdFeB PMs and magnetic components

ACTING-IN-CONCERT ARRANGEMENT

On December 21, 2020, Yunsheng Holding and Qianhao Investment (the “**Concert Parties**”) entered into an acting-in-concert agreement (the “**2020 AIC Agreement**”), pursuant to which the Concert Parties agreed to act in concert in respect of the operation, management and decision-making of our Company. In particular, the Concert Parties shall, in respect of decisions on internal matters of our Group, align their votes at the board and/or shareholders’ meetings of our Company with Yunsheng Holding, and the views and decisions of Yunsheng Holding shall prevail. In the event that any of the Concert Parties is unable to attend the relevant meetings, such party shall appoint Yunsheng Holding as its proxy to attend and exercise voting rights on its behalf.

Upon the expiry of the 2020 AIC Agreement, Yunsheng Holding and Qianhao Investment entered into a new acting-in-concert agreement on December 15, 2023 (the “**2023 AIC Agreement**” with the 2020 AIC Agreement, collectively the “**Acting-in-Concert Agreements**”), which took effect upon execution. The 2023 AIC Agreement contains substantially the same terms and conditions as the 2020 AIC Agreement. The Concert Parties agreed to act in concert in respect of the operation, management and decision-making of our Company so long as such Concert Parties hold, directly or indirectly, any Shares and until the earlier of (i) the termination of the 2023 AIC Agreement as agreed among the parties; or (ii) the expiry of a three year period from the commencement date of the 2023 AIC Agreement.

HISTORY AND CORPORATE STRUCTURE

As of the Latest Practicable Date, the Concert Parties were, in aggregate, directly and indirectly interested in approximately 33.44% of the total issued share capital of our Company. By virtue of the Acting-in-Concert Agreements, the Concert Parties constitute a group of controlling shareholders of our Company. For further details, please refer to the section headed “Relationship with our Controlling Shareholders” in this document.

EMPLOYEE SHARE OWNERSHIP PLANS

We have adopted several employee share ownership plans, for the purpose of incentivizing our employees who have made contribution to our Group’s development. For details of the employee share ownership plans, see “Employee Share Ownership Plans” in Appendix VI to this document.

REASONS FOR THE [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our Company seeks to [REDACTED] on the Hong Kong Stock Exchange to secure additional capital for business development and expansion, while establishing an alternative fundraising platform for future needs. Furthermore, leveraging Hong Kong’s role as an international hub, this [REDACTED] will provide robust support for, industrial chain extension, global market expansion, and strategic mergers and acquisitions. See “Business — Our Strategies” and “Future Plans and Use of [REDACTED]” for more details.

OUR LISTING ON THE SHANGHAI STOCK EXCHANGE

Since 2000, our Company has been listed on the Shanghai Stock Exchange with the stock code of 600366.

On December 27, 2024, our Company received an administrative regulatory measure in the form of a warning letter (the “**Warning Letter**”) issued by the Ningbo Regulatory Bureau of the China Securities Regulatory Commission (中國證券監督管理委員會寧波監管局) in relation to our Company’s delay in cancelling certain repurchased shares and making the corresponding information disclosure (the “**2024 Incident**”).

The 2024 Incident arose from our Company’s repurchase of A shares for share incentive purposes in 2020, where a portion of such shares was not cancelled within the prescribed timeframe and the relevant disclosure was not made in a timely manner. The delay was due to the then relevant personnel’s insufficient understanding of applicable regulatory requirements. Our Company has since completed the rectification, including cancelling the relevant shares and strengthening internal controls and compliance awareness.

As advised by our PRC Legal Advisor, the Warning Letter constitutes a regulatory measures rather than an administrative penalty under PRC laws and regulations, and the 2024 Incident does not amount to a material non-compliance. Our Board is also of the view that our business, financial condition, and results of operations has not been materially and adversely affected by the 2024 Incident.

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. Moreover, 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 Practicable Date, we have not been subject to any substantial administrative penalties imposed by PRC securities regulatory authorities and we have complied with the relevant laws and regulations on A Share listing applicable to us in all material respects.

HISTORY AND CORPORATE STRUCTURE

Based on the independent due diligence conducted by the Sole Sponsor and our PRC Legal Advisor’s view above, nothing has come to the Sole Sponsor’s attention that would cause them to disagree with our Directors confirmation with regard to the compliance records of our Company on the Shanghai Stock Exchange in any material respect.

PUBLIC FLOAT

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

Immediately following completion of the [REDACTED], assuming that [REDACTED] H Shares are [REDACTED] and [REDACTED] in the [REDACTED], our Company will have [REDACTED] issued Shares (excluding [REDACTED] A Shares held by our Company as treasury shares). So far as our Directors are aware, all [REDACTED] H Shares to be [REDACTED] pursuant to the [REDACTED], representing approximately [REDACTED]% of our total issued share capital immediately upon [REDACTED] (excluding the treasury shares), are expected to be held by the public, and it will satisfy the prescribed percentage of H Shares required to be held in public hands of 10% under Rule 19A.13A(2)(a) of the Listing Rules, and therefore our Company will satisfy the public float requirements at the time of [REDACTED].

FREE FLOAT

Rule 19A.13C(2) 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 million; or (b) have an expected market value at the time of listing of not less than HK\$600 million.

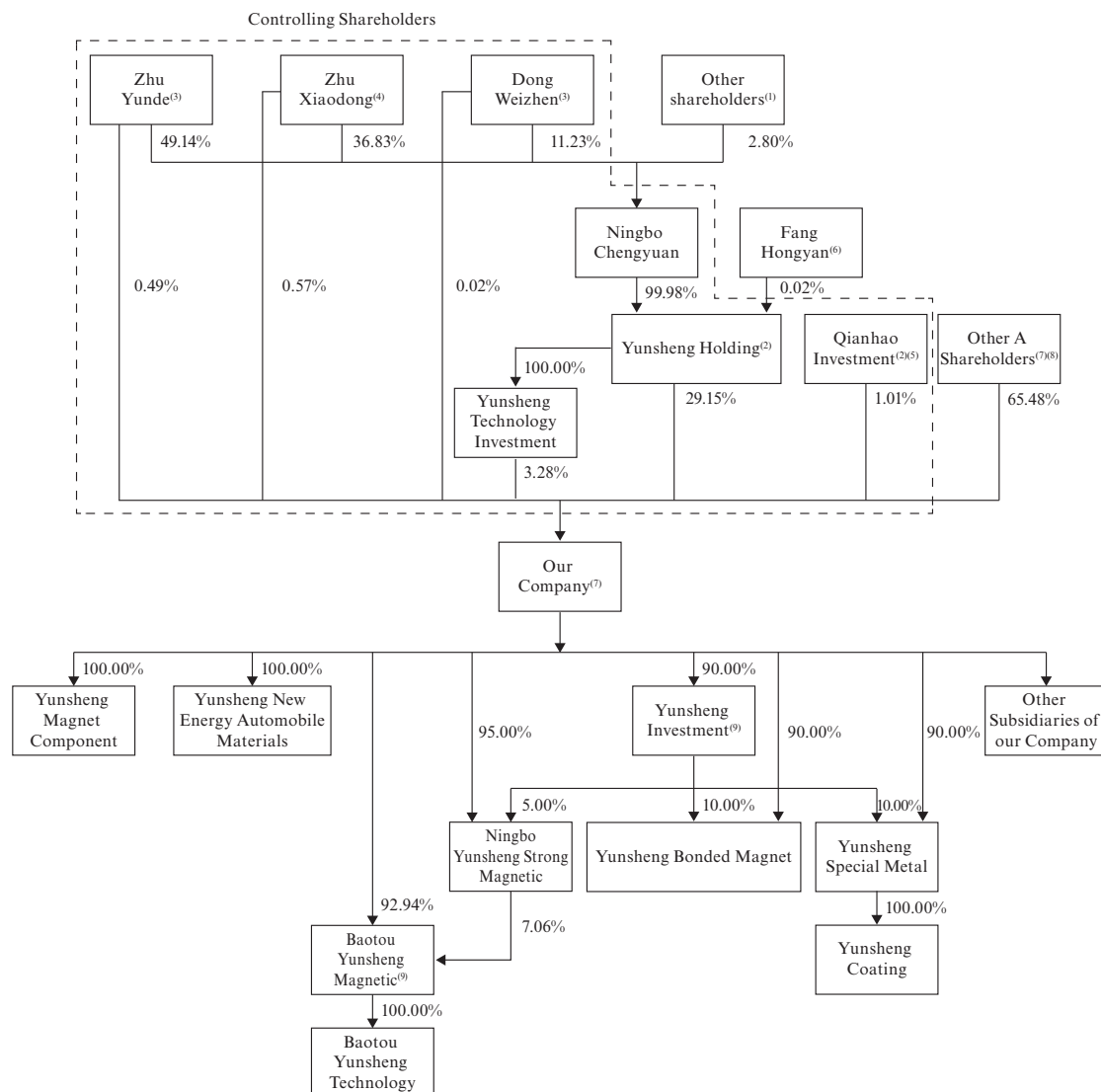
Under the minimum [REDACTED] of HK\$[REDACTED]; the mid-point [REDACTED] of HK\$[REDACTED]; and the maximum [REDACTED] of HK\$[REDACTED], the expected [REDACTED] of freely [REDACTED] H shares shall be approximately HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED], respectively, which exceeds the minimum prescribed requirement under Rule 19A.13C(2)(b), and therefore our Company will satisfy the free float requirement at the time of [REDACTED].

HISTORY AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Shareholding and corporate structure immediately before the [REDACTED]

The following chart depicts a simplified shareholding structure of our Group immediately prior to the completion of the [REDACTED]:



Notes:

- (1) As of the Latest Practicable Date, the remaining equity interest was held by Mr. Wang Guolong (汪國龍), Mr. Guo Zhenglun (郭正嵩), Ms. Wang Yan (汪燕) and Mr. Lin Rongliang (林榮良) as to 1.32%, 1.12%, 0.20% and 0.16%, respectively. Other than their shareholdings in Ningbo Chengyuan, each of them is an Independent Third Party. They are passive investors who are not involved in our Group's management and decision making. Therefore, they are not considered as members of the Controlling Shareholder Group.
- (2) Yunsheng Holding and Qianhao Investment are parties acting in concert pursuant to the 2023 AIC Agreement. Please see “History and Corporate Structure — Acting-in-Concert Arrangement” for details.
- (3) Ms. Dong Weizhen is the spouse of Mr. Zhu Yunde and Mr. Zhu Xiaodong, our executive Director, is their son. They are members of the Controlling Shareholder Group.

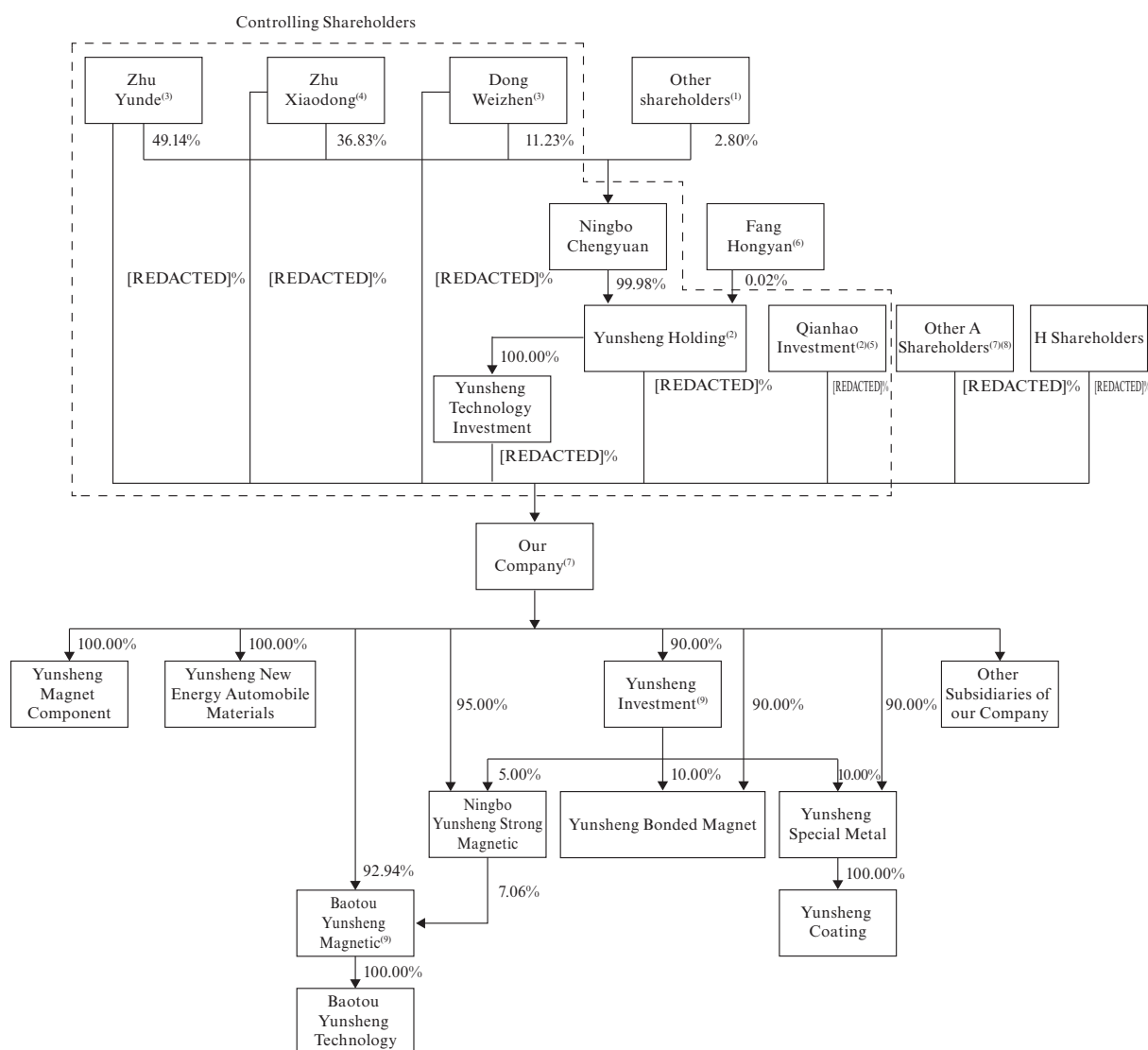
HISTORY AND CORPORATE STRUCTURE

- (4) 1,620,000 A Shares were directly held by Mr. Zhu Xiaodong and 4,644,061 A Shares were granted to Mr. Zhu Xiaodong under the Employee Share Ownership Plans, of which 450,000 A Shares had not been vested as of the Latest Practicable Date. For details, please refer to “Relationship with Our Controlling Shareholders — Our Controlling Shareholders” in this document.
- (5) Qianhao Investment was held as to 70.00% and 30.00% by Ms. Chen Yinfen and Mr. Zhang Deyan respectively, as of the Latest Practicable Date. Other than their shareholdings in Qianhao Investment, each of them is an Independent Third Party. They are not involved in our Group’s management and decision making, and accordingly, they are not considered as members of the Controlling Shareholder Group.
- (6) Other than her shareholding in Yunsheng Holding, Ms. Fang Hongyan is an Independent Third Party. She is a passive investor who is not involved in our Group’s management and decision making. Therefore, she is not considered as a member of the Controlling Shareholder Group.
- (7) Include 11,964,093 A Shares repurchased and held in our Company’s share repurchase account as treasury shares (assuming no changes are made to the number of repurchased shares held in our Company’s share repurchase account between the Latest Practicable Date and [REDACTED]). Treasury shares of our Company have been included for the purpose of calculation of the shareholding percentages.
- (8) As of the Latest Practicable Date, save for the Controlling Shareholders, each of the remaining Shareholders of A Shares held no more than 5.00% of the total issued Shares of our Company.
- (9) As of the Latest Practicable Date, Baotou Yunsheng Magnetic was owned as to 92.94% and 7.06% by our Company and Ningbo Yunsheng Strong Magnetic respectively. Ningbo Yunsheng Strong Magnetic is owned as to 95.00% and 5.00% by our Company and Yunsheng Investment respectively. Yunsheng Investment is owned as to 90.00% and 10.00% by our Company and Yunsheng Holding respectively.

HISTORY AND CORPORATE STRUCTURE

Shareholding and corporate structure immediately following the [REDACTED]

The following chart depicts the shareholding structure of our Group immediately following 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] and that the [REDACTED] is not exercised:



Notes (1) to (9): Please refer to the details contained in the preceding page.

BUSINESS

OUR MISSION AND VISION

Our mission

We are committed to developing energy-efficient and environmentally friendly products, rooted in the new materials, new energy, and mechatronics industries.

Our vision

To become the most influential global leader in the rare earth permanent magnet industry.

OVERVIEW

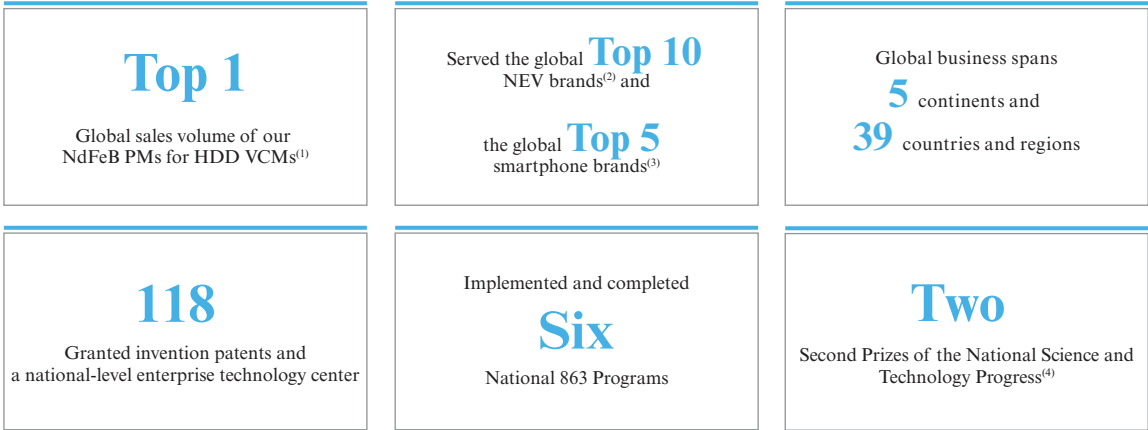
Who we are

We are a global leading supplier of NdFeB PMs. We first entered the rare earth permanent magnet industry in 1996. Through profound technological accumulation and continuous independent innovation, we have developed NdFeB PMs with superior properties. We continue to focus deeply on three major downstream business sectors: NEVs, consumer electronics, and industrial motors and others. At the same time, we are actively exploring high-growth emerging markets such as embodied intelligence robots and low-altitude aircraft. We are one of the few enterprises in China that possess a complete set of preparation technologies for NdFeB PMs, covering a broad range of downstream applications, according to CIC. Through independent R&D and continuous improvement of full-process equipment and advanced preparation technologies, we have significantly enhanced the quality and production capacity of our magnetic materials. As of the Latest Practicable Date, we had achieved an annual production capacity of 26,000 tons of NdFeB PM blanks, making us one of the largest rare earth permanent magnet manufacturers globally, according to CIC.

By intensifying technological innovation and continuously improving the production processes and equipment for rare earth permanent magnets, the performance and quality of our main products have reached international advanced levels. As of the Latest Practicable Date, through independent R&D, we had obtained 118 invention patents and three utility model patents in China and overseas jurisdictions, and had successively completed six national high-tech R&D programs of China (“**National 863 Program**”). We have a national-level enterprise technology center, which was awarded to us by the National Development and Reform Commission in 2016. Our R&D projects have been awarded two “Second Prizes of the National Science and Technology Progress”. Our high-performance rare earth permanent magnet material industrialization project has been recognized as a national major scientific and technological achievement transformation project. Our YUNSHENG brand NdFeB PMs applied in hard disk drive (“**HDD**”) voice coil motors (“**VCMs**”) were recognized as “Champion Product in Manufacturing Industry” by Ministry of Industry and Information Technology of the PRC in 2020.

BUSINESS

Through relentless efforts, we have earned widespread recognition from global customers and high acclaim in the market, achieving remarkable results.



Source: CIC Report

Notes:

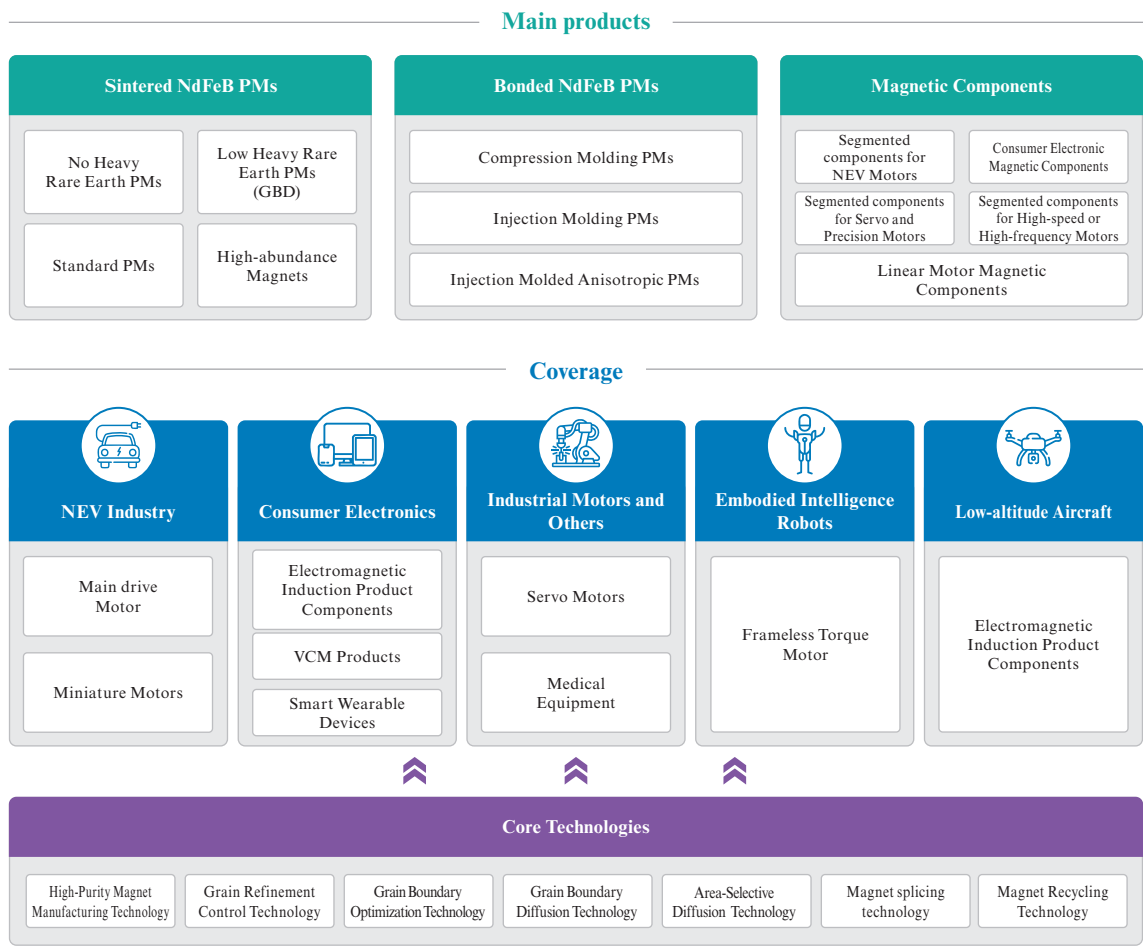
- (1) In terms of sales volume for our NdFeB PMs used in HDD VCMs in the global NdFeB PM market in 2025
- (2) In terms of global NEV sales volume in 2025
- (3) In terms of global smartphone shipments in 2025
- (4) We were twice awarded the “Second Prizes of the National Science and Technology Progress” by The State Council of the People’s Republic of China: the first time in 2008 for our project of Key Technologies for High-Performance Rare Earth Permanent Magnet Materials, Preparation Processes and Industrialization, and the second time in 2014 for the project of Technology Upgrade and Integrated Innovation of Rare Earth Permanent Magnet Industry.

Our business layout

We continuously emphasize R&D investment and deepen our technological capabilities through core technologies such as high-purity magnet manufacturing technology, grain refinement control technology, grain boundary optimization technology, grain boundary diffusion technology, area-selective diffusion technology, magnet splicing technology and magnet recycling technology. These efforts enable us to produce rare earth permanent magnets with superior performance characteristics. Our sintered NdFeB PMs, bonded NdFeB PMs, and magnetic components have successfully penetrated high-end manufacturing industries, including the NEV sector, consumer electronics sector, and industrial motors and others sector. At the same time, we have entered fast-growing and high-potential emerging industries such as embodied intelligence robots and low-altitude aircraft. Our products have achieved outstanding market performance and have been successfully adopted by leading enterprises across various industries.

BUSINESS

The following chart illustrates our business layout:



Our products

Our products primarily include sintered NdFeB PMs, bonded NdFeB PMs and magnetic components.

For sintered NdFeB PMs, we possess industry-leading technologies including grain refinement technology and grain boundary optimization technology to produce low or no heavy rare earth products. By utilizing heavy rare earth alloy hydrides as auxiliary alloys, we effectively control the distribution of heavy rare earth elements at the grain boundaries. These technologies enable us to maintain excellent overall magnetic performance of high-grade magnets while reducing heavy rare earth consumption and costs, and improving product consistency. Our sintered NdFeB PMs meet the requirements for miniaturization and lightweighting in applications such as NEV main drive motors, computer HDDs, servo motors, and semiconductors.

For bonded NdFeB PMs, we operate one of the world’s major production bases for bonded magnets. Our bonded NdFeB PMs are renowned for their precise dimensions and stable performance. They are widely used in various micro-motors in the automotive sector, including oil pump motors, seat motors, fan motors, wiper motors, and sensors, as well as in electronic communications, computers, household appliances, and office automation equipment. Our annual production capacity for bonded NdFeB PMs reached 1,000 tons as of December 31, 2025.

BUSINESS

For magnetic components, we have successfully extended our upstream rare earth permanent magnet technological advantages to downstream magnetic components. By offering full-process services from magnet design to finished magnetic component assembly, we significantly enhance product added value and market competitiveness. Leveraging core technologies such as Halbach Array, we are able to substantially improve magnet performance while optimizing cost structure, thereby providing a solid foundation for the reliability of our magnetic components in high-temperature and other complex application scenarios.

Primary downstream applications of our products

Our sintered NdFeB PMs, bonded NdFeB PMs, and magnetic components are widely applied across multiple high-end and emerging sectors, including the NEV sector, consumer electronics sector, and industrial motors and others sector.

NEVs

In the NEV sector, our products play a critical role in main drive motors, where sintered NdFeB PMs with high coercivity and temperature stability enable high power density, torque, and energy efficiency for electric traction systems. We also supply micro-motors for various auxiliary functions, such as oil pumps, seats, fans, wipers, and sensors, utilizing both sintered and bonded NdFeB PMs to achieve compact design and precise control. Additionally, our magnetic components are customized for integrated assemblies in NEV powertrains and subsystems, enhancing overall system reliability and performance. Our strong presence in this sector is evidenced by supplying our products to the world’s leading NEV manufacturers and globally representative automobile producers.

Consumer electronics

In the consumer electronics sector, our NdFeB PMs are essential for electromagnetic induction product components and, in particular, HDD VCMs and smartphone VCM modules. Our sales volume of NdFeB PMs used in HDD VCMs ranked first globally, with a global market share of 37.8% in 2025 according to CIC. This achievement underscores our competitive presence in a high-precision application field. In terms of our VCM product application on smartphones, our products enable rapid autofocus, optical image stabilization, and high-precision lens movement, meeting the stringent demands for compact size, stable performance, and supplied to the world’s leading smartphone manufacturers.

Industrial motors and others

For industrial motors and related electromechanical equipment, our NdFeB PMs are the primary solution for modern high-performance industrial drives, servo motors and motors. Our sintered NdFeB PMs are widely used in magnetic resonance imaging (“MRI”) equipment magnets, where high remanence and uniformity ensure precise and stable magnetic fields critical for imaging accuracy. We also provide compressor motor magnets for efficient, energy-saving operation in heating, ventilation, and air conditioning and refrigeration systems. These applications benefit from our ability to deliver customized, high-consistency magnets tailored to demanding industrial requirements. The emerging industries we are strategically focusing on are embodied intelligence robots and low-altitude aircraft, as set out below.

Embodied intelligence robots

In the embodied intelligence robot field, our products focus on micro drive motors and precision actuators. Leveraging compact, high-efficiency NdFeB PMs, we enable agile joint movements, servo control, and responsive actuation required for lifelike motion. We maintain a deep understanding of the technical demands of leading embodied intelligence robot enterprises and actively participate in customer-specific R&D to support this high-growth sector, serving leading global players across downstream applications.

BUSINESS

Low-Altitude Aircraft

In the fast-growing low-altitude aircraft sector, including electric vertical takeoff and landing (“eVTOL”) and unmanned aerial vehicle (“UAV”) platforms, our NdFeB PMs are deployed in propulsion motors and actuators. These magnets support lightweight, high-torque, and efficient electric drive systems essential for takeoff, hovering, and maneuvering in urban air mobility applications. We actively develop this emerging market by delivering reliable solutions optimized for weight-sensitive and high-reliability environments.

The following sets forth some of our representative cases of downstream applications of our sintered NdFeB PMs.



Axial Flux Motor Magnet

Supply of core magnets to a global leading enterprise in the NEV sector



HDD VCM Magnet

Supply of core magnets to globally renowned HDD and data storage solution providers



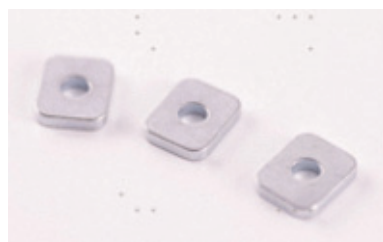
Smartphone VCM Module

Supply of core magnets to a global leading enterprise in the smartphone sector



Head Linear Motor Module

Supply of core magnets to a global leading enterprise in the smartphone sector



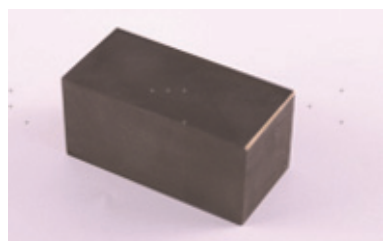
Acoustic Module

Supply of core magnets to a global leading technology enterprise in the consumer electronics sector



Wireless Charging Component

Supply of core magnets to a global leading enterprise in the smartphone sector



MRI Equipment Magnet

Supply of core magnets to a global leading enterprise in the medical MRI equipment sector



**Robotic joints/
Frameless torque motors**

Supply of core magnets to global leading companies in embodied intelligence robot sector



eVTOL Aircraft Magnet

Supply of core magnets to globally renowned low-altitude aircraft enterprises

BUSINESS

Our global presence

As one of the most experienced enterprises in the global rare earth permanent magnet industry, we have leveraged our profound industry expertise and advanced R&D capabilities to sell our products to 39 countries and regions across the EU, North America, Asia, and other regions during the Track Record Period. We supply NdFeB PMs and magnetic components to a number of globally leading enterprises in the NEV sector, smartphone sector, industrial motor sector, medical equipment sector, and low-altitude aircraft sector showing our overall competitiveness in the global market.

We have established a network covering the world’s major markets, with business operations spanning the EU, North America, and Asia. To deepen our global operations, we have set up overseas subsidiaries and expanded sales channels in key regions. In Germany and North America, we have established subsidiaries responsible for local sales activities as well as after-sales technical support. These subsidiaries enable us to stay close to local customers, respond swiftly to their needs, and strengthen market penetration. In the EU, we focus on market development in the NEV and industrial motors sectors. Our local sales teams handle customer development, technical consultation, order processing, and ongoing customer relationship management. Our NdFeB products are also widely sold to South Korea, and multiple countries and regions in Southeast Asia, earning consistent high recognition and acclaim in international markets.

Our brand

As one of the earliest listed privately-owned enterprises in China’s NdFeB PM industry, according to CIC, we are recognized as a national high-tech enterprise and one of the “Top 100 National Electronic Information Enterprises”, and have also been honored as “National Technology Innovation Demonstration Enterprise” in recognition of our outstanding innovation capabilities. Our NdFeB PMs have been awarded the prestigious title of “National Manufacturing Single Item Champion Product”, along with multiple top national honors, including the “National Science and Technology Progress Award”.

We believe that an outstanding brand is the concentrated embodiment of a company’s long-term operating philosophy and value proposition, and serves as a strong representation of a technology-driven enterprise’s R&D capabilities and market position. Over many years, we believe our YUNSHENG brand has built a significant brand moat globally through accumulated technological expertise, continuous product iteration, and in-depth customer service, making it the preferred choice for customers worldwide. Our brand enjoys high competitiveness and influence in the international market, supported by outstanding scientific and technological innovation capabilities, internationally standardized production levels, strong market sales performance and customer recognition, as well as robust global operating capabilities.

Our ESG initiatives

We have fully integrated ESG principles into our corporate development strategy, establishing a systematic and institutionalized sustainable development management framework.

In terms of environmental protection, we actively fulfill the green mission of a manufacturing enterprise. All our production projects strictly undergo environmental impact assessments and are equipped with efficient environmental protection. We have also proactively responded to the global low-carbon transition trend. Back as early as 2005, we invested in and installed dedicated production wastewater treatment facilities. In 2025, we purchased 12,200 green certificates, corresponding to approximately 12.2 million kWh of green electricity consumption, which is expected to reduce carbon dioxide emissions by approximately 6,473.3 tons. Against the backdrop of increasingly stringent environmental requirements in international markets, this initiative has enhanced the competitiveness of the YUNSHENG brand and demonstrated our commitment to sustainable development.

BUSINESS

In terms of social responsibility, we actively fulfill our social responsibility, through comprehensive management policies to standardize and ensure the effectiveness and continuity of the company’s social responsibility fulfillment and public welfare initiatives. Since 2012, through our “Yunsheng Named Poverty Alleviation Fund,” we have continuously provided donations to charitable and public welfare projects, including assistance to particularly disadvantaged groups in society and east-west poverty alleviation collaboration efforts. Our “Yunsheng Named Poverty Alleviation Fund” upgrades living standards and educational conditions in remote and underdeveloped areas receiving paired support. Managed by a local charity federation, the fund has provided ongoing study grants to local students to bolster regional education development. In addition, we have made a designated donation to the charity federation for emergency medical equipments.

At the governance level, we have established the Strategy and Sustainability Committee of the Board, directly led by the Chairman. This Committee ensures that ESG matters receive attention and guidance from the highest decision-making body, forming a complete closed-loop from strategic planning to execution and supervision, marking the transition of our ESG management from spontaneous to proactive.

Through strategic top-level design, concrete environmental management, people-oriented social responsibility, and continuously optimized corporate governance, we have established a solid foundation for ESG practices. This demonstrates our firm commitment to embedding sustainable development into our core business, laying a strong foundation for addressing global energy transition.

Our financial performance

We recorded revenues of RMB5,326.3 million, RMB4,998.2 million and RMB5,417.0 million for the years ended December 31, 2023, 2024 and 2025, respectively. Our gross profit was RMB247.3 million, RMB560.6 million and RMB886.2 million for the years ended December 31, 2023, 2024 and 2025, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from other competitors.

Industry leader in rare earth permanent magnets driven by independent R&D and innovation

As a leading player in the rare earth permanent magnet industry, we regard technological innovation as the core driving force behind our long-term development. Since our establishment, we have adhered to independent R&D as our foundation, continuously achieving technological breakthroughs and driving industrial upgrades. In 2025, our NdFeB PMs sales volume reached 14,197 tons, ranking third in the global NdFeB PM market with a 5.6% market share according to CIC.

At the fundamental research level, we have conducted in-depth studies on the characteristics of material structures, systematically exploring underlying technologies such as composition and phase control in microstructures. Through these efforts, we have progressively mastered the design and development capabilities for a series of NdFeB PMs, including grades such as 58SH, 55UH, 52EH, and 48AH, enabling our products to consistently maintain industry-leading performance.

BUSINESS

In terms of industrialization technologies, we have accumulated years of expertise to establish a comprehensive technical system encompassing precise composition control, high-purity grain refinement, efficient grain boundary diffusion, high material utilization processing, and full-category surface protection. We have achieved high-quality and high-efficiency mass production of low or no heavy rare earth magnets and long-service-life magnets with superior performance characteristics, further consolidating our core competitiveness in the market. On industry applications, we actively develop tailored technical solutions for key sectors including NEVs, consumer electronics, and industrial motors and others. Our high-remanence, high-coercivity magnets have long held a high market share in the domestic market for NEV main drive motors and such products have received strong recognition from customers in emerging fields such as embodied intelligence robots and low-altitude aircraft. Our high-energy-density magnets have long been the preferred solution for leading consumer electronics enterprises. In addition, our high-abundance magnets provide diverse, high-performance product support for various industrial motors.

We had successively undertaken six National 863 Programs under the Ministry of Science and Technology as of the Latest Practicable Date. Through our participation in the National 863 Programs on the “Industrialization of High-Performance Rare Earth Permanent Magnet Materials”, we successfully overcame core technologies for high-grade sintered NdFeB PMs. The project “Technological Upgrading and Integrated Innovation of the Rare Earth Permanent Magnet Industry”, in which we participated, was awarded the “Second Prize of the National Science and Technology Progress Award”, contributing significantly to the advancement of industry technologies.

Through sustained technological breakthroughs, we have established robust competitive barriers, providing strong support for our market expansion across various application fields and continuously reinforcing our leading position in the global permanent magnet materials industry.

Rich product matrix with multi-dimensional scenario coverage

The NEV sector currently serves as our most important industry growth engine. Revenue from products applied in the NEV sector reached RMB2,546.9 million for the year ended December 31, 2025, with consecutive yearly growth during the Track Record Period. In 2025, our sales volume of NdFeB PMs used in main drive motors of NEVs reached 6.4 thousand tons, ranking second globally, with a market share of 12.0%, according to CIC. We have successfully entered the supply chains of most of the leading NEV original equipment manufacturers (“OEM”) with high market share.

The consumer electronics sector remains our stable business foundation. In 2025, our sales volume of NdFeB PMs used in HDD VCMs ranked first globally, with a market share of 37.8%, according to CIC. We maintain competitive advantages in key sub-segments such as smartphones and mechanical HDDs. Revenue from products applied in the consumer electronics sector amounted to RMB1,304.4 million for the year ended December 31, 2025.

Industrial motors and others represent a key business segment for us. Our NdFeB PMs serve as critical materials enabling the coreless, high magnetic load design of axial flux motors, delivering robust and stable axial magnetic fields through their high maximum energy product, low loss, and excellent thermal stability. Our revenue from NdFeB products applied in the industrial motors and others sector amounted to RMB971.1 million for the year ended December 31, 2025.

At the same time, we have proactively built up forward-looking technology reserves in emerging fields with significant future growth potential, particularly embodied intelligence robots. We have entered into long-term agreements with leading embodied intelligence robot enterprises, completed sample delivery and supply, and successfully penetrated the core supply chain of embodied intelligence robots. We now provide key NdFeB PMs for popular models, laying a solid foundation for future growth momentum. We have also established cooperation with leading enterprises in the low-altitude aircraft sector, further broadening our overall business reach and completing our forward-looking strategic layout across the full industry value chain.

BUSINESS

Through deep participation in core industries and continuous multi-dimensional scenario expansion, we continue to enrich our product mix, strengthen our diversified revenue structure, and secure long-term sustainable growth drivers in both established and high-potential markets.

Global top-tier customer network and brand influence

In the NEV sector, our primary application area, we have established ourselves as a first-tier supplier. We maintain close strategic cooperation relationships with mainstream NEV OEMs, as well as core electric drive manufacturers, continuously providing them with customized R&D and tailored NdFeB PMs and magnetic components. According to CIC, we served the global top 10 NEV brands in terms of global NEV sales volume in 2025. Our products enjoy an excellent international reputation and have become a benchmark in the automotive industry.

In the consumer electronics sector, our products are adopted by the world’s leading smartphone manufacturer, where we have established deep cooperation in core smartphone components such as vibration motors and smartphone camera modules. According to CIC, we served the global top five smartphone brands in terms of global smartphone shipments in 2025.

In the industrial motors and other applications, our customer base includes industry leaders in various sectors including industrial automation, MRI smart home appliances, and elevators. According to CIC, we served four of the global top five industrial servo motor companies in terms of global industrial servo motor sales volume in 2025.

In the embodied intelligence robots and low-altitude aircraft sector, through our own product development, we have deeply participated in the R&D processes of leading industry players. According to CIC, we served the largest full-size bipedal embodied intelligence robot company in the world in terms of global shipments in 2025 and the largest eVTOL company in the world in terms of orders in hand as of the end of 2025. Leveraging our mature processes and outstanding technical capabilities, we work closely with customers to jointly overcome technical challenges and deliver high-performance solutions tailored to their requirements.

By deepening cooperation with leading enterprises across these diverse fields, we ensure the stability and healthy development of our business. At the same time, we have established sales subsidiaries in the EU and North America, actively expanding overseas markets while strengthening our after-sales service capabilities. These efforts have laid a solid foundation for our international business operations and enhanced our ability to respond swiftly and effectively to global customer needs.

Intelligent manufacturing and reliable product delivery capabilities

We have advanced the construction and commissioning of the “Baotou Yunsheng Technology Development Co., Ltd. Annual Production 15,000 Tons Rare Earth Permanent Magnet Materials Intelligent Manufacturing Project”. By deeply integrating intelligent manufacturing technologies with precise market positioning, we have fully deployed an intelligent IoT system and automated guided vehicles, achieving automated production from smelting and powder preparation to forming and magnetization. The yield rate of our new production line has increased compared to the traditional production line, with unit energy consumption reduced, and per capita output efficiency improved, which has significantly enhanced our production efficiency and product competitiveness.

BUSINESS

In terms of production layout, our two major production bases in Ningbo and Baotou exhibit a high degree of synergy. The Baotou production base leverages its geographical advantage in proximity to raw materials and focuses on large-scale production of NdFeB blanks. Our Ningbo production base is complemented by full-process production lines for production of NdFeB PM blanks and final products. We have established a stable and sustainable raw material supply chain system, entering into long-term framework agreements with major suppliers to secure the supply of key rare earth raw materials, which provides a solid guarantee for the continuous and stable production. At the same time, we have built a flexible production system that enables efficient multi-product, variable-batch co-line production. Regardless of customized production, or small-batch trial production, we maintain stable on-time delivery and precision levels, thereby resolving the conflict between mass production and customized demand. This approach ensures reliable, timely, and high-quality product delivery to meet the growing demands of our global customers.

Experienced management team and outstanding talent system

Since taking root in the rare earth permanent magnet field in 1996, the core members of our production, operations, and management teams each possessing more than 15 years of industry experience have successfully navigated multiple cycles of market expansion and contraction, as well as major technological transformations, in both the Chinese and global magnetic materials industries. This extensive experience enables us to navigate short-term market uncertainties, accurately anticipate medium- to long-term technological pathways, and precisely forecast evolving market demand. Our management team possesses sharp market development capabilities and a strong, holistic awareness of supply chain security and focusing on establishing solid supply chain partnerships with leading enterprises across various downstream application sectors. This reflects our unwavering commitment to product quality, consistency, and reliability.

We have brought together talents who share our core corporate values. Through a robust talent incentive mechanism and comprehensive development system oriented toward value creation, we have established a community of shared interests between talent and us. This approach continuously stimulates innovation and creativity, while optimizing the structure of our workforce. To strengthen talent cultivation, we have built an internal training platform to systematically enhance the professional capabilities of our R&D personnel and have invested substantial resources to provide them with an excellent research environment. We place high importance on talent development, with clear internal promotion channels enabling employees to receive comprehensive internal cultivation and ample opportunities to be promoted to various management levels.

We have implemented a diversified incentive mechanism, including equity incentives, project-specific rewards, and profit-sharing plans, enabling R&D personnel to directly share in the fruits of technological innovation. We have established a well-structured dual-career development pathway, allowing technical professionals to either deepen their expertise in specialized fields to become industry experts or transition into management roles for broader career advancement and provide top-tier talent with a competitive remuneration. As a result, we have built a high-caliber talent team that provides strong support for our strategic development and long-term competitiveness.

BUSINESS

OUR STRATEGIES

We have formulated a comprehensive and mutually reinforcing strategic framework. Guided by clear top-level design, we drive sustained leadership and long-term sustainable development in the global rare earth permanent magnet industry through continuous technological innovation, active expansion into emerging sectors, and advancement of intelligent manufacturing. Our ultimate objective is to become the most influential global leader in the rare earth permanent magnet industry and achieve the transformation from Chinese innovation to global recognition.

Continuously increase R&D and innovation efforts to consolidate our industry-leading technological position

We are committed to further strengthening our technological leadership by continuously increasing investment in R&D. We plan to undertake R&D initiatives. Specifically, we intend to focus on developing advanced NdFeB PMs tailored for embodied intelligence robots and for low-altitude aircraft, next-generation advanced magnetic components; and magnetic materials that minimize or eliminate reliance on heavy rare earth elements.

These targeted R&D efforts will enable us to maintain and expand our competitive advantages in high-performance grades and low or no heavy rare earth products. By accelerating the development of innovative products with superior performance characteristics (such as higher remanence, higher coercivity, better temperature stability, and improved cost efficiency), we aim to meet the evolving technical requirements of existing downstream sectors (NEVs, consumer electronics, and industrial motors and others) as well as fast-growing emerging applications (embodied intelligence robots and low-altitude aircraft). This strategy will further solidify our position as one of the few enterprises in China with complete mastery of the full preparation technologies for rare earth permanent magnets.

Continuously strengthen existing business and precisely capture emerging growth drivers

We continue to consolidate our technological and scale advantages in the rare earth permanent magnet industry, steadily enhancing our core competitiveness in NEVs, consumer electronics, and industrial motors and others.

At the same time, we actively expand into emerging sectors such as embodied intelligence robots and low-altitude aircraft, seizing high-growth sectors. We continuously broaden our sales channel networks, deepen strategic cooperations with leading customers in emerging industries, and capture the differentiated needs of customers, precisely meeting various customization requirements with our rapid-response service capabilities.

Meanwhile, we are driving product form upgrades, extending from individual products to complete solutions, offering customers diversified product options. We have precisely identified emerging growth drivers within the current industry landscape, continuously breaking through technical bottlenecks, and actively advancing the industrial technological development.

Advance intelligent manufacturing and AI to ensure steady improvement in production and delivery quality

We are committed to accelerating the upgrade of our production capabilities through the deep integration of intelligent manufacturing technologies. We plan to undertake capacity expansion initiatives, including upgrading production capacity for raw materials, enhancing production processes, and constructing intelligent manufacturing facilities.

BUSINESS

Building on the successful implementation of projects such as the Baotou intelligent manufacturing expansion, we will continue to introduce industrial robots, AI vision inspection systems, digital twin technology, and other advanced automation solutions in our production bases. This will further improve yield rates, reduce unit energy consumption, increase per capita output efficiency, and achieve greater production flexibility to support rapid switching between different product specifications. Through these efforts, we aim to realize a strategic shift from scale expansion to quality enhancement, ensuring reliable, high-quality, and timely delivery to meet the growing demand from our global customer base.

Pursue vertical integration of high-quality industry resources and build a business ecosystem through strategic mergers and acquisitions

We plan to explore vertical integration initiatives in the downstream segments of the rare earth permanent magnet industry. This includes proactively identifying and pursuing potential domestic and overseas acquisition targets that possess complementary resources, technologies, or market channels. By enhancing technological synergies, and expanding our presence across the value chain, we aim to improve cost competitiveness, secure supply chain stability, reduce external dependency, and create a more resilient and integrated business ecosystem. Specifically, we intend to acquire production or processing capacity and qualifications for some of our downstream sectors in order to achieve the comprehensive utilization of NdFeB scrap materials. See “Future Plans and Use of [REDACTED]” for further details.

Adhere to sustainable development principles to achieve long-term sustainability goals

We remain fully committed to embedding ESG principles into our core business strategy and daily operations. We will continue to advance green manufacturing practices, further reduce environmental impact, optimize energy consumption, and actively respond to global low-carbon transition trends. At the same time, we will strengthen employee development, uphold high standards of corporate governance, and contribute to the sustainable development of the industry and society. These efforts will not only enhance our long-term competitiveness and resilience against global green trade barriers and energy transition challenges, but also create new value growth drivers and support our aspiration to become the most influential global leader in the rare earth permanent magnet industry.

Through the systematic implementation of the above strategies, we aim to maintain our technological and market leadership, achieve high-quality and sustainable growth, and ultimately realize our vision of becoming the most influential enterprise in the global rare earth permanent magnet sector.

OUR BUSINESS MODEL

We are primarily engaged in the R&D, manufacture and sales of NdFeB PMs and magnetic components. We operate one production base in Ningbo, Zhejiang Province, China, and one production base in Baotou, Inner Mongolia Autonomous Region, China. We design NdFeB products and develop procurement and production plans based on customer requirements. We mainly purchase rare earth from, and have maintained long-term and firm strategic cooperation with, major rare earth suppliers in China. Leveraging our facilities and technologies, we carry out mass production of customized NdFeB PMs and magnetic components and mainly store such products at our warehouses or third-party warehouses designated by certain customers for delivery to our customers. Our products have a wide array of applications in NEVs, consumer electronics, industrial motors and others. We are also actively engaged in certain emerging markets such as embodied intelligence robots and low-altitude aircraft, and we have generated income from these sectors. Our customers are primarily leading manufacturers across various industries, including NEVs and automotive parts, smartphone components, HDD components, industrial automation, MRI equipment, smart home appliances, and elevators. We primarily adopt a cost-plus pricing mechanism for our NdFeB PMs and magnetic components.

BUSINESS

OUR PRODUCTS

Our NdFeB products primarily include NdFeB PMs and magnetic components. NdFeB PMs are mainly made from an alloy of neodymium, iron and boron. We produce customized NdFeB PMs with various parameters based on customer requirements, such as composition, shape, size, coating, remanence, coercive force, maximum energy product, temperature coefficient and magnetizing method. Our NdFeB PMs can be further divided into sintered NdFeB PMs and bonded NdFeB PMs according to different production processes. Leveraging our grain boundary diffusion technology, we are able to conduct mass production of sintered NdFeB PMs that achieve various performance indicators with reduced amounts of medium and heavy rare earth ingredients. We also produce and sell customized magnetic components to customers. Our magnetic components are functional magnetic system units assembled with other components (such as magnetic conductors, structural components and coils) with sintered or bonded NdFeB PMs. In addition to the sales of NdFeB PMs and magnetic components, we also derived revenue from sales of materials and others, which primarily consist of scrap materials generated during the manufacturing process, and rare earth oxides. The following table sets forth a breakdown of our revenue by (i) product category and (ii) downstream application in absolute amounts and as percentages of our total revenue for the periods indicated:

By product category:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Sintered NdFeB PMs	4,301,801	80.8	4,026,425	80.6	4,019,668	74.2
Bonded NdFeB PMs	98,863	1.9	76,879	1.5	98,898	1.8
Magnetic components	263,112	4.9	440,563	8.8	703,911	13.0
Subtotal of NdFeB products	4,663,776	87.6	4,543,867	90.9	4,822,477	89.0
Materials and others	662,489	12.4	454,346	9.1	594,567	11.0
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

By product downstream application and materials and others:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
NEVs	2,114,900	39.7	2,299,840	46.0	2,546,945	47.0
Consumer electronics	1,132,376	21.3	1,313,613	26.3	1,304,422	24.1
Industrial motors and others	1,416,500	26.6	930,414	18.6	971,110	17.9
Subtotal of NdFeB products	4,663,776	87.6	4,543,867	90.9	4,822,477	89.0
Materials and others	662,489	12.4	454,346	9.1	594,567	11.0
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

See “Financial Information — Description of major components in our consolidated statements of profit or loss — Revenue” for further details.

Our products are widely used in downstream sectors including NEVs, consumer electronics, and industrial motors and others. Set forth below are additional details of our representative products for different downstream applications.

BUSINESS

NEVs

In the NEV sector, our sintered NdFeB PMs are primarily used in main drive motors to deliver high power density, high torque, high energy efficiency, high rotational speed, and long service life, while our bonded NdFeB PMs are applied in auxiliary micro-motors for oil pumps, seats, fans, wipers, and sensors, enabling compact size and precise control. Customized magnetic assemblies further improve powertrain and subsystem reliability. Set forth below is one of our representative application scenarios of NdFeB products in the NEV sector.

- **Main drive motors.**

Sintered NdFeB PMs are the key functional material enabling efficient energy conversion and stable power output in the main drive motors of NEVs. Leveraging technical advantages such as ultra-high maximum energy product, excellent intrinsic coercive force, and low temperature coefficient of attenuation, our products precisely meet the stringent operating requirements of NEV main drive motors — high power density, high rotational speed, high efficiency, and long service life. We break through the technical bottlenecks of motor lightweighting and high efficiency, providing core material support for the upgrading of NEV electric drive systems.

Relying on advanced technologies including high-efficiency grain boundary diffusion, high-efficiency splicing, magnetic field orientation molding, and precision machining, we achieve dual breakthroughs in high magnetic performance and high stability. Our products can withstand the complex operating environment of main drive motors (high temperatures and high-frequency vibrations), significantly improving motor energy conversion efficiency and facilitating the dual enhancement of NEV driving range and power performance.

Centered on low or no heavy rare earth formula design, and grain boundary structure regulation technology, we effectively reduce material costs and resource dependence while ensuring ultra-high coercive force. This adapts to the technological iteration trend of NEV main drive motors toward higher efficiency, lower carbon, and lower cost.

Consumer electronics

In smartphones, NdFeB PMs enable extreme miniaturization and high performance in tiny spaces. They deliver powerful yet ultra-compact linear motors for crisp haptic feedback, high-fidelity micro-speakers and microphones for superior audio, fast and precise optical image stabilization and autofocus VCM in camera modules, and strong magnetic precision locator for wireless charging and accessories.

In HDDs, NdFeB PMs provide the intense magnetic field strength required for the VCM, enabling ultra-fast and precise head positioning and stable high-RPM rotation in extremely compact 2.5 inches or 3.5 inches form factor. Their superior energy density and resistance to demagnetization ensure reliable long-term operation and support the highest areal storage densities achievable in cost-effective mass storage devices. Set forth below are our representative application scenarios of NdFeB products in the consumer electronics sector.

- **Linear motors.** Applied in mobile phone vibration motors, they leverage ultra-high magnetic performance, complex shapes, and magnetic circuit design to achieve ultra-miniaturization and slimness. These motors deliver excellent performance in confined spaces, providing more powerful vibration feedback. Used in tablet stylus vibration motors, they match the haptic engine under the screen. With high maximum energy product and lightweight characteristics, they meet the demand for precise haptic feedback, simulating the tactile experience of real writing or drawing.

BUSINESS

- **VCM modules.** NdFeB PMs for VCM in smart phone cameras are specially optimized for micro optical drive systems. They deliver stable and robust magnetic fields continuously in extremely limited spaces, serving as the key core material for high-performance autofocus and optical image stabilization (“OIS”). Boasting high remanence, high maximum energy product, and excellent demagnetization resistance, the product maintains consistent magnetic performance under high-frequency start-stop and long-term energized operating conditions, ensuring fast lens movement, precise positioning, and sensitive response. Meanwhile, through precision orientation design and strict control over magnetic performance consistency, it effectively reduces batch differences and enhances the repeatability of imaging focus and OIS stability. With a miniaturized structure and highly reliable plating system, our NdFeB PMs meet both the requirements of ultra-thin module design and long-term corrosion resistance, adapting to mainstream multi-camera modules and high-pixel sensor solutions. Leveraging comprehensive advantages in magnetic performance stability, dimensional accuracy control, and mass production reliability, our NdFeB PMs help mobile phone cameras achieve fast autofocus, high imaging clarity, and consistent performance across devices.
- **Wireless charging.** The ring-shaped positioning magnets for wireless charging systems on the back of smartphones adopt an ultra-thin tile-shaped NdFeB PM structure, specifically designed for the limited space around wireless charging coils. With an ultra-thin thickness of only 0.3 mm, the magnets provide stable and uniform magnetic adsorption force without increasing the module thickness, enabling precise alignment and reliable positioning between the charging coil and external accessories. Through strict control of magnetic performance consistency and dimensional tolerance management, our product ensures balanced magnetic force distribution around the ring, enhancing the adsorption feel between the phone and charger as well as the stability of charging efficiency. The magnet surface features an ultra-thin and highly reliable plating system with a total thickness of only 7 μm . This composite plating achieves excellent bonding strength, corrosion resistance, and damp-heat resistance even at an extremely thin thickness. Additionally, the magnet material exhibits good demagnetization resistance, maintaining stable magnetic performance under repeated adsorption, disassembly, and temperature rise during charging and discharging. It meets the rigorous requirements for reliability, slimness, and consistency in the wireless charging ecosystem of high-end smartphones.
- **Acoustic modules.** Our NdFeB PMs are applied in the electromagnetic modules of mobile phone micro-receivers. They create a strong magnetic field that serves as a medium for efficiently converting electrical energy into mechanical energy to drive the diaphragm. Leveraging ultra-high magnetic performance and complex shape design, they enable device miniaturization, high-quality stereo sound, and clear human voice reproduction.

Industrial motors and others

The use of NdFeB PMs delivers the highest energy density available, enabling industrial motors to achieve exceptional power density, and significantly smaller, lighter designs while producing higher torque, faster response, and precise control. With superior resistance to demagnetization and high-temperature grades up to 180 °C, they ensure reliable performance under heavy loads and harsh conditions, reduce energy consumption and heat, lower operating and maintenance costs, and achieve Grade 1 energy efficiency under GB 30253–2024 and GB/T 32877–2022, the standards referenced by the Implementation Rules for Energy Efficiency Labeling of Permanent Magnet Synchronous Motors — making them the primary solution for manufacturers across industrial automation, MRI equipment, smart home appliances, and elevators. Set forth below are our representative application scenarios of NdFeB products in the industrial motors and other sectors.

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- **Axial flux motor.** Axial flux motors represent a significant advancement in motor technology. By integrating material science with electronic manufacturing, they address key limitations of traditional motors in power density, efficiency, thermal management, and system integration, making them a preferred choice for high-end applications requiring high performance, compact design, and intelligent control. Our NdFeB PMs, as critical materials enabling the coreless, high magnetic load design of axial flux motors, deliver robust and stable axial magnetic fields through their high maximum energy product, low loss, and excellent thermal stability. This directly supports the motors’ goals of lightweight, high efficiency, and reliable operation. In practical applications, they enhance energy efficiency and power density in energy-saving industrial motors and generator systems; meanwhile, wheel hub drive solutions leveraging this technology provide compact, powerful propulsion for electric transportation and high-performance in-wheel drive scenarios.
- **Compressor.** In compressors, NdFeB PMs are primarily used as core components in permanent magnet synchronous motors, serving as permanent magnets that generate constant magnetic fields. They interact with the motor’s electric drive windings to drive rotor rotation for gas or fluid compression. The key advantages of NdFeB PMs — high remanence and high coercive force — enhance motor efficiency across a wide speed range in VFAC, reducing energy consumption and noise. This efficiency supports precise control and energy-saving goals in compressors, while the magnets’ stability is crucial for ensuring long-term reliability. Compared to traditional motors, they offer notable benefits in energy efficiency, control performance, operational stability, space utilization, and environmental adaptability.
- **MRI.** NdFeB PMs play a vital role in MRI equipment, primarily as core components generating strong, stable static magnetic fields. Their high maximum energy product and remanence enable the creation of uniform, high-intensity static magnetic fields — essential for MRI functionality. Additionally, NdFeB PMs’ stable performance and good temperature characteristics help maintain long-term magnetic field consistency, ensuring imaging resolution and accuracy. Their application advantages include improved imaging quality and more compact equipment design.

Industrial motors and others — Embodied intelligence robots

We provide core magnetic circuit solutions for embodied intelligence robotics. Our mass-produced sintered NdFeB PMs, boasting top-tier maximum energy product and high coercive force, are highly compatible with the design requirements of key components such as compact joint actuators and dexterous robotic arms. Their optimized torque-to-weight ratio and power density enable human-like power output in lightweight limb structures, ensuring agile motion response and micron-level positioning accuracy — equipping embodied intelligent robots with core capabilities of precise operation and flexible work.

Meanwhile, they enhance motor energy conversion efficiency and reduce energy loss, extending the battery life of mobile embodied intelligent robots to meet the demands of long-term continuous operation scenarios. In terms of environmental adaptability and reliability, our products not only feature excellent demagnetization resistance to withstand magnetic field interference under dynamic working conditions but also support a high temperature resistance up to 150°C, addressing the challenge of internal heat accumulation from continuous dynamic loads while maintaining stable magnetic performance.

BUSINESS

This characteristic ensures smooth and sensitive motion feedback of embodied intelligent robots during high-intensity operations, effectively avoiding overheating failure risks. It not only guarantees long-term stable operation of equipment but also builds a safety barrier for close human-machine interaction, perfectly meeting the rigorous application requirements of embodied agents in industrial collaboration, service companionship, medical assistance and other scenarios.

Industrial motors and others — Low-altitude aircraft

As a core functional material for the main drive motors of low-altitude aerial vehicles (including UAVs, eVTOLs. etc.), sintered NdFeB PMs boast excellent comprehensive magnetic properties. Their performance directly determines the load capacity limit, flight range, flight stability, and extreme environment adaptability of low-altitude aerial vehicles, playing a key supporting role in the core performance of downstream equipment.

In main drive motor applications, the core function of this material is to serve as an efficient and stable magnetic field source. Relying on its ultra-high maximum energy product, it constructs a stable and strongly coupled magnetic circuit, which collaborates with stator windings to achieve instantaneous, efficient, and precise conversion of electrical energy into mechanical energy, providing continuous and reliable driving force for aircraft propellers. Under complex operating conditions such as hovering, wind resistance, and vertical takeoff and landing, it can accurately output dynamic torque, and cooperate with vector control technology to achieve millisecond-level precise adjustment of flight attitude, ensuring flight safety under extreme conditions. Its excellent energy conversion efficiency reduces motor power consumption, significantly extending the aircraft’s flight range. Meanwhile, the application of this material can effectively simplify the overall structural design of the drive motor, reduce system operation complexity and noise levels, decrease the frequency of later equipment maintenance and operation costs, and improve the comprehensive operational efficiency of downstream equipment.

RESEARCH AND DEVELOPMENT

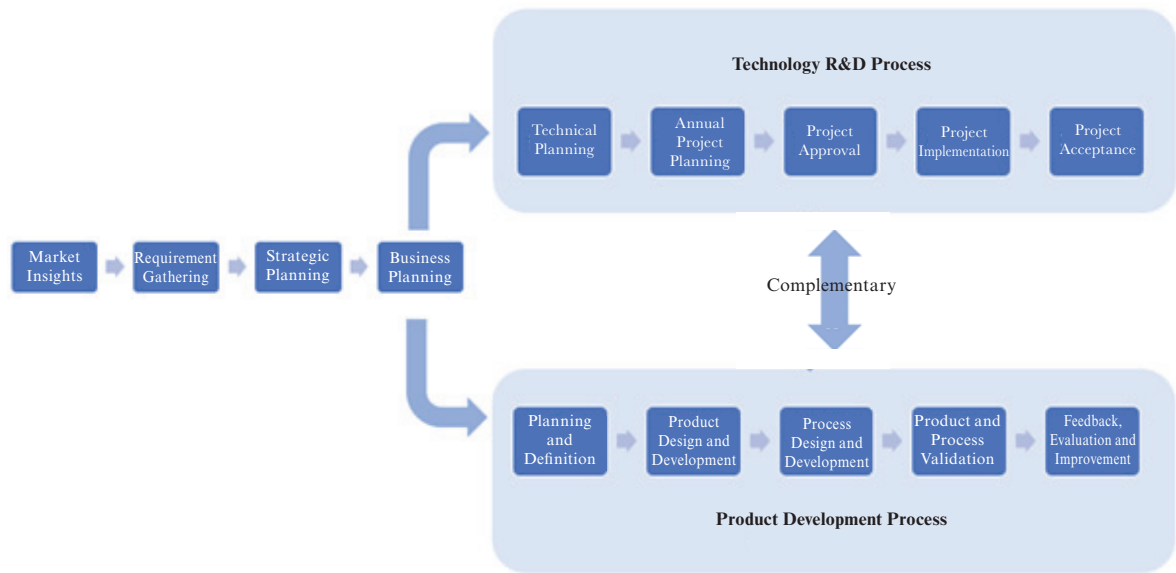
We emphasize R&D and have cultivated strong R&D capabilities. For the years ended December 31, 2023, 2024 and 2025, our research and development expenses amounted to RMB313.7 million, RMB205.6 million and RMB275.9 million, respectively, representing 5.9%, 4.1% and 5.1% of our total revenue, respectively, in the same periods. See “Financial Information — Description of major components in our consolidated statements of profit or loss — R&D expenses” for further details.

As of the Latest Practicable Date, we had an R&D team of 518 dedicated R&D personnel of whom 94 members held a master’s or doctor’s degree, along with 23 technical staff members supporting the team. We have entered into legally binding confidentiality and non-compete agreements with our key employees and employees involved in our research and development activities, pursuant to which any intellectual property conceived and developed during their employment belongs to us.

Our R&D team was led by 16 key senior research officers with an average of 18 years of industry experience years and over 10 years of service in our company, six of whom joined us upon graduation and are internally trained. Their expertise spans materials, machining, surface protection, and equipment as of the Latest Practicable Date, and they are responsible for product development management, formulating market-oriented product planning and project management, and coordinating resources throughout the entire process. Our R&D team members undertake R&D projects and development requirements according to their respective areas of expertise, fulfilling project tasks with advanced planning and rapid response, balancing both strategic R&D planning and urgent market development needs. Our engineers collaborate with sales team to develop markets, complete product solution planning, project implementation, information collection and consolidation, and product lifecycle management.

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We adopt a market demand-oriented R&D model, covering the entire R&D process from the project initiation, product design, product realization and verification, product confirmation and design transfer, to product launch and after-sales support. Certain key steps of our R&D process are set forth below:



We master a comprehensive range of advanced technologies that work synergistically to optimize the comprehensive performance and cost-effectiveness of our NdFeB products, particularly in the domains of raw material purity control, microstructural optimization, grain boundary diffusion processing, surface protection, precision manufacturing and sustainable manufacturing. Our expertise and integration across these technical disciplines have enabled us to establish competitive and sustainable product capabilities. During the Track Record Period, we mainly focused on consistently improving and upgrading certain key technologies deployed in NdFeB product manufacturing:

- **High-purity magnet manufacturing technology.** We adopt advanced vacuum smelting technologies with full-process low-oxygen protection measures. Combined with efficient high-vacuum degassing processes, we can remove the additive efficiently and control harmful impurity content in the magnet matrix to significantly low levels, minimize micro-defects and optimize grain uniformity.
- **Grain refinement control technology.** We optimize the columnar grain size alloy solidification processes, control over powder particle size, and the addition of appropriate refractory metal elements work to suppress grain growth during sintering. Thus a fine, uniform grain structure of the magnet can be obtained. Such technology delivers significant enhancements to the magnet’s resistance to magnetic loss.
- **Grain boundary optimization technology.** We adjust magnet compositions by incorporating suitable alloying elements and adopt advanced multi-level heat treatment processes. These measures facilitate the formation of a continuous, uniform and magnetic isolation layer in grain boundaries, thereby reducing magnetic coupling between adjacent grains. Our technology effectively improves the comprehensive magnetic properties, including enhanced intrinsic coercivity and anti-demagnetization ability without heavy rare earth.

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- **Grain boundary diffusion technology.** We master specialized surface coating and high-temperature heat treatment processes, paired with appropriate rare earth-based diffusion materials. This process allows heavy rare earth elements to penetrate from the magnet’s surface into its interior along grain boundaries and form a core shell structure on the grain epitaxial layer, significantly enhancing intrinsic coercivity and anti-demagnetization capability. Compared to traditional methods, our technology delivers improvements in key magnetic properties and achieves high-quality utilization of scarce rare earth resources while lowering costs.
- **Area-selective diffusion technology.** Based on the actual operational needs of magnets in different types of motors , we implement targeted area diffusion processes on the magnets. We focus on enhancing performance in critical areas through intensified heavy rare earth coating, while optimizing heavy rare earth usage in non-critical regions. Our technology balances magnetic performance and cost control, effectively meeting the unique requirements of various application scenarios.
- **Magnet splicing technology.** We combine precision multi-wire cutting, accurate dispensing control, automated assembly, and environmentally friendly surface protection technologies to splice magnet components into larger, application-tailored products. Our technology reduces eddy current loss during device operation, and improves operational reliability and reduce the cost of motors.
- **Magnet recycling technology.** We have developed high-yield recycling processes for rare earth permanent magnet scrap. These processes include scrap cleaning, impurity removal, powder preparation through crushing or hydrogen decrepitation process, and performance adjustment by blending with appropriate new magnetic materials. Combined with strict scrap management and quality control systems, our technology produces recycled magnet products that meet relevant application requirements, supporting resource recycling and green production practices.

We maintain cooperation with external research institutions to develop certain technologies with respect to the production of NdFeB products. For instance, we entrust a renowned research institution for an R&D project of preparation technologies for sintered NdFeB PMs. We entered into a cooperation agreement with the research institution, which specified a fixed service fee we shall pay to this research institution, and that relevant intellectual properties are co-owned by both parties. Each party may use the jointly-owned intellectual property for its own production, manufacturing and product sales, free of charge. Neither party shall license any third party to exploit the jointly-owned intellectual property unless prior written consent is obtained from the other party. Any licensing income derived from third-party licensing shall be shared equally, or as otherwise mutually agreed.

From 2022 to 2025, we acted as the lead organization for one national key R&D program and participated in another national key R&D program, and in 2025, we participated in a national science and technology major project expected to be completed in 2028, all of which leverage our self-developed technologies and R&D capabilities.

BUSINESS

PRODUCTION

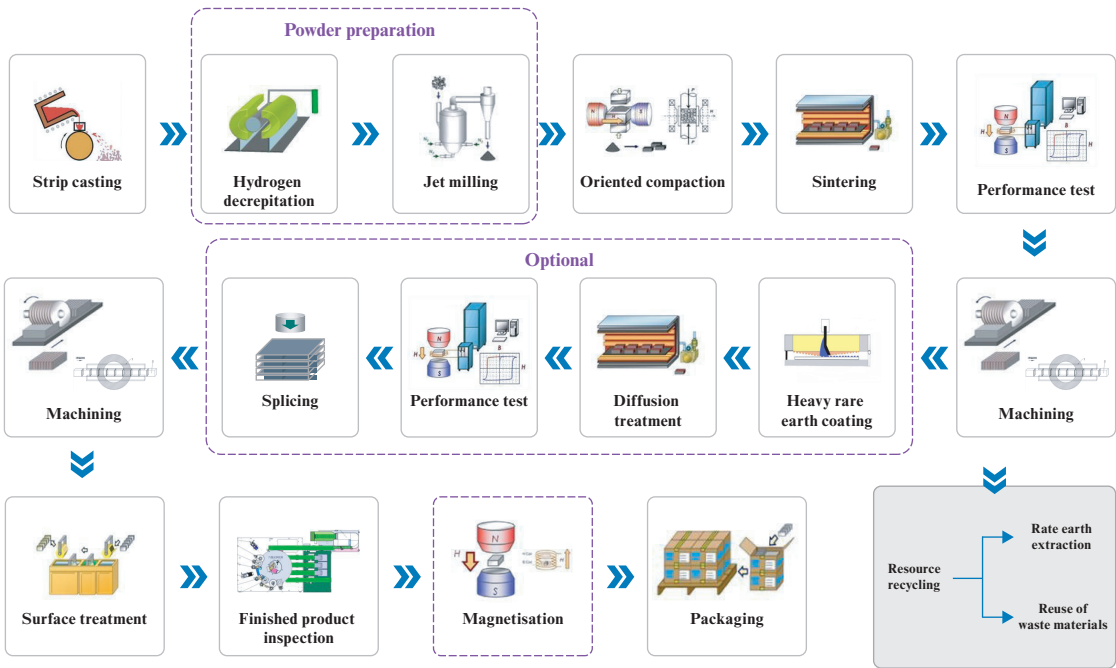
We manufacture customized NdFeB products of different specifications and customizations based on the applications and the needs and requirements of customers. We have two production bases in Ningbo and Baotou, respectively, in China. Our production team consisted of 2,692 members as of the Latest Practicable Date.

We typically make production plans based on sales orders (including our anticipated sales orders) and purchase plans provided by our customers. To effectively control our risk exposure to excess production and inventory, our production, procurement, sales and inventory control teams report to our management regularly to facilitate their review of our production plans and adjusting our production volume, production schedules and procurement where necessary.

Production flow

Sintered NdFeB PMs

Sintered NdFeB PMs are rare earth permanent magnets with neodymium, iron, and boron as core components, supplemented by elements such as dysprosium and terbium, achieving densification through high-temperature sintering. The key steps of its production process roughly include strip casting, powder preparation, magnetic field-oriented compaction, vacuum high-temperature sintering for densification, and machining process, diffusion, plating and magnetizing to become finished products. For illustrative purpose, the chart below sets out our major workflow to produce sintered NdFeB PMs:



- **Strip casting:** Raw materials are issued and batched according to formulation requirements to complete the combination of various raw materials. The batched materials are added to the smelting furnace. Under vacuum conditions, the materials undergo heating, alloy melting and alloy rapid quenching to obtain NdFeB strips.

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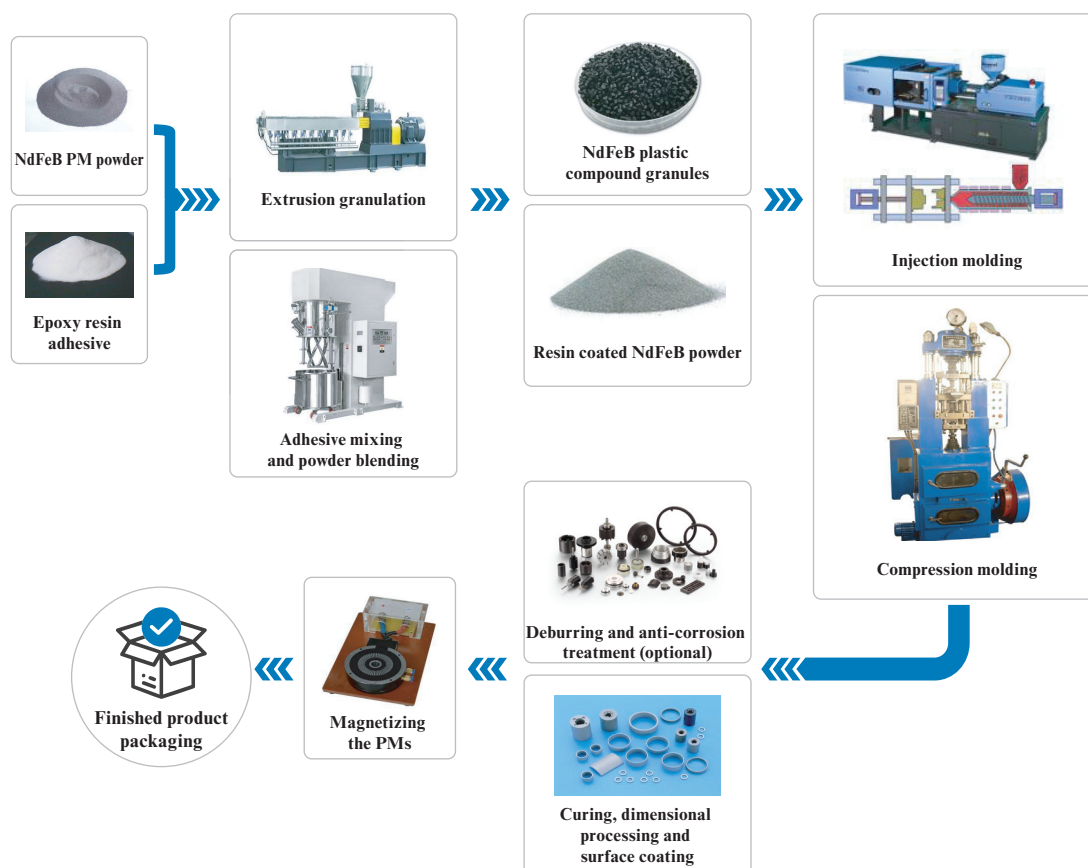
- **Powder preparation:** NdFeB strips are added to the hydrogen decrepitation furnace and undergo hydrogen absorption and dehydrogenation to obtain coarse powder. Jet mill equipment is then used to crush the coarse powder into finer powder, which is collected in sealed container. The entire process avoids contact with air, eliminating oxidation risk.
- **Magnetic field-oriented compaction:** The powder undergoes oriented compaction in a molding press under nitrogen atmosphere to obtain green compacts.
- **Sintering:** The green compacts undergo vacuum high-temperature sintering for densification and aging treatment in a sintering furnace to obtain blanks.
- **Machining:** The blanks are processed through cutting, grinding, chamfering and other mechanical equipment into various shapes such as small blocks, cylinders, rings, disks and other customized shapes.
- **Heavy rare earth coating and diffusion treatment:** Also known as grain boundary diffusion process, a film layer containing heavy rare earth is coated on the magnet products. After diffusion heat treatment, diffusion magnet products are obtained. These steps are optional, depending on the specifications of the finished product.
- **Surface treatment:** Our surface treatment is divided into two categories: electroplating and coating. Electroplating typically involves plating metals such as nickel, copper and zinc. Coating typically involves epoxy and phosphating. Surface treatment enhances the corrosion resistance of products under various environmental conditions. We have more than multiple production lines for different plating types, with diverse surface treatment capabilities to meet the needs of different customers.
- **Finished product inspection and packaging:** The magnets are magnetized according to customer requirements using magnetizing equipment. Appearance inspection is conducted from multiple angles through visual inspection or CCD equipment to ensure quality requirements. In addition, magnet splicing and assembly work can be completed according to customer requirements to provide additional services to customers. Finally, packaging and warehousing are completed.

Bonded NdFeB PMs

Bonded NdFeB PMs are rare earth permanent magnets made by mixing NdFeB magnetic powder as the core base material with binders such as resin and engineering plastics, followed by molding and curing. It does not require high-temperature sintering; instead, it relies on binders to bond the magnetic powder. Although its magnetic performance is slightly lower, it has better formability and corrosion resistance, making it suitable for demands of precise and complex shapes.

BUSINESS

The key steps of its production process include batching and mixing, molding (including injection molding or pressing), post-processing, and magnetization. For illustrative purpose, the chart below sets out our major workflow for the production of bonded NdFeB PM:



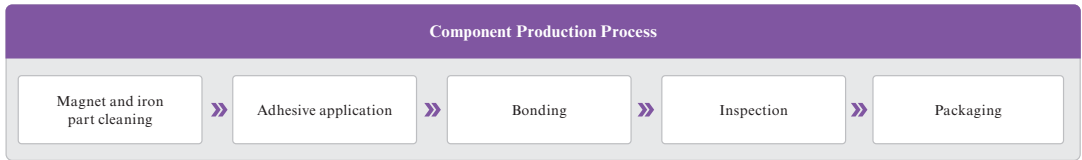
- Batching and mixing:** NdFeB PM powder is accurately weighed together with binders at a certain ratio and necessary additives, and then placed into mixing equipment. Through thorough and uniform stirring or mixing, the binder completely coats each magnetic powder particle to form evenly mixed granules. The uniformity at this stage directly determines the magnetic properties and mechanical properties of the final product.
- Molding:** This is the process of forming the mixed granules into the required shape. There are two main technologies: (i) compression: the mixed powder is added into a mold and compression molded. The resulting compacts have high density and magnetic powder content with better magnetic properties, but the shape complexity is relatively limited, and (ii) injection: the granules are heated to a molten state and then injected into the mold cavity under high pressure for cooling and shaping. This is suitable for manufacturing parts with complex shapes, precise dimensions and inserts.
- Post-processing:** After molding, the magnets need to undergo a series of treatments before becoming usable products, mainly including: (i) curing: for compression molded magnets, cross-linking reaction of epoxy resin needs to occur at a specific temperature to achieve final strength, (ii) dimensional processing: according to requirements, the cured magnets are precision processed to achieve precise dimensional requirements, and (iii) surface coating: since NdFeB is susceptible to oxidation and corrosion, compression molded magnets usually require surface coating treatment, such as electrophoresis, epoxy resin spraying or phosphating treatment, to enhance their corrosion resistance.

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- **Magnetization:** The processed magnets are placed in a magnetizing fixture and subjected to an extremely strong instantaneous pulse magnetic field (far higher than its own coercive force). The magnetic domain directions within the magnet are uniformly aligned under the action of this magnetic field, thereby obtaining stable permanent magnetic properties. The magnetization direction and magnetic field strength can be designed and controlled according to the final application requirements.

Magnetic components

Magnetic components are functional magnetic system units assembled with sintered or bonded NdFeB PMs we manufactured as the core, combined with auxiliary components such as magnetic conductors, structural parts, and coils. They integrate magnetic circuit design, precision assembly, and performance optimization to achieve specific functions such as magnetic adsorption, power transmission, and electromagnetic conversion. Compared with standalone magnets, magnetic components offer higher magnetic field utilization efficiency, better structural stability and broader application adaptability. The following chart sets forth our major production workflow for our magnetic components products, taking component as example:



The component production process starts by cleaning NdFeB magnets and iron parts to remove surface impurities, evenly applying adhesive on their bonding surfaces, and precisely aligning the parts, then pressurizing, heating and curing them. After testing the adhesive bonding strength, dimensional accuracy and appearance, the finished product is packaged with protective materials for storage and transportation.

We have established a comprehensive quality control system. First, we conduct sampling inspections on the performance and appearance of incoming materials including magnetic steel. During production, we implement initial and final inspection as well as patrol inspection regimes and exercise strict control over key equipment parameters. Our quality control team carries out final outgoing inspections of products in strict accordance with the standardized quality control checklist. See “— Quality control” in this section for further details.

Production outsourcing

We outsource a portion of our operations, specifically the machining and surface treatment involved in processing sintered materials into finished products because considering our small-batch orders for customized products, production facility space limitations, we did not have sufficient in-house processing capability during the Track Record Period. We intend to continue to reduce the scale of such outsourcing and increased the proportion of the machining and surface treatment in our own production bases as we strive to optimize our order mix and secure more large-volume and long-term customized product orders.

We select qualified suppliers primarily engaged in machining and surface treatment. Prospective suppliers are subject to an initial trial period, during which their performance is evaluated. They are officially engaged as our approved suppliers upon successful completion of this assessment. We set standards for production procedures and engage eligible suppliers to complete outsourcing processing services. We generally enter into outsourced production agreements with relevant suppliers on an as-needed basis. The agreements typically specify the service scope and payment terms. The principal terms are stipulated in the relevant contracts. Based on our actual business needs, we place purchase orders specifying the product categories, specifications, quantities and delivery schedules. During the Track Record Period, three of the suppliers of outsourcing

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processing services were our associates. To the best of our knowledge, save as disclosed above in this document, during the Track Record Period, all other outsourced processing service providers for machining and surface treatment were Independent Third Parties. For the years ended December 31, 2023, 2024 and 2025, we incurred outsourcing costs of RMB360.2 million, RMB443.3 million and RMB377.7 million, respectively, accounting for 8.5%, 11.1% and 7.6%, respectively, of our total purchases for the same periods.

Production facilities

We have two production bases in Ningbo and Baotou, respectively, in China. As of December 31, 2025, our Ningbo production base had a total site area of 254,975 sq.m. and a total GFA of 259,958 sq.m and our Baotou production base had a total site area of 223,141 sq.m. and a total GFA of 163,329 sq.m. Our Ningbo production base is complemented by full-process production lines for production of NdFeB PM blanks and final products while Baotou production base is for production of NdFeB PM blanks.

The following table sets forth the production capacity, production volume and utilization rate of our production bases in respect of the production of NdFeB PM blanks for the periods indicated:

	Year ended December 31,								
	2023			2024			2025		
	Production capacity ⁽¹⁾ tons	Production volume tons	Utilization rate ⁽²⁾ %	Production capacity ⁽¹⁾ tons	Production volume tons	Utilization rate ⁽²⁾ %	Production capacity ⁽¹⁾ tons	Production volume tons	Utilization rate ⁽²⁾ %
Ningbo production base	6,000	5,009	83.5	6,000	5,608	93.5	6,000	4,530	75.5
Baotou production base	15,000	8,493	56.6	15,000	12,253	81.7	17,500	14,580	83.3
Total	21,000	13,502	64.3	21,000	17,861	85.1	23,500	19,110	81.3

Notes:

- (1) Calculated as the maximum possible production volume for the relevant year, based on the following factors: the number of production machines in operation; the machine time required for standardized products (which depends on the characteristics of the relevant production lines, assuming that the sintering process lines operate on a three-shift basis of eight hours per day for 30 days per month, with reasonable changeover time between batches, while other production lines are assigned shift schedules according to their specific characteristics, with employees performing relevant work during the applicable working days); and an estimated overall equipment effectiveness rate that is generally applicable to our production activities based on our historical records of relevant equipment.
- (2) Calculated as production volume for the year divided by the production capacity for the same year.

Our production capacity remained stable at 21,000 tons for the years ended December 31, 2023 and 2024. In June 2025, we completed the construction of additional production lines at our Baotou production base, increasing our production capacity to 23,500 tons for the year ended December 31, 2025. Our production volume increased from 13,502 tons in 2023 to 17,861 tons in 2024 and further increased to 19,205 tons in 2025, mainly driven by the growth in customer orders.

Production equipment

We endeavor to equip our manufacturing facilities with state-of-the-art equipment. For blank manufacturing, our main production equipment includes melting furnaces, jet mills, molding presses, sintering furnaces, and testing equipment. For machining manufacturing, the key equipment covers high-speed wire saws, laser cutting machines, six-sided grinding machines, and degluing & cleaning equipment. In addition, we are equipped with CCD inspection equipment, magnetizing equipment, and multiple automatic assembly lines, enabling us to meet the diverse needs of different types of customers. Our major suppliers for production and testing equipment are established industrial equipment suppliers in the PRC. We make certain customizations to some of our equipment in order to enhance our production and testing processes. Through our equipment customization and integration, such as modular equipment design, intelligent system integration and application of process innovations, we have built a flexible intelligent manufacturing system, enabling rapid

BUSINESS

switching and stable production of NdFeB PMs of different specifications. It not only improves production efficiency and product quality, but also significantly reduces energy consumption and material costs.

Much of our equipment requires minimal human operation, allowing us to reduce labor costs and focus our manufacturing facility staffing on maintenance and supervisory personnel. We carry out assessments on the energy consumption and production efficiency of our equipment and upgrade them from time to time as we deem necessary. We believe that our equipment and our customization and development capabilities have enabled us to better control our production costs and increase our production efficiency to ensure our competitiveness.

During the Track Record Period, we procured additional equipment from time to time. We calculate depreciation on our machinery equipment using the straight-line method over their estimated useful lives, which are five to 10 years. We conduct regular maintenance and repair work and review their useful lives on an annual basis.

We have formulated and implemented our enterprise standards and procedures on equipment management, according to which we carry out regular maintenance of our equipment. Our equipment management department is primarily responsible for the overall management of our equipment from procurement, installation and commissioning to daily use, maintenance and repair. We also designate equipment operators to conduct daily inspections and routine maintenance in accordance with equipment operating procedures and to promptly report equipment malfunctions. Our equipment maintenance system includes preventive maintenance (comprising daily maintenance, level-one maintenance and level-two maintenance based on equipment classification) and predictive maintenance (based on process data analysis), and we maintain detailed maintenance records for all equipment maintenance activities.

We compile comprehensive maintenance rules and procedures for specific equipment in operation. While our equipment should in general undergo one comprehensive maintenance every year, the more important types of equipment is subject to additional cleaning, inspection, adjustment and verification. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material unexpected disruption of operations as a result of any material failure of production machinery and equipment. Our maintenance and repair expenses in relation to our production equipment amounted to RMB6.8 million, RMB6.1 million and RMB6.6 million for the years ended December 31, 2023, 2024, and 2025, respectively.

Production expansion plan

In order to meet the continuously growing market demand for NdFeB PMs, we plan to further expand our production capacity of our Baotou production base. We plan to procure production equipment (such as jet mill, magnetic field-oriented molding press, and sintering furnace) to increase our annual production capacity for NdFeB PM blanks from 26,000 tons to 36,000 tons which is expected to be completed by end of 2028. We plan to utilize proceeds from the previous equity issuance for this production capacity expansion.

In addition, we are in the process of expanding our existing production facilities by constructing “Phase III of Mechanical Processing in Consumer Electronics Business.” Such project is expected to be completed by the end of 2026. We plan to utilize our internally generated funds to support this project.

For further details about our future plans regarding production capacity expansion and equipment upgrades, see “Future Plans and Use of [REDACTED]”.

We believe that our expansion projects will further strengthen our production capacity, maintain our market position and realize our market potential.

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QUALITY CONTROL

We place great emphasis on, and endeavor to constantly ensure, the high quality of our products. We have established our own quality control system aligned with ISO9001:2015 and IATF 16949:2016, creating a comprehensive quality management framework that spans the entire lifecycle of our products. This lifecycle begins with R&D initiation and encompasses product design, raw material procurement, manufacturing, warehousing and logistics, marketing and sales, and extends to after-sales services. Within this framework, we have implemented a multiple-tier standardized document system: the Quality Manual, which defines our quality policy and objectives, and overall management framework; Procedure Files, including Advanced Product Quality Planning (APQP), supplier management, equipment control, product monitoring and measurement, non-conforming product control, continuous improvement and poor quality cost control; Standard Operating Procedures (SOPs) that details specific operational steps for production, inspection, maintenance, and other on-site activities; and Quality Records, which document data from every stage, forming a traceable and verifiable closed-loop management mechanism. Additionally, we have established specific management measures for quality abnormalities and quality accidents through the Quality Abnormality Management Measures and Quality Accident Management Measures to promptly address deviations and incidents with clear classification of defect severity into critical, major, minor and trivial categories and accident levels such as major, Class I to III and special, along with defined reporting, investigation, accountability and escalation mechanisms.

To ensure the effective operation of this quality control system, we have established an independent quality department. This department oversees annual internal audits and management reviews, ensuring the system remains compliant with regulatory requirements. Through regular reviews and meetings, we continuously optimize and enhance our quality control processes, maintaining high standards of product safety, reliability and performance.

As of the Latest Practicable Date, our quality control team consisted of 540 employees dedicated to the quality management of our products. The leader of our quality control team has more than 16 years of team and project management experience in rare earth PMs industry. He holds professional qualifications and certifications including Six Sigma Black Belt Certificate, PSB & PSCR Certificate, IATF 16949 Internal Auditor Certificate, and VDA 6.3 Internal Auditor Certificate. With deep expertise in project management and relevant regulatory requirements and standards, he ensures our quality system complies with both domestic and international regulations. His leadership enables seamless coordination among the quality system, quality control and quality assurance, maintaining high quality standards across all operations. All quality control team members have been trained in advance and have the necessary qualifications to perform their duties. Our quality control team performs comprehensive functions, including design and development review, supplier quality management, quality inspection, process control, finished product release inspection, document and record management, and quality system maintenance. This establishes a complete quality control chain, from source management to end-of-line oversight.

We regularly review and evaluate our quality control system according to the latest industry standards and submit reports to our management. Our management is responsible for making plans and implementing measures to improve our quality control system. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material complaints against us or about our products from our customers.

BUSINESS

SALES AND MARKETING

As of the Latest Practicable Date, we had a sales and marketing team of 109 employees, focusing on business development, sales and customer service. Our sales and marketing team analyzes the dynamics of key downstream markets to discover business opportunities. They regularly contact our existing and potential customers about our product offerings and development plans. They also gather feedback from customers on our products thereby facilitating our understanding of customer needs and responding to demands for our products. We provide sales and marketing personnel with comprehensive training, which includes content on our corporate culture, market trend and competition landscape, collaboration resources, sales procedures, and price system. Our sales and marketing team is also divided into various functions, covering different geographic regions and different channels. As of the Latest Practicable Date, we had one subsidiary in the EU and one in North America to cover our sales and marketing activities in overseas markets.

The following table sets forth a breakdown of our sales volumes and average selling price of NdFeB products by product category and downstream application for the periods indicated:

By product category:

	2023		Year ended December 31, 2024		2025	
	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)
Sintered NdFeB PMs	10,229	421	11,489	350	11,705	343
Bonded NdFeB PMs	288	343	338	227	453	218
Magnetic components ⁽¹⁾	271	971	1,046	421	2,039	345
Total/Overall	10,788	432	12,873	353	14,197	340

Note:

- (1) Our magnetic components' composition includes not only the magnets we produce but also other materials we procure from third parties and the production of magnetic components involves specific production processes in addition to the said materials. The exact product composition and production process to be utilized will depend on the customers' product requirements.

As a result of the above factors, we do not calculate or record the exact weight of our magnetic components and the sales volume of magnetic components in the above table refers to the weight of the magnets we produced and recorded in our business operation and is for illustration purpose only. See “Financial Information — Description of major components in our consolidated statements of profit or loss — Revenue” for further details.

By downstream application:

	2023		Year ended December 31, 2024		2025	
	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)
NEVs	4,890	432	7,039	327	8,011	318
Consumer electronics	2,082	544	2,862	459	2,800	466
Industrial motors and others	3,816	371	2,972	313	3,386	287
Total/Overall	10,788	432	12,873	353	14,197	340

See “Financial Information — Description of major components in our consolidated statements of profit or loss — Revenue” for further details.

BUSINESS

We sell our products in both Chinese mainland and overseas markets. The following table sets out a breakdown of our revenue by geographical region for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Chinese mainland	4,097,631	76.9	3,562,541	71.3	3,976,941	73.4
Overseas ⁽¹⁾	1,228,634	23.1	1,435,672	28.7	1,440,103	26.6
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

Note:

- (1) Refers to our international markets, with the majority of revenue derived from customers located in Asia (excluding Chinese mainland), the EU and North America.

We adopt targeted sales and marketing strategies in overseas markets. We identify a target customer list, and our local teams leverage regional market characteristics and resource advantages to engage potential clients and drive project implementation. Meanwhile, our core channels for acquiring overseas customers include participation in industry exhibitions, and face-to-face visits to target clients, ensuring effective market penetration and business expansion. We conduct overseas marketing activities and provide customer services to overseas customers through our subsidiaries in the EU and North America. For the years ended December 31, 2023, 2024 and 2025, revenue generated from overseas customers accounted for 23.1%, 28.7% and 26.6% of our total revenue for the same period, respectively. See “Financial Information — Description of major components in our consolidated statements of profit or loss — Revenue” for further details. During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the relevant regulations on the export control of rare earth products. See “Regulatory Overview — Laws and regulations in relation to the import and export of goods” for more details of the relevant regulations. See “Risk Factors — Risks relating to our business and industry — We face risks associated with our international sales and operations” for further details.

We do not accept product return or exchange except for products with quality defects caused by us. We determine the warranty period with customers on a case-by-case basis. The warranty periods of our products usually vary by different surface treatment processes. The final warranty term shall be determined based on the customer’s actual usage methods, application scenarios, and mutually agreed between both parties. We may provide product repair or exchange if requested by our customers during the warranty period. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any product quality defects and did not experience any material customer complaint or product return.

Distributors

We consider customers who purchase our products to resell, or are reasonably expected to resell, and not for their own use (including the Contracted Distributors (as hereunder defined) and the traders), as distributors for purpose of this document. During the Track Record Period, distributors form a part of our sales network, primarily focusing on expanding market coverage in emerging regions (such as Eastern Asia) and specialized application segments including industrial motors and others and consumer electronics accessories. We may enter into distribution agreements with our distributors (such distributors, “**Contracted Distributors**”), under which we supply NdFeB products upon receipt of their orders, or cooperate with traders, with whom we do not enter into distribution agreements and which place orders with us on an as-needed basis. This strategic layout enables us to penetrate markets with complex local distribution channels and meet diverse customer demand efficiently. According to CIC, it is common for NdFeB PM manufacturers to sell products through distributors.

BUSINESS

The following table sets forth a breakdown of our revenue generated from sales of our products by sales channel for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Direct sales	4,661,546	87.5	4,551,128	91.1	4,895,359	90.4
Sales to traders	402,298	7.6	256,918	5.1	314,797	5.8
Sales to Contracted Distributor	262,421	4.9	190,167	3.8	206,888	3.8
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

Contracted distributors

During the Track Record Period, we had only one Contracted Distributor.

We adopt a rigorous screening and selection process for Contracted Distributor to ensure alignment with our brand positioning and strategic objectives. Key evaluation criteria include: (i) possession of valid business licenses, import/export permits (for overseas distributors), and compliance with local regulatory requirements for magnetic materials sales; (ii) proven experience in the target market segments, including established customer networks with industrial manufacturers, electronic component suppliers, or automotive part producers; (iii) robust market development capabilities, financial stability, and a good credit track record; which is critical for complex applications of our NdFeB products.

We maintain proactive Contracted Distributor management through regular performance reviews, financial condition assessments, and collaborative business planning. However, we did not set a target purchase amount nor impose mandatory procurement obligations. The Contracted Distributor may only sell our products within the designated region specified in the relevant distribution agreement and they are not allowed to appoint sub-distributors without our prior written approval. During the Track Record Period, we did not add or terminate any Contracted Distributor.

During the Track Record Period, revenue generated from Contracted Distributor accounted for 4.9%, 3.8% and 3.8% of our total revenue for the years ended December 31, 2023, 2024 and 2025, respectively, representing a stable contribution to our overall sales. We generally do not allow the Contracted Distributor to return their stock to us except for products with quality defects caused by us. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns from the Contracted Distributor.

We enter into a distribution agreement with a Contracted Distributor. The following table summarizes the salient terms of the existing distribution agreement we entered with the Contracted Distributor:

Term	Ten years, renewable upon mutual agreement one month before expiry.
Specification	The agreements set out the quality specifications and product scope that the distributor is authorized to sell, which must comply with our product standards and relevant industry regulations.
Pricing	The unit price is determined based on a comprehensive assessment of production costs, market conditions and other relevant factors. In the case of sales through the distributor, products are sold at the agreed agent price. Where we sign contracts directly with end customers with the distributor's support, a commission may be paid to the distributor.

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Designated geographical regions	The distributor is authorized to sell our products in South Korea. The distributor is prohibited from selling outside the designated region without our prior written approval.
Payment	The distributor is required to make payment in accordance with the terms of the separate sales contracts.
Product warranty	We warrant that our products are in compliance with applicable laws, regulations, and agreed quality standards.
Regulatory compliance	We require the distributor to comply with all relevant laws and regulations in the territories where they operate.
Undertakings	We undertake to supply qualified products, arrange shipment in a timely manner after receiving payment, provide necessary pre-sales and after-sales technical support and market development materials. The distributor undertakes to operate legally, protect our commercial secrets, and actively promote our products in the designated region.

Traders

During the Track Record Period, we also sold our products to traders who did not enter into distribution agreements with us. These traders are treated as ordinary buy-out customers. We typically accept purchase orders from them. We have no ownership or management control over any of traders. Our sales to traders are final and we generally do not allow traders to return their stock to us except for products with quality defects caused by us. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns from traders. We treat our traders substantially the same as our end customers and offer no preferential arrangements in product pricing. For the years ended December 31, 2023, 2024 and 2025, we had 88, 89, 71 traders who placed orders with us to purchase our products, respectively.

Revenue generated from sales to traders accounted for 7.6%, 5.1% and 5.8% of our total revenue for the years ended December 31, 2023, 2024 and 2025, respectively.

According to CIC, it is a common industry practice in China’s NdFeB PM industry for manufacturers to sell to traders without entering into any long-term framework agreements and instead based on individual agreements tailored to the commercial terms of each sale, because we generally do not impose strict performance obligations on traders and traders generally do not demand exclusive arrangements.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, all of our Contracted Distributor and traders were Independent Third Parties and none of the Contracted Distributor and traders had any other past or present relationship (business or otherwise) with us, our Directors, Shareholders, senior management or any of their respective associates.

BUSINESS

PRICING

We mainly adopt a cost-plus pricing mechanism for our products. Rare earths as raw materials accounted for 65.5%, 56.5% and 54.0% of our total cost of sales for the years ended December 31, 2023, 2024, and 2025, respectively. Fluctuations in rare earth prices therefore may lead to fluctuations in the prices of our products. We typically enter into sales agreements with, or accept purchase orders from, our customers. We place strong emphasis on establishing long-term and solid business relationships with our customers. In order to establish a close cooperation relationship and enhance mutual benefit between our customers and us, we establish a multi-cycle flexible price adjustment system with our customers through mutual negotiation, under which we are able to adjust the unit price of our products on annual, semi-annual, quarterly or monthly basis in accordance with the respective terms as agreed with our customers. In the price calculation process, the raw material price benchmark strictly follows the agreed annual, semi-annual, quarterly or monthly cycle standards with our customers. The unit price of products under the above settlement cycles serves as the pricing benchmark, and price updates are completed in combination with market changes and agreement terms. Our price adjustment mechanisms for the three major downstream applications mainly fall into two categories: (i) periodic price adjustment model based on agreement terms; and (ii) case-by-case negotiation model based on real-time market conditions. These two mechanisms operate in parallel to balance the stability of cooperation and market flexibility.

CUSTOMERS

During the Track Record Period, our customers were primarily companies in the sectors such as NEVs, consumer electronics, and industrial motors, as well as distributors. We enter into sales agreements and/or framework agreements with, or accept purchase orders from our customers. Pursuant to the agreement, we provide products upon receiving orders placed by our customers, which specify the type, specifications, quantity of the products, as well as the timing of delivery. We grant credit terms to certain customers on a case-by-case basis based on our assessment.

We have established long-term and stable business relationships with our major customers. We had maintained business relationships ranging from seven to 14 years with our five largest customers for each year during the Track Record Period. For the years ended December 31, 2023, 2024, and 2025, the revenue generated from our five largest customers for each year during the Track Record Period represented 40.6%, 45.0% and 39.2% of our total revenue, respectively. Sales to our largest customer for each year during the Track Record Period represented 13.9%, 15.0% and 10.0% of our total revenue for the same periods, respectively. According to CIC, it is an industry norm for NdFeB PM manufacturers to have a high customer concentration. Based on public information available and regular assessment conducted by us, our Directors are of the view that as of the Latest Practicable Date, all of our five largest customers for each year during the Track Record Period were financially sound and in good operating condition.

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To the best knowledge of our Directors, none of our Directors and/or their respective close associates, or any of our existing Shareholders who owned more than 5% of the issued share capital of our Company, had any interest in any of our five largest customers for each year during the Track Record Period. The following table sets forth details of our five largest customers for each year during the Track Record Period:

Customer	Background	Products sold	Credit term (days)	Year of commencement of business relationship	Revenue (RMB'000)	% of total Revenue in the same period
<i>Year ended December 31, 2023</i>						
Customer A ⁽¹⁾	A leading Chinese NEV OEM	Rare earth permanent magnet	30	2019	739,450	13.9
Customer/Supplier B ⁽²⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Scrap Materials	Payment after delivery	2013	535,260	10.0
Customer C ⁽³⁾	A Chinese advanced materials and electromechanical enterprise	Rare earth permanent magnet	90	2015	364,333	6.8
Customer D	A Korean enterprise specializing in the sales of neodymium magnets	Rare earth permanent magnet	Varies among projects, such as 90 days	2012	265,890	5.0
Customer E	A foreign-invested Chinese company primarily engaged in manufacturing automobile components	Rare earth permanent magnet	90 or 120	2012	260,801	4.9
Total					2,165,734	40.6

Customer	Background	Products sold	Credit term (days)	Year of commencement of business relationship	Revenue (RMB'000)	% of total Revenue in the same period
<i>Year ended December 31, 2024</i>						
Customer A ⁽¹⁾	A leading Chinese NEV OEM	Rare earth permanent magnet	30	2019	748,856	15.0
Customer F ⁽⁴⁾	A Chinese enterprise primarily engaged in manufacturing core components of NEV power systems	Rare earth permanent magnet	90	2018	490,721	9.8
Customer/Supplier B ⁽²⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Scrap materials	Payment after delivery	2013	408,753	8.2
Customer C ⁽³⁾	A Chinese advanced materials and electromechanical enterprise	Rare earth permanent magnet	90	2015	336,424	6.7
Customer G	A Malaysian automation equipment and components enterprise	Rare earth permanent magnet	75	2017	266,909	5.3
Total					2,251,663	45.0

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Customer	Background	Products sold	Credit term (days)	Year of commencement of business relationship	Revenue (RMB'000)	% of total Revenue in the same period
<i>Year ended December 31, 2025</i>						
Customer F ⁽⁴⁾	A Chinese enterprise primarily engaged in manufacturing core components of NEV power systems	Rare earth permanent magnet	90	2018	542,509	10.0
Customer/Supplier B ⁽²⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Scrap materials	Payment after delivery	2013	512,883	9.5
Customer A ⁽¹⁾	A leading Chinese NEV OEM	Rare earth permanent magnet	30	2019	485,540	9.0
Customer C ⁽³⁾	A Chinese advanced materials and electromechanical enterprise	Rare earth permanent magnet	90	2015	293,718	5.4
Customer H ⁽⁵⁾	A global automotive and industrial supplier based in Germany	Rare earth permanent magnet	90	2012	284,946	5.3
Total					2,119,596	39.2

Notes:

- (1) Includes transactions with its subsidiaries.
- (2) Customer/Supplier B is also our supplier during the Track Record Period. See “— Overlapping customers and suppliers” in this section for further details.
- (3) Includes transactions with Customer C and its subsidiaries. Customer C is also our supplier during the Track Record Period. See “— Overlapping customers and suppliers” in this section for further details.
- (4) Includes transactions with Customer F and its subsidiaries.
- (5) Includes transactions with Customer H and its subsidiaries (including Customer E).

We enter into sales agreements with, or accept purchase orders from, our customers. Such sales agreements or purchase orders set out quality specifications, quantity and price. Under such sales agreements or purchase orders, we are generally required to arrange transportation of our products to destinations specified by our customers at our own cost and risk. We generally grant a credit term ranging from 30 to 90 days to our customers. In some cases, we agree to provide sales rebates advanced to customers in relation to product sales.

We also enter into framework agreements with certain customers, which generally do not specify the quantity or price of our products but cover certain procedural, logistical and administrative matters between us and our customers. Set out below are the key terms of framework agreements we entered into with customers:

Duration Generally one to three years.

Quantity Typically there is no minimum purchase commitment in the framework agreements. The actual purchase volume is subject to specific purchase orders or contracts.

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Price and pricing policy	No fixed unit price is set out in the framework agreement. The price will be subject to specific sales agreements or purchase orders. Certain framework agreements stipulate that the unit prices of our products may be adjusted accordingly subject to mutual agreement if the increase or decrease in our production costs exceeds certain agreed threshold. For certain major customer, we offer a sales rebate subject to the satisfaction of an agreed sales target.
Delivery	We are generally required to deliver our products to destinations specified by our customers at our own cost and risk.
Settlement	The payment is made through bank acceptance bills or wire transfer.
Warranty	Certain framework agreements provide that a small percentage of the purchase price may be withheld by our customers as warranty deposit and released after an agreed period of time.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any breaches of any sales agreements or framework agreements that had resulted in a material and adverse impact on our results of operations and financial position.

Third party payment arrangements

During the Track Record Period, there were two customers (“**Relevant Customers**”) that settled payments with us through third-party payers (“**Third-Party Payers**”) in the absence of clear contractual arrangements authorizing such third-party payments (“**Third-Party Payment Arrangements**”). The Third-Party Payment Arrangements primarily involved settlements by the entities within the same group of the Relevant Customers, or between parties with related party relationships. For the years ended December 31, 2024 and 2025, there was one Relevant Customer in each year, with the aggregate Third-Party Payment Arrangements being RMB48,384 and RMB950, respectively, representing less than 0.001% of our total revenue in each year.

The primary reasons for these Third-Party Payment Arrangements include the transfer of contractual obligations or request by the customer for its affiliate to make payment on its behalf. We did not initiate any Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date, accepting them solely at the request of the Relevant Customers. Furthermore, we have not provided any discounts, commissions, rebates, or other benefits to the Relevant Customers or Third-Party Payers to encourage these arrangements. As advised by our PRC Legal Advisors, our acceptance of such payments does not contravene any prohibitive provisions under PRC laws and regulations.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, (i) we have not encountered any unresolved disputes or received refund requests from any Relevant Customers or Third-Party Payers, and (ii) we have not been subject to any disputes or administrative penalties from relevant government authorities regarding these arrangements.

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To safeguard our interests, we have adopted strict internal control measures regarding Third-Party Payment Arrangements. As of the Latest Practicable Date, we had ceased all Third-Party Payment Arrangements. New customer orders are now settled only by direct payments from the relevant customers or pursuant to contractually authorized third-party payment arrangements. We have issued an internal notice to relevant staff to enforce these restrictions. As the revenue from these Third-Party Payment Arrangements as a percentage of our total revenue was immaterial during the Track Record Period, our Directors confirm that the cessation of the Third-Party Payment Arrangements does not have any material adverse impact on our business, financial condition or results of operations.

SUPPLIERS

Our major suppliers

During the Track Record Period, our suppliers were mainly (i) rare earth raw materials providers for the production of NdFeB PMs; (ii) outsourced processing service providers for machining and surface treatment and (iii) equipment suppliers. We have established stable and long-term business relationships with our major suppliers. We had maintained business relationships ranging from three to 22 years with our five largest suppliers for each year during the Track Record Period. In selecting suppliers, we conduct reviews on different aspects such as the basic background of the supplier, its supply capacity and ability to assure product quality, past dealings, delivery time and its service and quality assurance system. Our procurement team places purchase orders with selected suppliers based on our production plan, inventory, cash management needs and existing procurement plan. We did not experience any shortage or delay in the supply of key raw materials and consumables during the Track Record Period.

For the years ended December 31, 2023, 2024 and 2025, purchases from our five largest suppliers for each year during the Track Record Period accounted for 61.0%, 51.0% and 55.1% of our total purchases for the same periods, respectively. Purchases from our largest supplier for each year during the Track Record Period represented 23.5%, 29.3% and 31.6% of our total purchases for the same periods, respectively. To mitigate our supplier concentration, we had established business relationships with more than 20 rare earth suppliers as of the Latest Practicable Date.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, had any interest in our five largest suppliers for each year during the Track Record Period. Based on public information available and regular assessment conducted by us, our Directors are of the view that as of the Latest Practicable Date, all of our five largest suppliers for each year during the Track Record Period were financially sound and in good operating condition. The following table sets forth details of our five largest suppliers for each year during the Track Record Period:

Supplier	Background	Products purchased	Credit term (days)	Year of commencement of business relationship	Purchase amount (RMB'000)	% of total purchases in the same period
<i>Year ended December 31, 2023</i>						
Customer/Supplier B ⁽¹⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Rare earth raw materials	30	2013	1,006,750	23.5
Supplier A ⁽²⁾	A state-owned enterprise based in Inner Mongolia mainly engaged in the mining, smelting, separation, and production of rare earth	Rare earth raw materials	Payment in advance or 30	2004	901,549	21.0

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Supplier	Background	Products purchased	Credit term (days)	Year of commencement of business relationship	Purchase amount (RMB'000)	% of total purchases in the same period
Supplier C ⁽³⁾	A company based in Sichuan mainly engaged in rare earth smelting, separation and deep processing	Rare earth raw materials	30	2004	300,405	7.0
Supplier D	A state-owned enterprise mainly engaged in the import, export trade, and supply chain management of rare earth and related products	Rare earth raw materials	60	2023	206,935	4.8
Supplier E	A state-owned enterprise based in Ganzhou, Jiangxi mainly engaged in the rare earth smelting, separation, manufacturing, and sales of rare earth metals and alloys	Rare earth raw materials	30	2004	199,901	4.7
Total					2,615,540	61.0

Supplier	Background	Products purchased	Credit term (days)	Year of commencement of business relationship	Purchase amount (RMB'000)	% of total purchases in the same period
<i>Year ended December 31, 2024</i>						
Supplier A ⁽¹⁾	A state-owned enterprise based in Inner Mongolia mainly engaged in the mining, smelting, separation, and production of rare earth	Rare earth raw materials	Payment in advance or 30	2004	1,183,689	29.3
Supplier C ⁽³⁾	A company based in Sichuan mainly engaged in rare earth smelting, separation and deep processing	Rare earth raw materials	30	2004	266,296	6.6
Supplier F	A Chinese enterprise based in Ningbo mainly engaged in the sales and distribution of advanced metal materials, functional magnetic materials, and non-ferrous metal alloys	Rare earth raw materials	30	2024	221,312	5.5
Supplier G ⁽⁴⁾	A Chinese enterprise based in Beijing mainly engaged in the R&D, production, and sales of high-purity rare earth metal	Rare earth raw materials	30	2006	198,388	4.9
Supplier E	A state-owned enterprise based in Ganzhou, Jiangxi mainly engaged in the rare earth smelting, separation, manufacturing, and sales of rare earth metals and alloys	Rare earth raw materials	30	2004	189,479	4.7
Total					2,059,164	51.0

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Supplier	Background	Products purchased	Credit term (days)	Year of commencement of business relationship	Purchase amount (RMB'000)	% of total purchases in the same period
<i>Year ended December 31, 2025</i>						
Supplier A ⁽¹⁾	A state-owned enterprise based in Inner Mongolia mainly engaged in the mining, smelting, separation, and production of rare earth	Rare earth raw materials	Payment in advance or 30	2004	1,599,248	31.6
Supplier C ⁽³⁾	A company based in Sichuan mainly engaged in rare earth smelting, separation and deep processing	Rare earth raw materials	30	2004	457,270	9.0
Customer/Supplier B ⁽³⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Rare earth raw materials	30	2013	332,058	6.6
Supplier E	A state-owned enterprise based in Ganzhou, Jiangxi mainly engaged in the rare earth smelting, separation, manufacturing, and sales of rare earth metals and alloys	Rare earth raw materials	30	2004	227,578	4.5
Supplier H	A Chinese enterprise based in Ningbo mainly engaged in the sales of rare earth materials, magnetic materials, metal products, and related raw materials	Rare earth raw materials	30	2011	173,177	3.4
Total					2,789,331	55.1

Notes:

- (1) Includes transactions with a company ultimately controlled by Customer/Supplier B.
- (2) Includes transactions with Supplier A and its subsidiaries.
- (3) Includes transactions with Supplier C and its subsidiaries.
- (4) Includes transactions with its subsidiaries.

We typically enter into standard procurement agreements with our raw materials suppliers. The salient terms of standard procurement agreements are set out below:

Term	The agreements typically do not have a fixed term. We place orders with our suppliers as needed.
Specification	The contracts or orders set out the type of raw materials, quality specifications, and quantity of the rare earth to be supplied.
Pricing	A fixed unit price is set out in the agreement and determined based on a comprehensive assessment of the production costs of suppliers, delivery costs and taxes.
Payment	Certain suppliers may require us to make full prepayments. Otherwise, we generally make payments to our suppliers after the delivery of rare earth to our designated location. The payment is made through bank acceptance bills or wire transfer.

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Delivery	Suppliers are responsible for delivering the rare earth to our designated place within a specified period.
Inspection and acceptance	We are entitled to conduct inspections of the delivered goods before acceptance. Any quality issues shall be raised by us within a specified period.
 We have also entered into framework agreements with certain major rare earth suppliers in order to ensure a stable supply of rare earth. Set out below are key terms of such framework agreements:	
Duration	Generally one year.
Quantity	Typically there is no minimum purchase commitment in the framework agreements. Our actual purchase volume is subject to specific purchase orders or contracts. Purchase volume can be adjusted upon one month’s notice, within agreed limits.
Price and pricing policy	The price will be subject to specific purchase orders or contracts and will be determined through negotiation with reference to rare earth prices set out on third-party bulk commodity information websites.
Payment	We generally make payments to our suppliers after the delivery of rare earth to our designated location and receipt of invoice.
Specification	The framework agreements set out the quality specifications of the rare earth to be purchased by us.
Delivery	Our suppliers are typically required to deliver the rare earth to our production bases.
Inspection and acceptance	We are entitled to conduct inspections of the delivered goods before acceptance. Any quality issues shall be raised by us within a specified period.

Raw materials and procurement

For the years ended December 31, 2023, 2024 and 2025, our cost of raw materials and consumables was RMB4,108.0 million, RMB3,209.3 million and RMB3,222.4 million, respectively, representing 80.9%, 72.3% and 71.1% of our total cost of sales for the same periods, respectively. During the Track Record Period, we did not experience any material difficulty in the timely procurement of raw materials at prices acceptable to us.

The key raw materials for our NdFeB PMs are rare earths, including light rare earths such as Pr-Nd and medium and heavy rare earths such as Dy-Fe and Tb. During the Track Record Period, we sourced all our rare earths from domestic suppliers mainly based in Inner Mongolia Autonomous Region and Jiangxi Province.

The rare earths are subject to production volume management in China. According to CIC, the PRC government imposed light rare earth mining quota of 235,850 tons and 250,850 tons in 2023 and 2024, respectively, and medium and heavy rare earth mining quota of 19,150 tons and 19,150 tons in 2023 and 2024, respectively. Starting from 2025, the Ministry of Industry and Information Technology has allocated quota indicators directly to rare earth production enterprises without setting a procedure for public disclosure of specific quota amounts. In 2025, the growth rate of light rare earth quotas was less than 5%, while the quotas for medium-to-heavy rare earths have remained subject to strict control. Given that the supply restrictions implemented by the PRC government in the form of mining quotas could limit the amount of raw materials available to rare earth downstream sectors, we have entered into rare earth supply agreements with certain of our major

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suppliers to ensure a stable supply of rare earths. See “— Our major suppliers” in this section for further details. See “Risk Factors — Risks relating to our business and industry — We rely on a stable supply of quality raw materials. Fluctuations in the prices of these raw materials could have a material and adverse impact on our business and results of operations” for further details.

During the Track Record Period, prices of rare earth experienced fluctuations. The unit price of rare earth we purchase is generally based on negotiations with our suppliers by reference to prices published on third-party bulk commodity information websites. We do not hedge our risk exposures in connection with rare earth prices using derivative instruments, given that so far as we are aware there is no such derivative market of rare earth appropriate for such hedging purpose. We also maintain and manage a safety inventory of rare earth based on our anticipation of the movements in the rare earth market. See “Risk Factors — Risks relating to our business and industry — We rely on a stable supply of quality raw materials. Fluctuations in the prices of these raw materials could have a material and adverse impact on our business and results of operations” and “Financial Information — Key factors affecting our results of operations” for further details.

In addition to rare earth, we also purchase other metal and chemicals, and production equipment and machinery from suppliers. Most of such raw materials and equipment can be readily purchased on public markets at transparent prices. We typically enter into procurement agreements with suppliers, in which we specify, among others, the name, specifications, quality requirements of the goods to be purchased, as well as the delivery time, price and payment terms.

Delivery and logistics

We are generally responsible for arranging the delivery of our products to locations designated by our customers. We generally purchase insurance for each batch of products to be delivered to our customers. Our products sold to overseas customers are generally transported on a delivered-at-place basis.

During the Track Record Period, we engaged external logistics companies to deliver our products. Pursuant to the agreements entered into between us and the logistics companies, the logistics companies are responsible for any direct losses caused by them during the shipment of our products. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption or damage in relation to the delivery of our products.

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, Supplier A and Supplier G were our major suppliers and also customers, Customer/Supplier B was our major customer and major supplier, and Customers C and F were our major customers and also suppliers.

For the years ended December 31, 2023, 2024 and 2025, among our five largest customers for each year during the Track Record Period, two, two and three customers in each year during the Track Record Period were also our suppliers in the corresponding year, from which we generated revenue of RMB899.6 million, RMB745.2 million and RMB1,349.1 million, accounting for 16.8%, 14.9% and 24.9% of our total revenue for the relevant years, respectively. Our purchase amount from them amounted to RMB1,010.6 million, RMB169.7 million and RMB337.3 million, accounting for 23.6%, 4.2% and 6.7% of our total purchase amount in the corresponding year, respectively.

For the same years, among our five largest suppliers for each year during the Track Record Period, two, three and two suppliers in each year during the Track Record Period were also our customers in the corresponding year. Our purchase amount from them amounted to RMB1,908.3, RMB1,544.3 million and RMB1,931.3 million, which accounted for 44.5%, 38.2% and 38.2% of our total purchase amount in the corresponding year, respectively. Our revenue generated from such suppliers amounted to RMB541.7 million, RMB420.2 million and RMB522.3 million, accounting for 10.2%, 8.4% and 9.6% of our total revenue in the corresponding year, respectively.

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During the Track Record Period, we procured rare earth from Supplier A and Customer/Supplier B (who also possessed the scrap material recycling and processing capability) and we also sold scrap materials to them. The scrap materials we sold are generated from our normal production process and contain certain level of rare earth which could not be reused without further processing. According to CIC, in the NdFeB PM industry in China, it is an industry norm for NdFeB PM manufacturers to purchase rare earth materials from suppliers, and sell scrap material generated during manufacturing to suppliers which possess specialized recycling capability for further treatment. Due to the decrease in market prices for rare earth, the price of scrap materials fell below the historic cost we incurred to procure their raw materials, resulting in (i) a gross loss from Supplier A of RMB170,862 for the year ended December 31, 2023 and (ii) a gross loss from Customer/Supplier B of RMB17.0 million for the year ended December 31, 2024.

During the Track Record Period, we procured rare earth from Supplier G. In 2024, we also sold Tb, which is one of our metal raw materials, to Supplier G in a one-off transaction. Due to technical improvements and fluctuations in the market price of metal raw materials, we adjusted the proportion of such materials used in our production process to control product costs, which resulted in excessive metal raw materials. Given the market price fluctuations of metal raw materials (particularly Tb), the average market price of Tb metal declined by 39.6% in 2024 according to CIC; we sold these surplus metal raw materials to Supplier G in order to mitigate losses. As the purchase cost was higher than the selling price, the transaction resulted in a gross loss of RMB2.5 million for the year ended December 31, 2024.

During the Track Record Period, Customer C purchased sintered NdFeB PMs from us and also provided electroplating processing services to us.

During the Track Record Period, Customer F purchased NdFeB PMs from us for motor manufacturing and sold discarded NdFeB PMs to us.

During the Track Record Period, none of our products that were sold to our customers were then purchased by us, nor were there any raw materials that were sold to us by our suppliers were then purchased by such suppliers. None of these transactions between us and our overlapping customer-suppliers mentioned above were interconnected or inter-conditional. The pricing and other terms of transactions with overlapping customer-suppliers are comparable to those of similar transactions conducted with other customers or suppliers of our Group. Our Directors confirm that (i) such overlapping customer and supplier relationships represented normal commercial arrangement in the ordinary and usual course of business, (ii) the terms of these transactions were fair and reasonable, and (iii) such arrangements did not have any adverse impact on our operational independence, pricing mechanisms or business arrangements. We are not reliant on such overlapping customer and supplier relationships.

INVENTORY MANAGEMENT

Our inventory primarily comprises raw materials, work-in-progress and finished goods, which are mainly stored in our warehouse at our production base. We have designated staff and use ERP system to track and systematically manage our inventory. In order to ensure the sufficiency of raw materials, especially rare earths, we generally maintain a safety inventory of raw materials based on market trends. We have implemented a three-tier standardized inventory management system: the finished product warehouse management system, raw material warehouse management regulations, and post-processing blank warehouse management measures, which define overall management frameworks for different inventory types. These documents regulate core processes including warehousing verification, storage protection, outbound control, and inventory checks, with detailed operational requirements for labeling, and separation of qualified and non-conforming products. Additionally, we have established specific measures for overstock disposal, quality anomaly handling, and regular inventory reconciliation to ensure traceable, accurate, and safe inventory management, forming a closed-loop control mechanism.

BUSINESS

During the Track Record Period, we stored some finished products at third-party warehouses designated by certain Independent Third Party customers or us to satisfy their short-term procurement and production needs on a rolling basis. Such finished goods were generally stored at third-party warehouses at our own risk. See “Risk Factors — Risks relating to our business and industry — We may suffer losses from our finished products stored at third-party warehouses” for further details. For finished goods stored at third-party warehouses, we conduct inspections on them on a regular basis before they are taken out by our customers. In addition, we only cooperate with third-party warehouses equipped with comprehensive storage management system. Moreover, pursuant to contracts we enter into with our customers, we are responsible for safeguarding the products before taking out, which is in line with the market practice according to CIC. Title and risk are passed to customers once they take such finished goods out of third-party warehouses for use. Physical inspection on the finished goods stored at third-party warehouses and reconciliation of the related records with the customers were performed by us on a regular basis. Based on such written notices and those routine measures, revenue was recognized when the control of the finished goods stored at third-party warehouses was transferred to the customers. During the Track Record Period, we did not encounter material losses of finished goods stored at third-party warehouses due to any reasons. As of December 31, 2023, 2024 and 2025, our inventories stored at third-party warehouses accounted for less than 17% of our total inventories as of the same dates.

INFORMATION TECHNOLOGY SYSTEMS

We believe that established information systems are conducive to improving our efficiency in administering and operating our business. We have made continuous investment to maintain comprehensive information systems which integrate internal and external management information across various aspects of our business operations. Our OA office system helps to improve our operational efficiency and our management of projects. Our ERP system enables us to manage our procurement, sales and inventory, which in turn has allowed us to manage and optimize our business processes and to improve our operation performance. Our manufacturing execution system (“MES”) enables us to manage production processes, and our customer relationship management system enables us to efficiently manage our customer relationships, thereby facilitating us to manage and optimize business processes and enhance operational performance. In the future, we will continue to enhance the internal and external extension of our information systems that enable us to obtain and process information and data on an expedited basis, support our decision-making, increase our production efficiency, all of which will in turn help us to improve our cooperation with our customers and suppliers and increase our revenue and profitability.

We have implemented measures to safeguard network security and data integrity. Our software systems are encrypted, and company computers have password protection. Data generated from our OA office, financial and warehouse management systems is stored on our own servers, with regular local backups performed. As of the Latest Practicable Date, we had not experienced any significant incidents of data leakage, cybersecurity breaches, or software infringement disputes.

DATA PRIVACY AND SECURITY

In the course of our business, we collect, store and process business data and transaction data. As we mostly make transactions with corporate customers, except for our visitor system which registers visitors for management purposes, we do not collect or process personal data. We pay close attention to risk management relating to our IT system, as storage and protection of corporate data and related information is critical to us. To this end, we have established the information security management system based on ISO27001 standards, obtained the TISAX LV3 label, and manage sensitive data storage in accordance with the system requirements, enforcing data access and transmission control policies to ensure data confidentiality. We have achieved a high specialized security level in the automotive supply chain in information security, as evidenced by the TISAX assessment.

BUSINESS

We have also developed internal control and data access mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, strict requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols provide limited authorization to our employees holding specific positions at specific levels to access and process corporate data on a need-to-know basis. We classify data into four levels, namely public, confidential, secret, and top-secret, with dynamic updates and different level of protection measures. For example, for trade secrets, a three-level management system is implemented, covering carrier storage, personnel management (confidentiality agreements, non-compete clauses), restricted areas, and equipment security. Our information security framework features a three-line defense structure, including regular risk assessments, mandatory training for employees (especially key positions), internal audits, and continuous improvement via the plan-do-check-act cycle. A classified emergency response process is in place, with dedicated specialists handling incidents to minimize losses. All of our full-time employees are bound by confidentiality clauses within their employment contracts, which prohibit them from disclosing any confidential information relating to their work without our consent. In addition, we impose compliance requirements on third-party partners and conducts strict oversight, ensuring end-to-end protection of data confidentiality, integrity, and availability. We generally do not share customer data with suppliers or other partners. Where joint development with third parties is involved, we require such parties to sign a non-disclosure agreement or confidentiality clauses and data are only exchanged in accordance with such non-disclosures agreement with strict confidentiality obligations.

We have a comprehensive data backup system to encrypt and store data across multiple servers in order to minimize the risk of data loss. We also conduct data restoration tests to examine the status of the backup system on a regular basis.

During the Track Record Period and up to the Latest Practicable Date, we had not received any third-party claims against us on the ground of infringement of the party’s right to data protection as provided by any applicable laws and regulations. Our Directors confirm that we had complied with the applicable laws and regulations regarding personal information privacy and data security in all material aspects.

AWARDS AND RECOGNITIONS

During the Track Record Period, we were recognized for the quality of our products and certain other achievements by third party companies, institutions, media organizations and local government. The table below sets out some of the major awards and recognitions we have received.

Year	Award/Recognition	Granting Authority
2024	Specialized, Refined, Peculiar and Innovative “Little Giant” Enterprise (專精特新小巨人企業)	Ministry of Industry and Information Technology of the PRC
2020	Champion Product in Manufacturing Industry (製造業單項冠軍產品)	Ministry of Industry and Information Technology of the PRC
2020	National Technology Innovation Demonstration Enterprise (國家技術創新示範企業)	Ministry of Industry and Information Technology of the PRC
2016	National Enterprise Technology Center (國家企業技術中心)	National Development and Reform Commission

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Year	Award/Recognition	Granting Authority
2014	Second Prizes of the National Science and Technology Progress (國家科學技術進步獎二等獎) — Technology Upgrade and Integrated Innovation of Rare Earth Permanent Magnet Industry (稀土永磁產業技術升級與集成創新)	The State Council of the PRC
2008	Second Prizes of the National Science and Technology Progress (國家科學技術進步獎二等獎) — Key Technologies for High-Performance Rare Earth Permanent Magnet Materials, Preparation Processes and Industrialization (高性能稀土永磁材料、製備工藝及產業化關鍵技術)	The State Council of the PRC

COMPETITION

According to CIC, China is the global primary supplier of NdFeB PMs with Chinese enterprises accounting for 91.1% of global sales volume in 2025. Driven by downstream demands from NEVs, consumer electronics, embodied intelligence robots, and low-altitude aircraft, The global NdFeB PM sales volume is projected to grow at a CAGR of 9.7% from 2025 to 2030, reaching 400.3 thousand tons. The global NdFeB PM market is highly concentrated, with leading players competing around core technologies like grain boundary diffusion technology and Halbach array, as well as low or no heavy rare earth solutions. High entry barriers include accumulation in technical processes and equipment, substantial capital investment, strict product quality requirements, and stable rare earth resource access. With emerging sectors boosting incremental demand, competitors are accelerating capacity expansion and targeted R&D, while green manufacturing and supply chain resilience have become key competitive dimensions.

We compete with other major NdFeB PM producers worldwide. We believe our strengths enable us to meet key industry requirements and distinguish us from competitors: our industry-leading position in NdFeB PMs reflects extensive technical accumulation and a comprehensive R&D mechanism; our deep participation in emerging industries (embodied intelligence robots and low-altitude aircraft) and close cooperation with global top-tier enterprises demonstrate extensive downstream coverage and rigorous customer qualification; our commitment to intelligent manufacturing and continuous capacity expansion, supported by stable rare-earth supply arrangements, addresses secure raw material supply and substantial financial strength; our industry-experienced management team and outstanding talent development system further strengthen sustained quality standards and strategic foresight in business layout. See “— Our competitive strengths” in this section and “Industry Overview” for further information about the competitive landscape of the NdFeB PM industry in the world and China.

SEASONALITY

In line with the manufacturing industry in the PRC, production activities of our customers and us typically halt for the Chinese New Year holiday. As a result of the foregoing, our production volume and sales volume in the first quarter of each financial year were lower than that in other quarters.

BUSINESS

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of the Latest Practicable Date, we held 121 patents in China and overseas jurisdictions, including 118 invention patents and three utility models. As of the Latest Practicable Date, we also had 55 patent applications pending in China and overseas jurisdictions. The patents that we owned or applied for are primarily related to our self-developed technologies. As of the Latest Practicable Date, we owned 44 registered trademarks in China and overseas jurisdictions. As of the Latest Practicable Date, we were the registered owner of three domain names and 19 software copyrights in China. See “Statutory and General Information — Further information about the Business of Our Company — Intellectual property rights” in Appendix VI in this document for further details.

We have adopted multi-dimensional measures with respect to intellectual property risk management. We conduct dynamic third-party infringement risk assessments via a “report-verification-evaluation” mechanism, with classified investigations and regular system optimization. Potential disputes are identified through expanded reporting channels and in-depth surveys, followed by graded responses and closed-loop management to plug system loopholes. To avoid infringing competitors’ IP, we enforce internal accountability, incorporate IP compliance clauses in third-party cooperation agreements, optimize full-process review workflows, and provide targeted compliance training for key personnel to enhance risk prevention capabilities. During the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in this document, we were not involved in any material proceedings in respect of, and we had not received notice of any material claims of infringement of, any intellectual property rights that are threatened or pending, in which we may be a claimant or a respondent.

The valid term of our patents is generally 10 to 20 years from the filing date of the earliest non-provisional patent application on which the patent is based. The actual protection afforded by a patent depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extension or adjustment, the availability of legal remedies in a particular country/region and the validity and enforceability of the patent. We cannot provide any assurance that patents will be issued with respect to any of our pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our issued patents or any such patents that may be issued in the future will be commercially useful in protecting our portfolio.

We may rely, in some circumstances, on trade secrets or other confidential information to protect aspects of our technology and other proprietary information, including but not limited to our development plan and strategies, unpatented know-how, technology, customer information, material contracts and statistical data. We have entered into confidentiality agreements and non-competition agreements with our key employees. Our standard employment contract contains an assignment clause, under which we own all the rights to all inventions, technologies, know-how and trade secrets derived during the course of such employees’ work. We also seek to protect our proprietary technologies, in part, by entering into non-disclosure and confidentiality agreements or including such provisions in our relevant agreements with third party business partners who have access to confidential or patentable aspects of our R&D output. See “Risk Factors — Risks relating to our business and industry — We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position” for further details.

BUSINESS

EMPLOYEES

As of the Latest Practicable Date, we had 3,504 employees in the PRC and nine employees overseas. The following table sets out a breakdown of our employees by function:

Function	Number of Employees
Manufacturing	2,692
Sales and marketing	109
Research and development	518
Finance	51
Administration	143
Total	3,513

We recruit our employees based on a number of factors such as our vacancy needs and expansion plans, and the candidates’ work experience and educational background. We typically hire through recruitment websites and campus recruitment. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention. Our employees have established a labor union to protect employees’ rights, encourage employee participation in management decisions, attend to employees’ personal growth and career performance and assist in mediating disputes between us and union members. We generally maintained good relationships with our employees and had not experienced any strike or material labor dispute during the Track Record Period.

We enter into individual labor contracts with our employees, which set out, among other things, positions, salaries, working hours and other benefits. An employee’s remuneration comprises (i) a basic salary, which correlates with the employee’s position and level; (ii) a performance-based remuneration, which is based on the overall performance of our business and the employee’s individual performance; and (iii) a special bonus based on the overall assessment of our operational performance. We also provide other benefits, including accommodation and holiday benefits, to our employees.

We place significant emphasis on our employees’ training programs to meet their career development needs and to ensure that our employees who work at production facilities is equipped with the prerequisite knowledge of our operational equipment and safety policies. We organize induction training which integrates essential safety education for new employees to build foundational awareness of workplace safety. Our induction training is also concurrently closely linked to our mentor system, where selected mentors would guide new employees to gradually understand their roles and offer targeted coaching. We offer on-the-job training through flexible formats such as on-site guidance and practical workshops to help employees master job-specific skills in real work scenarios. We also provide professional knowledge and technical skills training aligned with job requirements covering areas such as operational equipment expertise and role-specific competencies. We may from time to time engage external institutions to deliver professional training as needed. In addition, we may arrange rotation training based on individual career development goals and our business needs to broaden our employees’ comprehensive capabilities.

Moreover, we also implement a multi-dimensional training assessment system to ensure training quality. We may collect employees’ written feedback, organize written exams or conduct on-site skill mastery assessment to evaluate the effectiveness of employee training and gather their opinions for improvement. All our training programs collectively form a holistic training system that caters to both employee growth and our operational goals and safety.

BUSINESS

Social Insurance and Housing Provident Fund Contributions

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social insurance funds, including pension fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and the housing provident fund. See “Regulatory Overview — Laws and regulations in relation to employment and social welfare — Social insurance and housing provident fund” for further details.

During the Track Record Period and up to the Latest Practicable Date, 11 subsidiaries of our Group did not open social insurance and housing provident fund accounts as they did not actually employ any employees.

Considering that, (i) we have not received any employee complaints, reports or objections in relation to social insurance or housing provident fund accounts; and (ii) we have not received any notices of inspection, investigation or rectification requirements from the competent authorities in relation to the above matters, our PRC Legal Advisors are of the view that the risk of us being penalized for the subsidiaries failure to open social insurance and housing provident fund accounts during the Track Record Period is remote.

INSURANCE

We maintain insurance policies that are required under relevant laws and regulations as well as based on our assessment of our operational needs and industry practice. We make contributions to the social insurance and housing provident funds for our employees in accordance with relevant PRC laws and regulations in all material respects. Moreover, we have commercial insurance coverage for our products, properties, employees, sales and environment protection. During the Track Record Period and up to the Latest Practicable Date, we did not make, and neither were we the subject of, any insurance claims that are of a material nature to our Group. According to CIC, our insurance coverage is generally in line with the practices in rare earth industry in the PRC. See “Risk Factors — Risks relating to our business and industry — Our insurance coverage strategy may not be adequate to protect us from all business risks and cover all of our potential losses” for further details.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. They mainly include premises for our (i) production facilities; (ii) storage and warehouse; (iii) employee dormitory; and (iv) offices.

Owned properties

As of the Latest Practicable Date, we owned land use rights with respect to (i) 32 parcels of land located in Ningbo City, Zhejiang Province with a total site area of approximately 629,451 sq.m., used for our production facilities, offices, warehousing and ancillary purposes; and (ii) two parcels of land located in Baotou City, Inner Mongolia Autonomous Region with a total site area of approximately 223,141 sq.m., used for industrial purposes including production facilities.

As of December 31, 2025, we occupied buildings in China with a total GFA of approximately 662,598 sq.m. As of the Latest Practicable Date, we had not obtained the building ownership certificates for buildings with a GFA of approximately 18,370 sq.m. primarily because the full planning application, construction approval and filing procedures were not completed prior to construction. These buildings constitute illegally constructed buildings, which prevented completion of the subsequent application for building ownership certificates.

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The buildings without ownership certificates carry the risk of being identified as illegal constructions, which may lead to orders for demolition and imposition of penalties. In addition, 10 of these buildings without ownership certificates have been leased to third parties, and the relevant lease agreements may be deemed invalid, which could result in disputes or other adverse consequences.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any PRC competent authorities regarding safety condition of buildings with defective titles. Our Directors confirm that the safety condition of these buildings with defective titles was in compliance with the relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Considering that (1) we have obtained official approvals from relevant government authorities confirming that the aforesaid buildings may be retained, and (2) these buildings without building ownership certificates are primarily auxiliary premises for operations and that some of them are not in use, our PRC Legal Advisors are of the view that the failure to obtain ownership certificates for such buildings does not constitute any material non-compliance of us or have any material or adverse effect on our business operations.

Leased properties

As of December 31, 2025, we leased one property in China and one property in Germany from third parties for our production facilities and office, and entered into lease agreements. In addition, we leased out 17 properties to third parties and entered into lease agreements with those tenants. As of the Latest Practicable Date, seven of those we leased out to third parties in China have not been registered with the relevant PRC housing administration authorities. The failure to register lease agreements may result in an order to rectify within a prescribed period; if the failure continues, individuals may be fined up to RMB1,000, and units may be fined RMB1,000 to RMB10,000. As advised by our PRC Legal Advisors, the lease agreements are valid and binding on the parties thereto, as registration is not a condition for effectiveness.

Our PRC Legal Advisors are of the view that the failure to complete the filing of such lease agreements does not constitute any material non-compliance of us or have any material or adverse effect on our business operations.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE

We adhere to sustainable development as a core guiding principle and have deeply embedded ESG considerations into our overall corporate development strategy. The establishment of a systematic, institutionalized and standardized sustainability management framework has laid a solid foundation for high-quality development. By actively promoting best practices in ESG management, we aim to set a benchmark for sustainable development within the industry, contributing to the achievement of balanced economic growth and ecological sustainability.

Corporate governance

As of December 31, 2025, we had established a comprehensive ESG governance framework, which provides a robust foundation for the formulation, periodic assessment and risk management of ESG initiatives. This framework enables the effective management of non-financial risks relating to environmental, social and corporate governance matters, while maintaining constructive engagement with key stakeholders, including regulatory authorities, investors, customers, employees, communities and the general public, thereby continuously enhancing our governance standards. We adopted a four-tier ESG management structure comprising the Board of Directors, the Strategy and Sustainability Committee, the Sustainability Office and ESG Executive Working Groups.

BUSINESS

The Strategy and Sustainability Committee of the Board, chaired directly by the Chairman, strengthens top-level design and strategic decision-making authority to ensure that ESG considerations are fully integrated into our highest decision-making processes and remain under sustained oversight and professional guidance by senior management. This governance structure forms a closed-loop ESG management mechanism covering strategic planning, implementation, supervision, review and continuous improvement. It supports our transition from reactive and fragmented ESG practices to a proactive, systematic and institutionalized approach, thereby laying a solid governance foundation for long-term sustainable development.

As a specialized committee under the Board, the Strategy and Sustainability Committee is primarily responsible for: studying and proposing our long-term development strategy and sustainability plans; reviewing ESG-related policies, strategic objectives and implementation plans; overseeing the progress and effectiveness of sustainability initiatives; and approving major ESG-related decisions. Through these functions, the Committee ensures that ESG governance is closely aligned with, and advances in tandem with the overall strategic development.

Under the Strategy and Sustainability Committee, we have established a Sustainability Office, which is responsible for the overall coordination and management of six specialized working groups, forming a clearly defined and collaboratively linked ESG implementation mechanism. These six working groups comprise: the Corporate Governance Working Group, the Corporate Culture Working Group, the Environmental Management Working Group, the Product Quality Working Group, the Sustainable Supply Chain Working Group and the Sustainable Operations Working Group. The Corporate Governance Working Group focuses on compliant operations, internal control systems, protection of stakeholders’ rights, risk management and crisis response. The Corporate Culture Working Group oversees talent development, employee rights and occupational health and safety, corporate culture development and the fulfillment of social responsibilities. The Environmental Management Working Group advances low-carbon operations, energy transition initiatives, waste and wastewater management, water resource conservation and environmental awareness promotion. The Product Quality Working Group is responsible for full-process product quality control, the establishment of internal quality management mechanisms, customer satisfaction monitoring and brand reputation management. The Sustainable Supply Chain Working Group promotes green procurement practices, supply chain collaboration and full-process compliance management. The Sustainable Operations Working Group focuses on enhancing economic performance, advancing innovation strategies, increasing research and development investment, strengthening customer relationships and cultivating brand value.

Environmental protection

We place strong emphasis on environmental management and integrate environmental protection considerations into day-to-day business operations, with the objective of minimizing the carbon footprint of our activities. We strictly comply with applicable laws and regulations, including the *Environmental Protection Law of the People’s Republic of China*, the *Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People’s Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, and the *Law of the People’s Republic of China on the Prevention and Control of Environmental Noise Pollution*.

BUSINESS

We have established a systematic environmental management and institutional safeguard framework, and have formulated and strictly implemented a series of standardized management policies, including the *Environmental Protection Management System*, the *Management Measures for the Monitoring of “Three Wastes”* and the *Hazardous Waste Management Measures*. In accordance with the requirements of GB/T 24001–2016, we have established an environmental management system and set up an environmental protection leadership group led by the General Manager, responsible for the unified leadership and supervision of environmental protection efforts. All construction projects of our subsidiaries are subject to and have passed environmental impact assessments, and are equipped with efficient environmental protection treatment facilities as required. During production processes, we continuously optimize our production techniques and adopt environmentally friendly raw materials to reduce pollution at the source.

ESG-related metrics and targets

We monitor the following indicators to oversee and manage environmental matters that may affect operations, strategies and financial performance. In the course of our operations, our primary resource consumption relates to energy resources, including petrol, diesel, natural gas, electricity and water.

Table 1 sets out the consumption of major resources for each of the financial years from 2023 to 2025, our primary resource consumption including petrol, diesel oil, natural gas, and electricity and water resources. From 2023 to 2024, diesel consumption increased mainly due to the procurement of additional diesel vehicles, in 2025, diesel consumption remained relatively stable as transportation demand stabilized. Table 2 discloses the corresponding energy consumption intensity during the same period, while Table 3 presents detailed information on total emissions and emission intensity of exhaust gases and GHG for the years from 2023 to 2025, direct emissions are caused by petrol and diesel from mobile sources, natural gas, industrial production activity, wastewater treatment, and fugitives. Indirect emissions are caused by purchased electricity and steam. Scope 2 GHG emissions recorded a decline in 2025, as we increased purchased green electricity during the year. In 2025, we purchased 12,200 green certificates, corresponding to approximately 12.2 million kWh of green electricity which is expected to reduce carbon dioxide emissions by approximately 6,473.3 tons. Table 4 is the waste generation and disposal for the years from 2023 to 2025.

Table 1: Use of resources in 2023, 2024, 2025

Use of resources	KPIs	Energy type	Unit	Year ended December 31		
				2023	2024	2025
Energy	Petrol	Direct	Liter	28,486.5	34,204.2	39,840.6
	Diesel oil	Direct	Liter	22,487.4	39,021.3	39,081.0
	Natural gas	Direct	m ³	749,561.0	1,215,903.0	1,716,687.0
	Electricity	Indirect	kWh	165,443,082.7	217,735,219.3	251,118,069.6
Water	Water consumption		Tons	455,326.7	604,101.0	630,711.0

Table 2: Resource consumption intensity in 2023, 2024, 2025

Use of resources	KPIs	Unit	Year ended December 31		
			2023	2024	2025
Energy	Petrol	Liter/ RMB100 million	534.8	684.3	735.5
	Diesel oil	Liter/ RMB100 million	422.2	780.7	721.5
	Natural gas	m ³ / RMB100 million	14,072.8	24,326.8	31,690.7
	Electricity	kWh/ RMB100 million	3,106,154.0	4,356,272.6	4,635,740.6
Water	Water consumption	Ton/ RMB100 million	8,548.6	12,086.4	11,643.2

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Table 3: Total air emissions in 2023, 2024, 2025

Emission Category	KPIs	Unit	Year ended December 31		
			2023	2024	2025
Air Emission	Nitrogen oxides (NO _x)	Kg	409.2	681.2	679.2
	Sulfur oxides (SO _x)	Kg	0.8	1.1	1.2
	Particulate Matters (PM)	Kg	19.6	32.4	32.4
	Total air emission	Kg	429.6	714.7	712.9
	Air emission intensity	Kg/ RMB100 million	8.1	14.3	13.2
GHG Emission	Direct GHG emission (Scope 1)	tCO ₂ e	1,984.9	3,367.8	5,068.4
	Indirect GHG emission (Scope 2)	tCO ₂ e	98,052.6	98,734.7	85,359.3
	Total GHG emission	tCO ₂ e	100,037.5	102,102.5	90,427.6
	GHG emission intensity	tCO ₂ e/ RMB100 million	1,878.2	2,042.8	1,669.3

Table 4: Waste generation and disposal in 2023, 2024, 2025

Waste categories	Unit	Year ended December 31		
		2023	2024	2025
Hazardous waste	Tons	1,131.3	1,437.6	1,800.3
Non-hazardous waste	Tons	557.3	625.4	1,181.5
Total waste generated	Tons	1,688.6	2,063.0	2,981.8
Waste intensity	Tons/ RMB100 million	31.7	41.3	55.0

Based on historical environmental performance and anticipated business growth, we have formulated clear ESG strategic objectives in response to China’s targets of achieving carbon peaking by 2030 and carbon neutrality by 2060, as well as international standards such as the Paris Agreement.

According to our planning, we aim to achieve net zero of its Scope 1 and Scope 2 GHG emissions by 2038. To support the achievement of this target, we have established a set of specific and phased sub-targets:

First, we plan to complete the construction and commissioning of a centralized compressed air supply system within our industrial park by 2026, replacing the existing decentralized supply equipment and aiming for an annual GHG reduction of approximately 398 tons. Second, guided by circular economy principles, we seek to optimize packaging management by increasing the annual use of recyclable packaging materials by 3%, targeting a 50% utilization rate by 2028. Third, we prioritize the conservation of strategic resources by strictly controlling the consumption of medium and heavy rare earth elements through material substitution and process optimization. These initiatives are designed to mitigate environmental disturbances, facilitate ecosystem recovery, and ensure long-term sustainable development in alignment with global standards.

Waste management

During production and operational activities, we strictly comply with environmental protection and regulatory requirements and implement refined, end-to-end management of the discharge of the ‘three wastes’ (waste gas, wastewater and solid waste). The key measures are set out below:

Waste gas emissions: We regularly engages qualified third-party testing institutions to conduct routine monitoring of atmospheric pollutant emissions, ensuring the authenticity, accuracy and regulatory compliance of emission data.

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Wastewater treatment: We have invested approximately RMB30 million in the construction of a dedicated water treatment center to support the treatment of production wastewater generated by electroplating workshops, with a designed treatment capacity of 1,000 tons per day. Wastewater from all workshops is managed under a segregated collection and graded treatment mechanism, whereby different types of waste water are treated separately and discharged in batches through open channels to municipal wastewater treatment plants only after meeting discharge standards. The wastewater treatment center is equipped with a chemical analysis laboratory to conduct daily real-time testing and analysis of production wastewater. In addition, we have introduced advanced wastewater treatment equipment from Japan and adopted low-temperature vacuum concentration technology to carry out specialized treatment of wastewater, converting high-concentration liquid wastewater into solid electroplating sludge, recovering high-purity distilled water for production reuse. This process effectively reduces the overall pollutant load. Heavy metal online monitoring systems and conventional water quality parameters (COD, Ammonia Nitrogen, and pH) have been installed at wastewater discharge outlets in strict accordance with relevant technical standards, and qualified third-party institutions are engaged to perform regular maintenance and monitoring calibration, ensuring the reliability and accuracy of monitoring data. We are one of the earliest NdFeB PMs manufacturers in the construction of downstream wastewater treatment equipment in the industry. Since 2005, we have invested in the construction of downstream wastewater treatment equipment, with cumulative investment of over RMB33.0 million. As a result, we have achieved our wastewater treatment rate of approximately 70%, effectively enhancing the recycling and utilization of water resources and reducing the environmental impact of our production and operations.

Solid waste disposal: All solid waste is entrusted to professional institutions with appropriate disposal qualifications for compliant treatment. Domestic waste is collected and disposed of in a timely and regulated manner by local sanitation authorities. These measures ensure that the entire solid waste disposal process comply with applicable environmental protection laws and regulations.

Social responsibility

Public Welfare Initiatives: We actively fulfill social responsibilities and have formulated the *Social Responsibility and Public Welfare Management System* and the *Enterprise-Community Relationship Management System* to standardize and ensure the effectiveness and continuity of our social responsibility and public welfare activities.

Since 2012, we have established the “Yunsheng Named Poverty Alleviation Fund” with the Yinzhou District Charity Federation, with an initial term of ten years, during which we donated RMB600,000 annually to support charitable projects, including assistance for extremely disadvantaged groups and east-west poverty alleviation cooperation programs. Since 2023 we have continued the fund’s charitable mission by donating RMB500,000 annually to the Yinzhou District Charity Federation, consistently giving back to society and supporting vulnerable communities through concrete actions. From 2023 to 2025, under the coordination of the Yinzhou District Charity Federation, the “Yunsheng Named Poverty Alleviation Fund” donated a total of RMB543,000 in study tour funds to students from Muli County, Liangshan Prefecture, Sichuan Province for three consecutive years, supporting Muli students in visiting Ningbo during the summer for study and exchange activities. Over the years, we have actively promoted the development of local education in Muli County. In addition, we made a designated donation to the Yinzhou District Charity Federation for emergency medical equipment, including ventilators for Ningbo No. 6 Hospital, with a total value of RMB1.0 million. We have continued to advance rural revitalization and public welfare assistance initiatives. Focusing on the practical needs of assisted areas such as Helong City in Yanbian. We have carried out public welfare initiatives covering livelihood support, infrastructure improvement and other areas.

Owing to our long-term and stable charitable contributions and tangible assistance outcomes, our public welfare initiatives have received widespread recognition and acclaim from various sectors of society, and we have been awarded the title of “Caring Enterprise” for several consecutive years.

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Product safety and quality

We continue to advance the development of a full lifecycle quality management system and strictly adhere to relevant quality standards and safety requirements. By optimizing production processes, strengthening quality control measures and enhancing risk early-warning mechanisms, we consistently improve product quality and stability. At the same time, we further reinforce our primary responsibility for production safety by improving emergency response plans and safety training systems, ensuring that all production and operational activities are conducted in a safe, controllable and compliant manner, and continuously delivering high-quality and reliable products and services to society.

We have formulated and implemented multiple quality management policies, including the *Quality Incident Management Measures*, the *Non-conforming Product Control Procedures* and the *Non-conforming Product Management Measures*, thereby establishing a comprehensive quality control framework covering research and development, procurement, production and after-sales services, with clearly defined quality responsibilities and execution standards for each stage. In addition, we have developed supporting documents such as the *End-to-End Quality Control Process* and the *Product Monitoring and Measurement Control Procedures*, which set out detailed quality control requirements for procured materials, work-in-progress and finished products. These measures ensure that products consistently meet quality standards and customer expectations throughout the entire lifecycle, from raw material intake to final delivery, thereby steadily enhancing our market competitiveness.

Furthermore, we have established a dedicated quality task force to dynamically identify, continuously monitor and effectively address quality and safety risks, achieving full-process traceability and controllability across raw material procurement, production processes and after-sales services.

ESG-related risks, opportunities and control measures

The following ESG-related risks and opportunities have been identified by us as significant and could potentially impact our business:

Risks/opportunities	Risks/opportunities description	Control measures
Physical risks	Typhoons, flooding and extreme high-temperature weather events	We have established early-warning mechanisms and formulated emergency response plans for typhoon prevention and flood control. Energy-storage water-cooled air-conditioning systems have been installed in production workshops to improve temperature control efficiency. In addition, we distribute heatstroke prevention and cooling medicines to employees and provide cooling beverages in workshop rest areas to mitigate the operational and occupational health impacts of extreme weather conditions.
Policy and regulatory change risks	Increasing requirements for carbon emissions disclosure under China’s “dual-carbon” policies and rising customer attention to carbon emissions	We actively monitor the latest developments in national “dual-carbon” strategies and low-carbon policies within the industry to accurately understand evolving requirements for green and low-carbon development and related disclosure standards. Carbon inventory exercises are used as a key management tool to establish a regular mechanism for data collection, consolidation and verification, enabling the comprehensive aggregation of carbon-related data across production activities, supply chains and energy consumption.

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<u>Risks/opportunities</u>	<u>Risks/opportunities description</u>	<u>Control measures</u>
		We conduct carbon accounting in a standardized manner to accurately calculate total carbon emissions, emission intensity and emission sources, thereby providing a reliable data foundation for setting emission reduction targets and implementing low-carbon initiatives. In parallel, we have established a policy information collection mechanism to track domestic and international environmental policy developments through government websites, industry association platforms, professional policy databases and international information channels. A dedicated task force has been formed to monitor relevant policies and to assess their potential impact on a quarterly basis.
Market risks	Growing preference among end consumers for environmentally friendly and green products	We supply components for green products such as new energy vehicles and energy-efficient elevators, responding to market demand for environmentally friendly products and clean energy solutions. At the same time, we have optimized traditional packaging by upgrading to recyclable and reusable packaging solutions, thereby promoting green packaging practices and contributing to energy conservation and carbon emission reduction.

COMPLIANCE AND LEGAL PROCEEDINGS

Non-compliance

Save for the non-compliance incidents disclosed elsewhere in the document, we are not aware of any material non-compliance of our Group with applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Legal proceedings

We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business such as proceedings in respect of disputes with our suppliers or customers, labor disputes or infringement of intellectual property rights.

In Q2 of 2024, an Independent Third Party (the “**Claimant**”) commenced arbitration proceedings (the “**Arbitration Case**”) against our Company and several others at the Singapore International Arbitration Centre. The Claimant sought for outstanding payments in the amount of US\$11.778 million, damages of US\$33.506 million, and further unquantified monetary compensation and damages for an alleged breach of the relevant agreements from us (the “**Subject Agreements**”), which our Company has contested. As of the Latest Practicable Date, the Arbitration Case remains at its early stages, which focuses on determining whether the Subject Agreements would be void or have been terminated and the proceedings are still ongoing. Though the Arbitration Case is still in progress, we have taken the initiative to make full and adequate provisions in an aggregate amount of RMB181.0 million for the year ended December 31, 2025. Taking into consideration the relevant legal opinions, our Directors are of the view that the Arbitration Case did not and will not have any material and adverse impact on our business, financial condition or results of operations or reputation because (i) our Group has maintained a solid revenue base with a revenue of RMB5,326.3 million, RMB4,998.2 million and RMB5,417.0 million for the years ended December 31, 2023, 2024 and 2025, respectively; and (ii) our Group had cash and cash equivalents of RMB644.7 million as of April 30, 2026. Considering our cash outflows and cash positions, we have sufficient liquidity and financial resources to cover potential amounts that may arise from the Claimant’s claims. Having considered the views and basis of the Directors, based on the due diligence work conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause it to disagree with the view of the Directors.

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Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we were not a party to, and we were not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operation.

As advised by our PRC Legal Advisors, our business was in compliance with applicable laws and regulations of the PRC in all material aspects during the Track Record Period and up to the Latest Practicable Date. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business, and we intend to maintain this culture through the strict implementation of our risk management and internal control policies. See “— Risk management and internal control” in this section for further details.

LICENSES, PERMITS AND CERTIFICATES

We are required to obtain and renew certain certificates, permits and licenses for our business operations. See “Regulatory Overview” for further details. As advised by our PRC Legal Advisors, during the Track Record Period and as of the Latest Practicable Date, we obtained all requisite certificates, permits and licenses that are necessary for our operation, and all of such certificates, permits and licenses are valid and up-to-date to the extent that they are still needed.

We did not experience any material difficulties in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and do not expect to face any material difficulties in renewing them upon their expiry, if applicable.

The following table sets forth details of the material licenses, permits and certificates that we hold as of the Latest Practicable Date:

License/Permit	Holder	Issuing Authority	Issue Date	Expiration Date
Pollutant Discharge Permit	Baotou Yunsheng Magnetic Materials Co., Ltd.	Baotou Municipal Bureau of Ecology and Environment (包頭市生態環境局)	January 17, 2023	January 16, 2028
Pollutant Discharge Permit	Ningbo Yunsheng Tejin Co., Ltd.	Beilun Branch of Ningbo Municipal Bureau of Ecology and Environment (寧波市生態環境局北侖分局)	September 21, 2024	September 22, 2029
Pollutant Discharge Permit	Ningbo Yunsheng New Energy Automobile Materials Co., Ltd.	Environmental Protection Bureau of Ningbo High-Tech Zone (寧波市高新區環境保護局)	September 23, 2024	September 22, 2029
Pollutant Discharge Permit	Yunsheng Coating	Environmental Protection Bureau of Ningbo High-Tech Zone (寧波市生態環境局北侖分局)	March 28, 2024	March 27, 2029
Pollutant Discharge Permit	Baotou Yunsheng Technology Development Co., Ltd.	Baotou Municipal Bureau of Ecology and Environment (包頭市生態環境局)	June 9, 2025	June 8, 2030

During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for any non-compliance relating to our material certificates, permits and licenses.

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RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks in our operations. See “Risk Factors” for a discussion of various operational risks and uncertainties we face. It is the responsibility of our Board of Directors to ensure that our Group maintains sound and effective internal controls to safeguard the Shareholders’ [REDACTED] and our Group’s assets at all times. We have adopted a series of internal control policies and procedures designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

Risk management

We recognize that risk management is critical to our business operation. Key operational risks faced by us include changes in general market conditions and the regulatory environment of the Chinese and global markets, our ability to develop, manufacture and commercialize our products, and our ability to compete with other similar products. See “Risk Factors” for more details of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity and currency risks that arise in the normal course of our business. See Note 40 to the Accountants’ Report in Appendix I in this document for details regarding these risks. We have adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. The following key principles outline our approach to risk management:

- The relevant departments in our Company, including but not limited to the finance department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. Each department is responsible for identifying and evaluating risks associated with its working scope. In order to standardize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) identify the source of the risks and potential impact, (ii) monitor the development of such risks, and (iii) prepare risk management reports for our management’s review.
- Our internal control department will coordinate, oversee and manage the overall risks associated with our business operations and quality control mainly including (i) reviewing our corporate risk in light of our corporate risk tolerance, (ii) maintaining a key risk list and leading corresponding risk management activities, and (iii) organizing revision and update of the key risk list. Our management and internal control department will be responsible for carrying out risk prevention and management activities.
- Our management will be responsible for (i) reviewing the risk management information collected by our internal control department, (ii) reviewing risk management report of our Company, and (iii) overseeing internal control department and conducting risk evaluations.

Internal control

Our Board of Directors is responsible for establishing and ensuring effective internal controls to safeguard our Shareholder’s [REDACTED] at all times. Our internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis.

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Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as related party transaction, risk management, protection of intellectual property, environmental protection and occupational health and safety. For more See “— Intellectual property” and “— Environmental, social, and corporate governance” in this section for further details. We plan to provide periodic training about these measures and procedures to our employees as part of our employee training program. Our internal audit department conducts audit field work to monitor the implementation of our internal control policies, reports the weakness identified to our management and audit committee and follows up on the rectification actions.
- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisers, will also periodically review our compliance status with all relevant laws and regulations after the [REDACTED].
- We have established an audit committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors, and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.
- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the [REDACTED]. We will continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.
- We plan to seek advice from law firms in the United States, the European Union and other jurisdictions where we currently operate or may operate in the future to keep us abreast of applicable local laws and regulations after the [REDACTED]. We will continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest laws and regulations in the jurisdictions in which we currently operate or may operate in the future.

We maintain strict confidentiality and privacy policies regarding the collection, analysis, storage and transmission of the data of our business and transactions. Our IT team are responsible for, from technical perspective, ensuring the usage, maintenance and protection of business and transaction data to comply with our internal policies and applicable laws and regulations.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Upon [REDACTED], our Board will consist of nine Directors, comprising four executive Directors, one non-executive Director and four independent non-executive Directors. Our Directors are elected by the general meeting for a term of three years and are eligible for re-election upon expiry of their terms of office. The independent non-executive Directors shall not hold office for more than six consecutive years pursuant to the relevant PRC laws and regulations.

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

Name	Age	Positions ⁽¹⁾	Roles and responsibilities	Time of first joining our Group	Time of first appointment as a Director	Relationship with the other Directors and senior management
Mr. Zhu Xiaodong (竺曉東)	46	Executive Director, chairman of our Board and general manager	Overall strategic planning, business development, R&D and management of our Group	January 2004	November 2009	None
Mr. Zhu Shidong (朱世東)	55	Executive Director, deputy general manager	Providing advice on corporate and business strategies to our Group	September 2002	December 2020	None
Ms. Zhang Yingchun (張迎春)	53	Executive Director and finance director	Providing advice on overall financial management, corporate and business strategies to our Group	April 2023	May 2024	None
Mr. Wang Haiguo (王海國)	46	Executive Director, deputy head of administration	Management and business development of our Group	August 2005	September 2025	None
Mr. Zhu Limin (朱利民)	59	Non-executive Director	Advice to our Board and technology development of our Group	August 2021	May 2024	None
Mr. Wang Jian (王健)	57	Independent non-executive Director	Supervising and providing independent advice to our Board	May 2025	May 2025	None
Mr. Ye Yuanhua (葉元華)	47	Independent non-executive Director	Supervising and providing independent advice to our Board	May 2024	May 2024	None
Mr. Chen Lingguo (陳靈國)	54	Independent non-executive Director	Supervising and providing independent advice to our Board	May 2024	May 2024	None
Mr. Wong Wai Leung (黃偉亮)	55	Independent non-executive Director	Supervising and providing independent advice to our Board	[REDACTED]	[REDACTED]	None

Note:

(1) The re-designation of the positions will take effect on the [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Zhu Xiaodong (竺曉東), aged 46, joined our Group since January 2004. He has been serving as our Director since November 2009, general manager since March 2011 and chairman of our Board since April 2015. He was redesignated as our executive Director in February 2026 with effect from the [REDACTED]. Mr. Zhu is primarily responsible for the overall strategic planning, business development, R&D and management of our Group.

Mr. Zhu has over 20 years of experience in business management and entrepreneurship. From January 2004 to January 2007, he was employed at Yunsheng (U.S.A) Inc., a subsidiary of our Group. From August 2008 to February 2011, Mr. Zhu was the general manager of the high-tech business division in our Group and was appointed as the general manager of our Group since March 2011.

Mr. Zhu concurrently holds the following positions in other members of our Group:

Company	Role	Period of Service
Ningbo Yunsheng High-Tech Magnetics Co., Ltd. (寧波韻昇高科磁業有限公司)	Chairman of the board	Since March 2012
Ningbo Yunsheng Equipment Technology Co., Ltd. (寧波韻昇裝備技術有限公司)	Executive director, manager	Since June 2013
Yunsheng New Energy Automobile Materials	Director, manager	Since March 2016
Ningbo Yunsheng New Materials Co., Ltd. (寧波韻昇新材料有限公司)	Executive director, manager	Since May 2018
Zhejiang Yunsheng Mechanical and Electrical Co., Ltd. (浙江韻昇機電有限公司)	Executive director, general manager	Since May 2018
Yunsheng Investment	Manager	Since June 2018
Yunsheng Magnet Component	Executive director	Since July 2020
Ningbo Yunsheng Bonded Magnet Co., Ltd. (寧波韻昇黏結磁體有限公司)	Executive director	Since August 2020
Ningbo Yunsheng Magnetic Materials Co., Ltd. (寧波韻昇磁性材料有限公司)	Chairman of the board	Since January 2021

Mr. Zhu obtained a bachelor’s degree in business administration from the California State University, the USA in August 2004, and received a master’s degree in business administration (MBA) from China Europe International Business School (中歐國際商學院) in August 2014. In December 2022, Mr. Zhu was qualified as a senior economist (高級經濟師), granted by the Zhejiang Province Human Resources and Social Security Department.

Mr. Zhu received numerous awards and recognitions, including the designation as an Outstanding Contributor to the Cause of Socialism with Chinese Characteristics for a New Era in Zhejiang Province (浙江省新時代中國特色社會主義事業優秀建設者) awarded by the Zhejiang Provincial Committee of the Communist Party of China and the Zhejiang Provincial People’s Government in November 2025; the title of the Most Innovative Young Technology Entrepreneur in Zhejiang Province (浙江省最具創新力青年科技型企業家) awarded by the Zhejiang Association for Science and Technology, the Zhejiang Federation of Industry & Commerce, the Zhejiang Provincial Development Planning Research Institute, the Zhejiang Daily Press Group and the Zhejiang Provincial State-Owned Capital Operations Company in May 2024.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhu also actively participated in social affairs. He was elected as a Deputy to the 16th Ningbo Municipal People’s Congress (寧波市第16屆人大代表) in March 2022. He was also selected as a Leading Talent under the Zhejiang Provincial Special Support Program for High-Level Talents (浙江省高層次人才特殊支持計劃領軍人才) by the Talent Work Leading Group Office of Zhejiang Provincial Committee of the Communist Party of China in May 2020.

Mr. Zhu has been one of the five directors of Yunsheng Holding since November 2016 and his directorship has been non-executive in nature. On November 12, 2020, Yunsheng Holding was found by the Ningbo Regulatory Bureau of CSRC to have breached the provisions of Articles 80, 88, and 93 of the then Securities Law of the PRC (《中華人民共和國證券法》) for certain on-market acquisitions and disposals of A Shares conducted by Yunsheng Holding from April to July 2017 and from May to August 2019 (the “**Trading Activities**”). On February 24, 2021, Yunsheng Holding was also found by the Shanghai Stock Exchange to have breached, among others, the provisions of Rules 1.4, 2.1, 2.23, 3.1.7, 3.1.8 and 11.9.1 of the then listing rules of the Shanghai Stock Exchange for conducting the Trading Activities. As a result of such breaches, Yunsheng Holding was fined RMB4.4 million and was publicly reprimanded. Mr. Zhu confirmed that he did not involve in the aforesaid breaches of provisions and no action or punishment was ordered against him.

Mr. Zhu Shidong (朱世東), aged 55, joined our Group in September 2002. He has been our Director since December 2020 and deputy general manager since August 2023. He was redesignated as our executive Director in February 2026 with effect from the [REDACTED]. Mr. Zhu Shidong is primarily responsible for providing advice on corporate and business strategies to our Group.

From June 2012 to November 2015, he served as the general manager of our Group’s VCM Industrial Division (VCM產業部). Since August 2016, he has been serving as the managing director of Yunsheng Magnetics (Europe) GmbH, a subsidiary of our Group. From May 2017 to August 2023, he was also the general manager of our Group’s European Magnetic Steel Division (歐洲磁鋼事業部). In August 2023, Mr. Zhu Shidong was further appointed as the deputy general manager of our Group, concurrently serving as the general manager of our Group’s Sales Center (銷售中心). He then relinquished the concurrent position of the Sales Center and turned to lead the Process Information & Operations Center and the Strategy & Marketing Center in October 2024.

Mr. Zhu Shidong has over 30 years of working experience in the manufacturing industry. Before joining our Group, he was responsible for production planning at Zhejiang Acrylic Fiber Plant* (浙江腈綸廠) from December 1995 to March 1998. From June 1999 to July 2001, he served as the head of production department at Neutrik Technology (Ningbo) Co., Ltd. (優曲克科技(寧波)有限公司) (formerly known as Ningbo Neutrik Electronics Co., Ltd. (寧波樂群電子有限公司)).

Mr. Zhu Shidong obtained a bachelor’s degree in thermal energy engineering from Shanghai Jiao Tong University (上海交通大學) in the PRC in July 1992 and a master’s degree in business administration (MBA) from Tongji University (同濟大學) in the PRC in December 2006.

Ms. Zhang Yingchun (張迎春), aged 53 joined our Group since April 2023. She has been our finance director since June 2023 and our Director since May 2024. She was redesignated as our executive Director in February 2026 with effect from the [REDACTED]. Ms. Zhang is primarily responsible for providing advice on overall financial management, corporate and business strategies to our Group.

Ms. Zhang has over 25 years of finance experience. Prior to joining our Group, she served as the financial manager at Ningbo Yonghua Hydraulic Equipment Co., Ltd. (寧波永華液壓器材有限公司). Subsequently, in the 2000s, Ms. Zhang served as a financial director at Akzo Nobel Powder Coatings (Ningbo) Co., Ltd. (阿克蘇諾貝爾粉末塗料(寧波)有限公司) (formerly known as Akzo Nobel Changcheng Powder Coatings (Ningbo) Co., Ltd. (阿克蘇·諾貝爾·長誠塗料(寧波)有限公司)) and later at Ningbo Intech PRECISION Machinery Co., Ltd. (英科特(寧波)機電設備有限公司) (formerly known as Intech (Ningbo) Electromechanical Equipment Co., Ltd. (英科特(寧波)機電設備有限公司)). From 2009 to 2018, Ms. Zhang served as the deputy general manager of the business

DIRECTORS AND SENIOR MANAGEMENT

operation office and later as the China regional financial director at Minth Group Limited (敏實集團有限公司), a global top 100 automotive parts supplier listed on the Stock Exchange of Hong Kong (stock code: 00425), as well as a supervisor of its subsidiaries.

From April 2018 to April 2023, Ms. Zhang served as the financial director and, from October 2018 to April 2023, also served as a Director of Shentong Technology Group Co., Ltd. (神通科技集團股份有限公司), a technologically advanced automotive component manufacturer listed on the Shanghai Stock Exchange (stock code: 605228.SH).

Ms. Zhang obtained a master’s degree in business administration (MBA) (part-time) from the University of Canberra (堪培拉大學) in October 2019 through distance learning.

Mr. Wang Haiguo (王海國), aged 47, joined our Group in August 2005. He has been our deputy head of administration since January 2021 and our Director since September 2025. He was redesignated as our executive Director in February 2026 with effect from the [REDACTED]. He is primarily responsible for management and business development of our Group.

Mr. Wang served as a director assistant (主任助理) in our Group from August 2005 to October 2007. From October 2007 to June 2008, he held the position of human resources manager at our Group’s subsidiary, Baotou Yunsheng Magnet. From July 2008 to July 2012, he was appointed as the deputy head of the general manager’s office at our Group. He then was transferred to the role of head of the general administration office at our Group’s subsidiary, Ningbo Yunsheng High-Tech Magnetics Co., Ltd. (寧波韻昇高科磁業有限公司), serving from July 2012 to July 2013. Since January 2013, he has successively held the roles of head of the general manager office, head of the president office, deputy head of administration, and chairman of the labor union of our Group.

From August 2017 to June 2023, he served as a director of our Group’s non wholly-owned subsidiary, Yunsheng Coating. Mr. Wang is serving as a supervisor of Ningbo Chengyuan and Ningbo Yunsheng Musical Movement Museum Co., Ltd. (寧波韻昇八音琴博物館有限公司) from September 2025 and December 2018, respectively. He has also been serving as a director of Ningbo Yunsheng Property Management Services Co., Ltd. (寧波韻昇物業管理服務有限公司) since January 2019.

Mr. Wang obtained a bachelor’s degree in geography education from Ningbo University (寧波大學) in the PRC in June 2002 and a master’s degree of science in cartography and geographic information systems from Nanjing Normal University (南京師範大學) in the PRC in June 2005. He also obtained a master’s degree in business administration (MBA) from Ningbo University (寧波大學) in March 2021.

Non-executive Director

Mr. Zhu Limin (朱利民), aged 59, joined our Group in May 2024. He has been our Director since May 2024 and was redesignated as our non-executive Director in February 2026 with effect from the [REDACTED]. Mr. Zhu is primarily responsible for advice to our Board and technology development of our Group.

Mr. Zhu Limin has over 30 years of experience in the engineering field. Before joining our Group, he served as a senior engineer at Xiangtan Electric Manufacturing Group Co., Ltd. (湘電集團有限公司, formerly known as 湘潭電機集團有限公司 and 湘潭電機集團有限責任公司), which is a state-owned manufacturing company of mechanical and electrical equipment, from the 1990s to July 2020. From August 2020 to July 2021, he worked at Xiangtan Electric Manufacturing Co., Ltd. (湘潭電機股份有限公司), a large-scale enterprise engaged in the manufacture of defense and power generation equipment listed on the Shanghai Stock Exchange (Stock Code: 600416.SH). From September 2021, he served as the chief engineer of Ningbo Yunsheng Electric Drive Technology Co., Ltd. (寧波韻昇電驅動技術有限公司) (formerly known as Ningbo Yunsheng Motor Technology Co., Ltd. (寧波韻昇電機技術有限公司)), a subsidiary of Yunsheng Holding. Since July 2022, Mr. Zhu Limin has been transferred to Yunsheng Holding and appointed as the deputy chief engineer of

DIRECTORS AND SENIOR MANAGEMENT

Yunsheng Holding. He has also been serving as a director of Ningbo Yunsheng Musical Movement Manufacturing Co., Ltd. (寧波韻聲機芯製造有限公司) since September 2023, a subsidiary of Yunsheng Holding.

Mr. Zhu Limin obtained a bachelor’s degree in mechanical engineering from Tsinghua University (清華大學) in the PRC in July 1990, and was awarded the senior electrical engineer qualification by the Hunan Provincial Department of Human Resources and Social Security (formerly known as the Hunan Provincial Department of Human Resources) in October 2004.

Independent Non-executive Directors

Mr. Wang Jian (王健), aged 57, was appointed as our independent Director in May 2025 and was redesignated as an independent non-executive Director in February 2026 with effect from the [REDACTED]. Mr. Wang is primarily responsible for supervising and providing independent opinion and judgment to our Board.

Mr. Wang served as a lecturer at Tsinghua University in the 1990s. From June 2000 to November 2011, he worked at Beijing Helishi Electric Motor Technology Co., Ltd. (北京和利時電機技術有限公司), holding the positions of deputy general manager and later also director. Since October 2009, Mr. Wang has served as the general manager and executive director of Beijing Yineng Cube Technology Co., Ltd. (北京易能立方科技有限公司). Since April 2012, he has served as the deputy chairman of the board of Tsino Dynatron Electrical Technology (Beijing) Co., Ltd. (清能德創電氣技術(北京)有限公司). Mr. Wang has also served as the general manager and executive director of Beijing Smart Workshop Technology Incubator Co., Ltd. (北京智慧工場科技孵化器有限公司) since July 2015. Since May 2016, Mr. Wang has taken the position as the general manager and executive director of Aimai Yunchuang (Beijing) Technology Co., Ltd. (艾邁雲創(北京)科技有限公司), and since April 2018, he has served as the general manager and executive director of Sizha Fiber Technology Development (Shanghai) Co., Ltd. (思縷大纖維科技發展(上海)有限公司).

In addition, Mr. Wang currently holds directorships and supervisorships in a number of companies, including Leetro Automation Technology Corp., Ltd. (成都樂創自動化技術股份有限公司) (a company listed on the Beijing Stock Exchange (stock code: 920425)), Shanghai Jiansong Intelligent Technology Co., Ltd. (上海健松智能技術有限公司), Johnson SMART Technology (Jiaxing) Co., Ltd. (健松智能技術(嘉興)有限公司), Beijing Enkaiputuo Investment Co., Ltd. (北京恩凱普拓投資有限公司), Henan Jukong Intelligent Technology Co., Ltd. (河南矩控智能科技有限公司), Shenzhen Jukong Xincheng Technology Co., Ltd. (深圳市矩控新辰科技有限公司), Qingzhao Power Robot Technology (Beijing) Co., Ltd. (清卓動力機器人科技(北京)有限公司), and Dapu CNC (Nanjing) Co., Ltd. (達普數控(南京)有限公司).

Mr. Wang obtained a bachelor’s degree in electrical engineering and applied electronic technology from Tsinghua University in the PRC in July 1991 and a master’s degree in electrical engineering and applied electronic technology from Tsinghua University in the PRC in July 1993. He also received the senior (electrical) engineer qualification certificate issued by Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in June 2013.

Mr. Wang Jian was the director of the following company which was incorporated in the PRC and had its business license revoked during his tenure:

Name of Company	Position	Status	Reasons of revocation of business license	Date of revocation of business license/ deregistration
Beijing Jinchan Technology Co., Ltd.* (北京金蟬科技有限公司)	Director	Business license revoked	Cessation of business	No public record

DIRECTORS AND SENIOR MANAGEMENT

M. Wang Jian confirmed that (i) there is no wrongful act on his part leading to the revocation of the above company; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the revocation of the above company; and (iii) no misconduct or misfeasance had been involved on his part in the revocation of the above company.

Mr. Ye Yuanhua (葉元華), aged 47, was appointed as our independent Director in May 2024 and was designated as an independent non-executive Director in February 2026 with effect from the [REDACTED]. Mr. Ye is primarily responsible for supervising and providing independent opinion and judgment to the our Board.

Mr. Ye has over 20 years of experience in the legal industry. Mr. Ye served at Zhejiang Fulin Law Firm (浙江富林律師事務所) from June 2005 to December 2012, with the last position as a partner. Subsequently, since January 2013, he has been serving at Beijing Dacheng (Ningbo) Law Firm (北京大成(寧波)律師事務所), currently as the Managing Partner.

Mr. Ye also holds directorships in a number of companies. He served as a director of Ningbo Zhonghai Jinlong Navigation Affairs Engineering Co., Ltd. (寧波中海金龍航務工程有限公司) from September 2007 to April 2024. From April 2022 to December 2023, he also served as a director of Ningbo Keli Sensing Technology Co., Ltd. (寧波柯力傳感科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 603662.SH)). He has served as an independent director of Zhejiang Compassed Fluid Technology Co., Ltd. (浙江康帕斯流體技術股份有限公司) and Ningbo Longyuan Co., Ltd. (寧波隆源股份有限公司) (a company listed on the Beijing Stock Exchange (stock code: 920055)) since February 2023 and June 2023, respectively.

Mr. Ye received a bachelor’s degree in laws from East China University of Political Science and Law (華東政法大學) in the PRC in July 2002 and a master’s degree in international laws from Dalian Maritime University (大連海事大學) in the PRC in April 2005. He also obtained a Legal Professional Qualification Certificate issued by the Ministry of Justice of the People’s Republic of China in March 2004. In terms of awards and recognitions, Mr. Ye was recognized as an outstanding lawyer in Ningbo by the Ningbo Lawyers Association in February 2014, and was selected as an outstanding financial consultant for the year 2021 by the Ningbo Federation of Financial Industry in February 2022.

Mr. Chen Lingguo (陳靈國), aged 54, was appointed as our independent Director in May 2024 and was redesignated as an independent non-executive Director in February 2026 with effect from [REDACTED]. Mr. Chen is primarily responsible for supervising and providing independent opinion and judgment to our Board.

Mr. Chen has approximately 30 years of financial accounting experience. Mr. Chen worked at Ningbo Skyland (GROUP) Corp. Ltd. (寧波天地(集團)股份有限公司) in the 1990s, where he held various positions including deputy manager in the finance department, and manager of the investment management department. Subsequently, Mr. Chen served as the assistant financial director of Borgwarner Shenglong (Ningbo) Co., Ltd. (華納聖龍(寧波)有限公司) (formerly known as Eaton Shenglong Automotive Components (Ningbo) Co., Ltd. (伊頓聖龍汽車零部件(寧波)有限公司)). Since October 1999, he has served as the financial director of Samsonite (China) Co., Ltd. (新秀麗(中國)有限公司).

Mr. Chen has served as an independent director of Ningbo Boway Alloy Material Company Limited (寧波博威合金材料股份有限公司), a new materials and new energy industry company listed on the Shanghai Stock Exchange (Stock Code: 601137) since May 2021. He has also served as an independent director of Ningbo Peacebird Fashion Co., Ltd. (寧波太平鳥時尚服飾股份有限公司), a fashion brand retail company listed on the Shanghai Stock Exchange (Stock Code: 603877.SH) since November 2024.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen received a bachelor’s degree in international accounting from Shanghai University of Finance and Economics (上海財經大學) and Shanghai International Studies University (上海外國語大學) (formerly known as Shanghai Foreign Language Institute (上海外國語學院)) in the PRC in July 1993 and obtained a master’s degree in professional accountancy from the Chinese University of Hong Kong (香港中文大學) through part-time study in December 2006. Since December 2009, Mr. Chen has been a certified public accountant recognized by the Chinese Institute of Certified Public Accountants.

Mr. WONG Wai Leung (黃偉亮), aged 55 will be our independent non-executive Director with effect upon [REDACTED]. Mr. Wong is primarily responsible for supervising and providing independent opinion and judgment to our Board. He is a member of Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). He is a sponsor principal, and a responsible officer under the SFO permitted to carry out type 1 (Dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO.

Mr. Wong was previously with Shenwan Hongyuan Capital (H.K.) Limited (formerly known as Shenyin Wanguo Capital Limited) from 1999 to 2004, Piper Jaffray Asia Limited (formerly known as Goldbond Capital (Asia) Limited) from September 2004 to January 2007, Libertas Capital Asia Limited from January 2007 to September 2008, and Partners Capital International Limited from October 2008 to October 2012. Since October 2012, Mr. Wong has served at Octal Capital Limited and is currently its executive director. He provides full spectrum of corporate finance advisory services including initial public offerings, takeovers, merge and acquisitions to a broad client base.

Mr. Wong obtained a bachelor’s degree in Business Administration from The University of Hong Kong in Hong Kong in November 1993 and a master’s degree of Science in Financial Management from The University of London in the United Kingdom in December 2004.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth the key information about our senior management as at the Latest Practicable Date.

Name	Age	Positions	Roles and responsibilities	Time of first joining our Group	Time of first appointment as a senior management	Relationship with the other Directors and senior management
Mr. Zhu Xiaodong (竺曉東)	46	Chairman of our Board, executive Director and general manager	Overall strategic planning, business development, R&D and management of our Group	January 2004	November 2009	None
Mr. Zhu Shidong (朱世東)	55	Executive Director, deputy general manager	Providing advice on corporate and business strategies to our Group	September 2002	December 2020	None
Ms. Zhang Yingchun (張迎春)	53	Executive Director and finance director	Providing advice on overall financial management, corporate and business strategies to our Group	April 2023	May 2024	None
Mr. Zhao Yuliang (趙玉亮)	42	Deputy general manager	Management and business development of our Group	March 2020	April 2026	None
Mr. Zhao Jiakai (趙佳凱)	35	Secretary to our Board, joint company secretary	Board related matters, capital market matters and investor relations of our Group	August 2015	February 2025	None

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhu Xiaodong (竺曉東), aged 46, is our executive Director, chairman of our Board and general manager. For his biography, see “— Board of Directors — Executive Directors”.

Mr. Zhu Shidong (朱世東), aged 55, is our executive Director and deputy general manager. For his biography, see “— Board of Directors — Executive Directors”.

Ms. Zhang Yingchun (張迎春), aged 52, is our executive Director and finance director. For her biography, see “— Board of Directors — Executive Directors”.

Mr. Zhao Yuliang (趙玉亮), aged 42, joined our Group in March 2020 and has been serving as the general manager of our Group’s Sales Center since October 2024 and our deputy general manager since April 2026. He is primarily responsible for overseeing our Group’s sales operations, including business development and maintenance of customer relationships.

Since joining our Group, Mr. Zhao has held several positions, including deputy director of the marketing department from March 2020 to September 2020, head of the new energy vehicle magnetic materials project team from September 2020 to September 2021, and general manager of the new energy vehicle magnetic materials division from September 2021 to October 2024.

Mr. Zhao has over 15 years of experience in sales and management. Prior to joining our Group, he served as the manufacturing department manager at Ningbo Qunzhi Optoelectronics Co., Ltd.* (寧波群志光電股份分公司) from August 2007 to May 2012. From June 2012 to April 2018, he worked at Ningbo Sanxing Medical Electric Co., Ltd.* (寧波三星醫療電氣股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601567)) and its subsidiary, where he held positions including key account director and Africa regional director, responsible for major client management and overseas market development. From May 2018 to October 2019, he served as the general manager of the sales company of Huamao Group Co., Ltd.* (華茂集團股份有限公司).

Mr. Zhao obtained a bachelor’s degree in public utilities management from Zhengzhou Institute of Aeronautical Industry Management (鄭州航空工業管理學院) in July 2007.

Mr. Zhao Jiakai (趙佳凱), aged 35, is the secretary to our Board. Mr. Zhao is primarily responsible for Board related matters, capital market matters and investor relations of our Group.

Mr. Zhao joined our Group in August 2015. He was as the head of the central research institute office at our Group from August 2015 to September 2016 and was transferred to the role of securities affairs representative in May 2018 till February 2025. Since February 2025, he has served as a secretary to the Board of our Group. Since May 2025, he has also served as a supervisor of Ningbo Yunkai Magnetic Industry Co., Ltd. (寧波韻凱磁業有限公司), and as a director of Ningbo Yunsheng Investment Co., Ltd. (寧波韻昇投資有限公司), both being our Group’s subsidiaries. From June 2025 to the present, he has also served as a Director of our Group’s invested company, Zhongyun Mining Development Co., Ltd. (中韻礦業發展有限公司).

Prior to joining our Group, Mr. Zhao worked at Ningbo Guoji Internet Information Technology Co., Ltd. (寧波國技互聯信息技術有限公司) from August 2013 to April 2014. From May 2014 to August 2015, he served as a training specialist at Yunsheng Holding. Subsequently, he served as a director board office specialist of Yunsheng Holding from September 2016 to May 2018.

Mr. Zhao received a bachelor’s degree in business administration from Hangzhou Dianzi University (杭州電子科技大學) in the PRC in June 2013. He also obtained the qualification to serve as the secretary of the board (董事會秘書資格) from the Shanghai Stock Exchange in June 2018.

DIRECTORS AND SENIOR MANAGEMENT

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this section, none of our Directors or members of the senior management is related to other Directors or members of senior management of our Company. Save as disclosed in this section, (i) none of our Directors or senior management members held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the Latest Practicable Date; and (ii) to the best knowledge, information and belief of the Directors and having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Zhao Jiakai (趙佳凱) is one of our joint company secretaries. For details of his biography, see “— Senior Management” in this section.

Mr. Wong Keith Shing Cheung (王承鐸) is one of our joint company secretaries.

Mr. Wong is a senior manager of Company Secretarial Services of Tricor Services Limited (a member of Vistra Group). Mr. Wong is mainly responsible for managing the company secretarial and compliance work for companies listed on the Hong Kong Stock Exchange.

Mr. Wong has over 15 years of experience in corporate service field, providing professional corporate services to listed companies as well as private and offshore companies. He has been advising on matters related to clients’ corporate governance, ensuring compliance with the Listing Rules of the Hong Kong Stock Exchange, the Hong Kong Companies Ordinance, and offshore company ordinances.

Mr. Wong obtained a bachelor’s degree in finance, accounting and management from University of Nottingham in the United Kingdom in July 2009. He is a Chartered Secretary, a Chartered Governance Professional, associate of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom as well as a fellow of the Hong Kong Institute of Certified Public Accountants.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained legal advice referred to under Rule 3.09D of the Listing Rules on February 13, 2026, and (ii) understands his or her obligations as a director of a [REDACTED] under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

As of the Latest Practicable Date, none of our Directors had an interest in any business which competes or is likely to compete (either directly or indirectly) with our business and which is required to be disclosed under Rule 8.10(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Our Company has established four committees under our Board in accordance with the relevant laws and regulations in mainland China, the Articles of Association and the Corporate Governance Code under the Listing Rules, including the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

Strategy and Sustainable Development Committee

We have established the Strategy Committee in compliance with the Articles of Association. The primary duties of the Strategy Committee are to review our Company’s long-term development strategies and major investment decisions, and to make recommendations to our Board. The Strategy Committee comprises three members, namely Mr. Zhu Xiaodong, Mr. Zhu Shidong and Mr. Wang Jian. Mr. Zhu Xiaodong is the chairperson of the Strategy Committee.

Audit Committee

We have established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review our Company’s financial information and its disclosure, supervise and evaluate internal and external audit work and internal control, and to provide our Board with professional advice.

The Audit Committee comprises three members, namely Mr. Chen Lingguo, Mr. Ye Yuanhua and Mr. Wang Jian. Mr. Chen Lingguo is the chairperson of the Audit Committee. He holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Nomination Committee

We have established the Nomination Committee in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to assess the candidates and review selection criteria and procedures for Directors and senior management, and to make recommendations to our Board.

The Nomination Committee comprises three members, namely, Mr. Wang Jian, Ms. Zhang Yingchun and Mr. Ye Yuanhua. Mr. Wang Jian is the chairperson of the Nomination Committee.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Appraisal Committee are to formulate the appraisal standards for Directors and senior management, conduct appraisal, and formulate and review the remuneration policies and proposals for Directors and senior management.

The Remuneration and Appraisal Committee comprises three members, namely Mr. Ye Yuanhua, Mr. Chen Lingguo and Ms. Zhang Yingchun. Mr. Ye Yuanhua is the chairperson of the Remuneration and Appraisal Committee.

CORPORATE GOVERNANCE CODE

We recognize the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. Our Company intends to comply with all code provisions in the Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the [REDACTED] apart from code provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of our Board and chief executive should be separate and should not be performed by the same individual.

DIRECTORS AND SENIOR MANAGEMENT

The roles of chairman of our Board and general manager of our Company are currently performed by Mr. Zhu Xiaodong. In view of Mr. Zhu Xiaodong’s substantial contribution to our Group throughout the years and his extensive experience, we consider that having him acting as both our chairman of our Board and general manager will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. Zhu Xiaodong continues to act as both our chairman of our Board and general manager after the [REDACTED], and therefore currently do not propose to separate the functions of chairman of our Board and general manager. While this would constitute a deviation from code provision C.2.1 of Part 2 of the Corporate Governance Code, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (a) there are sufficient checks and balances in our Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises four independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (b) Mr. Zhu Xiaodong and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (c) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether the separation of the roles of chairman of our Board and general manager is necessary.

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since the principal business operations of our Group are conducted outside of Hong Kong, our Company does not and for the foreseeable future will not have a sufficient management presence in Hong Kong.

We have applied for, and the Stock Exchange [has granted] us, a waiver from compliance with Rules 8.12 and 19A.15 of the Listing Rules. For details, see “Waivers and Exemptions — Management Presence in Hong Kong.”

BOARD DIVERSITY POLICY

We have adopted a board diversity policy which sets out the approach to achieve diversity of our Board. We recognize and embrace the benefits of having a diverse Board and see increasing diversity at our Board level as an essential element in supporting the attainment of our Company’s strategic objectives and sustainable development.

Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of our Company, the Nomination Committee will consider a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service.

In particular, our Company currently has one female Director in our Board and will continue to work towards enhancing the gender diversity of our Board. Our Directors have a balanced mix of knowledge and skills, and we have four independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board diversity policy.

DIRECTORS AND SENIOR MANAGEMENT

Pursuant to the board diversity policy, after the [REDACTED], the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on our Board and recommend them to our Board for formal adoption.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Our Directors and senior management receive their remuneration in the form of salaries, wages and other benefits, performance related bonuses and contribution to retirement benefit schemes subject to applicable laws, rules and regulations.

For the years ended December 31, 2023, 2024 and 2025, the aggregate remuneration paid to our Directors amounted to RMB13.30 million, RMB5.02 million and RMB7.74 million, respectively.

According to existing effective arrangements, we estimate the total remuneration before taxation to be accrued to our Directors in kind for their service for the financial year ending December 31, 2026 to be RMB12.15 million. The actual remuneration of our Directors in 2026 may be different from the expected remuneration.

For the years ended December 31, 2023, 2024 and 2025, the aggregate remuneration paid to our five highest paid individuals (excluding Directors) amounted to RMB12.85 million, RMB6.86 million and RMB5.17 million, respectively.

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group, (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group and (iii) none of our Directors waived any remuneration.

Save as disclosed above, during the Track Record Period, no other payments have been made or are payable by our Group to our Directors and the five highest paid individuals.

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Our compliance advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in certain circumstances including:

- (i) before the publication of any regulatory announcement, circular, or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases; and
- (iii) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the [REDACTED] or [REDACTED] of its [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our compliance advisor shall commence on the [REDACTED] and continue until the earlier of (i) the date on which our Company publishes its annual report for the first full financial year following the [REDACTED], in accordance with Rule 13.46 of the Listing Rules, or (ii) the date on which the appointment is terminated early in accordance with the circumstances set out in the relevant section of the agreement between our Company and the compliance advisor.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was directly held as to approximately (i) 29.15% by Yunsheng Holding. Yunsheng Holding was owned as to approximately 99.98% by Ningbo Chengyuan, which was in turn owned as to approximately 36.83% by Mr. Zhu Xiaodong, our executive Director, chairman of our Board and our general manager, approximately 49.14% by Mr. Zhu Yunde, the father of Mr. Zhu Xiaodong, and approximately 11.23% by Ms. Dong Weizhen, the mother of Mr. Zhu Xiaodong and spouse of Mr. Zhu Yunde; (ii) 3.28% by Yunsheng Technology Investment, which was a wholly-owned subsidiary of Yunsheng Holding; (iii) 1.01% by Qianhao Investment, which is acting-in-concert with Yunsheng Holding in respect of the operation, management and decision making our Company pursuant to the 2023 AIC Agreement; (iv) 0.57%⁽¹⁾ by Mr. Zhu Xiaodong; (v) 0.49% by Mr. Zhu Yunde; and (vi) 0.02% by Ms. Dong Weizhen. For further details, please refer to “— Acting-in-Concert Arrangement” and “— Our Shareholding and Corporate Structure” in “History and Corporate Structure” in this document.

Accordingly, Yunsheng Holding, Yunsheng Technology Investment, Qianhao Investment, Ningbo Chengyuan, Mr. Zhu Xiaodong, Mr. Zhu Yunde and Ms. Dong Weizhen collectively controlled approximately 34.51%⁽¹⁾ of the total issued share capital of our Company (including treasury shares) as of the Latest Practicable Date.

Immediately following the completion of the [REDACTED] (assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and that the [REDACTED] is not exercised), Yunsheng Holding, Yunsheng Technology Investment, Qianhao Investment, Ningbo Chengyuan, Mr. Zhu Xiaodong, Mr. Zhu Yunde and Ms. Dong Weizhen will collectively control approximately [REDACTED]%⁽¹⁾ of the total issued share capital of our Company (including treasury shares), and will together constitute a group of our Controlling Shareholders for the purpose of Listing Rules upon the [REDACTED].

Note:

- (1) Includes (i) 4,194,061 A Shares granted under 2020 Employee Share Ownership Plan and 2022 Employee Share Ownership Plan, which had been fully vested as of the Latest Practicable Date. Such A Shares are being held under the designated securities accounts opened for such share ownership plans. The securities accounts under the 2020 Employee Share Ownership Plan and 2022 Employee Share Ownership Plan are managed by Mr. Zhu Xiaodong; and (ii) 450,000 A Shares granted under the 2025 Employee Share Ownership Plan, which had not been vested as of the Latest Practicable Date. Such A Shares are being held under the designated securities account opened for the 2025 Employee Share Ownership Plan, which is managed by a committee of three including Mr. Zhu Xiaodong. The aforesaid 4,644,061 A Shares in aggregate account for 0.42% of the total issued share capital of our Company (including treasury shares) as of the Latest Practicable Date, and [REDACTED]% of the total issued share capital of our Company (including treasury shares) immediately following the completion of the [REDACTED] (assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and that the [REDACTED] is not exercised). For further details, please refer to “Statutory and General Information — Employee Share Ownership Plans” in Appendix VI to this document.

CLEAR BUSINESS DELINEATION

Our Business

We are a global leading supplier of NdFeB permanent magnets. Through profound technological accumulation and continuous independent innovation, we have developed NdFeB permanent magnets with superior properties. We continue to focus deeply on three major business sectors: NEVs, consumer electronics, and industrial motors and others. At the same time, we are actively exploring high-growth emerging markets such as embodied intelligence robots and low-altitude aircraft.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Business of our Controlling Shareholders

Apart from the investments in our Company, the businesses that our Controlling Shareholders individually or collectively control and/or engage in include (i) property management, (ii) the research and development, manufacturing and/or sales of servo motors, mechanical equipment, and metal material, (iii) provision of technical research and development services in relation to equipment development; and (iv) other businesses such as the manufacturing and sales music boxes. Such businesses are clearly delineated from the principal businesses of our Group, specifically, in terms of product or service nature and industry positioning.

Each of our Controlling Shareholders has confirmed that he/she/it does not have any interests in any business (apart from the business of our Group) that competes or is likely to compete, directly or indirectly, with our principal business, which is required to be disclosed under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Management Independence

Our management and operational decisions are made by our Board and our senior management. Our Board comprises four executive Directors, one non-executive Director and four independent non-executive Directors. Among our Directors and members of senior management, Mr. Zhu Xiaodong, our executive Director, and Mr. Zhu Limin, our non-executive Director, are concurrently serving as the director and deputy chief engineer of Yunsheng Holding, respectively. Mr. Zhu Xiaodong’s directorship in Yunsheng Holding is non-executive in nature, and he is not involved in the day-to-day operation and management of Yunsheng Holding. Therefore, Mr. Zhu Xiaodong is able to devote sufficient time and attention to his roles as our executive Director, general manager and chairman of our Board. On top of the above, all of our Directors and senior management team members possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. Further details are set forth in the section headed “Directors and Senior Management”.

Our Directors consider that our Board and senior management are able to perform the management role in our Group independent of our Controlling Shareholders for the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) in the event that any Director is connected with any company or individual involved in a transaction or arrangement to be resolved at our Board meeting, such director shall promptly report the same in writing to our Board. A Director with such connected relationship shall not exercise voting rights on such resolution, nor shall he or she exercise voting rights on behalf of any other Director by proxy. Such Board meeting may be held with the attendance of more than half of the Directors without such connected relationships, and any resolution shall be passed by more than half of those Directors. Our Group has also adopted certain corporate governance measures for situations involving conflict of interests, details of which are set out in the paragraph headed “Corporate Governance Measures” in this section;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) four out of nine Directors are independent non-executive Directors with extensive experience in various professions. They are appointed pursuant to the requirements of the Listing Rules, who will bring independent judgment to the decision-making process of our Board;
- (d) connected transactions between our Group and our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including the rules relating to annual reporting, review, announcement, circular and independent shareholders’ approval (where applicable); and
- (e) our Board’s main functions include the approval of our Group’s overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by our Board.

Operational Independence

We have established our own organizational structure consisting of individual departments with different functions for, among others, sales, operations, marketing and after-sales services. Each department is assigned specific areas of responsibility. We have implemented a set of internal control mechanisms to enhance the efficiency of our business operations. In addition to our sufficient assets, capital and employees, during the Track Record Period and as of the Latest Practicable Date, we have obtained and possessed all relevant licenses, permits and approvals required to conduct our business independently. Furthermore, we have independent access to our suppliers and customers. Notwithstanding that we will continue to enter into certain continuing connected transactions with Yunsheng Holding and its subsidiaries after [REDACTED], such transactions will be conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better. During the Track Record Period, (i) transactions that are of revenue nature entered into by our Group with Yunsheng Holding and its subsidiaries accounted for less than 1% of our revenue for the respective year, and (ii) transactions that are of cost nature entered into by our Group with Yunsheng Holding and its subsidiaries accounted for less than 1% of our cost of sales for the respective year. Therefore, such transactions would not give rise to any reliance by our Group on our Controlling Shareholders nor affect our operational independence from our Controlling Shareholders. See “Connected transactions” for further details.

Based on the above, our Directors are of the view that our Group can operate independently of our Controlling Shareholders and their close associates upon [REDACTED].

Financial Independence

Our finance department is responsible for handling the major finance operations of our Group and is capable of making financial decisions independently according to our own business needs. We manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders or their close associates. In addition, we have sufficient capital to operate our business independently and have adequate internal resources to support our daily operations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. We recognize the importance of good corporate governance in the protection of our Shareholders’ interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted towards the quorum in the voting;
- (b) our Group has established internal control mechanisms to identify connected transactions. Our Company will comply with the requirements in relation to connected transactions under the Listing Rules upon [REDACTED];
- (c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please see “Directors and Senior Management — Our Directors” in this document;
- (d) our Board will operate in accordance with the Articles, which require any Director who has a connected relationship with any enterprise or individual involved in a matter to be resolved at a Board meeting to report such relationship to our Board in writing in a timely manner, and such Director shall not vote on the relevant resolution or vote on behalf of any other Director. Such Board meeting may be held with the attendance of more than half of the Directors without such connected relationships, and any resolution shall be passed by more than half of those Directors.
- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company’s expenses; and
- (f) we have appointed Maxa Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors’ duties and internal controls.

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

CONNECTED TRANSACTIONS

OUR CONNECTED PERSON(S)

We engage in certain transactions with the following connected person(s) from time to time in our ordinary and usual course of business, which will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon the [REDACTED]:

Connected person(s)	Connected relationships
Yunsheng Holding and its subsidiaries (together, “Yunsheng Holding Group”)	Yunsheng Holding is a Controlling Shareholder hence a connected person of our Company upon the [REDACTED]. Each subsidiary of Yunsheng Holding is an associate of Yunsheng Holding hence a connected person of our Company upon the [REDACTED].

OUR PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following table sets out a summary of our partially-exempt continuing connected transactions:

Nature of the transaction		Counterparty	Applicable Listing Rules	Waiver sought	Annual cap for the year ending December 31,		
					2026	2027	2028
(RMB'000)							
(1a)	Purchase of equipment	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	20,000	22,000	24,000
(1b)	Procurement of services and products	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	30,000	31,000	32,000
(2)	Sale of products and services	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	20,000	21,000	22,000
(3)	Property lease (our Group as lessor)	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	35,000	41,300	47,700
(4)	Property lease (our Group as lessee)	Yunsheng Holding Group	14A.76(2)(a)	Announcement requirement	1,000	1,000	1,000

(1) Yunsheng Holding Equipment Purchase Framework Agreement and Yunsheng Holding Services and Products Procurement Framework Agreement

(a) Yunsheng Holding Equipment Purchase Framework Agreement

On [•] 2026, we entered into the equipment framework agreement with Yunsheng Holding (the “**Yunsheng Holding Equipment Purchase Framework Agreement**”), pursuant to which our Group may, from time to time, purchase from Yunsheng Holding and/or its subsidiaries certain automation equipment including but not limited to non-standard automation equipment (the “**Automation Equipment**”). The Yunsheng Holding Equipment Purchase Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Yunsheng Holding and its subsidiaries are engaged in the R&D, manufacturing and sales of servo motors and mechanical equipment. Our Group has a long-term and stable business relationship with Yunsheng Holding and its subsidiaries. During the Track Record Period, our Group had been purchasing the Automation Equipment from Yungsheng Holdings’ subsidiaries. We expect that we will continue these transactions.

CONNECTED TRANSACTIONS

These equipments are custom-designed, user-specific, and non-market-circulated machinery tailored to unique manufacturing processes and needs. Yunsheng Holding is familiar with our Group’s specific requirements on the quality standard of our Automation Equipment and is able to well meet our requirements. Thus, a sustainable supply of Automation Equipment with high-quality meeting our manufacturing requirement can be guaranteed from Yunsheng Holding, and thus it is efficient, confidential and to the best interests of our Company and its Shareholders as a whole. We uphold and will continue to uphold the principle of voluntariness, equality and mutual benefit to collaborate with Yunsheng Holding, and we will only conduct these transactions with Yungsheng Holdings if we consider it is in the interests of our Company and Shareholders as a whole.

Pricing Policies

The fees to be paid by our Group to Yunsheng Holding for the Automation Equipment shall be determined through commercial negotiation between the parties on an arm’s length basis, taking into consideration the volume of equipment required, expected cost to be incurred by Yunsheng Holding, and prevailing market price of comparable equipment. Our Group will obtain fee quotes from Independent Third Parties for comparable products at least on an annual basis and/or before entering into any definitive agreements to ensure the terms offered by Yunsheng Holding are similar to or better than the terms offered by Independent Third Parties under the similar circumstances.

Historical Transaction Amount

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2023	2024	2025
	(RMB’000)		
Transaction amount for the purchase of the Automation Equipment by our Group from Yunsheng Holding and its subsidiaries	1,941	13,001	4,326

(b) Yunsheng Holding Services and Products Procurement Framework Agreement

On [•] 2026, we entered into the procurement framework agreement with Yunsheng Holding (the “**Yunsheng Holding Services and Products Procurement Framework Agreement**”), pursuant to which our Group may, from time to time, procure from Yunsheng Holding and/or its subsidiaries (i) services including but not limited to property management, property maintenance services and repair (the “**Property Management Services**”) and technical research and development services; and (ii) services-related products (together, the “**Services and Products Procurement**”). The Yunsheng Holding Services and Products Procurement Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Yunsheng Holding and its subsidiaries (excluding our Group) are also engaged in the provision of technical research and development services and property management services. During the Track Record Period, our Group had been procuring such Services

CONNECTED TRANSACTIONS

and Products Procurement from Yunsheng Holding and its subsidiaries. We expect that we will continue these transactions. Our Group and Yungsheng Holdings have established a long-term and stable business relationship, and Yunsheng Holding has acquired a comprehensive understanding of our services and products needs. Considering that Yunsheng Holding has provided such Property Management services and products to us during the Track Record Period, we believe it is in the best interest of our Group and our Shareholders as a whole to continue to procure such service from Yunsheng Holding who is capable of fulfilling our demands with a stable and high quality service.

Pricing Policies

The fees to be paid by our Group to Yunsheng Holding for the Services and Products Procurement shall be determined through commercial negotiation between the parties on an arm’s length basis, primarily based on prices of products services of similar natures that our Group procured from other Independent Third Parties in the market, and taking into account various factors including but not limited to existing purchase orders placed by us; and (ii) the average historical market price and the anticipated future market price for the relevant products and services. Our Group will conduct annual review to ensure the pricing terms under the Yunsheng Holding Services and Products Procurement Framework Agreement shall be in the best interests of our Company and our Shareholders as a whole.

Historical Transaction Amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended Decemebr 31,		
	2023	2024	2025
	<i>(RMB'000)</i>		
Transaction amount for procurement of services and products by our Group from Yunsheng Holding and its subsidiaries	11,724	10,039	22,451

Further, since the continuing connected transactions contemplated under the Yunsheng Holding Equipment Purchase Framework Agreement and the Yunsheng Holding Services and Products Procurement Framework Agreement are similar in nature, such transactions should be aggregated pursuant to Rule 14A.81 of the Listing Rules.

CONNECTED TRANSACTIONS

Annual Caps

The maximum aggregate annual transaction amounts under the Yunsheng Holding Equipment Purchase Framework Agreement and Yunsheng Holding Services and Products Procurement Framework Agreement for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ending December 31,		
	2026	2027	2028
	(RMB'000)		
Yunsheng Holding Equipment Purchase Framework Agreement	20,000	22,000	24,000
Yunsheng Holding Services and Products Procurement Framework Agreement	30,000	31,000	32,000
Aggregated annual caps	50,000	53,000	56,000

Basis of Annual Caps

The above annual caps have been determined on normal commercial terms or better with reference to, among others:

In relation to the Yunsheng Holding Equipment Purchase Framework Agreement:

- 1) the historical transaction amounts contemplated under the purchase by our Group from Yunsheng Holding during the Track Record Period;
- 2) the existing transactions entered into between our Company and Yunsheng Holding and the expected demand of our Group for the Automation Equipment due to our plan for business expansion and increasing market opportunities; and
- 3) the prevailing market trends and the projected price fluctuations of key components, taking into account the technological upgrades in the automation equipment required to support our operation needs.

In relation to the Yunsheng Holding Services and Products Procurement Framework Agreement:

- 1) the historical transaction amounts contemplated under the Services and Products Procurement by our Group from Yunsheng Holding during the Track Record Period;
- 2) the existing transactions entered into between our Company and Yunsheng Holding and the expected demand of our Group for the Services and Products Procurement; and
- 3) the anticipated expansion of our business operation and interaction with our clients, which is expected to lead to a corresponding increase in our need for high-quality Property Management Services and products provided by Yunsheng Holding.

CONNECTED TRANSACTIONS

(2) Yunsheng Holding Sales Framework Agreement

On [•] 2026, we entered into the sale framework agreement with Yunsheng Holding (the “**Yunsheng Holding Sales Framework Agreement**”), pursuant to which our Group may, from time to time, sell to Yunsheng Holding and/or its subsidiaries certain products and services. Such sale of products and services includes but not limited to sale of NdFeB-related products, provision of utility such as water and electricity and leasing of equipments (the “**Sale**”). The Yunsheng Holding Sales Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Yunsheng Holding and its subsidiaries is engaged in the R&D, manufacturing and sales of servo motors and mechanical equipment and our NdFeB-related products are essential to their business. Such Sale is in the ordinary and usual course of business of our Group.

Pricing Policies

The fee charged by us is determined with reference to the sales pricing policy adopted by us which applies to all of our sales. Our sales pricing policy takes into consideration, among others, our cost and expense, our reasonable profit margin and customers’ procurement volume. The pricing offered by us to Yunsheng Holding and its subsidiaries is generally in line with that offered to other customers of our Group with similar procurement scale. Our Group will conduct annual review to ensure the pricing terms under the Yunsheng Holding Sales Framework Agreement shall be at least in line with the comparable market rates and in the best interests of our Company and our Shareholders as a whole.

Historical Transaction Amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Transaction amount for the Sale from our Group to Yunsheng Holding and its subsidiaries	25,620	14,446	8,470

Annual Cap and Basis of Annual Caps

The maximum aggregate annual transaction amounts for the Sale for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ending December 31,		
	2026	2027	2028
	(RMB'000)		
Maximum transaction amount for the Sale from our Group to Yunsheng Holding and its subsidiaries	20,000	21,000	22,000

CONNECTED TRANSACTIONS

The proposed annual caps are determined based on:

- (i) the historical transaction amounts contemplated under the Sale, including the unit costs and the expected market condition and general cost inflation for the relevant period;
- (ii) the expected demands of the Sale, taking into account, among others, microeconomic conditions and market demand;
- (iii) As a leading player in the industry who offers high-quality NdFeB-related products, our NdFeB-related products are well recognized by Yunsheng Holding and its customers. In addition, our Group and Yungsheng Holdings have established a long-term and stable business relationship, such that we have acquired a comprehensive understanding of Yunsheng’s operational requirements. Hence, Yunsheng Holding’s procurement of the relevant products from us is expected to increase.

(3) Property lease between our Company (as lessor) and Yunsheng Holding (as lessee)

On [•] 2026, we entered into the lease framework agreement with Yunsheng Holding (the “**Lease Framework Agreement**”), pursuant to which our Group may, from time to time, lease properties owned by our Group (the “**Properties**”) to Yunsheng Holding and/or its subsidiaries for factory, dormitory and office use (the “**Lease**”). The Lease Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Our Group owns manufacturing factories, dormitory facilities and offices, and may have surplus space from time to time. Our Company considers it in the best interest to utilize these surplus spaces for generating additional income for our Group at the prevailing market rates.

Pricing Policies

The rental fee to be received by our Group for the Lease shall be determined through commercial negotiation between the parties on an arm’s length basis after taking into consideration (a) the rental fees under the existing lease agreements in respect of the lease of the same Properties; and (b) the prevailing market rates for comparable properties in the proximity of the Properties (taking into account the location and conditions).

Historical Transaction Amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2023	2024	2025
	(RMB’000)		
Transaction amount for the Lease by our Group to Yunsheng Holding and its subsidiaries	19,120	22,555	28,679

CONNECTED TRANSACTIONS

Annual Cap and Basis of Annual Caps

The maximum aggregate annual transaction amounts under the Lease for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ending December 31,		
	2026	2027	2028
	(RMB'000)		
Maximum transaction amount for the Lease by our Group to Yunsheng Holding and its subsidiaries	35,000	41,300	47,700

The proposed annual caps are determined based on:

- (i) the historical transaction amounts between our Group and Yunsheng Holding and its subsidiaries for the Lease;
- (ii) the expected rentals under the relevant individual tenancy agreements with reference to the prevailing market rates of comparable properties in Ningbo, the PRC;
- (iii) various conditions of the Properties, including but not limited to the location as well as the facilities associated with the Properties; and
- (iv) the estimated increases in expenses in maintaining the Properties.

(4) Property lease between our Company (as lessee) and Yunsheng Holding (as lessor)

On [•] 2026, we entered into the lease framework agreement with Yunsheng Holding (the “**Lease Framework Agreement**”), pursuant to which our Group may, from time to time, rent dormitory facilities and car parking space owned by Yunsheng Holding and/or its subsidiaries (the “**Properties**”) from Yunsheng Holding and/or its subsidiaries for use (the “**Lease**”). The Lease Framework Agreement has an initial term commencing on the [REDACTED] and ending on [•], and may be renewed as the parties may mutually agree, subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Reasons for the Transaction

Yunsheng Holding and/or its subsidiaries own dormitory facilities and car parking space, and may have surplus space from time to time. As we have a long-term and stable business cooperation with Yunsheng Holding, who typically has a deeper understanding of our Group’s operational needs and management standards, our Group considers it in the best interest to rent these surplus spaces for our Group at the prevailing market rates.

Pricing Policies

The fees to be charged under the Lease Framework Agreement shall be determined through commercial negotiation between the parties on an arm’s length basis after taking into consideration (a) the rental fees under the existing lease agreements in respect of the lease of the same Properties; and (b) the prevailing market rates for comparable properties in the proximity of the Properties (taking into account the location and conditions).

CONNECTED TRANSACTIONS

Historical Transaction Amounts

Set out below are the historical transaction amounts for the abovementioned transactions during the Track Record Period:

	For the year ended December 31,		
	2023	2024	2025
	(RMB'000)		
Transaction amount for the Lease by Yunsheng Holding and its subsidiaries to our Group	—	—	468

Annual Cap and Basis of Annual Caps

The maximum aggregate annual transaction amounts under the Lease for the three years ending December 31, 2028 shall not exceed the caps set out below:

	For the year ended December 31,		
	2026	2027	2028
	(RMB'000)		
Maximum transaction amount for the Lease by Yunsheng Holding and its subsidiaries to our Group	1,000	1,000	1,000

The proposed annual caps are determined based on:

- (i) the historical transaction amounts between our Group and Yunsheng Holding and its subsidiaries for the Lease;
- (ii) the expected rentals under the relevant individual tenancy agreements with reference to the prevailing market rates of comparable properties in Ningbo, the PRC;
- (iii) various conditions of the Properties, including but not limited to the location as well as the facilities associated with the Properties; and
- (iv) the estimated increases in expenses in maintaining the Properties.

LISTING RULES IMPLICATIONS

In respect of each of the continuing connected transactions as disclosed in “— Our Partially-Exempt Continuing Connected Transactions” above, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules is expected to be above 0.1% but will not exceed 5% on an annual basis. Accordingly, each of the partially-exempt continuing connected transactions as described above are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules but will be subject to the annual reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

By virtue of Rule 14A.76(2) of the Listing Rules, each of the transactions disclosed in “— Our Partially Exempt Continuing Connected Transactions” will constitute connected transactions which are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. As the above partially exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement requirement would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us. Accordingly, we have applied to the Stock Exchange for,

CONNECTED TRANSACTIONS

and the Stock Exchange [has granted], subject to the condition that the value of the annual transactions shall not exceed their respective estimated annual caps as stated above, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement in respect of the above partially exempt continuing connected transactions.

In addition, we confirm that we will comply with the applicable requirements under the Listing Rules in relation to these partially exempt continuing connected transactions and will immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in terms of these transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, our Group will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that each of the partially-exempt continuing connected transactions set out above have been and will continue to be carried out in our ordinary and usual course of business of our Group, on normal commercial terms or better, the terms and proposed annual caps of which are fair and reasonable and in the interests of our Group and its Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that the above partially-exempt continuing connected transactions have been and will be carried out in the ordinary and usual course of business of our Group, on normal commercial terms or better, the terms and proposed annual cap of which are fair and reasonable and in the interests of our Group and its Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS’ INTERESTS

To ensure that our continuing connected transactions are conducted in compliance with applicable rules, regulations and on normal commercial terms, and to safeguard the interests of all our Shareholders, including minority Shareholders, our Group has adopted a comprehensive framework of internal control policies and procedures. These measures are designed to ensure that such transactions are fair, reasonable, and in the ordinary and usual course of business of our Group. Key internal control measures include the following:

- 1) our Group has formulated internal guideline for connected transactions based on the applicable requirements under the Listing Rules, which (a) clearly defines what constitutes a connected transaction and the applicable thresholds for reporting, announcement, and independent Shareholders’ approval; (b) clarifies the roles and responsibilities of each functional department in identifying, reviewing, and approving connected transactions; and (c) requires ongoing monitoring and documentation of continuing connected transactions to ensure they remain within approved annual caps;
- 2) to ensure that the pricing and terms offered by/to our connected persons are fair, reasonable and comparable with those offered to/by Independent Third Parties, our Group will implement the following measures: (a) before engaging in any connected transactions, the relevant business units will conduct regular benchmarking exercises against prevailing market prices and commercial terms; (b) the terms offered to/by our connected persons will be reviewed in comparison with those quotations offered to/by Independent Third Parties to ensure that such terms are comparable and consistent with normal commercial terms;

CONNECTED TRANSACTIONS

- 3) the Audit Committee is expected to play a vital role in overseeing the connected transactions. For example, it will conduct periodic review of the connected transactions, including the actual transaction amounts, terms, and compliance with the estimated annual caps that have been previously disclosed;
- 4) in accordance with the Listing Rules, our external auditors will conduct an annual review of the continuing connected transactions, in particular, they will verify that the actual transaction amounts fall within the estimated annual caps that have been previously disclosed; and
- 5) we will regularly organize training sessions for relevant personnel to enhance their awareness and understanding of the rules and internal policies governing connected transactions and internal control procedures. This will ensure that decision-makers remain vigilant and fully informed of their compliance responsibilities.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED], assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], the following persons will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Description of Shares	Capacity/Nature of interest	As of the Latest Practicable Date ⁽¹⁾		Immediately following completion of the [REDACTED] ⁽²⁾		Approximate percentage of shareholding in the total share capital of our Company
			Number of Shares held/interested ⁽³⁾	Approximate percentage of shareholding in our Company	Number of Shares held/interested ⁽³⁾	Approximate percentage of shareholding in our A Shares	
Mr. Zhu Yunde	A Shares	Beneficial owner	5,366,635	0.49%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest of spouse ⁽⁴⁾	216,833	0.02%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest in controlled corporations ⁽⁵⁾	379,426,794	34.52%	[REDACTED]	[REDACTED]%	[REDACTED]%
Mr. Zhu Xiaodong	A Shares	Beneficial owner	1,620,000	0.15%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest in controlled corporations ⁽⁵⁾	379,426,794	34.52%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Beneficial Interest ⁽⁶⁾	4,644,061	0.42%	[REDACTED]	[REDACTED]%	[REDACTED]%
Ms. Dong Weizhen	A Shares	Beneficial owner	216,833	0.02%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest of spouse ⁽⁴⁾	384,793,429	35.01%	[REDACTED]	[REDACTED]%	[REDACTED]%
Ningbo Chengyuan	A Shares	Interest in controlled corporations ⁽⁵⁾	379,426,794	34.52%	[REDACTED]	[REDACTED]%	[REDACTED]%
Yunsheng Holding	A Shares	Beneficial owner	320,406,816	29.15%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest in controlled corporations ⁽⁵⁾	35,999,015	3.28%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest of person acting in concert ⁽⁷⁾	11,056,870	1.01%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest in treasury shares ⁽⁸⁾	11,964,093	1.09%	[REDACTED]	[REDACTED]%	[REDACTED]%
Qianhao Investment	A Shares	Beneficial owner	11,056,870	1.01%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest of person acting in concert ⁽⁷⁾	368,369,924	33.52%	[REDACTED]	[REDACTED]%	[REDACTED]%
Ms. Chen Yinfen	A Shares	Interested in controlled corporations ⁽⁹⁾	379,426,794	34.52%	[REDACTED]	[REDACTED]%	[REDACTED]%

Notes:

1. The calculation is based on the total number of 1,099,041,051 A Shares (including 11,964,093 A Shares held by our Company in treasury) in issue as of the Latest Practicable Date.
2. The calculation is based on the total number of [REDACTED] A Shares (including [REDACTED] A Shares held by our Company in treasury) and [REDACTED] H Shares in issue immediately following completion of the [REDACTED], assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED], and that the [REDACTED] is not exercised at all. For the avoidance of doubt, both A Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.
3. All interests stated are long positions.
4. Mr. Zhu Yunde and Ms. Dong Weizhen are the spouse of each other. Accordingly, they are deemed to be interested in the same number of Shares that the other person is interested in for the purpose of the SFO.

SUBSTANTIAL SHAREHOLDERS

5. As of the Latest Practicable Date, Yunsheng Technology Investment, a wholly-owned subsidiary of Yunsheng Holding, held 35,999,015 A Shares, representing 3.28% of the total issued share capital of our Company. As of the Latest Practicable Date, Yunsheng Holding was owned as to 99.98% by Ningbo Chengyuan, which was in turn owned as to 36.83% by Mr. Zhu Xiaodong and 49.14% by Mr. Zhu Yunde. Accordingly, by virtue of the SFO, (a) Yunsheng Holding is deemed to be interested in the Shares in which Yunsheng Technology Investment is interested, (b) Ningbo Chengyuan is deemed to be interested in the Shares in which Yunsheng Holding is interested, and (c) each of Mr. Zhu Xiaodong and by Mr. Zhu Yunde is deemed to be interested in the Shares in which Ningbo Chengyuan is interested.
6. Mr. Zhu Xiaodong is entitled to receive 4,644,061 A Shares pursuant to the 2020 Employee Share Ownership Plan, 2022 Employee Share Ownership Plan and 2025 Employee Share Ownership Plan, among which 4,194,061 A Shares had been fully vested as of the Latest Practicable Date, whereas the remaining 450,000 A Shares are still subject to vesting conditions. See “Statutory and General Information — Employee Share Ownership Plans” for details.
7. Yunsheng Holding and Qianhao Investment are parties acting-in-concert in respect of the operation management and decision making of our Company pursuant to the 2023 AIC Agreement. Accordingly, they are deemed to be interested in the same number of Shares that the other person is interested in by virtue of the SFO.
8. As of the Latest Practicable Date, 11,964,093 A Shares were held by our Company in treasury. In light of its shareholding in our Company, Yunsheng Holding is deemed to be interested in such treasury Shares held by our Company.
9. As of the Latest Practicable Date, Qianhao Investment was held as to 70.00% by Ms. Chen Yinfen. Accordingly, Ms. Chen Yinfen is deemed to be interested in the Shares in which Qianhao Investment is deemed to be interested by virtue of the SFO. For the avoidance of doubt, Ms. Chen Yinfen is not considered as a member of the Controlling Shareholder Group. For details, please refer to “History and Corporate Structure — Our Shareholding and Corporate Structure” in this document.

For those who are directly and/or indirectly interested in 10% or more of the issued voting shares of any other members of our Group, see “Statutory and General Information — Further Information about our Directors, Chief Executive and Substantial Shareholders — Disclosure of Interests of Substantial Shareholders — (b) Interests in our Company’s subsidiaries” in Appendix VI to this document.

SHARE CAPITAL

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the total issued share capital of our Company was 1,099,041,051 A Shares of nominal value of RMB1.00 each, which are all listed on the main board of the Shanghai Stock Exchange.

Description of Shares	Number of Shares	Approximate percentage of the total issued share capital (%)
A Shares in issue ⁽¹⁾	1,099,041,051	100.00

Note:

(1) Including 11,964,093 A Shares held by our Company in treasury.

UPON COMPLETION OF THE [REDACTED]

Immediately upon completion of the Global [REDACTED], assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and that the [REDACTED] is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage of the total issued share capital (%)
A Shares in issue ⁽¹⁾	1,099,041,051	[REDACTED]
H Shares to be issued pursuant to the [REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>100.00</u>

Note:

(1) Including 11,964,093 A Shares held by our Company in treasury.

OUR SHARES

Upon completion of the [REDACTED], the Shares will consist of A Shares and H Shares. The A shares and H Shares are all ordinary Shares in the share capital of our Company and are considered as one class of shares. Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by Mainland Chinese 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 [REDACTED] for and [REDACTED] by Hong Kong and other overseas [REDACTED] 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 mainland Chinese [REDACTED] in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

SHARE CAPITAL

RANKING

Our H Shares and our A Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our H Shares are to be paid by us in Hong Kong dollars whereas all dividends in respect of our A Shares are to be paid by us in Renminbi. In addition to cash, dividends may also be distributed in the form of Shares. [REDACTED] of our H Shares will receive [REDACTED] in the form of H Shares, and holders of our A Shares will receive share dividends in the form of A Shares.

NO CONVERSION OF OUR A SHARES INTO H SHARES FOR [REDACTED] AND [REDACTED] ON THE HONG KONG STOCK EXCHANGE

Our A Shares and our H Shares are generally neither interchangeable nor fungible, and the [REDACTED] of our A Shares and our H Shares may be different after the [REDACTED]. The Guidelines on Application for “Full Circulation” of Domestic Unlisted Shares of H-share Companies (《H股公司境内未上市股份申请“全流通”业务指引》) announced by the CSRC are not applicable to companies dual [REDACTED] in the PRC and on the Hong Kong Stock Exchange. As of the Latest Practicable Date, there were no relevant rules or guidelines from the CSRC providing that A Shareholders may convert A shares held by them into H shares for [REDACTED] and [REDACTED] on the Hong Kong Stock Exchange.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE [REDACTED]

Approval from holders of A Shares is required for our Company to issue H Shares and seek the [REDACTED] of H Shares on the Hong Kong Stock Exchange. Such approval was obtained by us at the shareholders’ general meeting of our Company held on February 25, 2026 and is subject to the following conditions:

1. Size of the [REDACTED]

The proposed number of H Shares to be [REDACTED] shall not exceed [REDACTED]% of the total issued share capital as enlarged by the H Shares to be [REDACTED] pursuant to the [REDACTED] before the exercise of any [REDACTED]. The number of H Shares to be [REDACTED] pursuant to the full exercise of any [REDACTED] shall not exceed [REDACTED]% of the total number of H Shares to be [REDACTED] initially under the [REDACTED].

2. 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.

3. 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 mainland China and other [REDACTED] who are approved by mainland Chinese regulatory bodies to [REDACTED] abroad in [REDACTED].

4. [REDACTED] basis

The issue [REDACTED] of the H Shares will be determined, among others, after due consideration of the interests of existing shareholders of our Company, acceptance of [REDACTED] and the risks related to the [REDACTED], according to international practice, through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

SHARE CAPITAL

5. 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 February 25, 2026, the date on which the shareholders’ meeting was held.

There is no other approved [REDACTED] plans for our Shares except the [REDACTED].

Please also refer to “Statutory and General Information — Further Information About Our Company — 4. Resolution of Our Shareholders” in Appendix VI to this document for the general mandates granted to our Board to issue and repurchase H Shares after the [REDACTED].

SHAREHOLDERS’ GENERAL MEETINGS

For details of circumstance under which our shareholders’ general meeting is required, see “Summary of the Articles of Association — Shareholders and General Meetings” in Appendix V to this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with financial statements, including the notes thereto included in the Accountants’ Report in Appendix I to this document and the selected historical financial information presented elsewhere to this document. Our financial statements were prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make considering our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in the sections headed “Risk Factors”, “Forward-Looking Statements” and elsewhere in this document.

OVERVIEW

We are a global leading supplier of NdFeB PMs. We are one of the few enterprises in China that possess a complete set of preparation technologies for NdFeB PMs, covering a broad range of downstream applications, according to CIC.

We are primarily engaged in the R&D, manufacture and sales of NdFeB PMs and magnetic components. We operate one production base in Ningbo, Zhejiang Province, China, and one production base in Baotou, Inner Mongolia Autonomous Region, China. We design NdFeB products and develop procurement and production plans based on customer requirements. We mainly purchase rare earth from, and have maintained long-term and firm strategic cooperation with, major rare earth suppliers in China. Leveraging our facilities and technologies, we carry out mass production of customized NdFeB PMs and magnetic components and mainly store such products at our warehouses or third-party warehouses designated by certain customers for delivery to our customers. Our products have a wide array of applications in NEVs, consumer electronics, industrial motors and others. We are also actively engaged in certain emerging markets such as embodied intelligence robots and low-altitude aircraft, and we have generated income from these sectors. Our customers are primarily leading manufacturers across various industries, including NEVs and automotive parts, smartphone components, HDD components, industrial automation, MRI equipment, smart home appliances, and elevators. We primarily adopt a cost-plus pricing mechanism for our NdFeB PMs and magnetic components.

We recorded revenues of RMB5,326.3 million, RMB4,998.2 million, and RMB5,417.0 million for the years ended December 31, 2023, 2024 and 2025, respectively. We recorded net loss of RMB225.1 million for the year ended December 31, 2023, and net profit of RMB97.2 million and RMB336.1 million for the years ended December 31, 2024 and 2025, respectively.

BASIS OF PRESENTATION

See Note 2.1 to the Accountants’ Report in Appendix I in this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors, including those set out below.

The development and demand in our downstream sectors

We primarily generate revenue from sintered NdFeB PM, bonded NdFeB PM, and magnetic components applied across various downstream sectors, particularly NEVs, consumer electronics, and industrial motors and others.

FINANCIAL INFORMATION

Our performance is closely tied to the growth dynamics of these downstream sectors, which are influenced by factors such as government policies promoting green energy and electrification, technological advancements, market penetration of NEVs, consumer demand for electronics, and industrial automation trends. Any significant acceleration or slowdown in these sectors due to policy changes, economic conditions, technological shifts, or supply chain factors could materially affect our revenue, profitability, and overall results of operations.

Our production capacity

Our ability to scale capacity, enhance automation, and improve efficiency enables us to meet rising demand from key downstream sectors including NEVs, consumer electronics, and industrial motors and others.

We operate two production bases in Ningbo and Baotou, respectively. Our production capacity of our production bases in respect of the production of NdFeB PM blanks was 21,000 tons, 21,000 tons and 23,500 tons for the years ended December 31, 2023, 2024 and 2025, respectively.

To capture continued strong demand, particularly in NEVs and emerging applications such as embodied intelligence robots and low-altitude aircraft, we actively expand our production capacity. See “Business — Production — Production expansion plan” for further details.

These initiatives will enhance scale, vertical integration, cost efficiency, and market share in high-growth sectors. Successful execution is expected to support higher sales volumes and improved profitability, while any delays could limit our ability to meet demand.

Fluctuations in raw material prices

Cost of raw materials and consumables account for the largest portion of our cost of sales and may affect our results of operations. The majority of our raw materials is rare earth. Rare earth prices have exhibited volatility. According to CIC, rare earth prices declined from January 2023 to July 2024, primarily due to the PRC government’s expansion of mining quotas. The average price of praseodymium-neodymium metal increased from US\$62.4 thousand per ton in July 2024 to US\$99.4 thousand per ton in December 2025, according to the Association of China Rare Earth Industry.

According to CIC, key historical and recent trends of rare earths include: (i) sharp declines in 2023 to mid-2024; and (ii) subsequent increases in late 2024 to 2025. These fluctuations directly impact our cost of sales and gross profit margins while price increases raise our costs and price declines can compress selling prices. In periods of rapid rises, we may face delays in adjusting prices with customers, potentially pressuring profitability. In general, raw material market price fluctuations will also subsequently affect our product selling price while raw material market price increases will drive our product selling price and raw material market price decreases will adversely affect our product selling price. For example, our NdFeB product average selling price decreased from RMB432 thousand per ton in 2023 to RMB353 thousand per ton in 2024 mainly due to the rare earth market price declines in the same periods.

We mitigate these risks through a number of measures including (i) cost-plus pricing with adjustment mechanisms (annual, semi-annual, quarterly, or monthly, varying by sector, e.g., more frequent in consumer electronics), enabling pass-through of cost changes, (ii) advanced technologies (e.g., grain boundary diffusion, targeted area diffusion, grain refinement) to reduce heavy rare earth usage, lowering exposure to scarcer, more volatile elements, (iii) safety inventory management to buffer drastic short-term raw material market price fluctuations, and (iv) supplier diversification (maintaining relationships with multiple rare earth providers to avoid concentration risks). Despite these measures, sustained price increases or severe volatility could materially affect costs, margins, and results if pass-through is incomplete.

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Supply of rare earth raw materials

The continuing and stable supply of rare earth is a critical factor affecting our results of operations, because China administers and manages rare earth production through annual mining quotas. According to CIC, these quotas (e.g., light rare earths at 250,850 tons in 2024; medium/heavy rare earths at 19,150 tons) and recent industry consolidation (primarily leaving only two major state-owned groups remained) limit overall supply availability to downstream sectors.

We source all rare earths domestically and maintain long-term relationships with multiple key suppliers (or entities they control) to secure stable volumes. Procurement remains concentrated, with top five suppliers accounting for a significant portion of purchases. Any disruption from key suppliers, failure to renew agreements, or further quota/export tightening could materially and adversely impact our procurement, production, costs, and results.

MATERIAL ACCOUNTING POLICY INFORMATION AND ACCOUNTING JUDGMENTS AND ESTIMATES

See Note 2.3 and Note 3 to the Accountants’ Report in Appendix I in this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5,326,265	4,998,213	5,417,044
Cost of sales	(5,079,011)	(4,437,617)	(4,530,844)
Gross profit	247,254	560,596	886,200
Other income and gains	147,511	181,101	168,183
Fair value (losses)/gains on financial assets at fair value through profit or loss	(86,085)	(21,441)	13,721
Impairment losses on goodwill	—	(1,314)	—
Selling and distribution expenses	(89,778)	(85,726)	(127,533)
Administrative expenses	(265,695)	(284,135)	(252,273)
Research and development expenses	(313,656)	(205,596)	(275,888)
Other expenses	(10,208)	(13,346)	(31,229)
Finance costs	(41,227)	(32,639)	(27,915)
Reversal of impairment/(impairment losses) on financial assets, net	81,444	(33,546)	81
Share of profits of associates	30,768	13,438	19,531
(LOSS)/PROFIT BEFORE TAX	(299,672)	77,392	372,878
Income tax credit/(expense)	74,574	19,830	(36,787)
(LOSS)/PROFIT FOR THE YEAR	(225,098)	97,222	336,091

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

FINANCIAL INFORMATION

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Attributable to:			
Owners of the parent	(225,534)	96,585	335,349
Non-controlling interests	436	637	742
	(225,098)	97,222	336,091

DESCRIPTION OF MAJOR COMPONENTS IN OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue primarily from sales of NdFeB products, which comprise (i) sintered NdFeB PM; (ii) bonded NdFeB PM; and (iii) magnetic components. Our products have a wide array of applications in NEVs, consumer electronics and industrial motors and others. We also generated revenue from sales of materials and others, mainly including scrap materials and rare earth oxides.

The following table sets forth a breakdown of our revenue by product category in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Sintered NdFeB PMs	4,301,801	80.8	4,026,425	80.6	4,019,668	74.2
Bonded NdFeB PMs	98,863	1.9	76,879	1.5	98,898	1.8
Magnetic components	263,112	4.9	440,563	8.8	703,911	13.0
Subtotal of NdFeB products	4,663,776	87.6	4,543,867	90.9	4,822,477	89.0
Materials and others	662,489	12.4	454,346	9.1	594,567	11.0
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

The following table sets forth a breakdown of our revenue by product downstream application and materials and others in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
NEVs	2,114,900	39.7	2,299,840	46.0	2,546,945	47.0
Consumer electronics	1,132,376	21.3	1,313,613	26.3	1,304,422	24.1
Industrial motors and others	1,416,500	26.6	930,414	18.6	971,110	17.9
Subtotal of NdFeB products	4,663,776	87.6	4,543,867	90.9	4,822,477	89.0
Materials and others	662,489	12.4	454,346	9.1	594,567	11.0
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue by customer location in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Chinese mainland	4,097,631	76.9	3,562,541	71.3	3,976,941	73.4
Overseas ⁽¹⁾	1,228,634	23.1	1,435,672	28.7	1,440,103	26.6
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

Note:

- (1) Refers to our international markets, with the majority of revenue derived from customers located in Asia (excluding Chinese mainland), the EU and North America.

The following table sets forth a breakdown of our sales volumes and average selling price of NdFeB products by product category for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	Sales volume (ton)	ASP (RMB'000/ton)	Sales volume (ton)	ASP (RMB'000/ton)	Sales volume (ton)	ASP (RMB'000/ton)
Sintered NdFeB PMs	10,229	421	11,489	350	11,705	343
Bonded NdFeB PMs	288	343	338	227	453	218
Magnetic components ⁽¹⁾	271	971	1,046	421	2,039	345
Total/Overall	10,788	432	12,873	353	14,197	340

Note:

- (1) Our magnetic components' composition includes not only the magnets we produce but also other materials we procure from third parties and the production of magnetic components involves specific production processes in addition to the said materials. The exact product composition and production process to be utilized will depend on the customers' product requirements.

As a result of the above factors, we do not calculate or record the exact weight of our magnetic components and the sales volume of magnetic components in the above table refers to the weight of the magnets we produced and recorded in our business operation and is for illustration purpose only.

Our sales volume of sintered NdFeB PMs increased from 10,229 tons in 2023 to 11,489 tons in 2024, and further increased to 11,705 tons in 2025, primarily driven by growing demand from downstream applications. Our sales volume of both bonded NdFeB PMs and magnetic components also experienced growth during the periods.

Our average selling prices of sintered NdFeB PMs, bonded NdFeB PMs and magnetic components all decreased from 2023 to 2024, generally in line with movements in rare earth material prices, particularly praseodymium-neodymium metal. Average selling prices of our sintered NdFeB PMs decreased from RMB421 thousand per ton in 2023 to RMB350 thousand per ton in 2024 as rare earth prices declined.

Our average selling prices of sintered NdFeB PMs decreased to RMB343 thousand per ton for the year ended December 31, 2025 compared to RMB350 thousand per ton for the year ended December 31, 2024, primarily because of (i) the downward product price pressure from downstream sectors; and (ii) our effort to optimize our production process, which allowed us to offer more competitive product price.

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The following table sets forth a breakdown of our sales volumes and average selling price of NdFeB products by downstream application for the periods indicated:

	Year ended December 31					
	2023		2024		2025	
	Sales volume (ton)	ASP (RMB'000/ton)	Sales volume (ton)	ASP (RMB'000/ton)	Sales volume (ton)	ASP (RMB'000/ton)
NEVs	4,890	432	7,039	327	8,011	318
Consumer electronics	2,082	544	2,862	459	2,800	466
Industrial motors and others	3,816	371	2,972	313	3,386	287
Total/Overall	10,788	432	12,873	353	14,197	340

Our sales volume of NdFeB products applied in NEV sector increased significantly from 4,890 tons in 2023 to 7,039 tons in 2024, and further increased to 8,011 tons in 2025, mainly driven by strong demand growth in NEV market.

Our sales volume of NdFeB products applied in consumer electronics increased from 2,082 tons in 2023 to 2,862 tons in 2024, which was in line with the increasing demand from the sector. Sales volume of NdFeB products applied in consumer electronics decreased slightly from 2,862 tons for the year ended December 31, 2024 to 2,800 tons for the year ended December 31, 2025, primarily due to the delay we experienced in oversea products sales as a result of the PRC's gradual implementation of export limitation measures on certain rare earth products.

Our sales volume of NdFeB products applied in industrial motors and others decreased from 3,816 tons in 2023 to 2,972 tons in 2024, primarily due to our strategic product portfolio optimization to reduce sales of lower-margin products, particularly those used in VFAC. Sales volume of NdFeB products applied in industrial motors and others subsequently increased from 2,972 tons for the year ended December 31, 2024 to 3,386 tons for the year ended December 31, 2025, primarily driven by increased sales of NdFeB products used in e-bikes.

Average selling prices of our NdFeB products across all downstream applications in 2024 followed similar trends to our overall pricing, primarily influenced by rare earth material price movements. Average selling prices of our NdFeB products generally decreased from 2023 to 2024 due to declining rare earth prices. Average selling prices of our NdFeB products across all downstream applications further decreased from RMB353 thousand per ton for the year ended December 31, 2024 to RMB340 thousand per ton for the year ended December 31, 2025, primarily because of (i) the downward product price pressure from certain downstream sectors, namely the NEV sector and industrial motors and others; and (ii) our effort to optimize our production process, which allowed us to offer more competitive product price.

Cost of sales

During the Track Record Period, our cost of sales primarily consisted of (i) cost of raw materials and consumables, which include rare earth and other raw materials and consumables, (ii) employee benefit expenses, (iii) other manufacturing overheads mainly including our own manufacturing cost and production outsourcing cost, and (iv) other expenses.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our cost of sales for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
— Rare earth	3,324,513	65.5	2,508,009	56.5	2,444,653	54.0
— Other raw materials and consumables	783,490	15.4	701,279	15.8	777,774	17.1
Cost of raw materials and consumables	4,108,003	80.9	3,209,288	72.3	3,222,427	71.1
Other manufacturing overheads	775,613	15.3	934,783	21.1	997,254	22.0
Employee benefit expenses	174,253	3.4	266,578	6.0	278,363	6.1
Other expenses	21,142	0.4	26,968	0.6	32,800	0.8
Total	5,079,011	100.0	4,437,617	100.0	4,530,844	100.0

Gross profit and gross profit margin

For the years ended December 31, 2023, 2024 and 2025, our gross profit was RMB247.3 million, RMB560.6 million and RMB886.2 million, respectively, and our gross profit margin was 4.6%, 11.2% and 16.4%, respectively.

The following table sets forth a breakdown of our gross profit by product category in absolute amounts and as a percentage of revenue, or gross margins, for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Sintered NdFeB PMs	164,338	3.8	489,138	12.1	643,823	16.0
Bonded NdFeB PMs	38,393	38.8	27,960	36.4	32,233	32.6
Magnetic components	21,326	8.1	58,652	13.3	140,605	20.0
Subtotal of NdFeB products	224,057	4.8	575,750	12.7	816,661	16.9
Materials and others	23,197	3.5	(15,154)	(3.3)	69,539	11.7
Total/Overall	247,254	4.6	560,596	11.2	886,200	16.4

The following table sets forth a breakdown of our gross profit by product downstream application and materials and others in absolute amounts and as a percentage of revenue, or gross margins, for the periods indicated.

	Year ended December 31,					
	2023		2024		2025	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
NEVs	54,974	2.6	127,473	5.5	219,650	8.6
Consumer electronics	65,687	5.8	256,108	19.5	370,868	28.4
Industrial motors and others	103,396	7.3	192,169	20.7	226,143	23.3
Subtotal of NdFeB products	224,057	4.8	575,750	12.7	816,661	16.9
Materials and others ⁽¹⁾	23,197	3.5	(15,154)	(3.3)	69,539	11.7
Total/Overall	247,254	4.6	560,596	11.2	886,200	16.4

Note:

- (1) The gross loss from materials and others for the years ended December 31, 2024 was primarily due to the sale of certain rare earth materials at loss due to continued declined market price.

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Other income and gains

During the Track Record Period, our other income and gains primarily consisted of (i) government grants, which were subsidies received from the government that relate to both expenses and assets; (ii) investment income from financial investments; (iii) lease income; (iv) bank interest income; (v) foreign exchange gain; (vi) gain on disposal of investment in associates; and (vii) others.

The following table sets forth a breakdown of our other income and gains for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	63,447	58,390	56,243
Investment income from financial investments	22,261	38,892	44,045
Lease income	29,291	29,824	35,637
Bank interest income	10,122	30,054	20,337
Foreign exchange gain	12,034	12,433	6,138
Gain on disposal of investment in associates	—	—	749
Others	10,356	11,508	5,034
Total other income and gains	147,511	181,101	168,183

Fair value losses or gains on financial assets at fair value through profit or loss

During the Track Record Period, our fair value losses or gains on financial assets at fair value through profit or loss primarily related to gains or losses on equity investments, structured deposits and forward exchange contracts.

Impairment losses on goodwill

During the Track Record Period, our impairment losses on goodwill represented the write-down of goodwill recorded in our acquisition of an associate which was consolidated as our subsidiary in 2023. Our impairment loss on goodwill was nil, RMB1.3 million and nil, respectively, for the years ended December 31, 2023, 2024 and 2025.

Selling and distribution expenses

During the Track Record Period, our selling and distribution expenses consisted of (i) marketing and patent expenses mainly comprising sales commission expenses and patent royalty expense; (ii) staff costs representing salaries, bonuses and welfare expenses incurred for our sales and distribution personnel; (iii) travel and transportation expenses; (iv) business entertainment expenses mainly comprising meals, hospitality and related costs; (v) insurance premiums; (vi) depreciation and amortization of long-term assets mainly associated with property and equipment used for sales and marketing purposes; and (vii) others primarily consisting of miscellaneous expenses.

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The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Marketing and patent expenses	43,003	38,715	70,822
Staff costs	22,601	22,194	36,610
Travel and transportation expenses	3,340	3,794	6,168
Business entertainment expenses	3,104	3,476	3,845
Insurance premiums	4,753	6,518	1,112
Depreciation and amortization of long-term assets	325	234	613
Others	12,652	10,795	8,363
	89,778	85,726	127,533

Administrative expenses

During the Track Record Period, our administrative expenses consisted of (i) staff costs mainly representing salaries, bonuses, and welfare expenses incurred for administrative personnel; (ii) depreciation and amortization of long-term assets mainly associated with property and equipment used for administrative purposes; (iii) intermediary expenses consisting of payments to third-party advisors and service providers; (iv) business entertainment expenses mainly comprising meals and related costs; (v) office expenses, property management fee and utilities; (vi) taxation and surcharges including property tax, land use tax, stamp duty, and other surcharges; and (vii) others primarily consisting of miscellaneous expenses.

The following table sets forth a breakdown of our administrative expenses for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Staff costs	141,958	155,903	129,144
Depreciation and amortization of long-term assets	48,105	40,065	34,980
Intermediary expenses	7,629	15,597	9,783
Business entertainment expenses	7,232	7,748	8,656
Office expenses, property management fee and utilities	9,268	9,842	14,369
Taxation and surcharges	27,009	25,440	28,464
Others	24,494	29,540	26,877
	265,695	284,135	252,273

R&D expenses

During the Track Record Period, our R&D expenses consisted of (i) direct input mainly including materials we used during the R&D process; (ii) staff costs mainly representing salaries and benefits incurred for our R&D personnel; (iii) depreciation and amortization of long-term assets mainly associated with R&D offices, laboratories, and equipment; and (iv) others.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our R&D expenses for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Direct input	169,229	103,492	148,078
Staff costs	87,083	76,422	95,166
Depreciation and amortization of long-term assets	47,819	22,698	22,870
Others	9,525	2,984	9,774
	313,656	205,596	275,888

Other expenses

During the Track Record Period, our other expenses primarily consisted of (i) expenses for rental property; (ii) losses on disposal of items of property, plant and equipment; (iii) investment losses from financial investments; (iv) donation expenses; and (v) others.

The following table sets forth a breakdown of our other expenses for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Expenses for rental property	5,760	10,584	20,092
Losses on disposal of items of property, plant and equipment	2,827	95	8,800
Investment losses from financial investments	—	1,908	1,584
Donation expenses	620	600	—
Others	1,001	159	753
Total	10,208	13,346	31,229

Finance costs

During the Track Record Period, our finance costs primarily consisted of (i) interest on interest-bearing bank borrowings; and (ii) interest on lease liabilities.

The following table sets forth a breakdown of our finance costs for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on interest-bearing bank borrowings	41,227	32,357	27,830
Interest on lease liabilities	—	282	85
Total	41,227	32,639	27,915

FINANCIAL INFORMATION

Reversal of impairment or impairment losses on financial assets, net

During the Track Record Period, our reversal of impairment or impairment losses on financial assets, net primarily related to trade receivables and other receivables.

The following table sets forth a breakdown of our reversal of impairment or impairment losses on financial assets, net for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Reversal of impairment/(impairment) of trade receivables	80,940	(33,508)	218
Reversal of impairment/(impairment) of other receivables	504	(38)	(137)
Total	81,444	(33,546)	81

Share of profits of associates

During the Track Record Period, our share of profits of associates primarily related to our share of investment returns from certain equity investment funds and venture capital partnerships.

Our share of profits of associates was RMB30.8 million, RMB13.4 million and RMB19.5 million for the years ended December 31, 2023, 2024 and 2025, respectively.

Income tax credit or expense

Chinese mainland

Our subsidiaries established in the Chinese mainland are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the Corporate Income Tax Law of the Chinese mainland which became effective on January 1, 2008, except for those subject to tax preferences set out below:

Ningbo Yunsheng Co., Ltd., Ningbo Yunsheng Magnetic Component Technology Co., Ltd., and Ningbo Yunkai Magnet Industry Co., Ltd. were granted “High and New Technology Enterprise” qualification in 2023, for a preferential tax rate of 15% during the Relevant Periods.

Ningbo Yunsheng Bonded Magnet Co., Ltd. was granted “High and New Technology Enterprise” qualification in 2021 and was subsequently renewed in 2024 for a further three-year period from 2024 to 2027. Accordingly, the company was entitled to a preferential enterprise income tax rate of 15% during the Relevant Periods.

Baotou Yunsheng Magnetic Materials Co., Ltd. and Baotou Yunsheng Technology Development Co., Ltd. are qualified as companies under the development strategy of China’s western region and were subject to a preferential income tax rate of 15% during the Relevant Periods.

Ningbo High-tech Zone Yunsheng New Energy Co., Ltd. is engaged in a public infrastructure project and is exempted from income tax for the first three years commencing from its first income derived from the foregoing project investment and operation and thereafter is subject to an income tax rate of 12.5% for the following three years. During the Relevant Periods, the subsidiary was exempted from income tax.

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Ningbo Yunsheng Metal Material Co., Ltd., Ningbo Yunsheng Generator Co., Ltd., Ningbo Yunsheng Equipment Technology Co., Ltd. and Ningbo Yunsheng New Technology Research Institute are qualified as small-scaled and minimal profit entities during the Track Record Period and subject to an effective income tax rate of 5%.

Overseas

Our subsidiary incorporated in Germany is subject to tax at the statutory rate of 15% on the taxable profits. Our subsidiary incorporated in the United States is subject to the United States federal income tax at a rate of 21% and the minimum state income tax at the applicable tax rate.

RESULTS OF OPERATIONS

Year ended December 31, 2025 compared to year ended December 31, 2024

Revenue

Our revenue increased from RMB4,998.2 million for the year ended December 31, 2024 to RMB5,417.0 million for the year ended December 31, 2025.

Sales of NdFeB products

Our revenue from NdFeB products increased from RMB4,543.9 million for the year ended December 31, 2024 to RMB4,822.5 million for the year ended December 31, 2025, primarily due to (i) an increase in revenue from NdFeB products applied in NEV sector from RMB2,299.8 million for the year ended December 31, 2024 to RMB2,546.9 million for the year ended December 31, 2025, and (ii) an increase in revenue from NdFeB products applied in industrial motors and others from RMB930.4 million for the year ended December 31, 2024 to RMB971.1 million for the year ended December 31, 2025.

In terms of sales volume for downstream sectors, we recorded (i) an increase of sales volume of NdFeB products applied in NEV sector from 7,039 tons for the year ended December 31, 2024 to 8,011 tons for the year ended December 31, 2025, which was in line with the NEV sector performance trend. According to CIC, driven by the deepening of global environmental sustainability initiatives and continued consumer subsidies for NEVs globally, global NEV sales for the year ended December 31, 2025 maintained strong growth, reaching approximately 23.5 million units, (ii) a slight decrease in sales volume of NdFeB products applied in consumer electronics from 2,862 tons for the year ended December 31, 2024 to 2,800 tons for the year ended December 31, 2025, primarily due to the delay we experienced in overseas products sales as a result of the PRC’s gradual implementation of stricter export limitation measures on certain rare earth products, and (iii) an increase of sales volume of NdFeB products applied in industrial motors and others from 2,972 tons for the year ended December 31, 2024 to 3,386 tons for the year ended December 31, 2025, primarily driven by increased sales of products used in e-bikes.

Despite the increases in our sales volume, our average selling prices of products for all downstream sectors decreased mainly due to (i) the downward product price pressure from certain downstream sectors, namely the NEV sector and industrial motors and others; and (ii) our effort to optimize our production process, which allowed us to offer more competitive product price.

Sales of materials and others

Our revenue from materials and others increased from RMB454.3 million for the year ended December 31, 2024 to RMB594.6 million for the year ended December 31, 2025 primarily because of the increases in (i) our sales volume of scrap materials, (ii) prices of rare earth during the period, which led to correspondingly higher selling prices for our materials. According to CIC, global rare earth prices trended upward on a year-on-year basis during this period, which in turn led to a corresponding increase in the prices of scrap materials containing rare earths.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales increased from RMB4,437.6 million for the year ended December 31, 2024 to RMB4,530.8 million for the year ended December 31, 2025, and remained relatively stable.

Gross profit and gross profit margin

Our gross profit increased from RMB560.6 million for the year ended December 31, 2024 to RMB886.2 million for the year ended December 31, 2025, primarily because our revenue increased by RMB418.8 million while our cost of sales remained relatively stable, resulting in an overall increase in gross profit.

Our gross profit margin increased from 11.2% for the year ended December 31, 2024 to 16.4% for the year ended December 31, 2025, primarily because (i) the gross profit margin from the consumer electronics sector increased from 19.5% for the year ended December 31, 2024 to 28.4% for the year ended December 31, 2025, mainly driven by an increased proportion of sales from higher-margin consumer electronics products in our overall revenue mix, and (ii) we optimized our production process, which lowered our cost of sales per unit.

Other income and gains

Our other income and gains decreased from RMB181.1 million for the year ended December 31, 2024 to RMB168.2 million for the year ended December 31, 2025, primarily because of decreases in (i) bank interest income from RMB30.1 million for the year ended December 31, 2024 to RMB20.3 million for the year ended December 31, 2025 mainly due to the decline in deposit interest rate; and (ii) foreign exchange gain, which decreased from a gain of RMB12.4 million for the year ended December 31, 2024 to a gain of RMB6.1 million for the year ended December 31, 2025 mainly due to a lower level of appreciation of USD and Euro against RMB in 2025 as compared to 2024. These decreases were partially offset by an increase in investment income from financial investments from RMB38.9 million for the year ended December 31, 2024 to RMB44.0 million for the year ended December 31, 2025 mainly due to gains from disposal of the shares we held in a listed company and higher returns from bank wealth management products.

Fair value losses or gains on financial assets at fair value through profit or loss

Our fair value losses or gains on financial assets at fair value through profit or loss changed from losses of RMB21.4 million for the year ended December 31, 2024 to gains of RMB13.7 million for the year ended December 31, 2025, primarily because of a change from losses of RMB47.8 million for the year ended December 31, 2024 to losses of RMB18.3 million for the year ended December 31, 2025 in fair value movements on our equity investment in a commercial bank, which was mainly due to the bank’s operating performance and changes in the fair value of our equity investment.

Impairment losses on goodwill

Our impairment loss on goodwill was RMB1.3 million and nil for the year ended December 31, 2024 and 2025, respectively.

Selling and distribution expenses

Our selling and distribution expenses increased from RMB85.7 million for the year ended December 31, 2024 to RMB127.5 million for the year ended December 31, 2025, primarily because of the increases in: (i) staff costs from RMB22.2 million for the year ended December 31, 2024 to RMB36.6 million for the year ended December 31, 2025 mainly due to salary adjustments and headcount growth in our sales team to support business expansion, and (ii) marketing and patent expenses from RMB38.7 million for the year ended December 31, 2024 to RMB70.8 million for the year ended December 31, 2025 mainly due to the accrual of patent-related expenses.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses decreased from RMB284.1 million for the year ended December 31, 2024 to RMB252.3 million for the year ended December 31, 2025, primarily because of (i) a decrease in staff costs from RMB155.9 million for the year ended December 31, 2024 to RMB129.1 million for the year ended December 31, 2025 mainly due to a reduction of headcount of our administrative personnel, and (ii) a decrease in depreciation and amortization of long-term assets from RMB40.1 million to RMB35.0 million mainly due to a decrease in amortization of deferred expenses in 2025 because the three-year amortization period of office renovation costs was completed in 2024 and no such amortization was recognized in 2025.

R&D expenses

Our R&D expenses increased from RMB205.6 million for the year ended December 31, 2024 to RMB275.9 million for the year ended December 31, 2025, primarily because of (i) an increase in staff costs from RMB76.4 million for the year ended December 31, 2024 to RMB95.2 million for the year ended December 31, 2025 mainly due to the expansion of our R&D team and increased personnel expenses to support the launch of a number of new R&D projects in 2025, and (ii) an increase in direct input increased from RMB103.5 million for the year ended December 31, 2024 to RMB148.1 million for the year ended December 31, 2025, driven by an increase in R&D projects as well as increased rare earth metal prices.

Other expenses

Our other expenses increased from RMB13.3 million for the year ended December 31, 2024 to RMB31.2 million for the year ended December 31, 2025, primarily because of (i) an increase in losses on disposal of items of property, plant and equipment, from RMB95,000 for the year ended December 31, 2024 to RMB8.8 million for the year ended December 31, 2025, and (ii) an increase in expenses for rental property from RMB10.6 million for the year ended December 31, 2024 to RMB20.1 million for the year ended December 31, 2025 mainly due to higher operating costs for our leased-out properties.

Finance costs

Our finance cost decreased from RMB32.6 million for the year ended December 31, 2024 to RMB27.9 million for the year ended December 31, 2025, primarily because of a decrease in interest on interest-bearing bank borrowings from RMB32.4 million for the year ended December 31, 2024 to RMB27.8 million for the year ended December 31, 2025 mainly due to a decrease in bank loan interest rate.

Reversal of impairment losses or impairment losses on financial assets, net

Our reversal of impairment losses or impairment losses on financial assets, net change from impairment losses of RMB33.5 million for the year ended December 31, 2024 to reversal of impairment loss of RMB81,000 for the year ended December 31, 2025, primarily because we strengthened our collection efforts on long-aged receivables, resulting in improved recovery and a reversal of previously recognized impairment losses.

Share of profits of associates

Our share of profits of associates was RMB13.4 million and RMB19.5 million for the years ended December 31, 2024 and 2025, respectively.

FINANCIAL INFORMATION

Income tax expense

Our income tax changed from a credit of RMB19.8 million for the year ended December 31, 2024 to an expense of RMB36.8 million for the year ended December 31, 2025, primarily because of the increased taxable income for the year ended December 31, 2025.

Profit for the year

As a result, our profit for the year increased from RMB97.2 million for the year ended December 31, 2024 to RMB336.1 million for the year ended December 31, 2025.

Year ended December 31, 2024 compared to year ended December 31, 2023

Revenue

Our revenue decreased from RMB5,326.3 million for the year ended December 31, 2023 to RMB4,998.2 million for the year ended December 31, 2024.

Sales of NdFeB products

Our revenue from NdFeB products decreased from RMB4,663.8 million for the year ended December 31, 2023 to RMB4,543.9 million for the year ended December 31, 2024 mainly as a result of a decrease in revenue from NdFeB products applied in industrial motors and others from RMB1,416.5 million for the year ended December 31, 2023 to RMB930.4 million for the year ended December 31, 2024, partially offset by increases in revenue from (i) NdFeB products applied in NEV sector from RMB2,114.9 million for the year ended December 31, 2023 to RMB2,299.8 million for the year ended December 31, 2024 and (ii) NdFeB products applied in consumer electronics from RMB1,132.4 million for the year ended December 31, 2023 to RMB1,313.6 million for the year ended December 31, 2024.

Our sales volume of NdFeB products applied in industrial motors and others decreased from 3,816 tons for the year ended December 31, 2023 to 2,972 tons for the year ended December 31, 2024 primarily because of our product portfolio optimization to reduce sales of low gross margin products, particularly those used in VFAC.

Our sales volume of NdFeB products applied in NEV sector increased from 4,890 tons for the year ended December 31, 2023 to 7,039 tons for the year ended December 31, 2024 and our sales volume of NdFeB products applied in consumer electronics increased from 2,082 tons for the year ended December 31, 2023 to 2,862 tons for the year ended December 31, 2024. The increases in sales volume were mainly driven by the growth of demand from these sectors. According to CIC, in 2024, global NEV sales continued to record strong growth, while the consumer electronics market showed a moderate increase. Global NEV sales increased from 17.9 million units in 2024 to 23.5 million units in 2025. Meanwhile, in the consumer electronics market, taking smartphones as an example, the global smartphone market, in terms of shipments, grew from 1.2 billion units in 2024 to 1.3 billion units in 2025.

Despite the increases in our total sales volume, our average selling prices of our NdFeB products for all downstream sectors decreased mainly due to the decrease in the rare earth market price. For example, the price of praseodymium-neodymium metal declined from US\$92.2 thousand per ton in 2023 to US\$67.5 thousand per ton in July 2024, and then increased to US\$84.1 thousand per ton in 2025, according to CIC.

Sales of materials and others

Our revenue from materials and others decreased from RMB662.5 million for the year ended December 31, 2023 to RMB454.3 million for the year ended December 31, 2024 primarily because of lower sales volumes of scrap materials and a decrease in average selling prices, consistent with the decline in rare earth prices during the period.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales decreased from RMB5,079.0 million for the year ended December 31, 2023 to RMB4,437.6 million for the year ended December 31, 2024, primarily because of a decrease in raw materials and consumables from RMB4,108.0 million for the year ended December 31, 2023 to RMB3,209.3 million for the year ended December 31, 2024, mainly due to lower raw material costs as rare earth material prices declined during the period.

Gross profit and gross profit margin

Our gross profit increased from RMB247.3 million for the year ended December 31, 2023 to RMB560.6 million for the year ended December 31, 2024. Our gross profit margin increased from 4.6% for the year ended December 31, 2023 to 11.2% for the year ended December 31, 2024.

The increases in both gross profit and gross profit margin for the year ended December 31, 2024 were primarily because of (i) the decline in raw material price, and our optimized production process, which lowered our cost of sales per unit; and (ii) our development in product sales for the consumer electronics and industrial motors and others sectors with higher profit margin supported by our technology innovation and management optimization.

Other income and gains

Our other income and gains increased from RMB147.5 million for the year ended December 31, 2023 to RMB181.1 million for the year ended December 31, 2024, primarily because of increases in (i) investment income from financial investments from RMB22.3 million for the year ended December 31, 2023 to RMB38.9 million for the year ended December 31, 2024, mainly attributable to the increased investments in our bank wealth management products and time deposits in 2024, and (ii) bank interest income from RMB10.1 million for the year ended December 31, 2023 to RMB30.1 million for the year ended December 31, 2024 mainly due to higher bank deposit interest rates.

Fair value losses on financial assets at fair value through profit or loss

Our fair value losses on financial assets at fair value through profit or loss decreased from RMB86.1 million for the year ended December 31, 2023 to RMB21.4 million for the year ended December 31, 2024, primarily because (i) fair value losses on financial assets at fair value through profit or loss decreased from RMB55.8 million for the year ended December 31, 2023 to RMB22.2 million for the year ended December 31, 2024 mainly due to the fair value movements on our equity investment in a commercial bank, which reflected the bank’s operating performance and changes in the fair value of our equity investment, and (ii) we had fair value losses on derivative financial instruments of RMB30.3 million for the year ended December 31, 2023 compared to fair value gains on derivative financial instruments of RMB0.7 million for the year ended December 31, 2024 mainly due to USD exchange rate fluctuations in 2023, which resulted in substantial losses on our forward foreign exchange contracts.

Impairment losses on goodwill

Our impairment losses on goodwill increased from nil million for the year ended December 31, 2023 to RMB1.3 million for the year ended December 31, 2024, primarily because we fully impaired the goodwill of RMB1.3 million that was recognized in 2023.

FINANCIAL INFORMATION

Selling and distribution expenses

Our selling and distribution expenses decreased from RMB89.8 million for the year ended December 31, 2023 to RMB85.7 million for the year ended December 31, 2024, primarily because of a decrease in marketing and patent expenses from RMB43.0 million for the year ended December 31, 2023 to RMB38.7 million for the year ended December 31, 2024 mainly due to a one-time sales commission incurred in the year ended December 31, 2023, which did not repeat in the year ended December 31, 2024, and a decrease in others from RMB12.7 million for the year ended December 31, 2023 to RMB10.8 million for the year ended December 31, 2024 mainly due to lower sample product expenses.

Administrative expenses

Our administrative expenses increased from RMB265.7 million for the year ended December 31, 2023 to RMB284.1 million for the year ended December 31, 2024, primarily because an increase in staff costs from RMB142.0 million for the year ended December 31, 2023 to RMB155.9 million for the year ended December 31, 2024 mainly due to increases in the number of our administrative personnel.

R&D expenses

Our R&D expenses decreased from RMB313.7 million for the year ended December 31, 2023 to RMB205.6 million for the year ended December 31, 2024, primarily because of decreases in (i) direct input from RMB169.2 million for the year ended December 31, 2023 to RMB103.5 million for the year ended December 31, 2024 mainly because we had fewer research projects in 2024, and rare earth metal prices declined during the period, and (ii) depreciation and amortization of long-term assets from RMB47.8 million for the year ended December 31, 2023 to RMB22.7 million for the year ended December 31, 2024 mainly because certain research projects completed in 2023.

Other expenses

Our other expenses increased from RMB10.2 million for the year ended December 31, 2023 to RMB13.3 million for the year ended December 31, 2024, primarily because of an increase in expenses for rental property from RMB5.8 million for the year ended December 31, 2023 to RMB10.6 million for the year ended December 31, 2024 mainly due to the increased costs associated with our property leasing activities, primarily driven by our leased-out properties, which led to higher related operating costs, including maintenance and upkeep expenses.

Finance costs

Our finance cost decreased from RMB41.2 million for the year ended December 31, 2023 to RMB32.6 million for the year ended December 31, 2024, primarily because of a decrease in interest on interest-bearing bank borrowings from RMB41.2 million for the year ended December 31, 2023 to RMB32.4 million for the year ended December 31, 2024 mainly due to repayments of bank borrowings and lower bank loan interest rates.

Reversal of impairment losses or impairment losses on financial assets, net

Our reversal of impairment losses or impairment losses on financial assets, net changed from reversal of impairment losses of RMB81.4 million for the year ended December 31, 2023 to impairment losses of RMB33.5 million for the year ended December 31, 2024, primarily because of increases in trade receivables and individual impairment provisions made for our customers.

FINANCIAL INFORMATION

Share of profits of associates

Our share of profits of associates decreased from RMB30.8 million for the year ended December 31, 2023 to RMB13.4 million for the year ended December 31, 2024 primarily because of lower investment returns from certain equity investment funds and venture capital partnerships.

Income tax credit or expense

Our income tax credit decreased from RMB74.6 million for the year ended December 31, 2023 to RMB19.8 million for the year ended December 31, 2024, primarily because we had losses before tax for the year ended December 31, 2023 while we had taxable income for the year ended December 31, 2024.

Loss or profit for the year

As a result, our loss for the year ended December 31, 2023 of RMB225.1 million changed to profit for the year ended December 31, 2024 of RMB97.2 million.

DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from the Accountants’ Report set out in Appendix I to this document:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total current assets	5,667,149	5,616,926	7,354,559
Total non-current assets	2,894,972	3,406,396	3,409,233
Total assets	8,562,121	9,023,322	10,763,792
Total current liabilities	1,896,442	2,699,796	3,729,717
Total non-current liabilities	720,713	391,088	778,081
Total liabilities	2,617,155	3,090,884	4,507,798
Net current assets	3,770,707	2,917,130	3,624,842
Net assets	5,944,966	5,932,438	6,255,994
Share capital	1,111,758	1,099,041	1,099,041
Treasury shares	(185,125)	(173,382)	(167,157)
Reserves	4,981,115	4,968,924	5,285,513
Non-controlling interests	37,218	37,855	38,597
TOTAL EQUITY	5,944,966	5,932,438	6,255,994

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FINANCIAL INFORMATION

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of
	2023	2024	2025	April 30,
	RMB'000	RMB'000	RMB'000	2026
				(unaudited)
Current Assets				
Financial investments and derivative instruments	383,008	404,170	420,672	649,556
Inventories	1,676,350	1,400,998	1,940,223	2,291,686
Trade and bills receivables	2,221,332	2,323,995	2,767,410	2,684,567
Prepayments, deposits and other receivables	97,972	162,205	156,927	239,879
Income tax recoverable	5,611	6,961	5,945	1,663
Restricted cash	—	—	536	3,658
Pledged deposits	471	10,121	43,333	7,684
Time deposits	—	267,804	1,090,429	1,323,108
Cash and cash equivalents	1,282,405	1,040,672	929,084	644,745
	5,667,149	5,616,926	7,354,559	7,846,546
Current Liabilities				
Trade and bills payables	942,327	1,617,260	2,524,439	2,832,124
Derivative instruments	1,010	—	264	—
Other payables and accruals	390,176	345,789	593,517	449,313
Contract liabilities	25,586	22,922	12,762	25,287
Interest-bearing bank borrowings	528,060	684,341	582,532	725,558
Tax payables	2,017	16,233	9,727	698
Lease liabilities	—	4,254	3,252	3,231
Deferred income	7,266	8,997	3,224	3,224
	1,896,442	2,699,796	3,729,717	4,039,435
Net Current Assets	3,770,707	2,917,130	3,624,842	3,807,111

Our net current assets decreased from RMB3,770.7 million as of December 31, 2023 to RMB2,917.1 million as of December 31, 2024 primarily because of an increase in trade and bills payables from RMB942.3 million as of December 31, 2023 to RMB1,617.3 million as of December 31, 2024 mainly due to an increase in bill payables from RMB382.0 million as of December 31, 2023 to RMB1,109.3 million as of December 31, 2024. The increase was mainly due to (i) our strategic preference to use bills payable for settlement to extend payment terms and optimize cash flow management, and (ii) the decrease in inventories from RMB1,676.4 million as of December 31, 2023 to RMB1,401.0 million as of December 31, 2024, mainly due to the decreases in raw materials and work in progress, which are in line with the decline in raw material price in 2024.

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Our net current assets increased from RMB2,917.1 million as of December 31, 2024 to RMB3,624.8 million as of December 31, 2025, primarily due to increases in (i) inventories from RMB1,401.0 million as of December 31, 2024 to RMB1,940.2 million as of December 31, 2025 mainly due to increases in (a) raw materials from RMB311.3 million as of December 31, 2024 to RMB428.8 million as of December 31, 2025 primarily to support our growth of product sales in anticipation of rare earth price increases, (b) work in progress from RMB541.9 million as of December 31, 2024 to RMB797.3 million as of December 31, 2025, and finished goods from RMB419.7 million as of December 31, 2024 to RMB554.3 million as of December 31, 2025 mainly due to increased inventory levels in line with the growth in our revenue scale, and (ii) trade and bills receivables from RMB2,324.0 million as of December 31, 2024 to RMB2,767.4 million as of December 31, 2025 mainly due to an increase in the proportion of revenue from customers in the NEV sector, who typically have longer payment terms.

Our net current assets increased from RMB3,624.8 million as of December 31, 2025 to RMB3,807.1 million as of April 30, 2026, primarily due to increases in (i) inventories from RMB1,940.2 million to RMB2,291.7 million, (ii) time deposits from RMB1,090.4 million to RMB1,323.1 million, and (iii) financial investments and derivative instruments from RMB420.7 million to RMB649.6 million, partially offset by an increase in trade and bills payables from RMB2,524.4 million to RMB2,832.1 million and a decrease in cash and cash equivalents from RMB929.1 million to RMB644.7 million.

Financial investments and derivative instruments

Our financial investments and derivative instruments primarily consisted of: (i) financial assets at fair value through profit or loss; (ii) financial assets at amortized cost; and (iii) derivative financial instruments.

The following table sets forth a breakdown of financial investments and derivative instruments as of the date indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Financial assets at fair value through profit or loss	382,712	374,173	265,278
Financial assets at amortized cost	—	29,997	150,045
Derivative financial instruments	296	—	5,349
Subtotal	383,008	404,170	420,672
Non-current portion:			
Financial assets at fair value through profit or loss	282,642	228,288	242,422
Financial assets at amortized cost	—	—	100,395
Subtotal	282,642	228,288	342,817
Total	665,650	632,458	763,489

Our financial investments and derivative instruments decreased from RMB665.7 million as of December 31, 2023 to RMB632.5 million as of December 31, 2024 primarily due to a decrease of RMB62.9 million in current and non-current financial assets at fair value through profit or loss, mainly because of the fair value changes of the invested entity.

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Our financial investments and derivative instruments increased from RMB632.5 million as of December 31, 2024 to RMB763.5 million as of December 31, 2025 primarily due to an increase of RMB220.4 million in current and non-current financial assets at amortized cost, mainly because of our investments in reverse repurchase of treasury bonds and fixed income certificates.

During the Track Record Period, we invested in various financial products, including reverse repurchase of treasury bonds, structured deposits, and other wealth management products offered by commercial banks in the PRC, as part of our treasury management to optimize returns on surplus cash.

We invest in financial products in accordance with our internal investment management policies. Investment decisions are subject to approval by our general manager, Board of Directors or shareholders depending on the size and nature of the investment. Our finance department is responsible for assessing investment returns and handling investment procedures. Investment decisions consider factors including the investment target, investment term, investment amount, expected return rate and risk analysis. The Board monitors the performance of major investments.

Inventories

Our inventories primarily consisted of (i) raw materials; (ii) work in progress; (iii) finished goods; and (iv) goods in transit.

The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	600,532	311,286	428,783
Work in progress	572,070	541,938	797,282
Finished goods	408,183	419,726	554,347
Goods in transit	184,770	243,008	245,935
	1,765,555	1,515,958	2,026,347
Less: Impairment for inventories	(89,205)	(114,960)	(86,124)
Total	1,676,350	1,400,998	1,940,223

Our inventories decreased from RMB1,676.4 million as of December 31, 2023 to RMB1,401.0 million as of December 31, 2024 mainly attributable to decreases in (i) raw materials from RMB600.5 million as of December 31, 2023 to RMB311.3 million as of December 31, 2024 and (ii) work in progress from RMB572.1 million as of December 31, 2023 to RMB541.9 million as of December 31, 2024, both of which are in line with the decline in raw material price in 2024.

Our inventories further increased to RMB1,940.2 million as of December 31, 2025 mainly attributable to (i) an increase in raw materials from RMB311.3 million as of December 31, 2024 to RMB428.8 million as of December 31, 2025, primarily to support the growth in our sales volume in anticipation of rises in rare earth market prices, and (ii) increases in work in progress from RMB541.9 million as of December 31, 2024 to RMB797.3 million as of December 31, 2025, and in finished goods from RMB419.7 million as of December 31, 2024 to RMB554.3 million as of December 31, 2025, in line with the growth in our revenue scale.

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The following table sets forth the aging analysis of our inventories as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	1,740,607	1,449,091	1,982,627
One to two years	24,415	58,854	42,417
Over two years	533	8,013	1,303
Total	1,765,555	1,515,958	2,026,347

The following table sets forth the turnover days of our inventories for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
Inventories turnover days	161	125	133

Note: Inventories turnover days are calculated by dividing the average of the opening and closing balance of inventories by cost of sales for the year/period and multiplying by the number of days in such year/period (360 days for 2023, 2024 and 2025).

Our inventory turnover days decreased from 161 days for the year ended December 31, 2023 to 125 days for the year ended December 31, 2024, primarily due to improved operational efficiency. Our inventory turnover days increased to 133 days for the year ended December 31, 2025, primarily due to strategic increases in inventory, in anticipation of rare earth price increases and to support the growth of our product sales.

As of April 30, 2026, approximately RMB1,676.2 million, or 82.7% of our inventories as of December 31, 2025 had been utilized or sold.

Trade and bills receivables

Our trade and bills receivables represent (i) trade receivables; (ii) bills receivables at fair value through other comprehensive income; and (iii) bills receivables at amortized cost.

The following table sets forth a breakdown of our trade and bill receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	1,805,559	2,028,295	2,182,321
Impairment losses	(24,859)	(58,367)	(58,110)
Net carrying amount	1,780,700	1,969,928	2,124,211
Bills receivables:			
Bills receivables at fair value through other comprehensive income	286,227	288,496	554,079
Bills receivables at amortized cost	154,405	65,571	89,120
Net carrying amount	440,632	354,067	643,199
Total	2,221,332	2,323,995	2,767,410

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Our trade and bills receivables increased from RMB2,221.3 million as of December 31, 2023 to RMB2,324.0 million as of December 31, 2024, primarily because of an increase in trade receivables from RMB1,805.6 million as of December 31, 2023 to RMB2,028.3 million as of December 31, 2024. Our trade and bills receivables further increased to RMB2,767.4 million as of December 31, 2025, primarily because of an increase in bills receivables at fair value through other comprehensive income from RMB288.5 million as of December 31, 2024 to RMB554.1 million as of December 31, 2025. Such increases were primarily attributable to the increased sales to customers in the NEV sector, who typically have longer payment terms compared to our customers in other segments.

We apply the simplified approach in calculating ECLs for trade receivables. Trade receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging analysis for grouping of customers that have similar loss patterns. The calculation reflects the age of the balances, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy. Our bills receivables aged within one year which were neither past due nor impaired. The relevant banks issuing the bills are reputable financial institution that the credit loss to be minimal.

The following table sets forth the aging analysis of our trade and bills receivables as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	2,210,800	2,316,390	2,766,565
One to two years	10,487	4,091	670
Two to three years	45	3,482	78
Three to four years	—	32	97
Total	2,221,332	2,323,995	2,767,410

The following table sets forth the turnover days of our trade and bill receivables for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
Trade and bills receivables turnover days	152	164	169

Note: Trade and bills receivables turnover days are calculated by dividing the average of the opening and closing balance of trade and bills receivables by revenue and multiplying by 360 days.

Our average trade and bills receivables turnover days were 152 days, 164 days and 169 days, respectively, for the year ended December 31, 2023 and 2024 and the year ended December 31, 2025. The increase in our trade and bills receivables turnover days is mainly due to the increase in the proportion of revenue from customers in the NEV sector, who typically have longer payment terms.

As of April 30, 2026, RMB2,343.3 million, or 82.9% of our trade and bills receivables as of December 31, 2025 was settled.

FINANCIAL INFORMATION

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables primarily consisted of (i) prepayments to suppliers; (ii) other tax recoverable; (iii) deposits; (iv) other receivables; (v) sales rebate advanced to customers; (vi) dividends receivables, (vii) prepaid [REDACTED] expense, (viii) others, and (ix) prepayments for acquisitions of property, plant and equipment.

The following table sets forth a 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
Current:			
Prepayments to suppliers	23,511	14,162	7,144
Other tax recoverable	69,487	117,459	117,433
Deposits	2,176	1,905	7,767
Other receivables	272	3,005	3,907
Sales rebate advanced to customers	—	25,729	14,144
Dividends receivables	—	160	—
Prepaid [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]
Others	3,325	622	—
	98,771	163,042	157,901
Impairment allowance	(799)	(837)	(974)
Subtotal	97,972	162,205	156,927
Non-current:			
Prepayments for acquisitions of property, plant and equipment	54,869	63,008	11,601
Total	152,841	225,213	168,528

Our prepayments, deposits and other receivables increased from RMB152.8 million as of December 31, 2023 to RMB225.2 million as of December 31, 2024 primarily due to an increase in other tax recoverable from RMB69.5 million as of December 31, 2023 to RMB117.5 million as of December 31, 2024 mainly due to an increase in (i) input VAT to be credited, and (ii) input VAT pending certification. Our prepayments, deposits and other receivables decreased to RMB168.5 million as of December 31, 2025 primarily due to a decrease in prepayments for acquisitions of property, plant and equipment from RMB63.0 million as of December 31, 2024 to RMB11.6 million as of December 31, 2025 mainly due to the settlement and delivery of equipment and construction projects for which we had made prepayments previously.

Cash and cash equivalents

Our cash and cash equivalents decreased from RMB1,282.4 million as of December 31, 2023 to RMB1,040.7 million as of December 31, 2024 and further decreased to RMB929.1 million as of December 31, 2025. See “— Liquidity and capital resources — Cash flows” in this section for further details.

FINANCIAL INFORMATION

Trade and bills payables

Our trade and bills payables primarily related to balances due to our suppliers for procuring raw materials and equipment.

The following table sets forth a breakdown of our trade and bills payables as of the dates indicated.

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	560,318	507,936	650,034
Bills payables	382,009	1,109,324	1,874,405
Total	942,327	1,617,260	2,524,439

Our trade and bills payables increased from RMB942.3 million as of December 31, 2023 to RMB1,617.3 million as of December 31, 2024, primarily due to our increased use of bills payable for settlement to extend payment terms and optimize cash flow management. Our trade and bills payables further increased to RMB2,524.4 million as of December 31, 2025, primarily due to (i) our continued increased use of bills payable for settlement; and (ii) our increased purchase orders driven by business expansion and higher raw material procurement needs.

The following table sets forth an aging analysis of our trade and bills payables based on the invoice date as of the date indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	937,434	1,611,131	2,516,070
One to two years	4,318	5,311	7,775
Two to three years	303	257	148
Over three years	272	561	446
	942,327	1,617,260	2,524,439

The trade and bills payables are non-interest-bearing and are normally settled within 30 to 180 days upon receipt of the VAT invoice.

	Year ended December 31,		
	2023	2024	2025
Trade and bills payables turnover days	73	104	165

Note: Trade and bills payables turnover days are calculated by dividing the average of the opening and closing balance of trade and bills payables by cost of service and multiplying by 360 days.

Our average trade and bills payables turnover days were 73 days, 104 days and 165 days, respectively, for the years ended December 31, 2023, 2024 and 2025. The increase in our trade and bills payables turnover days is mainly due to our increased use of bank acceptance bills with longer settlement periods, which extended our overall payment cycle.

As of April 30, 2026, RMB2,020.9 million, or 80.1% of our trade and bills payables as of December 31, 2025 was settled.

FINANCIAL INFORMATION

Interest-bearing bank borrowings

As of December 31, 2024 and 2025, our bank loans were unsecured. The annual effective interest rate of current bank loans and current portion of long-term bank loans ranged from 2.32% to 2.51% as of December 31, 2023. The annual effective interest rate of long-term bank loans ranged from 2.35% to 2.51% as of December 31, 2023. The annual effective interest rate of current bank loans, current portion of long-term bank loans, and non-current bank loans ranged from 2.00% to 2.38% as of December 31, 2024. The annual effective interest rate of bank loans ranged from 1.90% to 2.24% as of December 31, 2025.

The following table sets forth a breakdown of interest-bearing bank borrowings as of the dates indicated:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current:			
Bank loans-unsecured	315,537	181,301	99,502
Current portion of non-current bank loans-unsecured	212,523	503,040	483,030
Subtotal	528,060	684,341	582,532
Non-current:			
Bank loans-unsecured	699,000	360,000	739,100
Total	1,227,060	1,044,341	1,321,632

Our interest-bearing bank borrowings decreased from RMB1,227.1 million as of December 31, 2023 to RMB1,044.3 million as of December 31, 2024 primarily due to repayment of interest-bearing bank borrowings. Our interest-bearing bank borrowings increased to RMB1,321.6 million as of December 31, 2025 primarily due new interest-bearing bank borrowings to support our business operations.

The carrying amounts of the above borrowings are analyzed based on the contractual repayment date as follows:

	As of December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analyzed into:			
Within one year or on demand	528,060	684,341	582,532
In the second year	539,000	360,000	739,100
In the third to fifth years, inclusive	160,000	—	—
Total	1,227,060	1,044,341	1,321,632

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LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	1,086,899	854,579	348,584
Net cash flows used in investing activities	(277,473)	(691,911)	(737,875)
Net cash flows (used in)/from financing activities	(870,581)	(424,872)	265,457
Net decrease in cash and cash equivalents	(61,155)	(262,204)	(123,834)
Cash and cash equivalents at beginning of year	1,327,886	1,282,405	1,040,672
Effects of foreign exchange rate changes, net	15,674	20,471	12,246
Cash and cash equivalents at end of year	1,282,405	1,040,672	929,084

Net cash flows from operating activities

Our cash generated from operations represents profit or loss before taxation adjusted for (i) certain non-cash or non-operating activities related items such as depreciation, amortization of other intangible assets, finance costs and share of profits of associates, (ii) the effect of changes in working capital, such as changes in inventories, trade receivables, prepayments and other receivables, trade and bills payables and other payables and accruals, and (iii) income tax paid.

For the year ended December 31, 2025, we had net cash generated from operating activities of RMB348.6 million, resulting from our profit before taxation of RMB372.9 million, adjusted for non-cash items primarily comprising depreciation and amortization of RMB171.5 million and write-down of inventories to net realizable value of RMB64.2 million, and negative movements in working capital primarily reflected by an increase in trade and bills receivables of RMB606.5 million and an increase in inventories of RMB603.5 million. Such negative impact was partially offset by an increase in trade and bills payables of RMB907.2 million and an increase in other payables and accruals of RMB110.8 million.

For the year ended December 31, 2024, we had net cash generated from operating activities of RMB854.6 million, resulting from our profit before taxation of RMB77.4 million, adjusted for non-cash items primarily comprising depreciation and amortization of RMB150.7 million and write-down of inventories to net realizable value of RMB76.1 million, and positive movements in working capital primarily reflected by a decrease in inventories of RMB199.2 million and an increase in trade and bills payables of RMB674.9 million. Such positive impact was partially offset by an increase in trade and bills receivables of RMB301.2 million.

For the year ended December 31, 2023, we had net cash generated from operating activities of RMB1,086.9 million, resulting from our loss before taxation of RMB299.7 million, adjusted for non-cash items primarily comprising depreciation and amortization of RMB154.6 million and write-down of inventories to net realizable value of RMB49.1 million, and positive movements in working capital primarily reflected by a decrease in inventories of RMB1,159.6 million and an increase in other payables and accruals of RMB116.7 million. Such positive impact was partially offset by a decrease in trade and bills payables of RMB198.5 million and an increase in trade and bills receivables of RMB98.4 million.

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Net cash flows used in investing activities

For the year ended December 31, 2025, our net cash used in investing activities amounted to RMB737.9 million, primarily due to placement of time deposits of RMB1,392.1 million, and acquisition of financial investments of RMB7,904.9 million, partially offset by proceeds from disposal and maturity of financial investments and derivative instruments of RMB7,796.2 million.

For the year ended December 31, 2024, our net cash used in investing activities amounted to RMB691.9 million, primarily due to placement of time deposits of RMB990.7 million, acquisition of financial investments of RMB430.0 million, partially offset by proceeds from disposal and maturity of financial investments and derivative instruments of RMB447.4 million.

For the year ended December 31, 2023, our net cash used in investing activities amounted to RMB277.5 million, primarily due to purchases of items of property, plant and equipment of RMB115.9 million, acquisition of financial investments of RMB1,929.5 million, partially offset by proceeds from disposal and maturity of financial investments and derivative instruments of RMB1,725.5 million.

Net cash flows used in or from financing activities

For the year ended December 31, 2025, our net cash generated from financing activities amounted to RMB265.5 million, primarily due to new interest-bearing bank borrowings of RMB979.5 million, partially offset by repayment of interest-bearing bank borrowings of RMB697.0 million.

For the year ended December 31, 2024, our net cash used in financing activities amounted to RMB424.9 million, primarily due to repayment of interest-bearing bank borrowings of RMB1,102.5 million, partially offset by new interest-bearing bank borrowings of RMB925.0 million.

For the year ended December 31, 2023, our net cash used in financing activities amounted to RMB870.6 million, primarily due to repayment of interest-bearing bank borrowings of RMB2,455.6 million, partially offset by new interest-bearing bank borrowings of RMB1,720.6 million.

Working capital sufficiency

Our liquidity and capital resource needs over the next 12 months primarily relate to our business operations. We believe our liquidity requirements will be satisfied by using funds from a combination of cash flow generated from operating activities, and financing activities including net [REDACTED] from the [REDACTED] and other funds raised from the capital markets from time to time. As of April 30, 2026, we had cash and cash equivalents of RMB644.7 million. After taking into consideration the above financial resources available to us, in the absence of unforeseeable circumstances, our Directors are of the opinion that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this document.

Our ability to obtain additional funding beyond our anticipated cash needs for the next 12 months following the date of this document, however, is subject to a variety of uncertainties, including our future results of operations, our future business plans, financial condition and cash flows and economic, political and other conditions in the markets where we and our customers and lenders operate.

FINANCIAL INFORMATION

INDEBTEDNESS

Indebtedness

Our indebtedness primarily consisted of interest-bearing bank borrowings and lease liabilities. As of December 31, 2023, 2024 and 2025 and April 30, 2026, except as disclosed below, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, acceptance credits, hire purchase commitments, any guarantees or other material contingent liabilities. The following table sets forth a breakdown of our indebtedness as of the date indicated.

	As of December 31,			As of
	2023	2024	2025	April 30,
	RMB'000	RMB'000	RMB'000	2026
				(unaudited)
Non-current				
Interest-bearing bank borrowings	699,000	360,000	739,100	559,263
Lease liabilities	—	—	6,732	5,063
Current				
Interest-bearing bank borrowings	528,060	684,341	582,532	725,558
Lease liabilities	—	4,254	3,252	3,231
Total	1,227,060	1,048,595	1,331,616	1,293,115

Interest-bearing borrowings

Our interest-bearing bank borrowings were RMB1,227.1 million, RMB1,044.3 million and RMB1,321.6 million as of December 31, 2023, 2024 and 2025, respectively.

As of April 30, 2026, we had unutilized banking facilities of RMB1,254.0 million.

Our bank borrowing agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing as of the Latest Practicable Date. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future.

Lease liabilities

During the Track Record Period, our lease liabilities were mainly related to offices and factory facilities we leased for business operations. Our lease liabilities increased from nil as of December 31, 2023 to RMB4.3 million as of December 31, 2024, primarily due to the consolidation of one of our subsidiary in 2024. Our lease liabilities further increased to RMB10.0 million as of December 31, 2025, primarily due to additional new leases entered into in June 2025 for offices and facilities.

CONTINGENT LIABILITIES

See Note 36 to the Accountants' Report in Appendix I in this document for further details.

FINANCIAL INFORMATION

CAPITAL COMMITMENTS AND CAPITAL EXPENDITURE

Capital commitments

As of December 31, 2023, 2024 and 2025, our capital commitments were RMB295.3 million, RMB266.3 million and RMB170.2 million, respectively, mainly reflecting our purchase of property, plant and equipment and external investment commitments.

Capital expenditure

For the years ended December 31, 2023, 2024 and 2025, our capital expenditure amounted to RMB117.1 million, RMB51.8 million and RMB83.2 million, respectively. Our capital expenditure during the Track Record Period mainly consisted of purchases of property, plant and equipment and intangible assets. We intend to fund our planned capital expenditures through a combination of cash generated from operating activities, debt financing as well as the net [REDACTED] from the [REDACTED]. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the market and changes in the regulatory environment. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and as of the Latest Practicable Date, we had no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 37 to the Accountants’ Report in Appendix I in this document. Our Directors are of the view that each of the related party transactions was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	As of/Year ended December 31,		
	2023	2024	2025
Net profit margin ⁽¹⁾ (%)	(4.2)	1.9	6.2
Current ratio ⁽²⁾ (Times)	3.0	2.1	2.0
Quick ratio ⁽³⁾ (Times)	2.1	1.6	1.5
Gearing ratio ⁽⁴⁾ (%)	20.6	17.7	21.3

Notes:

- (1) Net profit margin equals to net profit for the year divided by revenue for the year and multiplied by 100%.
- (2) Current ratio is calculated based on total current assets divided by total current liabilities.
- (3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.
- (4) Gearing ratio is calculated based on total indebtedness (including bank borrowings and lease liabilities) divided by total equity and multiplied by 100%.

FINANCIAL INFORMATION

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including interest rate risk, foreign currency risk, credit risk, and liquidity risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. See Note 40 to the Accountants’ Report in Appendix I in this document for further details.

DIVIDENDS AND DIVIDEND POLICY

We may distribute dividends by way of cash or stock. Our final dividends in respect of the previous year, declared and paid during the years ended December 31, 2023, 2024 and 2025 was RMB109.9 million, RMB55.1 million and RMB53.8 million, respectively. We currently do not have a fixed dividend payout ratio. Any future determination to declare and pay any dividends will be at the discretion of our Board and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board deems relevant. In addition, any final dividends for a financial year will be subject to our Shareholders’ approval.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits may not be reinvested in our operations. Furthermore, if we or any of our subsidiaries incur debt on our or its own behalf in the future, the instruments governing the debt may restrict our ability to pay dividends. The past dividend distribution record may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2025, our retained earnings were RMB3,551.2 million, which represented our distributable reserves as of the same date.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

See “Unaudited [REDACTED] Financial Information” in Appendix II in this document for further details.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED]. We expect to incur total [REDACTED] expenses of approximately HK\$[REDACTED] million (assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range), representing [REDACTED]% of the gross [REDACTED] of the [REDACTED] assuming no H Shares are [REDACTED] pursuant to the [REDACTED]. The total [REDACTED] expenses consist of (i) approximately HK\$[REDACTED] million [REDACTED] related expenses (including [REDACTED] commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy); and (ii) approximately HK\$[REDACTED] million non-[REDACTED] related expenses (including (a) fees and expenses of legal advisors and reporting accountants of approximately HK\$[REDACTED] million; and (b) other fees and expenses of approximately HK\$[REDACTED] million). During the Track Record Period, we incurred [REDACTED] expenses of HK\$[REDACTED] million, which was attributable to the [REDACTED] of H Shares and will be deducted from equity upon the [REDACTED]. We expect to incur additional [REDACTED] expenses of approximately HK\$[REDACTED] million after the Track Record Period, approximately HK\$[REDACTED] million of which is expected to be charged to our consolidated statements of profit or loss, and approximately HK\$[REDACTED] million of which is attributable to the [REDACTED] of H Shares and will be deducted from equity upon the [REDACTED]. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

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FINANCIAL INFORMATION

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

See “Summary — Recent developments and no material adverse change” for our recent developments that occurred subsequent to the Track Record Period.

After due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial and trading position or prospects since December 31, 2025, and there is no event since December 31, 2025 which would materially affect the information shown in the Accountants’ Report, the text of which is set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business — Our strategies” for further details of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million after deducting the [REDACTED] fees and expenses payable by us in the [REDACTED], assuming the [REDACTED] is not exercised, and an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED] in this document. We intend to use the net [REDACTED] we will receive from this [REDACTED] for the following purposes:

- approximately [REDACTED]% of the net [REDACTED], or approximately HK\$[REDACTED] million, is expected to be used for research and development.

In particular, we plan to [REDACTED]:

- (i) approximately [REDACTED]%, or approximately HK\$[REDACTED] million, to the development of advanced NdFeB PMs for embodied intelligence robots. To meet the technical requirements of embodied intelligence robots for high magnetic performance, high consistency ultra-fine sintered NdFeB magnets, we plan to undertake the following R&D initiatives: (a) We will conduct research on microstructure regulation and grain boundary diffusion technology to clarify the intrinsic correlation between grain boundary phase reconstruction and demagnetization exchange coupling, develop 55UH series ultra-high-performance magnets, and achieve stable mass production and supply of ultra-fine magnets; and (b) We will focus our investment on technical upgrades across the entire process, including strip casting, powder preparation, magnetic field-oriented compaction, vacuum high-temperature sintering for densification, and diffusion, to improve the consistency of strip structure, particle size consistency, carbon and oxygen control levels, and the consistency of diffusion performance.
- (ii) approximately [REDACTED]%, or approximately HK\$[REDACTED] million, to the development of advanced NdFeB PMs for low-altitude aircraft. To address the specific requirements of low-altitude aircraft for magnet shapes and low heavy rare earth, and high-performance materials, we plan to undertake the following R&D initiatives: (a) We will research high-precision lamination and bonding technology for spliced magnetic steel to improve bonding precision and efficiency, promote automation in bonding manufacturing, and enhance product quality consistency, thereby meeting the special requirements for magnet shapes in different equipment. We will also expand the application scope of magnetic steel to adapt to more high-precision and high-performance scenarios, advancing applications in aerospace, rail transit and other fields; and (b) We will explore preparation technology for low heavy rare earth, high-performance UH-class matrix materials to address the current technical challenge of high-performance rare earth permanent magnet materials’ dependence on high heavy rare earth elements, thereby promoting sustainable development of the industry.
- (iii) approximately [REDACTED]%, or approximately HK\$[REDACTED] million, to the development of advanced magnetic components. To expand our product portfolio and enhance our capabilities in high-value magnetic component solutions, we plan to undertake the following R&D initiatives: (a) We will conduct R&D on frameless torque motor components to overcome multiple key technical challenges in product development, establish our production and manufacturing capabilities for such products, and enhance our market competitiveness in related fields; and (b) We will dedicate our efforts to the R&D of high-performance Halbach

FUTURE PLANS AND USE OF [REDACTED]

array magnetic steel components to significantly improve the overall performance of axial flux motors. We will focus on optimizing existing preparation processes, promoting manufacturing technology upgrades, achieving long-term stable and reliable magnet performance, and establishing scalable advanced manufacturing process flows to lay the foundation for industrial applications.

- (iv) approximately [REDACTED]%, or approximately HK\$[REDACTED] million, to the research and development of magnetic materials that do not rely on heavy rare earths. We will systematically research low-oxygen and low-carbon preparation processes for high-performance sintered NdFeB, optimize key production processes and upgrade production equipment, overcome technical challenges in the control of oxygen and carbon impurities, break through key bottlenecks that restrict the improvement of magnet high-temperature stability and coercivity, achieve large-scale preparation of low-oxygen and low-carbon magnets, and enhance the comprehensive performance and consistency of our products.
- approximately [REDACTED]% of the net [REDACTED], or approximately HK\$[REDACTED] million, is expected to be used for our production capacity expansion and the construction of intelligent manufacturing facilities.

In particular, we plan to [REDACTED]:

- (i) approximately [REDACTED]%, or approximately HK\$[REDACTED] million for upgrading and intelligent transformation of full-process blank production equipment. We will implement systematic equipment upgrades for key processes including melting, powder making, molding, and sintering in the core stages of NdFeB PM blank production. We will introduce automation systems, intelligent inspection equipment, and environmental protection facilities to comprehensively enhance the quality consistency, safety stability, and automation level of blank production, thereby establishing an efficient, intelligent, and reliable modern blank production base.
- (ii) approximately [REDACTED]%, or approximately HK\$[REDACTED] million for expansion of machining production capacity and automation upgrades. We will systematically add and upgrade key process equipment including multi-wire saws, double-disk grinding machines, ultrasonic cleaning machines, and automated loading and unloading systems to comprehensively enhance production capacity, automation level, and machining precision in the machining stage.
- (iii) approximately [REDACTED]%, or approximately HK\$[REDACTED] million for expansion of grain boundary diffusion production capacity and intelligent upgrades. We will respond to the rapid growth in downstream market demand by implementing systematic capacity expansion for multiple core processes of grain boundary diffusion. In the meantime, we will introduce automated production lines, intelligent logistics (AGV), and environmental protection treatment equipment to enhance intelligent manufacturing levels and environmental protection capabilities.
- (iv) approximately [REDACTED]%, or approximately HK\$[REDACTED] million for expansion and upgrading of electroplating surface treatment production lines. We will respond to our overall capacity expansion and product structure upgrade strategy by implementing systematic expansion and technological transformation of the electroplating surface treatment stage. Through the construction of specialized production lines for multiple plating types at multiple bases, and the automation and dedicated line upgrades of existing production lines, we will comprehensively enhance the capacity scale, technical level, and production flexibility of the electroplating stage.

FUTURE PLANS AND USE OF [REDACTED]

- (v) approximately [REDACTED]%, or approximately HK\$[REDACTED] million for automated testing and packaging upgrades for finished products. We will systematically introduce automated inspection, intelligent magnetization, automatic stacking, intelligent packaging, and digital warehousing equipment to establish a full-process automated production system covering “inspection — magnetization — stacking — packaging — warehousing”.
- approximately [REDACTED]% of the net [REDACTED], or approximately HK\$[REDACTED] million, is expected to be used for our vertical integration of downstream resources within the industry, including the pursuit of domestic targets for our future mergers and acquisitions within the sector. We plan to allocate funds to the comprehensive utilization of NdFeB scrap materials by acquiring downstream industry production or processing capacity and qualifications, such as scrap processing, through equity acquisitions or joint venture establishments. Through this initiative, we will secure low-cost, high-grade recycled rare earth raw material sources, reduce core raw material procurement costs, decrease carbon emissions across the entire industrial chain, and address production waste disposal. At the same time, we will respond to rare earth resource constraints and price fluctuations by establishing a “resource — product — recycling” closed loop. We currently do not have any specific investment or acquisition plan or target and have not entered into any definitive agreement with any potential target.
- approximately [REDACTED]% of the net [REDACTED], or approximately HK\$[REDACTED] million, is expected to be used for our working capital and general corporate purposes.

We estimate that we will receive from the [REDACTED] net [REDACTED], after deducting the [REDACTED] fees and estimated expenses payable by us in connection with the [REDACTED], in the amount as set forth in the following table:

	Based on the low-end of the proposed [REDACTED] range of HK\$[REDACTED]	Based on the mid-point of the proposed [REDACTED] range of HK\$[REDACTED]	Based on the high-end of the proposed [REDACTED] range of HK\$[REDACTED]
Assuming the [REDACTED] is not exercised	Approximately HK\$[REDACTED] million	Approximately HK\$[REDACTED] million	Approximately HK\$[REDACTED] million
Assuming the [REDACTED] is exercised in full	Approximately HK\$[REDACTED] million	Approximately HK\$[REDACTED] million	Approximately HK\$[REDACTED] million

To the extent that the [REDACTED] from the [REDACTED] (including the net [REDACTED] from the exercise of the [REDACTED]) are either more or less than expected, we will adjust our [REDACTED] of the net [REDACTED] for the above purposes on a pro rata basis.

To the extent that the net [REDACTED] from the [REDACTED] are not immediately used for the above purposes, we currently intend to deposit such net [REDACTED] into short-term interest-bearing accounts, such as savings accounts or money market funds, with licensed commercial banks or other authorized financial institutions.

We will issue an announcement if there is any material change in the abovementioned use of [REDACTED].

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[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

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[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANTS’ REPORT

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NINGBO YUNSHENG CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the Historical Financial Information of Ningbo Yunsheng Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [•] to [•], which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [•] to [•] 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 the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 1-[•] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which contains information about dividends paid by the Company in respect of the Relevant Periods.

[•]

Certified Public Accountants

Hong Kong

[REDACTED]

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APPENDIX I

ACCOUNTANTS’ REPORT

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
REVENUE	5	5,326,265	4,998,213	5,417,044
Cost of sales		<u>(5,079,011)</u>	<u>(4,437,617)</u>	<u>(4,530,844)</u>
Gross profit		<u>247,254</u>	<u>560,596</u>	<u>886,200</u>
Other income and gains	5	147,511	181,101	168,183
Fair value (losses)/gains on financial assets at fair value through profit or loss	6	(86,085)	(21,441)	13,721
Impairment losses on goodwill		—	(1,314)	—
Selling and distribution expenses		(89,778)	(85,726)	(127,533)
Administrative expenses		(265,695)	(284,135)	(252,273)
Research and development expenses		(313,656)	(205,596)	(275,888)
Other expenses		(10,208)	(13,346)	(31,229)
Finance costs	7	(41,227)	(32,639)	(27,915)
Reversal of impairment/(impairment losses) on financial assets, net	6	81,444	(33,546)	81
Share of profits of associates		<u>30,768</u>	<u>13,438</u>	<u>19,531</u>
(LOSS)/PROFIT BEFORE TAX	6	(299,672)	77,392	372,878
Income tax credit/(expense)	10	<u>74,574</u>	<u>19,830</u>	<u>(36,787)</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(225,098)</u>	<u>97,222</u>	<u>336,091</u>
Attributable to:				
Owners of the parent		(225,534)	96,585	335,349
Non-controlling interests		<u>436</u>	<u>637</u>	<u>742</u>
		<u>(225,098)</u>	<u>97,222</u>	<u>336,091</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	12	<u>(0.21)</u>	<u>0.09</u>	<u>0.31</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
(LOSS)/PROFIT FOR THE YEAR	<u>(225,098)</u>	<u>97,222</u>	<u>336,091</u>
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Effective portion of changes in fair value of hedging instruments arising during the year	—	—	5,267
Income tax effect	<u>—</u>	<u>—</u>	<u>(790)</u>
	—	—	4,477
Exchange differences:			
Exchange differences on translation of foreign operations	<u>740</u>	<u>291</u>	<u>(296)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>740</u>	<u>291</u>	<u>4,181</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	<u>(224,358)</u>	<u>97,513</u>	<u>340,272</u>
Attributable to:			
Owners of the parent	(224,794)	96,876	339,530
Non-controlling interests	<u>436</u>	<u>637</u>	<u>742</u>
	<u>(224,358)</u>	<u>97,513</u>	<u>340,272</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Goodwill	13	1,314	—	—
Property, plant and equipment	14	1,802,407	1,926,907	1,996,200
Investment properties	15	194,450	102,189	191,532
Other intangible assets	16	10,651	15,177	15,389
Right-of-use assets	17	152,850	187,050	176,776
Investments in associates	18	215,416	200,546	209,402
Financial investments and derivative instruments	20	282,642	228,288	342,817
Prepayments, other receivables and other assets	24	54,869	63,008	11,601
Deferred tax assets	21	180,373	225,009	212,878
Time deposits	25	—	458,222	252,638
Total non-current assets		2,894,972	3,406,396	3,409,233
CURRENT ASSETS				
Financial investments and derivative instruments	20	383,008	404,170	420,672
Inventories	22	1,676,350	1,400,998	1,940,223
Trade and bills receivables	23	2,221,332	2,323,995	2,767,410
Prepayments, deposits and other receivables	24	97,972	162,205	156,927
Income tax recoverable		5,611	6,961	5,945
Restricted cash	25	—	—	536
Pledged deposits	25	471	10,121	43,333
Time deposits	25	—	267,804	1,090,429
Cash and cash equivalents	25	1,282,405	1,040,672	929,084
Total current assets		5,667,149	5,616,926	7,354,559
CURRENT LIABILITIES				
Trade and bills payables	26	942,327	1,617,260	2,524,439
Derivative instruments	20	1,010	—	264
Other payables and accruals	27	390,176	345,789	593,517
Contract liabilities	28	25,586	22,922	12,762
Interest-bearing bank borrowings	29	528,060	684,341	582,532
Tax payables		2,017	16,233	9,727
Lease liabilities	17	—	4,254	3,252
Deferred income	30	7,266	8,997	3,224
Total current liabilities		1,896,442	2,699,796	3,729,717
NET CURRENT ASSETS		3,770,707	2,917,130	3,624,842
TOTAL ASSETS LESS CURRENT LIABILITIES		6,665,679	6,323,526	7,034,075

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ACCOUNTANTS’ REPORT

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	29	699,000	360,000	739,100
Lease liabilities	17	—	—	6,732
Deferred tax liabilities	21	13,497	13,226	16,441
Deferred income	30	<u>8,216</u>	<u>17,862</u>	<u>15,808</u>
Total non-current liabilities		<u>720,713</u>	<u>391,088</u>	<u>778,081</u>
Net assets		<u>5,944,966</u>	<u>5,932,438</u>	<u>6,255,994</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	31	1,111,758	1,099,041	1,099,041
Treasury shares	31	(185,125)	(173,382)	(167,157)
Reserves	33	<u>4,981,115</u>	<u>4,968,924</u>	<u>5,285,513</u>
		<u>5,907,748</u>	<u>5,894,583</u>	<u>6,217,397</u>
Non-controlling interests		<u>37,218</u>	<u>37,855</u>	<u>38,597</u>
Total equity		<u>5,944,966</u>	<u>5,932,438</u>	<u>6,255,994</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent								Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium*	Share-based payments reserve*	Special safety reserve fund*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained earnings*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 31	Note 31		Note 33	Note 33	Note 33	Note 33				
As at 1 January 2023	1,112,368	(265,286)	1,235,731	30,425	—	402,289	2,083	3,606,378	6,123,988	10,534	6,134,522
Loss for the year	—	—	—	—	—	—	—	(225,534)	(225,534)	436	(225,098)
Exchange differences related to foreign operations	—	—	—	—	—	—	740	—	740	—	740
Total comprehensive loss for the year	—	—	—	—	—	—	740	(225,534)	(224,794)	436	(224,358)
Transfer to reserve	—	—	—	—	12,830	—	—	(12,830)	—	—	—
Utilisation of safety fund	—	—	—	—	(10,937)	—	—	10,937	—	—	—
Equity-settled share-based compensation	—	—	—	42,480	—	—	—	—	42,480	—	42,480
Cancellation of shares	(610)	4,240	(3,569)	—	—	—	—	—	61	—	61
Shares vested under a share incentive plan and a share ownership plan	—	75,921	61,528	(61,528)	—	—	—	—	75,921	—	75,921
Acquisition of a subsidiary (note 34)	—	—	—	—	—	—	—	—	—	26,248	26,248
Dividends declared	—	—	—	—	—	—	—	(109,908)	(109,908)	—	(109,908)
As at 31 December 2023	<u>1,111,758</u>	<u>(185,125)</u>	<u>1,293,690</u>	<u>11,377</u>	<u>1,893</u>	<u>402,289</u>	<u>2,823</u>	<u>3,269,043</u>	<u>5,907,748</u>	<u>37,218</u>	<u>5,944,966</u>

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ACCOUNTANTS’ REPORT

Year ended 31 December 2024

	Attributable to owners of the parent								Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium*	Share-based payments reserve*	Special safety reserve fund*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained earnings*			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 31	Note 31		Note 33	Note 33	Note 33	Note 33				
As at 1 January 2024	1,111,758	(185,125)	1,293,690	11,377	1,893	402,289	2,823	3,269,043	5,907,748	37,218	5,944,966
Profit for the year	—	—	—	—	—	—	—	96,585	96,585	637	97,222
Exchange differences related to foreign operations	—	—	—	—	—	—	291	—	291	—	291
Total comprehensive income for the year	—	—	—	—	—	—	291	96,585	96,876	637	97,513
Transfer to reserve	—	—	—	—	10,244	—	—	(10,244)	—	—	—
Utilisation of safety reserve fund	—	—	—	—	(8,739)	—	—	8,739	—	—	—
Transfer from retained profits	—	—	—	—	—	5,267	—	(5,267)	—	—	—
Equity-settled share-based compensation	—	—	—	19,173	—	—	—	—	19,173	—	19,173
Cancellation of shares	(12,717)	87,641	(73,144)	—	—	—	—	—	1,780	—	1,780
Cancellation of a share incentive plan	—	—	30,550	(30,550)	—	—	—	—	—	—	—
Repurchase of shares	—	(75,898)	—	—	—	—	—	—	(75,898)	—	(75,898)
Dividends declared	—	—	—	—	—	—	—	(55,096)	(55,096)	—	(55,096)
As at 31 December 2024	<u>1,099,041</u>	<u>(173,382)</u>	<u>1,251,096</u>	<u>—</u>	<u>3,398</u>	<u>407,556</u>	<u>3,114</u>	<u>3,303,760</u>	<u>5,894,583</u>	<u>37,855</u>	<u>5,932,438</u>

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APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2025

	Attributable to owners of the parent										Non-controlling interests			
	Share capital	Treasury shares	Share premium*	Share-based payments reserve*	Special safety reserve fund*	Statutory surplus reserve*	Cash flow hedge reserve*	Exchange fluctuation reserve*	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	RMB'000	RMB'000	RMB'000	
	Note 31	Note 31			Note 33	Note 33	Note 33	Note 33						
As at 1 January 2025	1,099,041	(173,382)	1,251,096	—	3,398	407,556	—	3,114	—	3,303,760	5,894,583	37,855	5,932,438	
Profit for the year	—	—	—	—	—	—	—	—	—	335,349	335,349	742	336,091	
Effective portion of changes in fair value of hedging instruments arising during the year	—	—	—	—	—	—	4,477	—	—	—	4,477	—	4,477	
Exchange differences related to foreign operations	—	—	—	—	—	—	—	(296)	—	—	(296)	—	(296)	
Total comprehensive income for the year	—	—	—	—	—	—	4,477	(296)	—	335,349	339,530	742	340,272	
Transfer to reserve	—	—	—	—	13,943	—	—	—	—	(13,943)	—	—	—	
Utilisation of safety reserve fund	—	—	—	—	(9,420)	—	—	—	—	9,420	—	—	—	
Transfer from retained profits	—	—	—	—	—	29,602	—	—	—	(29,602)	—	—	—	
Equity-settled share-based compensation	—	—	—	10,549	—	—	—	—	—	—	10,549	—	10,549	
Shares granted under a share ownership plan	—	6,225	(6,225)	—	—	—	—	—	—	—	—	—	—	
Share of other equity changes of an associate	—	—	—	—	—	—	—	—	24,695	—	24,695	—	24,695	
Dividends declared	—	—	—	—	—	—	—	—	—	(53,812)	(53,812)	—	(53,812)	
Others	—	—	1,852	—	—	—	—	—	—	—	1,852	—	1,852	
As at 31 December 2025	1,099,041	(167,157)	1,246,723	10,549	7,921	437,158	4,477	2,818	24,695	3,551,172	6,217,397	38,597	6,255,994	

* These reserve accounts represent the consolidated reserves of RMB4,981,115,000, RMB4,968,924,000 and RMB5,285,513,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit before tax		(299,672)	77,392	372,878
Adjustments for:				
Depreciation of property, plant and equipment	6, 14	139,348	128,433	148,997
Depreciation of investment properties	6, 15	8,080	10,592	8,616
Depreciation of right-of-use assets	6, 17	3,989	7,597	9,229
Amortisation of other intangible assets	6, 16	3,216	4,117	4,693
Write-down of inventories to net realisable value	6, 22	49,055	76,108	64,244
Impairment losses on goodwill	6, 13	—	1,314	—
(Reversal of impairment)/impairment losses on financial assets, net	6	(81,444)	33,546	(81)
Share of profits of associates		(30,768)	(13,438)	(19,531)
Investment income from financial investments and derivative instruments	6	(22,261)	(38,892)	(44,045)
Investment losses from financial investments and derivative instruments		—	1,908	1,584
Gains on disposal of investments in associates	6	—	—	(749)
Fair value losses/(gains) on financial assets at fair value through profit or loss	6	86,085	21,441	(13,721)
Losses on disposal of items of property, plant and equipment	6	2,827	95	8,800
Finance costs	7	41,227	32,639	27,915
Bank interest income	5	(10,122)	(30,054)	(20,337)
Foreign exchange differences, net	6	(15,264)	(20,469)	(4,399)
Employee share-based compensation benefits	32	44,800	17,564	10,549
		(80,904)	309,893	554,642

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	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Decrease/(increase) in inventories		1,159,604	199,244	(603,469)
(Increase)/decrease in deferred income		(4,898)	11,377	(7,827)
Decrease/(increase) in prepayments and other receivables		120,727	(48,276)	45,132
Decrease/(increase) in pledged deposits		68,160	(9,650)	(33,212)
Increase in trade and bills receivables		(98,405)	(301,190)	(606,536)
(Decrease)/increase in trade and bills payables		(198,548)	674,933	907,179
Increase in other payables and accruals		116,692	1,460	110,755
Increase/(decrease) in contract liabilities		9,125	(2,664)	(10,160)
(Increase)/decrease in restricted cash		—	—	(536)
Cash generated from operations		1,091,553	835,127	355,968
Interest received		10,122	30,054	20,337
Income tax paid		(14,776)	(10,602)	(27,721)
Net cash flows from operating activities		1,086,899	854,579	348,584
CASH FLOWS USED FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(115,888)	(48,387)	(78,328)
Purchase of intangible assets	16	(1,217)	(3,441)	(4,905)
Proceeds from disposal of items of property, plant and equipment		4,100	6,005	3,307
Proceeds from disposal of Intangible assets		79	—	—
Acquisition of financial investments		(1,929,492)	(429,989)	(7,904,874)
Disposal and maturity of financial investments and derivative instruments		1,725,488	447,351	7,796,237
Dividends received from financial investments		2,895	3,286	—
Dividends received from associates		39,481	2,963	5,377
Capital refund from associates		—	23,920	33,742
Investment in associates		(3,000)	—	(3,000)
Acquisition of a subsidiary	34	81	—	—
Placement of time deposits		—	(990,722)	(1,392,059)
Proceeds from maturity of time deposit		—	285,037	779,358
Interest received		—	12,066	27,270
Net cash flows used in investing activities		(277,473)	(691,911)	(737,875)

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ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(109,908)	(55,096)	(53,812)
Repurchase of shares		—	(75,898)	—
Settlement for repurchase obligation payable		(4,179)	(80,744)	—
Proceeds from disposal of forfeited shares under share ownership plan, net		—	—	1,852
Proceeds from treasury shares issued upon exercise of share options		20,905	—	—
Proceeds from share ownership plan		—	—	76,176
[REDACTED] expense payables		[REDACTED]	[REDACTED]	[REDACTED]
Lease payment		—	(4,432)	(4,339)
Interest paid		(42,399)	(31,182)	(29,372)
New interest-bearing bank borrowings		1,720,592	925,000	979,458
Repayment of interest-bearing bank borrowings		<u>(2,455,592)</u>	<u>(1,102,520)</u>	<u>(697,000)</u>
Net cash flows (used in)/from financing activities		<u>(870,581)</u>	<u>(424,872)</u>	<u>265,457</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS				
		(61,155)	(262,204)	(123,834)
Cash and cash equivalents at beginning of year		1,327,886	1,282,405	1,040,672
Effect of foreign exchange rate changes, net		<u>15,674</u>	<u>20,471</u>	<u>12,246</u>
Cash and cash equivalents at end of year	25	<u><u>1,282,405</u></u>	<u><u>1,040,672</u></u>	<u><u>929,084</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	25	1,282,876	1,776,819	2,316,020
Less: Time deposits	25	—	726,026	1,343,067
Pledged deposits	25	471	10,121	43,333
Restricted cash		<u>—</u>	<u>—</u>	<u>536</u>
Cash and cash equivalents as stated in the statements of cash flows and statements of financial position		<u><u>1,282,405</u></u>	<u><u>1,040,672</u></u>	<u><u>929,084</u></u>

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ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	272,682	262,712	284,752
Investment properties	15	103,234	107,102	131,157
Intangible assets	16	1,557	5,121	4,116
Right-of-use assets	17	42,306	32,184	31,039
Investments in subsidiaries	19	2,013,274	2,074,314	2,341,087
Investments in associates	18	204,719	187,724	196,708
Financial investments and derivative instruments	20	118,640	72,480	186,226
Prepayments, other receivables and other assets	24	5,439	4,466	1,125
Deferred tax assets	21	130,416	179,986	174,012
Time deposits	25	—	442,153	252,638
Total non-current assets		2,892,267	3,368,242	3,602,860
CURRENT ASSETS				
Financial investments and derivative instruments	20	382,712	404,170	420,516
Inventories	22	705,943	699,390	845,552
Trade and bills receivables	23	1,751,715	1,977,085	2,246,730
Prepayments, deposits and other receivables	24	6,115	101,096	84,707
CIT recoverable		879	—	—
Due from subsidiaries		705,682	285,038	199,318
Restricted cash		—	—	1
Pledged deposits	25	471	10,121	39,655
Time deposits	25	—	185,666	667,235
Cash and cash equivalents	25	1,133,773	582,134	513,429
Total current assets		4,687,290	4,244,700	5,017,143
CURRENT LIABILITIES				
Trade and bills payables	26	639,716	917,321	1,553,394
Derivative instruments	20	252	—	264
Other payables and accruals	27	233,162	222,531	375,241
Contract liabilities	28	16,147	2,521	6,013
Interest-bearing bank borrowings	29	422,897	361,428	127,848
Lease liabilities	17	14,490	11,669	18,979
Deferred income	30	4,120	2,736	190
Due to subsidiaries		671,250	930,059	533,244
Total current liabilities		2,002,034	2,448,265	2,615,173

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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		As at 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
NET CURRENT ASSETS		<u>2,685,256</u>	<u>1,796,435</u>	<u>2,401,970</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,577,523</u>	<u>5,164,677</u>	<u>6,004,830</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	29	464,000	115,000	671,500
Lease liabilities	17	<u>6,475</u>	<u>—</u>	<u>—</u>
Total non-current liabilities		<u>470,475</u>	<u>115,000</u>	<u>671,500</u>
Net assets		<u>5,107,048</u>	<u>5,049,677</u>	<u>5,333,330</u>
EQUITY				
Share capital	31	1,111,758	1,099,041	1,099,041
Treasury shares	31	(185,125)	(173,382)	(167,157)
Reserves	33	<u>4,180,415</u>	<u>4,124,018</u>	<u>4,401,446</u>
Total equity		<u>5,107,048</u>	<u>5,049,677</u>	<u>5,333,330</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Ningbo Yunsheng Co., Ltd. (the “Company”), was established in the People’s Republic of China (“PRC”) with limited liability on 30 June 1994. The Company was listing on the Main Board of the Shanghai Stock Exchange. The registered office of the Company is located at No. 1 Yangfan Road, Yinzhou District, Ningbo, Zhejiang Province, the PRC.

During the Relevant Periods, the Company and its subsidiaries (collectively, the “Group”) were principally engaged in the research and development, and the production and sale of NdFeB permanent magnets products and magnetic components.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies. The particulars of the subsidiaries are set out below:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			% Direct	% Indirect	
寧波韻昇高科技磁業有限公司 (Ningbo Yunsheng High-Tech Magnetics Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 18 September 2002	RMB882,800,000	100.00	—	Production of NdFeB permanent magnets
寧波韻昇強磁材料有限公司 (Ningbo Yunsheng Strong Magnetic Materials Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 13 December 1995	RMB32,338,400	95.00	4.50	Production of NdFeB permanent magnets
包頭韻昇強磁材料有限公司 (Baotou Yunsheng Magnetic Materials Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 30 May 2001	RMB1,000,191,671	92.94	7.03	Production of NdFeB permanent magnets
包頭韻昇科技發展有限公司 (Baotou Yunsheng Technology Development Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 11 March 2020	RMB485,191,671	—	99.97	Production of NdFeB permanent magnets
寧波韻昇粘結磁體有限公司 (Ningbo Yunsheng Bonded Magnet Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 21 March 2003	RMB15,000,000	90.00	9.00	Production of magnetic components
寧波韻昇磁體元件技術有限公司 (Ningbo Yunsheng Magnetic Component Technology Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 28 November 2001	RMB120,000,000	100.00	—	Production of NdFeB permanent magnets
寧波韻昇高新技術研究院 (Ningbo Yunsheng New Technology Research Institute) <i>Note (a)</i>	PRC/Chinese mainland/ 18 December 1996	RMB4,000,000	70.00	27.00	Production of NdFeB permanent magnets
寧波韻昇投資有限公司 (Ningbo Yunsheng Investment Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 6 July 2006	RMB60,000,000	90.00	—	Investment holding
寧波韻昇特種金屬材料有限公司 (Ningbo Yunsheng Special Metal Materials Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 30 October 2008	RMB430,000,000	90.00	9.00	Production of NdFeB permanent magnets
寧波韻昇發電機有限公司 (Ningbo Yunsheng Generator Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 30 October 2008	RMB15,000,000	90.00	9.00	Production of magnetic components
寧波韻昇裝備技術有限公司 (Ningbo Yunsheng Equipment Technology Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 3 June 2013	RMB20,000,000	90.00	9.00	Research and development of NdFeB permanent magnets
寧波韻昇新材料有限公司 (Ningbo Yunsheng New Materials Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 19 November 2008	RMB110,000,000	100.00	—	Production of magnetic components
浙江韻昇機電有限公司 (Zhejiang Yunsheng Mechanical and Electrical Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 15 March 2007	RMB52,000,000	100.00	—	Production of magnetic components
寧波韻昇新能源汽車材料有限公司 (Ningbo Yunsheng New Energy Automobile Materials Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 22 March 2016	RMB345,000,000	100.00	—	Production of NdFeB permanent magnets
寧波高新區韻昇新能源有限公司 (Ningbo High-tech Zone Yunsheng New Energy Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 16 November 2021	RMB20,000,000	100.00	—	Research and development of NdFeB permanent magnets
寧波韻昇磁業有限公司 (Ningbo Yunkai Magnet Industry Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 8 September 2020	RMB100,000,000	60.00	—	Production and sales of magnetic materials
寧波韻昇塗覆科技有限公司 (Ningbo Yunsheng Coating Technology Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 30 August 2017	RMB100,000,000	—	99.00	Production and sales of magnetic materials
寧波韻昇磁性材料有限公司 (Ningbo Yunsheng Magnetic Materials Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 28 July 2009	RMB76,000,000	—	99.50	Production of NdFeB permanent magnets

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Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			% Direct	% Indirect	
寧波市韻昇金屬材料有限公司 (Ningbo Yunsheng Metal Materials Co., Ltd.) <i>Note (a)</i>	PRC/Chinese mainland/ 15 November 2023	RMB50,000,000	100.00	—	Production of NdFeB permanent magnets
YUNSHENG (U.S.A) INC. <i>Note (b)</i>	United States 19 July 1995	USD5,360,000	100.00	—	Sale of NdFeB permanent magnets
Yunsheng Magnetics (Europe) GmbH <i>Note (c)</i>	Germany 27 November 2012	EUR100,000	—	99.00	Sale of NdFeB permanent magnets

The English names of all group companies registered in the Chinese mainland represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

Note (a)

The statutory financial statements of these entities for the years ended 31 December 2023, 2024 and 2025 prepared in accordance with China Accounting Standards for Business Enterprises were audited by Talent Certified Public Accountants LLP, certified public accountants registered in the Chinese mainland.

Note (b)

The statutory financial statements of this entity for the years ended 31 December 2023, 2024 and 2025 prepared in accordance with accounting principles generally accepted in the United States of America were audited by Chek Tan & Co, LLP, certified public accountants registered in the United states.

Note (c)

The statutory financial statements of this entity for the year ended 31 December 2023 prepared in accordance with German accounting principles were audited by HSG Treuhand Heidelberg GmbH, certified public accountants registered in Germany. No audited financial statements have been prepared for the years ended 31 December 2024 and 2025.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”).

All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, bills receivables measured at fair value through other comprehensive income and Derivative financial instruments, which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ¹
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IFRS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
<i>Annual Improvements to IFRS Accounting Standards — Volume 11</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The application of IFRS 18 is not expected to have a material impact on the financial position of the Group but is expected to affect the presentation of profit or loss and statement of cash flows and additional disclosure will be included in the financial statements.

The Group is in the process of making an assessment of the impact of other new and revised IFRS Accounting Standards upon initial application. So far, the Group considers that these new and revised IFRS Accounting Standards are unlikely to have a significant impact on the Group’s results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group’s share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group’s investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group’s investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash generating unit retained.

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Fair value measurement

The Group measures its structured deposits at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	—	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	—	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person
 - (i) has control or joint control over the Group;

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- (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.38%
Machinery	9.5% to 19%
Transportation equipment	19% to 31.67%
Electronic equipment	9.5% to 31.67%
Renovation and leasehold improvement	20% to 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs.

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives of 50 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

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Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Transfers between investment property and owner-occupied property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Other intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years, which is mainly determined by reference to the licensed period of the purchased software.

Pollution discharge right

Purchased pollution discharge right is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years, which is mainly determined by reference to the licensed period of the purchased pollution discharge right.

Water concession

Water concession is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 23.5 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of plant and properties and electronic devices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of electronic devices and office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

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Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statement of financial position) when: the rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each reporting period, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as derivative financial instruments, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade payables, other payables and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities at amortised cost (trade and other payables and borrowings)

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

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, mainly comprises direct materials and processing expenditures. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

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For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Revenue from the sale of products

Revenue from the sale of products is recognised when the goods have been delivered to the customer. The performance obligation is recognised at point in time when control of the asset is transferred to the customer, generally on delivery of the goods or upon the confirmation by the customer.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders’ right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

Share-based payments

The Company operates share option scheme and restricted share scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments (“equity-settled transactions”). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of share option is determined by an external valuer using a Black-Scholes model. Further details are set out in note 32 to the Historical Financial Information.

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 the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Company and the subsidiaries which operate in the Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the Chinese mainland. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liability in respect of these funds are limited to the contributions payable in each reporting period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information. Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of such entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Further details on deferred taxes are set out in note 21 to the Historical Financial Information.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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Provision for expected credit losses on receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing of trade receivables for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 23 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision of inventories

The Group’s inventories are stated at the lower of cost and net realisable value. The Group’s provision for its inventories is based on estimates of the realisable value with reference to the ageing and condition of the inventories, together with the economic circumstances affecting the marketability of such inventories. Inventories are reviewed quarterly for provision, if appropriate. Further details of the inventories are set out in note 22 to the Historical Financial Information.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group estimates fair value by using a valuation technique. Valuation techniques include using recent prices in arm’s length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, or discounted cash flow analyses. To the extent practicable, valuation technique makes the maximum use of observable market inputs. However, where observable market inputs are not available, management needs to make estimates and use alternatives on such unobservable market inputs. Further details are included in note 39 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Operating segment information

The board of directors reviews the consolidated results of the Group when making decisions about resource allocation and assessing the performance of the Group. The board of directors considers that the Group operates in one business segment and the measurement of segment results is based on the profit from operations as presented in the consolidated statements of profit or loss and the consolidated statements of comprehensive income.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Chinese mainland	4,097,631	3,562,541	3,976,941
Overseas*	1,228,634	1,435,672	1,440,103
Total revenue	5,326,265	4,998,213	5,417,044

* The overseas’ markets include revenue derived from customers located in Asia (excluding Chinese mainland), the Europe Union and North America.

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The revenue information above is based on the locations of the customers.

(b) Non-current assets

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese mainland	2,412,323	2,475,090	2,581,710
United States	19,592	19,754	19,162
European Union	42	33	28
Total non-current assets	<u>2,431,957</u>	<u>2,494,877</u>	<u>2,600,900</u>

The non-current asset information of above is based on the locations of the assets and excludes financial assets at fair value through profit or loss, time deposits and deferred tax assets.

Information about major customers

External customers whose revenue individually amounted to over 10% of the total revenue of the Group for the Relevant Periods were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	739,450	748,856	N/A*
Customer B	535,260	N/A*	N/A*
Customer C	N/A*	N/A*	542,509

* Less than 10% of the Group’s revenue

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	<u>5,326,265</u>	<u>4,998,213</u>	<u>5,417,044</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods			
Sale of NdFeB permanent magnets	4,663,776	4,543,867	4,822,477
Sale of scrap materials and others	<u>662,489</u>	<u>454,346</u>	<u>594,567</u>
Total	<u>5,326,265</u>	<u>4,998,213</u>	<u>5,417,044</u>
Timing of revenue recognition			
Transferred at a point in time	<u>5,326,265</u>	<u>4,998,213</u>	<u>5,417,044</u>

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting year	<u>16,461</u>	<u>25,586</u>	<u>22,922</u>

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(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon delivery to the agreed-upon locations in accordance with the contracts, and when the customers confirm the acceptance of the products. Payment is normally received in advance, except for certain customers with established creditworthiness and a long-standing business relationship, where payment is generally due within 30 to 120 days from the invoice date.

All amounts of transaction prices allocated to the performance obligations for the of goods are expected to be recognised as revenue within one year. The Group has no significant unsatisfied performance obligations arising from revenue contracts that have an original expected duration of more than one year. Thus, management applied the practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Government grants*	63,447	58,390	56,243
Bank interest income	10,122	30,054	20,337
Investment income from financial investments	22,261	38,892	44,045
Gain on disposal of investment in associates	—	—	749
Foreign exchange gain	12,034	12,433	6,138
Lease income	29,291	29,824	35,637
Others	10,356	11,508	5,034
Total other income and gains	147,511	181,101	168,183

* The government grants mainly represent subsidies received from the government that relate to both expenses and assets. Government grants are released to profit or loss either over the periods that the expenses for which they are intended to compensate are expensed, or over the expected useful life of the relevant asset, when all attaching conditions and requirements have been complied with.

6. (LOSS)/PROFIT BEFORE TAX

The Group’s loss/profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
Cost of sales*		5,079,011	4,437,617	4,530,844
Depreciation of property, plant and equipment	14	139,348	128,433	148,997
Depreciation of right-of-use assets	17	3,989	7,597	9,229
Depreciation of investment properties	15	8,080	10,592	8,616
Amortisation of other intangible assets	16	3,216	4,117	4,693
Research and development costs*		313,656	205,596	275,888
Government grants	5	(63,447)	(58,390)	(56,243)
Foreign exchange differences, net	5	(12,034)	(12,433)	(6,138)
Bank interest income	5	(10,122)	(30,054)	(20,337)
(Reversal of impairment)/impairment of trade receivables	23	(80,940)	33,508	(218)
(Reversal of impairment)/impairment of other receivables	24	(504)	38	137
Impairment losses on goodwill	13	—	1,314	—
Write-down of inventories to net realisable value	22	49,055	76,108	64,244
Fair value losses/(gains) on financial assets at fair value through profit or loss		86,085	21,441	(13,721)
Investment income from financial investments and derivative instruments	5	(22,261)	(38,892)	(44,045)
Investment losses from financial investments and derivative instruments		—	1,908	1,584
Gains on disposal of investments in associates	5	—	—	(749)
Losses/(gains) on disposal of items of property, plant and equipment		2,827	95	8,800

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		Year ended 31 December		
		2023	2024	2025
	Notes	RMB'000	RMB'000	RMB'000
Lease payments not included in the measurement of lease liabilities	17	3,009	1,329	1,470
Employee benefit expense (including directors’, supervisors’ and chief executive’s remuneration (note 8):				
Wages, salaries and other allowances		371,891	440,778	465,160
Pension scheme contributions and social welfare		101,071	99,461	127,653
Share-based payments	32	44,800	17,564	10,549
* Cost of sales and research and development costs include expenses relating to employee benefit, depreciation and amortisation expenses and impairment losses on inventories, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.				

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on interest-bearing bank borrowings	41,227	32,357	27,830
Interest on lease liabilities	—	282	85
Total	41,227	32,639	27,915

8. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ REMUNERATION

The remuneration paid or payable to the directors and chief executive of the Company during the Relevant Periods is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fees	300	300	300
Other emoluments:			
Salaries, allowances and benefits in kind	4,218	5,368	5,182
Performance related bonuses*	1,142	1,014	1,666
Share-based payments	8,798	142	1,411
Pension scheme contributions and social welfare	557	668	556
Subtotal	14,715	7,192	8,815
Total	15,015	7,492	9,115

* Certain directors of the Company are entitled to bonus payments which are associated with the operating results of the Group.

During the Relevant Periods, certain directors were granted the Company’s shares (as defined in note 32), in respect of their services to the Group, under the 2020 Share Options Incentive Plan, 2022 Restricted Share Incentive Plan, 2022 A Share Ownership Scheme and 2025 A Share Ownership Plan of the Company, further details of which are set out in note 32 to the Historical Financial Information. The difference between the fair value of the shares granted and the granted price was recognised in the share-based payment reserve within equity with the corresponding “share-based payment expenses” in profit or loss over the vesting period. The amounts during the Relevant Periods are included in the above.

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The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Mr. Cui Ping	100	33	—
Mr. Bao Xinmin	100	33	—
Mr. Chen Nong	100	33	—
Mr. Yan Aru	—	67	33
Mr. Chen Lingguo	—	67	100
Mr. Ye Yuanhua	—	67	100
Mr. Wang Jian	—	—	67
Total	300	300	300

The remuneration of each of the directors and supervisor of the Company paid/payable by the Group (including emoluments for services as employees of the group entities prior to becoming the directors or the supervisor of the Company) for the Relevant Periods is set out as follows:

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Share-based payments RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Year ended 31 December 2023					
Executive directors:					
Mr. Zhu Xiaodong (i)	1,249	551	5,599	104	7,503
Mr. Zhu Shidong (xiv)	761	239	877	104	1,981
Mr. Wu Jiahao (iv)	686	144	883	104	1,817
Mr. Mao Yingcai (ii)	1,030	—	899	67	1,996
Subtotal	3,726	934	8,258	379	13,297
Supervisors:					
Mr. Shen Chengguang (xii)	—	—	—	—	—
Mr. Wu Qihang (ix)	—	—	—	—	—
Mrs. Zhang Chuner (xiii)	—	—	—	—	—
Mrs. Zhang Cuihua (x)	195	55	90	76	416
Mrs. Zhu Feng (xi)	297	153	450	102	1,002
Subtotal	492	208	540	178	1,418
Total	4,218	1,142	8,798	557	14,715
Year ended 31 December 2024					
Executive directors:					
Mr. Zhu Xiaodong (i)	1,900	—	—	110	2,010
Mr. Zhu Shidong (xiv)	1,024	676	—	110	1,810
Mrs. Zhang Yinchun (iii)	682	118	—	—	800
Mr. Wu Jiahao (iv)	344	—	—	53	397
Subtotal	3,950	794	—	273	5,017
Non-executive director:					
Mr. Zhu Limin (v)	—	—	—	—	—
Subtotal	—	—	—	—	—

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Year ended 31 December 2024	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Share-based payments RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Supervisors:					
Mr. Li Yuqin (vi)	—	—	—	—	—
Mr. Shen Chengguang (xii)	—	—	—	—	—
Mrs. Zhang Chuner (xiii)	—	—	—	—	—
Mr. Pan Yongming (vii)	282	48	89	104	523
Mrs. Lin Senyou (viii)	279	49	53	100	481
Mr. Wu Qihang (ix)	—	—	—	—	—
Mrs. Zhang Cuihua (x)	233	47	—	81	361
Mrs. Zhu Feng (xi)	624	76	—	110	810
Subtotal	1,418	220	142	395	2,175
Total	5,368	1,014	142	668	7,192
Year ended 31 December 2025	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Share-based payments RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Zhu Xiaodong (i)	2,252	770	438	115	3,575
Mr. Zhu Shidong (xiv)	1,133	425	389	115	2,062
Mrs. Zhang Yinchun (iii)	826	280	341	—	1,447
Mr. Wang Haiguo (xv)	374	70	97	114	655
Subtotal	4,585	1,545	1,265	344	7,739
Non-executive director:					
Mr. Zhu Limin (v)	—	—	—	—	—
Subtotal	—	—	—	—	—
Supervisors:					
Mr. Pan Yongming (vii)	322	56	49	106	533
Mrs. Lin Senyou (viii)	275	65	97	106	543
Subtotal	597	121	146	212	1,076
Total	5,182	1,666	1,411	556	8,815

- (i) Mr. Zhu Xiaodong serves as the chief executive of the Company.
- (ii) On 28 April 2021, Mr. Mao Yingcai was appointed as a director of the Company, and resigned on 15 August 2023.
- (iii) On 5 June 2023, Mrs. Zhang Yinchun was appointed as the chief financial officer of the Company and on 20 May 2024, Mrs. Zhang was appointed as a director of the Company.
- (iv) On 28 April 2021, Mr. Wu Jiahao was appointed as a director of the Company, and resigned on 27 April 2024.
- (v) On 28 April 2024, Mr. Zhu Limin was appointed as a director of the Company.
- (vi) On 28 April 2024, Mr. Li Yuqin was appointed as a supervisor of the Company and resigned on 22 August 2025.
- (vii) On 28 April 2024, Mr. Pan Yongming was appointed as a supervisor of the Company.
- (viii) On 28 April 2024, Mrs. Lin Senyou was appointed as a supervisor of the Company.
- (ix) On 28 April 2021, Mr. Wu Qihang was appointed as a supervisor of the Company, and resigned on 27 April 2024.
- (x) On 28 April 2021, Mrs. Zhang Cuihua was appointed as a supervisor of the Company, and resigned on 27 April 2024.
- (xi) On 28 April 2021, Mrs. Zhu Feng was appointed as a supervisor of the Company, and resigned on 27 April 2024.

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- (xii) On 28 April 2021, Mr. Shen Chengguang was appointed as a supervisor of the Company and resigned on 22 August 2025.
- (xiii) On 28 April 2021, Mrs. Zhang Chuner was appointed as a supervisor of the Company and resigned on 22 August 2025.
- (xiv) On 28 April 2021, Mr. Zhu Shidong was appointed as a director of the Company.
- (xv) On 8 September 2025, Mr. Wang Haiguo was appointed as a director of the Company.

There was no arrangement under which directors, supervisors or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included one director, two directors, two directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining highest paid employees who are neither a director, supervisor nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,164	2,275	2,852
Performance related bonuses	774	397	990
Share-based payments	9,500	3,861	983
Pension scheme contributions and social welfare	412	328	344
Total	12,850	6,861	5,169

The numbers of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
HK\$1,000,001 to HK\$1,500,000	—	—	—
HK\$1,500,001 to HK\$2,000,000	—	2	3
HK\$2,000,001 to HK\$6,500,000	4	1	—
Total	4	3	3

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the countries/jurisdictions in which members of the Group are domiciled and/or operate.

Chinese mainland

The subsidiaries established in the Chinese mainland are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the Corporate Income Tax Law of the Chinese mainland which became effective on 1 January 2008, except for those subject to tax preferences set out below:

Ningbo Yunsheng Co., Ltd., Ningbo Yunsheng Magnetic Component Technology Co., Ltd., and Ningbo Yunkai Magnet Industry Co., Ltd. were granted “High and New Technology Enterprise” qualification in 2023, for a preferential tax rate of 15% during the Relevant Periods.

Ningbo Yunsheng Bonded Magnet Co., Ltd. was granted “High and New Technology Enterprise” qualification in 2021 and 2024 and was subsequently renewed in 2024 for a further three-year period from 2024 to 2027. Accordingly, the company was entitled to a preferential enterprise income tax rate of 15% during the Relevant Periods.

Baotou Yunsheng Magnetic Materials Co., Ltd. and Baotou Yunsheng Technology Development Co., Ltd. are qualified as companies under the development strategy of China’s western region and were subject to a preferential income tax rate of 15% during the Relevant Periods.

Ningbo High-tech Zone Yunsheng New Energy Co., Ltd. is engaging in a national public infrastructure project and is exempted from income tax for the first three years commencing from its first income derived from the foregoing project investment and operation and thereafter is subject to an income tax rate of 12.5% for the following three years. During the Relevant Periods, the subsidiary was exempted from income tax.

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Ningbo Yunsheng Metal Material Co., Ltd., Ningbo Yunsheng Generator Co., Ltd., Ningbo Yunsheng Equipment Technology Co., Ltd. and Ningbo Yunsheng New Technology Research Institute are qualified as small-scaled and minimal profit entities from 1 January 2023 to 31 December 2027 and subject to an effective income tax rate of 5%.

Overseas

The subsidiary incorporated in Germany are subject to tax at the statutory rate of 15% on the taxable profits. The subsidiary incorporated in the United States are subject to the United States federal income tax at a rate of 21% and the minimum state income tax at the applicable tax rate.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current — Chinese mainland	2,949	23,468	22,231
Deferred tax (<i>note 21</i>)	(77,523)	(43,298)	14,556
Total tax (credit)/expense for the year	(74,574)	(19,830)	36,787

A reconciliation of the tax expense/credit applicable to loss/profit before tax at the preferential rate for the jurisdiction in which the Company and its subsidiaries are domiciled and/or operate to the tax expense/credit at the effective tax rate is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
(Loss)/profit before tax	(299,672)	77,392	372,878
Tax at the preferential tax rates of 15%	(44,951)	11,609	55,932
Effect of different tax rates	479	6,290	7,463
Effect on opening deferred tax of decrease in rates	(12,489)	12,489	—
Adjustments in respect of current tax of previous periods	(51)	(3,981)	2,575
Income not subject to tax	(2,451)	(2,908)	(2,014)
Expenses not deductible for tax	14,390	4,670	721
Additional deductible allowance for qualified research and development costs	(35,067)	(28,264)	(30,315)
Tax losses and deductible temporary differences utilised from previous periods	—	(26,801)	—
Tax losses and deductible temporary differences not recognised	5,566	7,066	2,425
Tax (credit)/expense at the Group’s effective tax rate	(74,574)	(19,830)	36,787

11. DIVIDENDS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Dividends declared	109,908	55,096	53,812

The dividends of RMB0.1, RMB0.05 and RMB0.05 (inclusive of tax) for each ordinary share to all shareholders for the years ended 31 December 2023, 2024 and 2025 were approved by the annual general meeting of the Company.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The basic loss/earnings per share is calculated by dividing the loss/profit attributable to ordinary equity holders of the Company by the weighted average numbers of ordinary shares outstanding during the Relevant Periods.

The calculations of basic and diluted loss/earnings per share are based on:

	Year ended 31 December		
	2023	2024	2025
(Loss)/earnings			
(Loss)/profit for the year attributable to ordinary equity shareholders of the Company (RMB'000)	(225,534)	96,585	335,349

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	Year ended 31 December		
	2023	2024	2025
Less: cash dividends attributable to owners of the shares granted under share ownership plans	594	—	1,084
Earnings for the purpose of calculating basic earnings per share	(226,128)	96,585	334,265
Add: cash dividends attributable to owners of the shares granted under share ownership plans expected to be vested	—	—	433
Earnings for the purpose of calculating diluted earnings per share	(226,128)	96,585	334,698
Shares			
Weighted average number ('000) of ordinary shares outstanding during the year	1,090,651	1,088,918	1,076,241
Effect of dilution weighted average number of ordinary shares:			
Potential ordinary shares arising from share ownership plans ('000)	—	—	67
Weighted average number of ordinary shares used in the diluted earnings per share calculation ('000)	1,090,651	1,088,918	1,076,308
(Loss)/earnings per share			
Basic (RMB)	(0.21)	0.09	0.31
Diluted (RMB)	(0.21)	0.09	0.31

No adjustment has been made to the basic (loss)/profit per share amounts presented for the year ended 31 December 2023 as the impact of the potential ordinary shares had an anti-dilutive effect on the basic earnings per share amounts presented.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2024.

The weighted average number of shares has taken into account the effect of treasury shares held.

13. GOODWILL

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year			
Cost	—	1,314	1,314
Accumulated impairment	—	—	(1,314)
Net carrying amount	—	1,314	—
Cost at the beginning of the year, net of accumulated impairment	—	1,314	—
Acquisition of a subsidiary (note 34)	1,314	—	—
Impairment during the year	—	(1,314)	—
At the end of the year	1,314	—	—
At the end of the year			
Cost	1,314	1,314	1,314
Accumulated impairment	—	(1,314)	(1,314)
Net carrying amount	1,314	—	—

Goodwill acquired through business combinations is allocated to the recycling and utilisation cash-generating unit) for impairment testing, which comprises the operations of Ningbo Yunkai Magnet Industry Co., Ltd. The carrying amount of goodwill of Ningbo Yunkai Magnetic Industry Co., Ltd. was fully impaired during the year ended 31 December 2024.

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14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	1,217,012	594,305	20,949	161,983	77,223	193,146	2,264,618
Accumulated depreciation and impairment	(205,603)	(296,090)	(12,913)	(78,592)	(58,387)	—	(651,585)
Net carrying amount	1,011,409	298,215	8,036	83,391	18,836	193,146	1,613,033
At 1 January 2023, net of accumulated depreciation and impairment	1,011,409	298,215	8,036	83,391	18,836	193,146	1,613,033
Additions	—	124,146	2,627	47,029	5,845	149,498	329,145
Transfers	21,330	53,604	—	6,995	7,782	(89,711)	—
Transfer from investment properties	12,967	—	—	—	—	—	12,967
Transfer to investment properties	(35,216)	—	—	—	—	—	(35,216)
Acquisition of a subsidiary (note 34)	—	21,443	235	192	5,934	—	27,804
Exchange realignment	327	—	—	4	—	—	331
Depreciation provided during the year	(33,804)	(62,161)	(2,721)	(22,851)	(17,811)	—	(139,348)
Disposals	—	(4,797)	(155)	(1,357)	—	—	(6,309)
At 31 December 2023, net of accumulated depreciation and impairment	977,013	430,450	8,022	113,403	20,586	252,933	1,802,407
At 31 December 2023:							
Cost	1,262,542	753,247	23,284	209,398	37,824	252,933	2,539,228
Accumulated depreciation and impairment	(285,529)	(322,797)	(15,262)	(95,995)	(17,238)	—	(736,821)
Net carrying amount	977,013	430,450	8,022	113,403	20,586	252,933	1,802,407
	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	1,262,542	753,247	23,284	209,398	37,824	252,933	2,539,228
Accumulated depreciation and impairment	(285,529)	(322,797)	(15,262)	(95,995)	(17,238)	—	(736,821)
Net carrying amount	977,013	430,450	8,022	113,403	20,586	252,933	1,802,407
At 1 January 2024, net of accumulated depreciation and impairment	977,013	430,450	8,022	113,403	20,586	252,933	1,802,407
Additions	5,213	49,409	885	26,962	7,578	123,295	213,342
Transfers	—	18,018	—	10,992	11,331	(40,341)	—
Transfer from investment properties	67,867	—	—	—	—	—	67,867
Transfer to investment properties	(18,756)	—	—	—	—	—	(18,756)
Transfer to other intangible assets	—	—	—	—	—	(5,202)	(5,202)
Exchange realignment	291	—	—	(2)	—	—	289
Depreciation provided during the year	(29,921)	(56,409)	(1,921)	(29,186)	(10,996)	—	(128,433)
Disposals	(121)	(1,147)	(2,415)	(924)	—	—	(4,607)

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	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2024, net of accumulated depreciation and impairment	1,001,586	440,321	4,571	121,245	28,499	330,685	1,926,907
At 31 December 2024:							
Cost	1,327,809	811,387	18,017	239,550	45,493	330,685	2,772,941
Accumulated depreciation and impairment	(326,223)	(371,066)	(13,446)	(118,305)	(16,994)	—	(846,034)
Net carrying amount	1,001,586	440,321	4,571	121,245	28,499	330,685	1,926,907
	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025							
At 1 January 2025:							
Cost	1,327,809	811,387	18,017	239,550	45,493	330,685	2,772,941
Accumulated depreciation and impairment	(326,223)	(371,066)	(13,446)	(118,305)	(16,994)	—	(846,034)
Net carrying amount	1,001,586	440,321	4,571	121,245	28,499	330,685	1,926,907
At 1 January 2025, net of accumulated depreciation and impairment	1,001,586	440,321	4,571	121,245	28,499	330,685	1,926,907
Additions	41,418	48,806	4,630	44,837	18,262	159,544	317,497
Transfers	321,513	69,732	—	2,406	1,639	(395,290)	—
Transfer from investment properties	104	—	—	—	—	—	104
Transfer to investment properties	(87,034)	—	—	—	—	—	(87,034)
Exchange realignment	(437)	—	—	3	—	—	(434)
Depreciation provided during the year	(34,625)	(60,845)	(1,762)	(35,101)	(16,664)	—	(148,997)
Disposals	(1,977)	(7,428)	(98)	(2,340)	—	—	(11,843)
At 31 December 2025, net of accumulated depreciation and impairment	1,240,548	490,586	7,341	131,050	31,736	94,939	1,996,200
At 31 December 2025:							
Cost	1,548,457	877,426	20,813	273,687	53,013	94,939	2,868,335
Accumulated depreciation and impairment	(307,909)	(386,840)	(13,472)	(142,637)	(21,277)	—	(872,135)
Net carrying amount	1,240,548	490,586	7,341	131,050	31,736	94,939	1,996,200
The Company							
	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	231,079	82,652	14,825	83,581	56,287	27,113	495,537
Accumulated depreciation	(70,265)	(38,086)	(10,325)	(40,804)	(50,750)	—	(210,230)
Net carrying amount	160,814	44,566	4,500	42,777	5,537	27,113	285,307

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	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023, net of accumulated depreciation	160,814	44,566	4,500	42,777	5,537	27,113	285,307
Additions	—	1,504	1,243	28,434	70	21,994	53,245
Transfers	—	23,119	—	6,996	—	(30,115)	—
Transfer from investment properties	13,410	—	—	—	—	—	13,410
Transfer to investment properties	(31,952)	—	—	—	—	—	(31,952)
Depreciation provided during the year	(6,228)	(11,560)	(1,547)	(12,559)	(5,082)	—	(36,976)
Disposals	—	(2,597)	(206)	(7,549)	—	—	(10,352)
At 31 December 2023, net of accumulated depreciation	<u>136,044</u>	<u>55,032</u>	<u>3,990</u>	<u>58,099</u>	<u>525</u>	<u>18,992</u>	<u>272,682</u>
At 31 December 2023:							
Cost	244,489	96,425	15,341	106,115	1,267	18,992	482,629
Accumulated depreciation	<u>(108,445)</u>	<u>(41,393)</u>	<u>(11,351)</u>	<u>(48,016)</u>	<u>(742)</u>	<u>—</u>	<u>(209,947)</u>
Net carrying amount	<u>136,044</u>	<u>55,032</u>	<u>3,990</u>	<u>58,099</u>	<u>525</u>	<u>18,992</u>	<u>272,682</u>
	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	244,489	96,425	15,341	106,115	1,267	18,992	482,629
Accumulated depreciation	<u>(108,445)</u>	<u>(41,393)</u>	<u>(11,351)</u>	<u>(48,016)</u>	<u>(742)</u>	<u>—</u>	<u>(209,947)</u>
Net carrying amount	<u>136,044</u>	<u>55,032</u>	<u>3,990</u>	<u>58,099</u>	<u>525</u>	<u>18,992</u>	<u>272,682</u>
At 1 January 2024, net of accumulated depreciation	136,044	55,032	3,990	58,099	525	18,992	272,682
Additions	—	9,228	58	17,493	4,352	5,116	36,247
Transfers	—	—	—	6,484	—	(6,484)	—
Transfer from investment properties	10,526	—	—	—	—	—	10,526
Transfer to investment properties	(18,757)	—	—	—	—	—	(18,757)
Transfer to other intangible assets	—	—	—	—	—	(1,691)	(1,691)
Depreciation provided during the year	(6,145)	(8,456)	(625)	(14,304)	(418)	—	(29,948)
Disposals	—	(1,288)	(2,407)	(2,652)	—	—	(6,347)
At 31 December 2024, net of accumulated depreciation	<u>121,668</u>	<u>54,516</u>	<u>1,016</u>	<u>65,120</u>	<u>4,459</u>	<u>15,933</u>	<u>262,712</u>
At 31 December 2024:							
Cost	231,782	126,503	9,706	140,033	4,862	15,933	528,819
Accumulated depreciation	<u>(110,114)</u>	<u>(71,987)</u>	<u>(8,690)</u>	<u>(74,913)</u>	<u>(403)</u>	<u>—</u>	<u>(266,107)</u>
Net carrying amount	<u>121,668</u>	<u>54,516</u>	<u>1,016</u>	<u>65,120</u>	<u>4,459</u>	<u>15,933</u>	<u>262,712</u>
	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025							
At 1 January 2025:							
Cost	231,782	126,503	9,706	140,033	4,862	15,933	528,819
Accumulated depreciation and impairment	<u>(110,114)</u>	<u>(71,987)</u>	<u>(8,690)</u>	<u>(74,913)</u>	<u>(403)</u>	<u>—</u>	<u>(266,107)</u>
Net carrying amount	<u>121,668</u>	<u>54,516</u>	<u>1,016</u>	<u>65,120</u>	<u>4,459</u>	<u>15,933</u>	<u>262,712</u>

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	Buildings RMB'000	Machinery RMB'000	Transportation equipment RMB'000	Electronic equipment RMB'000	Renovation and leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2025, net of accumulated depreciation and impairment	121,668	54,516	1,016	65,120	4,459	15,933	262,712
Additions	36,839	11,397	3,656	20,761	11,941	8,433	93,027
Transfers	8,382	4,090	—	1,730	791	(14,993)	—
Transfer to investment properties	(22,714)	—	—	—	—	—	(22,714)
Depreciation provided during the year	(5,402)	(8,919)	(600)	(18,820)	(3,438)	—	(37,179)
Disposals	(1,977)	(5,727)	(84)	(3,306)	—	—	(11,094)
At 31 December 2025, net of accumulated depreciation and impairment	<u>136,796</u>	<u>55,357</u>	<u>3,988</u>	<u>65,485</u>	<u>13,753</u>	<u>9,373</u>	<u>284,752</u>
At 31 December 2025:							
Cost	211,913	132,212	11,761	154,731	16,398	9,373	536,388
Accumulated depreciation and impairment	<u>(75,117)</u>	<u>(76,855)</u>	<u>(7,773)</u>	<u>(89,246)</u>	<u>(2,645)</u>	<u>—</u>	<u>(251,636)</u>
Net carrying amount	<u>136,796</u>	<u>55,357</u>	<u>3,988</u>	<u>65,485</u>	<u>13,753</u>	<u>9,373</u>	<u>284,752</u>

15. INVESTMENT PROPERTIES

The Group

	Buildings RMB'000	Leasehold land RMB'000	Total RMB'000
31 December 2023			
At 1 January 2023			
Cost	255,836	123,161	378,997
Accumulated depreciation	<u>(126,341)</u>	<u>(40,327)</u>	<u>(166,668)</u>
Net carrying amount	<u>129,495</u>	<u>82,834</u>	<u>212,329</u>
At 1 January 2023, net of accumulated depreciation	129,495	82,834	212,329
Transfer from property, plant and equipment	35,216	—	35,216
Transfer from right-of-use assets	—	8,279	8,279
Transfer to property, plant and equipment	(12,967)	—	(12,967)
Transfer to right-of-use assets	—	(40,327)	(40,327)
Depreciation during the year	<u>(6,397)</u>	<u>(1,683)</u>	<u>(8,080)</u>
At 31 December 2023, net of accumulated depreciation	<u>145,347</u>	<u>49,103</u>	<u>194,450</u>
At 31 December 2023			
Cost	231,968	73,128	305,096
Accumulated depreciation	<u>(86,621)</u>	<u>(24,025)</u>	<u>(110,646)</u>
Net carrying amount	<u>145,347</u>	<u>49,103</u>	<u>194,450</u>
	Buildings RMB'000	Leasehold land RMB'000	Total RMB'000
31 December 2024			
At 1 January 2024			
Cost	231,968	73,128	305,096
Accumulated depreciation	<u>(86,621)</u>	<u>(24,025)</u>	<u>(110,646)</u>
Net carrying amount	<u>145,347</u>	<u>49,103</u>	<u>194,450</u>

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	Buildings <i>RMB'000</i>	Leasehold land <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024, net of accumulated depreciation	145,347	49,103	194,450
Transfer from property, plant and equipment	18,756	—	18,756
Transfer from right-of-use assets	—	2,759	2,759
Transfer to property, plant and equipment	(67,867)	—	(67,867)
Transfer to right-of-use assets	—	(35,317)	(35,317)
Depreciation provided during the year	(8,496)	(2,096)	(10,592)
At 31 December 2024, net of accumulated depreciation	<u>87,740</u>	<u>14,449</u>	<u>102,189</u>
At 31 December 2024			
Cost	172,089	30,315	202,404
Accumulated depreciation	<u>(84,349)</u>	<u>(15,866)</u>	<u>(100,215)</u>
Net carrying amount	<u>87,740</u>	<u>14,449</u>	<u>102,189</u>
	Buildings <i>RMB'000</i>	Leasehold land <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2025			
At 1 January 2025			
Cost	172,089	30,315	202,404
Accumulated depreciation	<u>(84,349)</u>	<u>(15,866)</u>	<u>(100,215)</u>
Net carrying amount	<u>87,740</u>	<u>14,449</u>	<u>102,189</u>
At 1 January 2025, net of accumulated depreciation	87,740	14,449	102,189
Transfer from property, plant and equipment	87,034	—	87,034
Transfer from right-of-use assets	—	11,057	11,057
Transfer to property, plant and equipment	(104)	—	(104)
Transfer to right-of-use assets	—	(28)	(28)
Depreciation provided during the year	<u>(8,153)</u>	<u>(463)</u>	<u>(8,616)</u>
At 31 December 2025, net of accumulated depreciation	<u>166,517</u>	<u>25,015</u>	<u>191,532</u>
At 31 December 2025			
Cost	304,018	64,719	368,737
Accumulated depreciation	<u>(137,501)</u>	<u>(39,704)</u>	<u>(177,205)</u>
Net carrying amount	<u>166,517</u>	<u>25,015</u>	<u>191,532</u>

The Group’s investment properties are situated in the Chinese mainland.

As at the end of each of the Relevant Periods, the fair values of investment properties, which are categorised within Level 3 of the fair value hierarchy. The fair value of investment properties as at 31 December 2023, 2024 and 2025 were RMB359,173,000, RMB364,708,000 and RMB575,677,000. Income approach was used to evaluated the fair value of investment properties by using significant unobservable inputs of expected rental value (per square meter per day) and discounted rate.

The Company

	Buildings <i>RMB'000</i>	Leasehold land <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2023			
At 1 January 2023			
Cost	172,644	39,174	211,818
Accumulated depreciation	<u>(99,082)</u>	<u>(18,278)</u>	<u>(117,360)</u>
Net carrying amount	<u>73,562</u>	<u>20,896</u>	<u>94,458</u>

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	Buildings <i>RMB'000</i>	Leasehold land <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2023, net of accumulated depreciation	73,562	20,896	94,458
Transfer from property, plant and equipment	31,952	—	31,952
Transfer from right-of-use assets	—	—	—
Transfer to property, plant and equipment	(13,410)	—	(13,410)
Transfer to right-of-use assets	—	(4,900)	(4,900)
Depreciation provided during the year	(4,295)	(571)	(4,866)
At 31 December 2023, net of accumulated depreciation	<u>87,809</u>	<u>15,425</u>	<u>103,234</u>
At 31 December 2023			
Cost	159,234	28,659	187,893
Accumulated depreciation	<u>(71,425)</u>	<u>(13,234)</u>	<u>(84,659)</u>
Net carrying amount	<u>87,809</u>	<u>15,425</u>	<u>103,234</u>
	Buildings <i>RMB'000</i>	Leasehold land <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2024			
At 1 January 2024			
Cost	159,234	28,659	187,893
Accumulated depreciation	<u>(71,425)</u>	<u>(13,234)</u>	<u>(84,659)</u>
Net carrying amount	<u>87,809</u>	<u>15,425</u>	<u>103,234</u>
At 1 January 2024, net of accumulated depreciation	87,809	15,425	103,234
Transfer from property, plant and equipment	18,757	—	18,757
Transfer from right-of-use assets	—	2,759	2,759
Transfer to property, plant and equipment	(10,526)	—	(10,526)
Transfer to right-of-use assets	—	(1,849)	(1,849)
Depreciation provided during the year	(4,788)	(485)	(5,273)
At 31 December 2024, net of accumulated depreciation	<u>91,252</u>	<u>15,850</u>	<u>107,102</u>
At 31 December 2024			
Cost	171,941	30,274	202,215
Accumulated depreciation	<u>(80,689)</u>	<u>(14,424)</u>	<u>(95,113)</u>
Net carrying amount	<u>91,252</u>	<u>15,850</u>	<u>107,102</u>
	Buildings <i>RMB'000</i>	Leasehold land <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2025			
At 1 January 2025			
Cost	171,941	30,274	202,215
Accumulated depreciation	<u>(80,689)</u>	<u>(14,424)</u>	<u>(95,113)</u>
Net carrying amount	<u>91,252</u>	<u>15,850</u>	<u>107,102</u>
At 1 January 2025, net of accumulated depreciation	91,252	15,850	107,102
Transfer from property, plant and equipment	22,714	—	22,714
Transfer from right-of-use assets	—	7,734	7,734
Depreciation provided during the year	(6,014)	(379)	(6,393)
At 31 December 2025, net of accumulated depreciation	<u>107,952</u>	<u>23,205</u>	<u>131,157</u>
At 31 December 2025			
Cost	227,125	47,257	274,382
Accumulated depreciation	<u>(119,173)</u>	<u>(24,052)</u>	<u>(143,225)</u>
Net carrying amount	<u>107,952</u>	<u>23,205</u>	<u>131,157</u>

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16. OTHER INTANGIBLE ASSETS

The Group

	Software RMB'000	Pollution discharge rights RMB'000	Total RMB'000	
31 December 2023				
At 1 January 2023:				
Cost	8,890	10,934	19,824	
Accumulated amortisation	(6,934)	(182)	(7,116)	
Net carrying amount	1,956	10,752	12,708	
Cost at 1 January 2023, net of accumulated amortisation	1,956	10,752	12,708	
Additions	1,217	—	1,217	
Acquisition of a subsidiary (note 34)	21	—	21	
Disposal	(79)	—	(79)	
Amortisation provided during the year	(1,029)	(2,187)	(3,216)	
At 31 December 2023	2,086	8,565	10,651	
At 31 December 2023:				
Cost	10,074	10,934	21,008	
Accumulated amortisation	(7,988)	(2,369)	(10,357)	
Net carrying amount	2,086	8,565	10,651	
	Software RMB'000	Pollution discharge rights RMB'000	Total RMB'000	
31 December 2024				
At 1 January 2024:				
Cost	10,074	10,934	21,008	
Accumulated amortisation	(7,988)	(2,369)	(10,357)	
Net carrying amount	2,086	8,565	10,651	
Cost at 1 January 2024, net of accumulated amortisation	2,086	8,565	10,651	
Additions	3,441	—	3,441	
Transfer from property, plant and equipment	5,202	—	5,202	
Amortisation provided during the year	(1,930)	(2,187)	(4,117)	
At 31 December 2024	8,799	6,378	15,177	
At 31 December 2024:				
Cost	18,640	10,934	29,574	
Accumulated amortisation	(9,841)	(4,556)	(14,397)	
Net carrying amount	8,799	6,378	15,177	
	Software RMB'000	Pollution discharge rights RMB'000	Water concession RMB'000	Total RMB'000
31 December 2025				
At 1 January 2025:				
Cost	18,640	10,934	—	29,574
Accumulated amortisation	(9,841)	(4,556)	—	(14,397)
Net carrying amount	8,799	6,378	—	15,177

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	Software RMB'000	Pollution discharge rights RMB'000	Water concession RMB'000	Total RMB'000
Cost at 1 January 2025, net of accumulated amortisation	8,799	6,378	—	15,177
Additions	905	—	4,000	4,905
Amortisation provided during the year	(2,479)	(2,186)	(28)	(4,693)
At 31 December 2025	<u>7,225</u>	<u>4,192</u>	<u>3,972</u>	<u>15,389</u>
At 31 December 2025:				
Cost	19,555	10,934	4,000	34,489
Accumulated amortisation	<u>(12,330)</u>	<u>(6,742)</u>	<u>(28)</u>	<u>(19,100)</u>
Net carrying amount	<u>7,225</u>	<u>4,192</u>	<u>3,972</u>	<u>15,389</u>

The Company

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Software			
At the beginning of the year			
Cost	6,906	8,124	12,713
Accumulated amortisation	<u>(5,841)</u>	<u>(6,567)</u>	<u>(7,592)</u>
Net carrying amount	<u>1,065</u>	<u>1,557</u>	<u>5,121</u>
Cost at the beginning of the year, net of Accumulated amortisation	1,065	1,557	5,121
Additions	1,218	2,898	560
Transfers from property, plant and equipment	—	1,691	—
Amortisation provided during the year	<u>(726)</u>	<u>(1,025)</u>	<u>(1,565)</u>
At the end of the year	<u>1,557</u>	<u>5,121</u>	<u>4,116</u>
At the end of the year			
Cost	8,124	12,713	13,273
Accumulated amortisation	<u>(6,567)</u>	<u>(7,592)</u>	<u>(9,157)</u>
Net carrying amount	<u>1,557</u>	<u>5,121</u>	<u>4,116</u>

17. LEASES

The Group as a lessee

The Group has lease contracts for various buildings used in its operations. Leases of buildings and warehouses generally have lease terms of 26 months. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Buildings RMB'000	Warehouses RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2023	—	—	124,791	124,791
Transfer from investment properties	—	—	40,327	40,327
Transfer to investment properties	—	—	(8,279)	(8,279)
Depreciation charge	<u>—</u>	<u>—</u>	<u>(3,989)</u>	<u>(3,989)</u>

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	Buildings <i>RMB'000</i>	Warehouses <i>RMB'000</i>	Leasehold land <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2023 and 1 January 2024	—	—	152,850	152,850
Additions	1,283	7,956	—	9,239
Transfer from investment properties	—	—	35,317	35,317
Transfer to investment properties	—	—	(2,759)	(2,759)
Depreciation charge	(592)	(3,672)	(3,333)	(7,597)
As at 31 December 2024 and 1 January 2025	691	4,284	182,075	187,050
Additions	—	9,984	—	9,984
Transfer from investment properties	—	—	28	28
Transfer to investment properties	—	—	(11,057)	(11,057)
Depreciation charge	(592)	(3,672)	(4,965)	(9,229)
As at 31 December 2025	99	10,596	166,081	176,776

The Company

	Buildings <i>RMB'000</i>	Leasehold land <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2023	29,834	18,030	47,864
Additions	7,563	—	7,563
Termination	(3,253)	—	(3,253)
Transfer from investment properties	—	4,900	4,900
Depreciation charge	(13,943)	(825)	(14,768)
As at 31 December 2023 and 1 January 2024	20,201	22,105	42,306
Additions	23,557	—	23,557
Termination	(20,201)	—	(20,201)
Transfer from investment properties	—	1,849	1,849
Transfer to investment properties	—	(2,759)	(2,759)
Depreciation charge	(11,921)	(647)	(12,568)
As at 31 December 2024 and 1 January 2025	11,636	20,548	32,184
Additions	39,768	—	39,768
Termination	(12,089)	—	(12,089)
Transfer from investment properties	—	—	—
Transfer to investment properties	—	(7,734)	(7,734)
Depreciation charge	(20,335)	(755)	(21,090)
As at 31 December 2025	18,980	12,059	31,039

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	2023 <i>RMB'000</i>	As at 31 December 2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Carrying amount at the beginning of the year	—	—	4,254
New leases	—	9,239	9,984
Accretion of interest recognised during the year	—	282	85
Payments	—	(5,267)	(4,339)
Carrying amount at the end of the year	—	4,254	9,984
Analysed into:			
Current portion	—	4,254	3,252
Non-current portion	—	—	6,732

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	31,202	20,965	11,669
New leases	7,563	23,557	39,768
Termination	(4,026)	(20,966)	(12,128)
Accretion of interest recognised during the year	1,002	355	454
Payments	(14,776)	(12,242)	(20,784)
Carrying amount at the end of the year	<u>20,965</u>	<u>11,669</u>	<u>18,979</u>
Analysed into:			
Current portion	14,490	11,669	18,979
Non-current portion	<u>6,475</u>	<u>—</u>	<u>—</u>

The maturity analysis of lease liabilities is disclosed in note 40 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	—	282	85
Depreciation charge of right-of-use assets	3,989	7,597	9,229
Expenses relating to short-term leases and low-value assets	<u>3,009</u>	<u>1,329</u>	<u>1,470</u>
Total amount recognised in profit or loss	<u>6,998</u>	<u>9,208</u>	<u>10,784</u>

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	1,002	355	454
Depreciation charge of right-of-use assets	14,768	12,568	21,090
Expenses relating to short-term leases and low-value assets	<u>2,456</u>	<u>2,863</u>	<u>283</u>
Total amount recognised in profit or loss	<u>18,226</u>	<u>15,786</u>	<u>21,827</u>

18. INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	<u>215,416</u>	<u>200,546</u>	<u>209,402</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of net assets	<u>204,719</u>	<u>187,724</u>	<u>196,708</u>

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The following table illustrates the aggregate financial information of the Group’s associates that are not individually material:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of the associates’ profit for the year	30,768	13,438	19,531
Share of the associates’ total comprehensive income	30,768	13,438	19,531
Aggregate carrying amount of the Group’s investments in the associates	215,416	200,546	209,402

19. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	2,013,274	2,074,314	2,341,087

Particulars of the subsidiaries, which are directly owned by the Company, are included in note 1 to the Historical Financial Information.

20. FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Financial assets at fair value through profit or loss (a)	382,712	374,173	265,278
Financial assets at amortised cost (b)	—	29,997	150,045
Derivative financial instruments (c)	296	—	5,349
	383,008	404,170	420,672
Non-current portion:			
Financial assets at fair value through profit or loss (a)	282,642	228,288	242,422
Financial assets at amortised cost (b)	—	—	100,395
	282,642	228,288	342,817
Total	665,650	632,458	763,489

(a) Financial assets at fair value through profit or loss

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current portion:			
Listed investment	83,937	99,137	—
Principal-protected structured notes	192,997	184,476	235,038
Structured deposits	101,258	90,560	30,240
Others	4,520	—	—
	382,712	374,173	265,278
Non-current portion:			
Unlisted investments	282,642	228,288	242,422
Total	665,354	602,461	507,700

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(b) Financial assets at amortised cost

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Current portion:			
Reverse repurchase of treasury bonds	—	29,997	150,045
Non-current portion:			
Fixed income certificates	—	—	100,395
Total	—	29,997	250,440

(c) Derivative financial instruments

	2023		As at 31 December 2024		2025	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward exchange contracts not designated as hedging instruments	296	1,010	—	—	82	264
Forward exchange contracts designated as hedging instruments	—	—	—	—	5,267	—
Total	296	1,010	—	—	5,349	264

The Company

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Current portion:			
Financial assets at fair value through profit or loss (a)	382,712	374,173	265,278
Financial assets at amortised cost (b)	—	29,997	150,045
Derivative financial instruments (c)	—	—	5,193
	382,712	404,170	420,516
Non-current portion:			
Financial assets at fair value through profit or loss (a)	118,640	72,480	85,831
Financial assets at amortised cost (b)	—	—	100,395
	118,640	72,480	186,226
Total	501,352	476,650	606,742

(a) Financial assets at fair value through profit or loss

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Current portion:			
Listed investments	83,937	99,137	—
Principal-protected structured notes	192,997	184,476	235,038
Structured deposits	101,258	90,560	30,240
Others	4,520	—	—
	382,712	374,173	265,278
Non-current portion:			
Unlisted investments	118,640	72,480	85,831
Total	501,352	446,653	351,109

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(b) Financial assets at amortised cost

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Current portion:			
Reverse repurchase of treasury bonds	—	29,997	150,045
Non-current portion:			
Fixed income certificates	—	—	100,395
Total	—	29,997	250,440

(c) Derivative financial instruments

	2023 Assets RMB'000	2023 Liabilities RMB'000	As at 31 December 2024 Assets RMB'000	As at 31 December 2024 Liabilities RMB'000	2025 Assets RMB'000	2025 Liabilities RMB'000
Forward exchange contracts not designated as hedging instruments	—	252	—	—	82	264
Forward exchange contracts designated as hedging instruments	—	—	—	—	5,111	—
Total	—	252	—	—	5,193	264

Derivative financial assets and liabilities are forward foreign exchange contracts as at 31 December 2023, 2024 and 2025. Their fair values were determined based on the difference between the bank’s forward exchange rate on those dates and the agreed settlement rate, or by comparing them with contracts of similar maturity based on their remaining terms.

Cash flow hedge — Foreign currency risk

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast sales in foreign currencies. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

The source of ineffectiveness is primarily the timing difference between the hedged transaction and the maturity of the hedging instrument.

21. DEFERRED TAX

The Group

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Tax losses RMB'000	Fair value adjustment of financial instruments RMB'000	Impairment of assets RMB'000	Payroll and welfare payable RMB'000	Accrued expense RMB'000	Deferred income RMB'000	Equity-settled share-based payment RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	60,723	5,162	28,305	504	8,149	3,057	5,340	159	111,399
Deferred tax credited/(charged) to profit or loss during the year	55,210	19,228	(5,547)	(504)	9,700	(735)	(4,321)	716	73,747
Deferred tax charged to other reserve during the year	—	—	—	—	—	—	(2,320)	—	(2,320)
Gross deferred tax assets at 31 December 2023 and 1 January 2024	115,933	24,390	22,758	—	17,849	2,322	(1,301)	875	182,826
Deferred tax credited/(charged) to profit or loss during the year	32,676	2,931	5,023	—	1,160	(48)	(308)	670	42,104
Deferred tax credited to other reserve during the year	—	—	—	—	—	—	1,609	—	1,609

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	Tax losses RMB'000	Fair value adjustment of financial instruments RMB'000	Impairment of assets RMB'000	Payroll and welfare payable RMB'000	Accrued expense RMB'000	Deferred income RMB'000	Equity-settled share-based payment RMB'000	Others RMB'000	Total RMB'000
Gross deferred tax assets at 31 December 2024 and 1 January 2025	148,609	27,321	27,781	—	19,009	2,274	—	1,545	226,539
Deferred tax (charged)/credited to profit or loss during the year	(24,190)	3,715	(4,536)	—	11,970	(1,174)	1,584	2,555	(10,076)
Gross deferred tax assets at 31 December 2025	124,419	31,036	23,245	—	30,979	1,100	1,584	4,100	216,463

Deferred tax liabilities

	Fair value adjustment of financial instruments RMB'000	Related depreciation in excess of depreciation allowance RMB'000	Unrealised profits/losses from intercompany transactions RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2023	12,931	2,934	3,861	—	19,726
Deferred tax charged/(credited) to profit or loss during the year	566	(481)	(3,861)	—	(3,776)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	13,497	2,453	—	—	15,950
Deferred tax (credited)/charged to profit or loss during the year	(271)	(1,561)	—	638	(1,194)
Gross deferred tax liabilities at 31 December 2024 and 1 January 2025	13,226	892	—	638	14,756
Deferred tax charged to profit or loss during the year	3,109	405	—	966	4,480
Deferred tax charged to other comprehensive income during the year	790	—	—	—	790
Gross deferred tax liabilities at 31 December 2025	17,125	1,297	—	1,604	20,026

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	180,373	225,009	212,878
Net deferred tax liabilities recognised in the consolidated statement of financial position	13,497	13,226	16,441

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December 2023 RMB'000	2024 RMB'000	2025 RMB'000
Tax losses	175,744	63,692	74,509
Deductible temporary differences	23,026	33,286	34,602
Total	198,770	96,978	109,111

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The Group had accumulated tax losses arising in the Chinese mainland of RMB169,189,000, RMB55,161,000 and RMB64,522,000 as at 31 December 2023, 2024 and 2025, respectively, that would expire in one to ten years for offsetting against future taxable profits. The Group had accumulated tax losses in the United States of RMB6,555,000, RMB8,531,000 and RMB9,987,000 in aggregate as at 31 December 2023, 2024 and 2025, respectively, which can be carried forward indefinitely to offset against future taxable profits of the entity in which the losses were incurred. Deferred tax assets have not been recognised with respect to tax losses and deductible temporary differences for certain subsidiaries as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Company

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Tax losses	Fair value adjustment of financial instruments	Impairment of assets	Accrued expense	Deferred income	Equity-settled share-based payment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	47,136	5,509	18,181	4,509	236	5,340	205	81,116
Deferred tax credited/(charged) to profit or loss during the year	39,651	18,766	(7,056)	4,288	382	(4,321)	(90)	51,620
Deferred tax charged to other reserve during the year	—	—	—	—	—	(2,320)	—	(2,320)
Gross deferred tax assets at 31 December 2023 and 1 January 2024	86,787	24,275	11,125	8,797	618	(1,301)	115	130,416
Deferred tax credited/(charged) to profit or loss during the year	34,853	3,046	6,181	4,508	(208)	(308)	1,635	49,707
Deferred tax credited to other reserve during the year	—	—	—	—	—	1,609	—	1,609
Gross deferred tax assets at 31 December 2024 and 1 January 2025	121,640	27,321	17,306	13,305	410	—	1,750	181,732
Deferred tax (charged)/credited to profit or loss during the year	(11,703)	3,715	(6,226)	8,349	(381)	1,043	1,097	(4,106)
Gross deferred tax assets at 31 December 2025	109,937	31,036	11,080	21,654	29	1,043	2,847	177,626

Deferred tax liabilities

	Fair value adjustment of financial instruments	Right-of-use assets	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2023	4,391	—	4,391
Deferred tax credited to profit or loss during the year	(4,391)	—	(4,391)
Gross deferred tax liabilities at 31 December 2023	—	—	—
Deferred tax charged to profit or loss during the year	—	1,746	1,746
Gross deferred tax liabilities at 31 December 2024	—	1,746	1,746
Deferred tax charged to profit or loss during the year	—	1,101	1,101
Deferred tax credited to other comprehensive income during the year	767	—	767
Gross deferred tax liabilities at 31 December 2025	767	2,847	3,614

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For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	130,416	179,986	174,012
Net deferred tax liabilities recognised in the consolidated statement of financial position	—	—	—

22. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	600,532	311,286	428,783
Work in progress	572,070	541,938	797,282
Finished goods	408,183	419,726	554,347
Goods in transit	184,770	243,008	245,935
	1,765,555	1,515,958	2,026,347
Less: Impairment for inventories	(89,205)	(114,960)	(86,124)
Total	1,676,350	1,400,998	1,940,223

As at 31 December 2023 and 2024 and 2025, inventories were stated at the lower of cost and net realisable value.

The movements in provision

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	69,979	89,205	114,960
Impairment losses recognised, net	49,055	76,108	64,244
Amounts written off	(29,829)	(50,353)	(93,080)
Carrying amount at the end of the year	89,205	114,960	86,124

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw materials	53,997	11,682	10,389
Work in progress	253,240	275,497	389,523
Finished goods	279,248	292,201	325,808
Goods in transit	173,256	211,630	171,497
	759,741	791,010	897,217
Less: Impairment for inventories	(53,798)	(91,620)	(51,665)
Total	705,943	699,390	845,552

The movements in provision

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year	40,489	53,798	91,620
Impairment losses recognised, net	34,474	66,360	44,520
Amounts written off	(21,165)	(28,538)	(84,475)
Carrying amount at the end of the year	53,798	91,620	51,665

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23. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	1,805,559	2,028,295	2,182,321
Impairment losses	(24,859)	(58,367)	(58,110)
Net carrying amount	1,780,700	1,969,928	2,124,211
Bills receivable:			
Bills receivables at fair value through other comprehensive income	286,227	288,496	554,079
Bills receivables at amortised cost	154,405	65,571	89,120
Net carrying amount	440,632	354,067	643,199
Total	2,221,332	2,323,995	2,767,410

The Group provides credit terms to certain customers with satisfactory creditworthiness and long-term relationships. The credit period is generally around 30 to 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the Group’s trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	2,210,800	2,316,390	2,766,565
1 to 2 years	10,487	4,091	670
2 to 3 years	45	3,482	78
Over 3 years	—	32	97
Total	2,221,332	2,323,995	2,767,410

The movements in the impairment of trade and bills receivables are as follows:

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	105,799	24,859	58,367
(Reversal of impairment)/impairment losses, net	(80,940)	33,508	(218)
Amount written off as uncollectible	—	—	(39)
At end of year	24,859	58,367	58,110

The Group applies the simplified approach in calculating ECLs for trade receivables. Trade receivables relating to customers that do not share similar credit risks with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade receivables are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the age of the balances, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence of macroeconomic conditions. The Group’s bills receivables aged within one year were neither past due nor impaired. The relevant banks issuing the bills are reputable financial institutions and the credit loss is expected to be minimal.

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Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

(RMB’000)	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
As at 31 December 2023							
<i>On a collective basis:</i>							
Expected credit loss rate	1%	10%	30%	50%	80%	100%	1%
Gross carrying amount	1,788,048	11,652	65	—	—	75	1,799,840
Expected credit losses	17,880	1,165	20	—	—	75	19,140
<i>On an individual basis:</i>							
Expected credit loss rate							100%
Gross carrying amount							5,719
Expected credit losses							5,719
(RMB’000)	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
As at 31 December 2024							
<i>On a collective basis:</i>							
Expected credit loss rate	1%	10%	30%	50%	80%	100%	1%
Gross carrying amount	1,974,790	4,545	4,975	65	—	—	1,984,375
Expected credit losses	19,748	454	1,493	33	—	—	21,728
<i>On an individual basis:</i>							
Expected credit loss rate							83%
Gross carrying amount							43,920
Expected credit losses							36,639
(RMB’000)	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
As at 31 December 2025							
<i>On a collective basis:</i>							
Expected credit loss rate	1%	10%	30%	50%	80%	100%	1%
Gross carrying amount	2,144,814	744	112	168	65	—	2,145,903
Expected credit losses	21,448	74	34	84	52	—	21,692
<i>On an individual basis:</i>							
Expected credit loss rate							100%
Gross carrying amount							36,418
Expected credit losses							36,418

Transferred financial assets that are derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group endorsed certain bank bills receivable in the Chinese mainland to certain of its suppliers in order to settle the trade payables due to such suppliers, and discounted certain bank bills receivable to banks in the Chinese mainland, (collectively, the “Derecognised Bills”), with carrying amounts in aggregate of RMB197,147,000, RMB161,134,000 and RMB118,957,000. In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills, the associated accounts payable and recognised discount charge.

The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Receivables is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

Transferred financial assets that are not derecognised in their entirety

At 31 December 2023, 2024 and 2025, the Group endorsed certain bills receivable accepted by banks in the Chinese mainland (the “Endorsed Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”) and discounted certain bank bills receivable to banks (the “Discounted Bills”) with carrying amounts of RMB32,416,000, RMB23,050,000 and RMB33,202,000, respectively. In the opinion of the directors, the Company has retained substantially all the risks and rewards, which include default risks relating to such Endorsed Bills and Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills, Discounted Bills, the associated accounts payable settled and the recognised bank borrowings.

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Subsequent to the Endorsement and Discounting, the Company did not retain any rights on the use of the Endorsed Bills and Discounted Bills, including the sale, transfer or pledge of the Endorsed Bills and Discounted Bills to any other third parties.

The Group’s bills receivables were all aged within six months and were neither past due nor impaired.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	1,369,353	1,614,693	1,623,094
Impairment losses	(20,252)	(23,666)	(22,123)
Net carrying amount	1,349,101	1,591,027	1,600,971
Bills receivables:			
Bills receivables at fair value through other comprehensive income	276,845	271,652	490,304
Bills receivables at amortised cost	125,769	114,406	155,455
Net carrying amount	402,614	386,058	645,759
Total	1,751,715	1,977,085	2,246,730

An ageing analysis of the Group’s trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	1,742,893	1,969,562	2,245,901
1 to 2 years	8,777	4,065	655
2 to 3 years	45	3,426	77
Over 3 years	—	32	97
Total	1,751,715	1,977,085	2,246,730

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	80,146	20,252	23,666
(Reversal of impairment)/Impairment losses, net	(59,894)	3,414	(1,543)
At end of year	20,252	23,666	22,123

Set out below is the information about the credit risk exposure on the Company’s trade receivables using a provision matrix:

(RMB'000)	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
As at 31 December 2023							
On a collective basis:							
Expected credit loss rate	1%	10%	30%	50%	80%	100%	1%
Gross carrying amount	1,353,817	9,752	65	—	—	—	1,363,634
Expected credit losses	13,538	975	20	—	—	—	14,533
On an individual basis:							
Expected credit loss rate							100%
Gross carrying amount							5,719
Expected credit losses							5,719

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(RMB'000)	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
As at 31 December 2024							
<i>On a collective basis:</i>							
Expected credit loss rate	1%	10%	30%	50%	80%	100%	1%
Gross carrying amount	1,599,497	4,517	4,895	65	—	—	1,608,974
Expected credit losses	15,993	452	1,469	33	—	—	17,947
<i>On an individual basis:</i>							
Expected credit loss rate							100%
Gross carrying amount							5,719
Expected credit losses							5,719

(RMB'000)	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
As at 31 December 2025							
<i>On a collective basis:</i>							
Expected credit loss rate	1%	10%	30%	50%	80%	100%	1%
Gross carrying amount	1,616,305	727	110	168	65	—	1,617,375
Expected credit losses	16,163	72	33	84	52	—	16,404
<i>On an individual basis:</i>							
Expected credit loss rate							100%
Gross carrying amount							5,719
Expected credit losses							5,719

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current:			
Prepayments to suppliers	23,511	14,162	7,144
Other taxes recoverable	69,487	117,459	117,433
Deposits	2,176	1,905	7,767
Other receivables	272	3,005	3,907
Sales rebate advanced to customers	—	25,729	14,144
Dividends receivables	—	160	—
Prepaid [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]
Others	3,325	622	—
	98,771	163,042	157,901
Impairment allowance	(799)	(837)	(974)
	97,972	162,205	156,927
Non-current:			
Prepayments for acquisitions of property, plant and equipment	54,869	63,008	11,601
	152,841	225,213	168,528

At the end of each of the Relevant Periods, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss. An impairment analysis was performed at the end of each of the Relevant Periods.

	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	1,303	799	837
Impairment (reversal)/loss, net	(504)	38	137
At end of year	799	837	974

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current:			
Prepayments to suppliers	1,723	407	890
Other tax recoverable	4,139	72,444	54,622
Deposits	261	200	6,020
Other receivables	57	2,198	1,601
Sales rebate advanced to customers	—	25,729	14,144
Dividends receivables	—	160	—
Prepaid [REDACTED] expense	[REDACTED]	[REDACTED]	[REDACTED]
	6,180	101,138	84,783
Impairment allowance	(65)	(42)	(76)
	6,115	101,096	84,707
Non-current:			
Long-term receivables	—	—	280
Prepayments for acquisitions of property, plant and equipment	5,439	4,466	845
	5,439	4,466	1,125
	11,554	105,562	85,832
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At beginning of year	523	65	42
Impairment (reversal)/loss, net	(458)	(23)	34
At end of year	65	42	76

25. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,282,876	1,776,819	2,316,020
Less:			
Current portion			
Restricted cash	—	—	536
Time deposits with original maturity over three months	—	267,804	1,090,429
Pledged deposits	471	10,121	43,333
Non-current portion			
Time deposits with original maturity over one year	—	458,222	252,638
Cash and cash equivalents	1,282,405	1,040,672	929,084

Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 31 December 2023, 2024 and 2025, time deposits amounting to nil, nil and RMB537,903,000, respectively, were pledged to banks as collateral for the issuance of bills payables.

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As at 31 December 2023, 2024 and 2025, bank deposits amounting to RMB471,000, RMB10,121,000 and RMB43,333,000, respectively, were pledged to banks for the issuance of bills and bank guarantees.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances			
Denominated in RMB	1,104,889	1,211,933	1,924,724
Denominated in USD	172,243	475,397	316,021
Denominated in EUR	5,744	89,489	75,275
Total	<u>1,282,876</u>	<u>1,776,819</u>	<u>2,316,020</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,134,244	1,220,074	1,472,958
Less:			
Current portion	—	—	1
Restricted cash	—	185,666	667,235
Time deposits with original maturity over three months	—	10,121	39,655
Pledged deposits	<u>471</u>	<u>10,121</u>	<u>39,655</u>
Non-current portion			
Time deposits with original maturity over one year.	<u>—</u>	<u>442,153</u>	<u>252,638</u>
Cash and cash equivalents	<u>1,133,773</u>	<u>582,134</u>	<u>513,429</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash and bank balances			
Denominated in RMB	1,072,302	1,027,214	1,358,197
Denominated in USD	60,490	127,679	43,030
Denominated in EUR	1,452	65,181	71,731
Total	<u>1,134,244</u>	<u>1,220,074</u>	<u>1,472,958</u>

26. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	560,318	507,936	650,034
Bills payables	<u>382,009</u>	<u>1,109,324</u>	<u>1,874,405</u>
Total	<u>942,327</u>	<u>1,617,260</u>	<u>2,524,439</u>

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	937,434	1,611,131	2,516,070
1 to 2 years	4,318	5,311	7,775
2 to 3 years	303	257	148
Over 3 years	<u>272</u>	<u>561</u>	<u>446</u>
Total	<u>942,327</u>	<u>1,617,260</u>	<u>2,524,439</u>

The trade payables are non-interest-bearing and are normally settled within 15 to 120 days upon receipt of the VAT invoice.

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The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	196,539	184,208	214,808
Bills payables	443,177	733,113	1,338,586
Total	639,716	917,321	1,553,394
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	639,302	916,846	1,551,771
1 to 2 years	122	130	1,292
2 to 3 years	292	53	3
Over 3 years	—	292	328
Total	639,716	917,321	1,553,394

27. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	64,027	66,841	91,647
Patent fees payable	80,972	115,992	180,965
Payable for endorsed bills receivables that are not derecognised	22,416	19,425	3,744
Other tax payables	44,309	27,525	22,691
Shares repurchase obligation	82,524	—	76,176
Advances lease payments from lessees	2,244	2,611	2,439
Payables for acquisitions of property, plant and equipment	54,492	89,677	150,474
Deposit payable	7,735	7,478	39,545
Rebates payables	22,359	9,688	21,826
Other payables	9,098	6,552	4,010
Total	390,176	345,789	593,517

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Payroll and welfare payable	31,541	35,999	41,622
Patent fees payable	56,767	80,876	126,427
Payable for endorsed bills receivables that are not derecognised	23,471	71,438	72,743
Other tax payables	9,342	7,758	8,956
Shares repurchase obligation	82,524	—	76,176
Advances lease payments from lessees	1,570	2,368	2,439
Payables for acquisitions of property, plant and equipment	7,311	7,359	26,400
Deposit payable	6,591	5,232	2,312
Discounts, allowances and rebates	9,097	6,257	15,935
Other payables	4,948	5,244	2,231
Total	233,162	222,531	375,241

Other payables are non-interest-bearing, unsecured and repayable on demand.

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28. CONTRACT LIABILITIES

The Group

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Advances received from customers for sales of goods	25,586	22,922	12,762

The Company

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Advances received from customers for sales of goods	16,147	2,521	6,013

29. INTEREST-BEARING BANK BORROWINGS

The Group

	As at 31 December 2023			As at 31 December 2024			As at 31 December 2025		
	Effective interest rate (%)	Maturity (year)	RMB'000	Effective interest rate (%)	Maturity (year)	RMB'000	Effective interest rate (%)	Maturity (year)	RMB'000
Current									
Bank loans — unsecured	2.32 to 2.51	2024	315,537	2.00 to 2.32	2025	181,301	2.11	2026	99,502
Current portion of non-current bank loans — unsecured	2.35 to 2.51	2024	212,523	2.00 to 2.30	2025	503,040	1.93 to 2.24	2026	483,030
			<u>528,060</u>			<u>684,341</u>			<u>582,532</u>
Non-current									
Bank loans — unsecured*	2.35 to 2.51	2025 to 2026	699,000	2.00 to 2.38	2026	360,000	1.90 to 2.24	2027	739,100
Total			<u>1,227,060</u>			<u>1,044,341</u>			<u>1,321,632</u>

All borrowings are denominated in RMB.

* The Group’s certain non-current bank borrowings are subject to the fulfilment of covenants relating to financial metrics, such as the debt-to-asset ratio, current ratio, credit rating, net assets, and net profit. The Group has complied with the those covenants during the Relevant Periods.

An analysis of the maturity of borrowings is as follows:

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Analysed into:			
Within one year	528,060	684,341	582,532
In the second year	539,000	360,000	739,100
In the third to fifth years, inclusive	160,000	—	—
Total	<u>1,227,060</u>	<u>1,044,341</u>	<u>1,321,632</u>

The Company

	As at 31 December 2023			As at 31 December 2024			As at 31 December 2025		
	Effective interest rate (%)	Maturity (year)	RMB'000	Effective interest rate (%)	Maturity (year)	RMB'000	Effective interest rate (%)	Maturity (year)	RMB'000
Current									
Bank loans — unsecured	2.32 to 2.51	2024	215,537	2.00 to 2.30	2025	3,625	2.11	2026	89,497
Current portion of non-current bank loans — unsecured	2.35 to 2.51	2024	207,360	2.00 to 2.30	2025	357,803	2.06 to 2.24	2026	38,351
			<u>422,897</u>			<u>361,428</u>			<u>127,848</u>
Non-current									
Bank loans — unsecured	2.35 to 2.51	2025 to 2026	464,000	2.00 to 2.16	2026	115,000	1.90 to 2.24	2027	671,500
Total			<u>886,897</u>			<u>476,428</u>			<u>799,348</u>

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An analysis of the maturity of borrowings is as follows:

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Analysed into:			
Within one year	422,897	361,428	127,848
In the second year	399,000	115,000	671,500
In the third to fifth years, inclusive	65,000	—	—
Total	886,897	476,428	799,348

30. DEFERRED INCOME

The Group

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Non-current Asset-related grants*	8,216	17,862	15,808
Current Asset-related grants*	2,054	2,054	2,054
Reimbursement of future expenses	5,212	6,943	1,170
	7,266	8,997	3,224
Total	15,482	26,859	19,032

The Company

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Reimbursement of future expenses	4,120	2,736	190

* The asset-related grants were the subsidies received from the government in relation to the Group’s property, plant and equipment.

31. SHARE CAPITAL AND TREASURE SHARES

The Group and the Company

Share capital

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Issued and fully paid:			
Ordinary shares of RMB1.00 each	1,111,758	1,099,041	1,099,041

A summary of movements in the Company’s share capital is as follows:

	Notes	Number of shares in issue	Share capital RMB'000
At 1 January 2023		1,112,368,051	1,112,368
Cancellation of shares	(a)	(610,000)	(610)
At 31 December 2023 and 1 January 2024		1,111,758,051	1,111,758
Cancellation of shares	(c)	(12,717,000)	(12,717)
At 31 December 2024, 1 January 2025 and at 31 December 2025		1,099,041,051	1,099,041

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Treasure shares

	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Treasure shares	185,125	173,382	167,157

A summary of movements in the Company’s treasury shares is as follows:

	Notes	Number of treasury shares	Treasury shares RMB'000
At 1 January 2023		33,687,000	265,286
Cancellation of shares	(a)	(610,000)	(4,240)
Shares vested under a share incentive plan and a share ownership plan	(b)	(11,360,000)	(75,921)
At 31 December 2023 and 1 January 2024		21,717,000	185,125
Cancellation of shares	(c)	(12,717,000)	(87,641)
Repurchase of shares	(d)	13,799,893	75,898
At 31 December 2024 and 1 January 2025		22,799,893	173,382
Shares granted under a share ownership plan	(e)	(10,835,800)	(82,401)
Share repurchase obligation recognised	(e)	10,835,800	76,176
At 31 December 2025		22,799,893	167,157

Notes:

- (a) The Company cancelled 610,000 shares, resulting in a reduction of share capital and share premium account by RMB610,000 and RMB3,569,000, respectively.
- (b) Treasury shares were issued to eligible participants upon their fulfillment of the vesting conditions under the Share Incentive Plan and Share Options Plan (as defined in note 32).
- (c) The Company cancelled 12,717,000 shares, resulting in a reduction of share capital and share premium account by RMB12,717,000 and RMB42,594,000, respectively. The repurchased shares have been subsequently cancelled.
- (d) The Company repurchased an aggregate of 13,799,893 shares on the open market for a total consideration of approximately RMB75,898,000 to reserve for the share incentive plan.
- (e) The Company granted 10,835,800 shares to certain eligible participants at a grant price of RMB7.03 per share. The Company is subject to a repurchase obligation in respect of unvested shares or shares held by participants who fail to satisfy the applicable vesting conditions.

32. SHARE-BASED PAYMENTS

The Company operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the schemes include the Company’s directors, supervisors, senior management and other key employees of the Group who, in the opinion of the board of directors, contribute directly to the overall business performance and sustainable development of the Group.

The incentive plans mainly include Share Options Plan, Share Incentive Plan, 2022 A Share Ownership Plan and 2025 A Share Ownership Plan as set out below.

Share Options Plan

On 10 July 2020, a resolution was passed during the Company’s extraordinary shareholders’ meeting which authorised and approved a share options plan (“Share Options Plan”) with the purpose of incentivising the management members and core employees of the Group to further promote the development and recognise their contributions. Under the Share Options Plan, the Company granted a total of 17,300,000 of the Company’s share options to the eligible participants. Eligible participants had the right to purchase each Company’s share at a price of RMB6.37. The vesting conditions were that the Group must achieve either of the following:

- (i) a revenue growth rate of not less than 5% in 2020, 2021 and 2022, based on 2019 revenue, or
- (ii) a net profit growth rate of not less than 20% in 2020, 2021 and 2022, based on 2019 net profit.

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The following share options were outstanding under the 2020 Share Options Plan:

	exercise price RMB per share	Number of options
At 1 January 2023	6.78	4,287,000
Forfeited during the year	6.07	(360,000)
Exercised during the year	6.07	(3,927,000)
At 31 December 2023, 2024 and 2025	—	—

The exercise price of RMB6.07 per share was modified according to the adjustment clause of the Share Options Plan as a result of dividend declared of RMB1 per 10 shares by the Company in May 2023.

Share Incentive Plan

On 5 September 2022, a restricted share incentive plan (the “Share Incentive Plan”) was approved by the Company’s shareholders’ meeting. The eligible participants of the Share Incentive Plan were the directors, senior management (excluding independent directors and supervisors), and core technical (business) personnel of the Group who had a direct impact on or had made outstanding contributions to the Group’s business results and ongoing development. The shares issued to eligible participants were restricted to be transferred during the vesting periods (the “Restricted shares”).

Under the Share Incentive Plan, the Company granted a total of 21,000,000 Restricted Shares to eligible participants. Five participants in this share incentive plan waived their subscription rights to for the 10,000 Restricted Shares granted. The Company completed the initial grant of 20,400,000 restricted shares at a grant price of RMB6.95 per share, and 590,000 Restricted Shares were reserved for subsequent grants.

The Restricted Shares were subject to a restriction on sale by the eligible participants for a maximum period of 36 months from the grant dates and the vesting conditions were that the Group must achieve the following for the years 2022, 2023 and 2024 respectively:

- (i) a net profit growth rate not less than 20% or a revenue growth rate of not less than 20% in 2022, based on 2021 net profit or revenue;
- (ii) a net profit growth rate not less than 45% or a revenue growth rate of not less than 45% in 2023, based on 2021 net profit or revenue;
- (iii) a net profit growth rate of not less than 75% or a revenue growth rate of not less than 75% in 2024, based on 2021 net profit or revenue; and

The Company is required to repurchase the Restricted Shares granted at the original subscription price should the eligible participants fail to fulfill the vesting and performance condition

The difference between the fair value of the Restricted Shares granted and the subscription price was recognised in the share-based payment reserve within equity with the corresponding “share-based payment expenses” in profit or loss.

The Restricted Shares granted to eligible participants under the 2022 Share Incentive Plan are set out below.

Grant date	Number of Restricted Shares granted	Subscription price RMB per share	Fair values on the grant date RMB per share
5 September 2022	20,400,000	6.95	12.06

The fair value of the Restricted Shares granted was determined on the basis of open market value at the grant date in Shanghai Stock Exchange.

In 2024, the Share Incentive Plan was cancelled and the conditions were regarded as vested immediately, and hence the remaining unrecognised share-based payment expense of RMB17,564,000 was recognised in profit or loss.

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The shares granted to eligible participants subject to transferal restriction under the Share Incentive Plan were as follows:

	Number of Restricted Shares
At 1 January 2023	20,400,000
Forfeited during the year	(610,000)
Release of restriction upon vesting	<u>(7,916,000)</u>
At 31 December 2023 and 1 January 2024	11,874,000
Cancelled during the year	<u>(11,874,000)</u>
At 31 December 2024 and 2025	<u><u>—</u></u>

2022 A Share Ownership Plan

Pursuant to a 2022 A Share Ownership Plan (the “2022 ESOP”) approved by the Company’s shareholders at the extraordinary shareholders’ meeting with the purpose of incentivizing the management members and core employees of the Group to further promote the development and recognize their contributions. The Company granted 2,838,061 A shares to certain eligible participants on 5 September 2022. The grant price was RMB6.95 per share. The vesting period for the shares granted was 12 months from grant date.

The difference between the fair value of the shares granted and the subscription price was recognized in the share-based payment reserve within equity with the corresponding “share-based payment expenses” in profit or loss.

The shares granted to eligible participants under the 2022 ESOP are set out below.

Grant date	Number of shares granted	Subscription price RMB per share	Fair value of underlying shares RMB per share
5 September 2022	2,838,061	6.95	12.06

The fair value of the shares granted was determined on the basis of open market value at the grant date in Shanghai Stock Exchange.

The granted shares were subject to a restriction on sale by the eligible participants for a maximum period of 12 months from the grant date and the vesting condition was that the Group must achieve a net profit growth rate of not less than 20% or a revenue growth rate of not less than 20% in 2022, based on 2021 net profit or revenue.

The shares granted to eligible participants subject to transferal restrictions under the 2022 ESOP were as follows:

	Number of shares
At 1 January 2023	2,838,061
Forfeited during the year	(420,000)
Vested	<u>(2,418,061)</u>
At 31 December 2023, 2024 and 2025	<u><u>—</u></u>

2025 A Share Ownership Plan

Pursuant to a 2025 A Share Ownership Plan (the “2025 ESOP”) approved by the extraordinary shareholders’ meeting with the purpose of incentivizing the management members and core employees of the Group to further promote the development and recognize their contributions. The Company granted 10,835,800 shares to certain eligible participants on 23 October 2025. The grant price was RMB7.03 per share. The vesting period for the shares granted were 12 months, 24 months and 36 months from grant date.

The difference between the fair value of the shares granted and the subscription price was recognized in the share-based payment reserve within equity with the corresponding “share-based payment expenses” in profit or loss.

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The shares granted to eligible participants under the 2025 ESOP are set out below:

Grant date	Number of shares granted	Subscription price RMB per share	Fair value of underlying shares RMB per share
23 October 2025	10,835,800	7.03	13.79

The fair value of the shares granted was determined on the basis of open market value at the grant date in Shanghai Stock Exchange.

The vesting of the shares was subject to the achievement of certain performance targets of the Group. Specifically, for the first vesting period, the Group must achieve a net profit attributable to shareholders of the Company (excluding the impact of share-based payments) of not less than RMB300 million for 2025 and the sales volume of finished products in 2025 must increase by not less than 10% compared with 2024. For the second vesting period, the aggregate net profit attributable to shareholders of the Company (excluding the impact of share-based payments) for 2025 and 2026 must not be less than RMB650 million and the sales volume of finished products in 2026 must increase by not less than 21% compared with 2024. For the third vesting period, the aggregate net profit attributable to shareholders of the Company (excluding the impact of share-based payments) for 2025, 2026 and 2027 must not be less than RMB1,050 million and the sales volume of finished products in 2027 must increase by not less than 33% compared with 2024.

The shares granted to eligible participants subject to transferal restrictions under the 2025 ESOP were as follows:

	Number of shares
At 1 January 2025	—
Granted during the year	10,835,800
At 31 December 2025	10,835,800

Share-based payment expenses relating to employees recognized for the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cost of sales	—	—	2,458
Administrative expenses	44,800	17,564	6,899
Selling and distribution expenses	—	—	1,192

33. RESERVES

The Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(i) Special reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety of the Chinese mainland, the Group is required to appropriate an amount from retained earnings to a safety production reserve at different rates ranging from 0.25% to 2.35% of the total revenue derived from manufacturing for the year. The reserve can be applied for safety improvements of manufacturing facilities, and the amounts are generally expenses in nature and charged to the profit or loss as incurred, and the corresponding amounts of the safety production reserve fund are transferred back to retained earnings until such special reserve is fully utilised.

(ii) Share-based payments reserve

The share-based payment reserve represents the equity-settled share awards as set out in note 32 to the Historical Financial Information

(iii) Statutory surplus reserve

In accordance with the Company Law of the Chinese mainland, the companies registered in the Chinese mainland are required to allocate 10% of the after tax profits to the statutory surplus reserve until the cumulative total of the reserve reaches 50% of the companies’ registered capital. Subject to approval from the relevant authorities, the statutory surplus reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory surplus reserve is not available for dividend distribution to equity holders.

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(iv) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group’s presentation currency.

(v) Cash flow hedge reserve

Cash flow hedge reserve represents the effective portion of changes in the fair value of hedging instruments designated as cash flow hedges that are recognised in other comprehensive income. The amounts accumulated in the reserve will be reclassified to profit or loss when the hedged transactions affect profit or loss.

The Company

The amounts of the Company’s reserves and the movements therein are presented as below:

	Share premium RMB'000	Share- based payments reserve RMB'000	Statutory surplus reserve RMB'000	Cash flow hedge reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2023	1,386,306	30,425	402,289	—	—	2,722,190	4,541,210
Loss for the year	—	—	—	—	—	(289,798)	(289,798)
Total comprehensive loss for the year	—	—	—	—	—	(289,798)	(289,798)
Equity settled share based compensation	—	42,480	—	—	—	—	42,480
Cancellation of shares	(3,569)	—	—	—	—	—	(3,569)
Shares vested under a share incentive plan and a share ownership plan	61,528	(61,528)	—	—	—	—	—
Dividends declared	—	—	—	—	—	(109,908)	(109,908)
As at 31 December 2023 and 1 January 2024	1,444,265	11,377	402,289	—	—	2,322,484	4,180,415
Profit for the year	—	—	—	—	—	52,670	52,670
Total comprehensive income for the year	—	—	—	—	—	52,670	52,670
Equity settled share based compensation	—	19,173	—	—	—	—	19,173
Transfer from retained profits	—	—	5,267	—	—	(5,267)	—
Cancellation of shares	(73,144)	—	—	—	—	—	(73,144)
Cancellation of a share incentive plan	30,550	(30,550)	—	—	—	—	—
Dividends declared	—	—	—	—	—	(55,096)	(55,096)
As at 31 December 2024 and 1 January 2025	1,401,671	—	407,556	—	—	2,314,791	4,124,018
Profit for the year	—	—	—	—	—	296,024	296,024
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	4,345	—	—	4,345
Total comprehensive income for the year	—	—	—	4,345	—	296,024	300,369
Equity settled share based compensation	3,593	6,956	—	—	—	—	10,549
Transfer from retained profits	—	—	29,602	—	—	(29,602)	—
Shares granted under a share ownership plan	(6,225)	—	—	—	—	—	(6,225)
Share of other equity changes of an associate	—	—	—	—	24,695	—	24,695
Dividends declared	—	—	—	—	—	(53,812)	(53,812)
Others	—	1,852	—	—	—	—	1,852
As at 31 December 2025	<u>1,399,039</u>	<u>8,808</u>	<u>437,158</u>	<u>4,345</u>	<u>24,695</u>	<u>2,527,401</u>	<u>4,401,446</u>

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34. BUSINESS COMBINATION

In 2023, the Group contributed additional capital to acquire additional 30% equity interest in Ningbo Yunkai Magnet Industry Co., Ltd. whose business is processing of magnetic materials. Upon completion of the acquisition, Ningbo Yunkai Magnet Industry Co., Ltd. became a non-wholly owned subsidiary of the Company.

The fair values of the identifiable assets and liabilities of Ningbo Yunkai Magnet Industry Co., Ltd as at the date of acquisition were as follows:

	<i>Notes</i>	Fair value recognised on acquisition RMB’000
Property, plant and equipment	14	27,804
Intangible assets	16	21
Other non-current assets		830
Cash and bank balances		81
Trade receivables		15,245
Prepayments and other receivables		538
Inventory		9,695
Trade payables		(12,663)
Accruals and other payables		(2,930)
Total identifiable net assets at fair value		38,621
Non-controlling interests		(26,248)
Goodwill on acquisition	13	1,314
Satisfied by fair value of interest in an associate previously held		13,687

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	2023 RMB’000
Cash consideration	—
Cash and bank balances acquired	81
Net inflow of cash and cash equivalents included in cash flows from investing activities	81
Total net cash inflow	81

Since the acquisition, Ningbo Yunkai Magnetic Industry Co., Ltd. has contributed RMB20,739,000 to the Group’s revenue and loss of RMB10,880,000 to the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB20,804,000 and RMB672,000, respectively.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of nil, RMB9,239,000, and 9,984,000, respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Interest- bearing bank borrowings RMB’000	Lease liabilities RMB’000	[REDACTED] expense payables RMB’000	Shares repurchase obligation RMB’000
At 1 January 2023	1,963,232	—	[REDACTED]	141,780
Changes from financing cash flows	(777,399)	—	[REDACTED]	(4,240)
Interest expense	41,227	—	[REDACTED]	—
Restricted shares	—	—	[REDACTED]	(55,016)
Dividends declared	—	—	[REDACTED]	—

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	Interest-bearing bank borrowings RMB'000	Lease liabilities RMB'000	[REDACTED] expense payables RMB'000	Shares repurchase obligation RMB'000
At 31 December 2023	1,227,060	—	[REDACTED]	82,524
Changes from financing cash flows	(208,702)	(5,267)	[REDACTED]	(82,524)
New leases	—	9,239	[REDACTED]	—
Endorsed Receivables matured	(6,374)	—	[REDACTED]	—
Interest expense	32,357	282	[REDACTED]	—
Dividends declared	—	—	[REDACTED]	—
At 31 December 2024	1,044,341	4,254	[REDACTED]	—
Changes from financing cash flows	253,086	(4,339)	[REDACTED]	76,176
New leases	—	9,984	[REDACTED]	—
[REDACTED] expense	—	—	[REDACTED]	—
Interest expense	27,830	85	[REDACTED]	—
Endorsed Receivables matured	(3,625)	—	[REDACTED]	—
Dividends declared	—	—	[REDACTED]	—
At 31 December 2025	1,321,632	9,984	[REDACTED]	76,176

(c) **Total cash outflow for leases**

The total cash outflow for leases included in the consolidated statements of cash flows were as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within operating activities	3,009	1,329	1,470
Within financing activities	—	5,267	4,339
Total	3,009	6,596	5,809

36. COMMITMENTS AND CONTINGENT LIABILITIES

(a) **The Group had the following contractual commitments at the end of the each of Relevant Periods:**

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Contracted, but not provided for:			
Acquisition of property, plant and equipment	245,259	216,347	135,212
Capital contribution	50,000	50,000	35,000
	295,259	266,347	170,212

(b) **Contingent Liabilities**

In 2024, an independent third party commenced arbitration proceedings against the Company at the Singapore International Arbitration Centre, claiming outstanding fees of approximately US\$11.8 million with damages of approximately US\$33.5 million for an alleged breach of certain agreements. As at the date of this report, the arbitration proceedings were ongoing. The Company’s directors have considered relevant facts and circumstance related to the relevant agreements and provision of RMB181.0 million has been made for relevant fees and damages up to 31 December 2025.

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37. RELATED PARTY TRANSACTIONS

The directors are of the opinion that the following parties are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Names of related parties and their relationship with the Group

Name	Relationship with the Group
韻昇控股集團有限公司* (Yunsheng Holding Group Co., Ltd.)* and its subsidiaries	Immediate holding company of the Company
寧波健信超導科技股份有限公司* (Ningbo Jansen NMR Technology Co., Ltd.)	An associate
寧波韻昇智能技術有限公司* (Ningbo Yunsheng Intelligent Technology Co., Ltd.)	An associate
寧波韻豪金屬材料有限公司* (Ningbo Yunhao Metal Materials Co., Ltd.)	An associate
寧波韻祥磁業有限公司* (Ningbo Yunxiang Magnetic Industry Co., Ltd.)	An associate
寧波韻泰磁業有限公司* (Ningbo Yuntai Magnetic Industry Co., Ltd.)	An associate
寧波韻合磁業有限公司* (Ningbo Yunhe Magnetic Industry Co., Ltd.)	An associate
寧波市鄞州區潤聲管理諮詢有限公司* (Ningbo Yinzhou Runsheng Management Consulting Co., Ltd.)	An associate
中韻礦業發展有限公司* (Zhongyun Mining Development Co., Ltd.)	An associate
寧波韻凱磁業有限公司* (Ningbo Yunkai Magnetic Industry Co., Ltd.)	Subsidiary (an associate prior to August 2023)
寧波韻昇電驅動技術有限公司* (Ningbo Yunsheng Motor Technologies Co., Ltd.)	Fellow subsidiary
寧波韻昇伺服科技有限公司* (Ningbo Yunsheng Servo Technology Co., Ltd.)	Fellow subsidiary
寧波韻聲機芯製造有限公司* (Ningbo Yunsheng Musical Movement Manufacturing Co., Ltd.)	Fellow subsidiary
寧波韻昇音樂禮品有限公司* (Ningbo Yunsheng Musical Gift Co., Ltd.)	Fellow subsidiary
寧波韻昇汽車電機系統有限公司* (Ningbo Yunsheng Auto Electric, Inc.)	Fellow subsidiary
日興(寧波)電機有限公司* (Rixing (Ningbo) Motor Co., Ltd.)	Fellow subsidiary
寧波日耕貿易有限公司* (Ningbo Nikko Trade Co., Ltd.)	Fellow subsidiary
江蘇太湖能源裝備有限公司* (Jiangsu Taihu Energy Equipment Co., Ltd.)	Fellow subsidiary
寧波韻昇智能軟件有限公司* (Ningbo Yunsheng Intelligent Software Co., Ltd.)	Fellow subsidiary
寧波韻昇物業管理服務有限公司* (Ningbo Yunsheng Property Management Service Co., Ltd.)	Fellow subsidiary
寧波韻昇新能源電機有限公司* (Ningbo Yunsheng New Energy Motor Co., Ltd.)	Fellow subsidiary
江蘇太湖鍋爐股份有限公司* (Jiangsu Taihu Boiler Co., Ltd.)	Fellow subsidiary

* The English names of all companies registered in the Chinese mainland represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

(b) Transactions with related parties:

The following transactions and balances were carried out between the Group and its related parties during the Relevant Periods. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and on terms negotiated between the Group and the respective related parties. The Group has the following transactions with related parties:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Purchase of products and services			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	11,724	10,039	22,451
Ningbo Yunkai Magnetic Industry Co., Ltd.	18,762	—	—
Ningbo Yunhe Magnetic Industry Co., Ltd.	23,637	39,332	34,538
Ningbo Yunxiang Magnetic Industry Co., Ltd.	34,214	36,315	41,657

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	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Ningbo Yuntai Magnetic Industry Co., Ltd.	22,704	33,623	6,595
Ningbo Yunhao Metal Materials Co., Ltd.	17,564	26,679	30,701
	<u>128,605</u>	<u>145,988</u>	<u>135,942</u>
Purchase of equipment			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	1,941	13,001	4,326
	<u>—</u>	<u>—</u>	<u>468</u>
Expenses related to house leasing			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	—	—	468
	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>130,546</u>	<u>158,989</u>	<u>140,736</u>
Sales of products and services			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	25,569	14,436	8,408
Ningbo Jansen NMR Technology Co., Ltd.	61,323	48,216	42,142
Ningbo Yunxiang Magnetic Industry Co., Ltd.	213	—	—
Ningbo Yunhe Magnetic Industry Co., Ltd.	—	117	—
Ningbo Yunhao Metal Materials Co., Ltd.	—	2	—
	<u>87,105</u>	<u>62,771</u>	<u>50,550</u>
Sales of equipments			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	19	1	—
	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>87,124</u>	<u>62,772</u>	<u>50,550</u>
Rental income from leasing of property			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	19,120	22,555	28,679
	<u>—</u>	<u>—</u>	<u>—</u>
Rental income from leasing of equipment			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	51	10	62
Ningbo Yunhao Metal Materials Co., Ltd.	8	5	5
	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>19,179</u>	<u>22,570</u>	<u>28,746</u>
(c) Outstanding balances with related parties:			
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Balances relating to trade activities			
Trade and bills receivables			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	14,315	3,304	5,381
Ningbo Jansen NMR Technology Co., Ltd.	—	10,863	8,400
Ningbo Yunhao Metal Materials Co., Ltd.	—	6	—
	<u>14,315</u>	<u>14,173</u>	<u>13,781</u>
Prepayments for long term assets			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	1,224	—	603
	<u>—</u>	<u>—</u>	<u>—</u>
Advanced to suppliers			
Jiangsu Taihu Energy Equipment Co., Ltd	—	—	38
Ningbo Yunhao Metal Materials Co., Ltd.	—	—	137
	<u>—</u>	<u>—</u>	<u>175</u>

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	2023 RMB'000	As at 31 December 2024 RMB'000	2025 RMB'000
Trade payables			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	—	7,542	3,828
Ningbo Yunhao Metal Materials Co., Ltd.	9,734	9,565	13,576
Ningbo Yunhe Magnetic Industry Co., Ltd.	14,213	15,120	17,552
Ningbo Yunxiang Magnetic Industry Co., Ltd.	15,445	8,744	17,298
Ningbo Yuntai Magnetic Industry Co., Ltd.	13,688	9,410	264
	<u>53,080</u>	<u>50,381</u>	<u>52,518</u>
Contract liabilities			
Ningbo Jansen NMR Technology Co., Ltd.	8,789	—	—
Other payables			
Yunsheng Holding Group Co., Ltd. and its subsidiaries	1,092	50	—
Balances relating to non-trade activities			
Dividend receivable			
Ningbo Yinzhou Runsheng Management Consulting Co., Ltd.	—	160	—

As at 31 December 2023 and 2024 and 2025, the balances due to related companies were non-interest-bearing, unsecured and repayable on demand.

(d) Compensation of key management personnel of the Group

	2023 RMB'000	Year ended 31 December 2024 RMB'000	2025 RMB'000
Salaries, bonuses, allowances and benefits in kind	5,835	6,711	5,841
Performance related bonuses	1,415	1,201	1,711
Share-based payments	10,148	142	1,499
Pension scheme contributions and social welfare	711	778	646
Total compensation paid to key management personnel	<u>18,109</u>	<u>8,832</u>	<u>9,697</u>

Further details of directors’, the chief executive’s and supervisors’ emoluments are included in note 8 to the Historical Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

The Group

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	—	—	4,974	4,974
Financial investments	665,354	—	—	665,354
Derivative instruments	296	—	—	296
Trade and bills receivables	—	286,227	1,935,105	2,221,332
Pledged deposits	—	—	471	471

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	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Cash and cash equivalents	—	—	1,282,405	1,282,405
Total	665,650	286,227	3,222,955	4,174,832

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	942,327	942,327
Financial liabilities included in other payables and accruals	—	279,596	279,596
Interest-bearing bank borrowings	—	1,227,060	1,227,060
Derivative instruments	1,010	—	1,010
Total	1,010	2,448,983	2,449,993

As at 31 December 2024

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	—	—	4,855	4,855
Time deposits	—	—	726,026	726,026
Pledged deposits	—	—	10,121	10,121
Financial investments	602,461	—	29,997	632,458
Trade and bills receivables	—	288,496	2,035,499	2,323,995
Cash and cash equivalents	—	—	1,040,672	1,040,672
Total	602,461	288,496	3,847,170	4,738,127

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	1,617,260
Financial liabilities included in other payables and accruals	248,812
Interest-bearing bank borrowings	1,044,341
Total	2,910,413

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As at 31 December 2025

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Hedging instruments designated in cash flow hedges RMB'000	Total RMB'000
Financial assets included in prepayments, deposits and other receivables	—	—	10,700	—	10,700
Time deposits	—	—	1,343,067	—	1,343,067
Pledged deposits	—	—	43,333	—	43,333
Restricted cash	—	—	536	—	536
Financial investments	507,700	—	250,440	—	758,140
Derivative financial instruments	82	—	—	5,267	5,349
Trade and bills receivables	—	554,079	2,213,331	—	2,767,410
Cash and cash equivalents	—	—	929,084	—	929,084
Total	507,782	554,079	4,790,491	5,267	5,857,619

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	—	2,524,439	2,524,439
Financial liabilities included in other payables and accruals	—	476,740	476,740
Interest-bearing bank borrowings	—	1,321,632	1,321,632
Derivative instruments	264	—	264
Total	264	4,322,811	4,323,075

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, short-term interest-bearing bank borrowings, financial liabilities included in other payables and accruals, derivative financial instruments, lease liabilities and amounts due to related companies approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current portion of time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group invests in derivative financial instruments financial investments at fair value through profit or loss, which represent listed equity investments, principal-protected structured notes, structured deposits issued by banks and unlisted equity investments in the Chinese mainland.

The Group has estimated the fair value of these structured deposits and principal-protected structured notes using appropriate valuation techniques, including discounted cash flow method and Monte Carlo simulation method, as applicable, at the end of each of the Relevant Periods.

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The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted investments measured at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book (“P/B”) multiple or price to earnings (“P/E”) multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with good credit ratings. Derivative financial instruments, including forward currency contracts, foreign currency swaps and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts, foreign currency swaps and interest rate swaps are the same as their fair values. The fair value of forward exchange contracts is determined by discounting future cash flows using forward exchange rates.

The non-current portion of interest-bearing bank borrowings approximates to their carrying amounts mainly due to the floating interest rate.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss				
Unlisted equity investments	Market approach	Average P/B multiple of peers	31 December 2023: 53.6%–65.5% 31 December 2024: 24.7%–30.2% 31 December 2025: 23.3%–28.5%	1% increase or decrease in multiple would result in increase or decrease in fair value by RMB760,000. 1% increase or decrease in multiple would result in increase or decrease in fair value by RMB397,000. 1% increase or decrease in multiple would result in increase or decrease in fair value by RMB338,000.
Investments in limited partnerships	Net asset value approach	Net assets		/ The higher the net asset value, the higher the valuation.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value

As at 31 December 2023

	Fair value measurement using			Total RMB’000
	Quoted prices in active markets (Level 1) RMB’000	Significant observable inputs (Level 2) RMB’000	Significant unobservable inputs (Level 3) RMB’000	
Trade and bills receivables				
Including: Bills receivables at fair value through other comprehensive income	—	286,227	—	286,227
Financial investments and derivative instruments				
Including: Financial assets at fair value through profit or loss	83,937	298,775	282,642	665,354
Derivative financial instruments	—	296	—	296
Total	83,937	585,298	282,642	951,877

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As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade and bills receivables				
Including: Bills receivables at fair value through other comprehensive income	—	288,496	—	288,496
Financial investments and derivative instruments				
Including: Financial assets at fair value through profit or loss	99,137	275,036	228,288	602,461
Total	<u>99,137</u>	<u>563,532</u>	<u>228,288</u>	<u>890,957</u>

As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Trade and bills receivables				
Including: Bills receivables at fair value through other comprehensive income	—	554,079	—	554,079
Financial investments and derivative instruments				
Including: Financial assets at fair value through profit or loss	—	265,278	242,422	507,700
Derivative financial instruments	—	5,349	—	5,349
Total	<u>—</u>	<u>824,706</u>	<u>242,422</u>	<u>1,067,128</u>

The movements in fair value within Level 3 during the Relevant Periods are as follows:

	Unlisted equity investments RMB'000
Financial assets at fair value through profit or loss	
At 1 January 2023	329,551
Decreases	(8,121)
Changes in fair value of financial assets at fair value through profit or loss	<u>(38,788)</u>
At 31 December 2023 and 1 January 2024	282,642
Decreases	(10,601)
Changes in fair value of financial assets at fair value through profit or loss	<u>(43,753)</u>
At 31 December 2024 and 1 January 2025	228,288
Increases	14,438
Changes in fair value of financial assets at fair value through profit or loss	<u>(304)</u>
At 31 December 2025	<u>242,422</u>

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

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ACCOUNTANTS’ REPORT

Liabilities measured at fair value

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	—	1,010	—	1,010

As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	—	264	—	264

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise interest-bearing bank borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables, other receivables, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s non-current debt obligations with a floating interest rate. The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts.

If the interest rate of bank and other borrowings had increased/decreased by 5% and all other variables were held constant, the loss before tax of the Group, through the impact on floating rate borrowings, would have increased/decreased by approximately RMB1,355,000, RMB1,129,000 and RMB1,376,000 for the Relevant Periods, respectively.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies. The Group principally conducts business in RMB, and is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in currencies that are not the functional currencies of the relevant group entities.

The following table demonstrates the sensitivity at the end of the relevant period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group’s profit/(loss) before tax (arising from foreign currency denominated financial instruments) and the Group’s equity (due to changes in the fair value of forward exchange contracts designated as hedging instruments).

	Increase/ (decrease) in foreign exchange rate %	Increase/ (decrease) in profit/(loss) before tax RMB'000	Increase/ (decrease) in equity RMB'000
Year end 31 December 2023			
If RMB weakens against USD	5	22,803	—
If RMB strengthens against USD	(5)	(22,803)	—
If RMB weakens against EUR	5	3,981	—
If RMB strengthens against EUR	(5)	(3,981)	—

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	Increase/ (decrease) in foreign exchange rate %	Increase/ (decrease) in profit/(loss) before tax RMB'000	Increase/ (decrease) in equity RMB'000
Year end 31 December 2024			
If RMB weakens against USD	5	34,466	—
If RMB strengthens against USD	(5)	(34,466)	—
If RMB weakens against EUR	5	11,500	—
If RMB strengthens against EUR	(5)	(11,500)	—
Year end 31 December 2025			
If RMB weakens against USD	5	55,934	—
If RMB strengthens against USD	(5)	(55,934)	—
If RMB weakens against EUR	5	9,231	(263)
If RMB strengthens against EUR	(5)	(9,231)	263

Credit risk

The Group only offers credit terms to recognised and creditworthy customers. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific verification procedures.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables					
Including: Trade receivables*	—	—	—	1,805,559	1,805,559
Bills receivables at fair value through other comprehensive income	—	—	—	154,405	154,405
Financial assets included in prepayments, deposits and other receivables					
— Normal**	5,773	—	—	—	5,773
Pledged deposits					
— Not yet past due	471	—	—	—	471
Cash and cash equivalents					
— Not yet past due	1,282,405	—	—	—	1,282,405
Total	1,288,649	—	—	1,959,964	3,248,613

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables					
Including: Trade receivables*	—	—	—	2,028,295	2,028,295
Bills receivables at fair value through other comprehensive income	—	—	—	65,571	65,571

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	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Financial assets included in prepayments, other receivables and other assets					
— Normal**	5,692	—	—	—	5,692
Time deposits					
— Not yet past due	726,026	—	—	—	726,026
Pledged deposits					
— Not yet past due	10,121	—	—	—	10,121
Financial assets at amortised cost in Financial investments					
— Not yet past due	29,997	—	—	—	29,997
Cash and cash equivalents					
— Not yet past due	1,040,672	—	—	—	1,040,672
Total	1,812,508	—	—	2,093,866	3,906,374

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and bills receivables					
Including: Trade receivables*	—	—	—	2,182,321	2,182,321
Bills receivables at fair value through other comprehensive income	—	—	—	89,120	89,120
Financial assets included in prepayments, other receivables and other assets					
— Normal**	11,674	—	—	—	11,674
Restricted cash					
— Not yet past due	536	—	—	—	536
Time deposits					
— Not yet past due	1,343,067	—	—	—	1,343,067
Pledged deposits					
— Not yet past due	43,333	—	—	—	43,333
Financial assets at amortised cost					
— Not yet past due	250,440	—	—	—	250,440
Cash and cash equivalents					
— Not yet past due	929,084	—	—	—	929,084
Total	2,578,134	—	—	2,271,441	4,849,575

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

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The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	31 December 2023			
	Within 1 year or on demand RMB’000	1 to 5 years RMB’000	Over 5 years RMB’000	Total RMB’000
Interest-bearing bank borrowings	545,496	715,555	—	1,261,051
Trade and bills payables	942,327	—	—	942,327
Financial liabilities included in other payables and accruals	279,596	—	—	279,596
Derivative financial instruments	1,010	—	—	1,010
Total	1,768,429	715,555	—	2,483,984
	31 December 2024			
	Within 1 year or on demand RMB’000	1 to 5 years RMB’000	Over 5 years RMB’000	Total RMB’000
Interest-bearing bank borrowings	697,425	362,266	—	1,059,691
Trade and bills payables	1,617,260	—	—	1,617,260
Financial liabilities included in other payables and accruals	248,812	—	—	248,812
Lease liabilities	4,339	—	—	4,339
Total	2,567,836	362,266	—	2,930,102
	31 December 2025			
	Within 1 year or on demand RMB’000	1 to 5 years RMB’000	Over 5 years RMB’000	Total RMB’000
Interest-bearing bank borrowings	604,248	746,321	—	1,350,569
Trade and bills payables	2,524,439	—	—	2,524,439
Financial liabilities included in other payables and accruals	476,740	—	—	476,740
Lease liabilities	3,475	6,950	—	10,425
Derivative financial instruments	264	—	—	264
Total	3,609,166	753,271	—	4,362,437

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. As at 31 December 2023, 2024 and 2025, the Group’s debt-to-asset ratios were 31%, 34% and 42%, respectively.

41. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to the shareholders’ resolution on 8 May 2026, the Company proposed and declared to distribute a cash dividend of RMB0.1 (tax inclusive) for each ordinary share, amounting to RMB108,708,000, to all shareholders whose names were registered in the register of members and were entitled to participate in the distribution on the record date in respect of the year ended 31 December 2025.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2025.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

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APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

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APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

TAXATION OF SECURITY HOLDERS

Income tax and capital gains tax of holders of the H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of the H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws in force and practices, and has not taken in to account any expected change or adjustment to the relevant laws or policies, and does not provide any opinion or advice. The discussion does not cover all possible tax consequences resulting from an [REDACTED] in the H shares, nor does it take into account the specific circumstances of any particular [REDACTED], some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an [REDACTED] in the H shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, all of which are subject to change or adjustment and may have retrospective effect. This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital gains tax and profits tax, sales tax, value-added tax, stamp duty and estate duty. Potential [REDACTED] are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of the H shares.

Taxation In the PRC

Tax on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法), (the “**Individual Income Tax Law**”), promulgated by the Standing Committee of the National People’s Congress on 1 September 1980, last amended on 31 August 2018 and effective on 1 January 2019, and the Implementation Rules of the Individual Income Tax Law of the People’s Republic of China (中華人民共和國個人所得稅法實施條例) last amended by the State Council on 18 December 2018 and effective on 1 January 2019, dividends paid by domestic companies in the PRC to individual investors are ordinarily subject to a withholding income tax levied at a flat rate of 20%. Meanwhile, according 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稅政策有關問題的通知) jointly issued by the Ministry of Finance, the State Administration of Taxation and China Securities Regulatory Commission on 7 September 2015 and effective on 8 September 2015, where an individual holds the shares of a listed company obtained from the public offering for more than one year and transfers the stock of the listed company on the stock market, the dividend and bonus income shall be temporarily exempted from individual income tax. Where an individual acquires shares of a listed company from the public offering and transfers the stock of the listed company on the stock market, 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%.

Pursuant to the Notice on Issues Concerning Individual Income Tax Administration Following the Repeal of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知》(國稅函[2011]348號)), promulgated and implemented on 28 June 2011 by the State Administration of Taxation, dividends received by non-resident individuals holding H-shares are generally subject to a 10% withholding tax rate for Chinese individual income tax, depending on whether the jurisdiction of the non-resident individual H-share holder has signed an applicable tax treaty with Mainland China and the provisions of the tax arrangement between Mainland China and Hong Kong. If the non-resident individual holder is a resident of a jurisdiction that does not have a tax treaty with Mainland China, we are required to withhold income tax at a rate of 20% for distributing dividends.

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), or the EIT Law, issued on 3 March 2007 and last amended by the NPC and effective on 29 December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例)(“the EIT Law”), issued on 6 December 2007, last amended by the State Council on 6 December 2024 and effective on 20 January 2025, the enterprise income tax rate is 25%. A non-resident enterprise is subject to a 10% enterprise income tax on PRC-sourced income, including dividends received from a PRC resident enterprise, if such non-resident enterprise does not have an establishment or place of business in the PRC or has an establishment or place of business in the PRC but the PRC-sourced income is not actually connected with such establishment or place of business in the PRC. 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 payment or due payment every time it is paid or due.

Pursuant to the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Which Are Overseas Non-resident Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) issued by the State Administration of Taxation and effective on 6 November 2008, a PRC resident enterprise is required to withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise holders of H Shares which are derived out of profit generated since 2008. The Reply on the Collection of Enterprise Income Tax 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覆) promulgated by the State Administration of Taxation and effective 24 July 2009 further provides that PRC-resident enterprises listed on Chinese and overseas stock exchanges by issuing stocks (including A shares, B shares and overseas shares) must withhold enterprise income tax 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 government has concluded with a relevant jurisdiction, where applicable.

According to the Arrangement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (對所得避免雙重徵稅和防止偷漏稅的安排) (the “Arrangement”) signed on 21 August 2006, the PRC government may impose tax on dividends paid by a PRC 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 PRC company. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第五議定書), which came into effect on 6 December 2019, introduced criteria for qualifying for treaty benefits. Notwithstanding any other provisions of the Arrangement, treaty benefits under this criterion shall not be granted where the relevant income, having regard to all relevant facts and circumstances, is reasonably considered to be one of the main purposes of an arrangement or transaction designed to generate any direct or indirect benefit under the Arrangement, unless granting such benefits in that circumstance is consistent with the relevant objectives and purposes of the Arrangement. The implementation of the dividend provisions of tax treaties shall comply with the provisions of Chinese tax laws and regulations, such as the Notice of the State Administration of Taxation on Issues Concerning the Implementation of Dividend Provisions in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知).

APPENDIX III

TAXATION AND FOREIGN EXCHANGE

Tax Treaties

Non-resident investors residing in jurisdictions that have signed double taxation prevention treaties or adjustments with the PRC may enjoy Chinese corporate income tax relief on dividends received from Chinese companies. China currently has double taxation treaties or arrangements with numerous countries and regions, including the Hong Kong Special Administrative Region, the Macao Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the UK, and the US. Non-resident enterprises entitled to preferential tax rates under such treaties or arrangements must apply to the Chinese tax authorities for a refund of the portion of corporate income tax paid in excess of the agreed rate, subject to approval by the Chinese tax authorities.

Tax related to equity transfer income

Value-Added Tax and Local Surcharges

Pursuant to the Notice on Fully Implementing the Pilot Program for Replacing Business Tax with Value-Added Tax (關於全面推開營業稅改征增值稅試點的通知) (“**Notice 36**”), effective 1 May 2016, entities and individuals engaged in the sale of services within the PRC are subject to VAT. “Engaged in the sale of services within China” refers to situations where either the seller or buyer of taxable services is located within China. Notice 36 also stipulates that for general or foreign VAT taxpayers, the transfer of financial products, including the transfer of ownership of securities, is subject to a 6% VAT on taxable income (i.e., the balance of the selling price minus the purchase price). However, the Notice of the Ministry of Finance and the State Administration of Taxation on Certain VAT Exemption Policies for Individual Financial Product Transactions (財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知), effective on 1 January 2009, also stipulates that individuals are exempt from VAT on the transfer of financial products. Pursuant to these provisions, if the holder is a non-resident individual, they are exempt from Chinese VAT when selling or disposing of H-shares. If the holder is a non-resident enterprise and the buyer of the H-shares is an individual or entity located outside China, the holder is not required to pay Chinese VAT. However, if the buyer is an individual or entity located within China, the holder may be liable for Chinese VAT. Nevertheless, uncertainty remains regarding whether non-resident enterprises are actually required to pay Chinese VAT upon disposal of H-shares.

Additionally, VAT taxpayers are also subject to the urban maintenance and construction tax, education surcharges, and local education surcharges (collectively referred to as “**Local Surcharges**”), typically amounting to 12% of the actual VAT, business tax, and consumption tax (if applicable) payable.

Income Tax

Individual Investors

Under the Individual Income Tax Law, individuals are subject to individual income tax at a rate of 20% on gains realized on the transfer 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 State Administration of Taxation and became effective on 20 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. Under the latest revised Individual Income Tax Law, the State Administration of Taxation has not explicitly stipulated whether the exemption from taxation on income derived from the transfer of shares in listed companies by individuals will continue.

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However, according to the Notice on Issues Concerning the Collection of Individual Income Tax on Income from the Transfer of Restricted Shares of Listed Companies by Individuals (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) jointly issued by the Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission on 31 December 2009, and effective on the same date, gains from the transfer of listed shares acquired through public offerings of listed companies and the secondary markets of the Shanghai stock exchange and the Shenzhen stock exchange shall continue to be exempt from individual income tax, except for shares subject to the sale restrictions defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Gains 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 above-mentioned authorities on 10 November 2010. As of the Latest Practicable Date, the aforementioned provisions do not explicitly address whether individual income tax is levied on non-resident individuals transferring shares of Chinese resident enterprises listed on overseas stock exchanges.

Enterprise Investors

Under the EIT Law, a non-resident enterprise is subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforementioned income tax payable by non-PRC resident enterprises is subject to source withholding, and the payer is the withholding agent. The tax shall be withheld by the withholding agent from the due payment. Such tax may be reduced or exempted under applicable tax treaties or arrangements.

Shanghai-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 Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on 31 October 2014 and effective on 17 November 2014, transfer spread income derived by mainland enterprise investors from stock investment listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be included in their total income and subject to enterprise income tax according to law. For dividends and bonuses received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-share companies shall apply to CSDCC for providing the register of mainland individual investors 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 Continuing the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (關於繼續執行滬港、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 Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on 4 December 2019 and effective on 5 December 2019 and the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告) which was promulgated on 21 August 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2027.

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Pursuant to the Notice on 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), dividends derived by mainland enterprises investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect are included in their total income and subject to Enterprise Income Tax according to law. H-share companies listed on the Hong Kong Stock Exchange shall apply to CSDCC for the provision of a list of mainland enterprise investors. H-share companies shall not withhold dividend income tax on behalf of mainland enterprise investors, and the tax payable shall be declared and paid by the enterprises themselves. When mainland enterprise investors file and pay corporate income tax, they may apply for tax credits in accordance with the law for dividend income tax withheld and paid by non-H-share listed companies on the Hong Kong Stock Exchange.

Stamp Duty

According to the Stamp Duty Law of the People’s Republic of China (中華人民共和國印花稅法), which was promulgated by the Standing Committee of the National People’s Congress on 10 June 2021 and came into effect on 1 July 2022, the purchase and disposal of H Shares by non-mainland China investors outside of the mainland China is not subject to the requirements of the Stamp Duty Law of the People’s Republic of China.

Estate duty

According to PRC law, no estate duty is currently levied in the PRC.

Principal Taxes of the Company in China

Please refer to the “**Regulatory Overview**” section of the Document.

Foreign Exchange

The Renminbi is the legal currency of the PRC. The State Administration of Foreign Exchange, authorized by the People’s Bank of China (“PBOC”), has the authority to manage all matters relating to foreign exchange, including the implementation of foreign exchange regulations.

According to the Foreign Exchange Administration Regulations of the People’s Republic of China (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996, and last amended and effective on 5 August 2008, all international payments and transfers are classified into current account and capital account. Transactions under the current account must undergo reasonable verification by financial institutions engaged in foreign exchange conversion and sale operations regarding the authenticity of transaction documents and their consistency with foreign exchange receipts and payments. Such transactions are subject to supervision and inspection by foreign exchange regulatory authorities. For capital account transactions, foreign institutions and individuals making direct investments within the PRC must register with the foreign exchange administration after obtaining approval from the relevant competent authorities. Foreign exchange earnings from overseas may be transferred to China or retained abroad. Foreign exchange and foreign exchange settlement funds in the capital account may only be used for purposes approved by the competent authorities and foreign exchange administration authorities. When a significant imbalance in international earnings and expenses or a major national economic crisis occurs or is likely to occur, the state may take necessary safeguard and control measures regarding international balances.

Pursuant to the Regulations on the Management of Exchange Settlement, Sale of Foreign Exchange, and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) promulgated by the PBOC on 20 June 1996, and effective 1 July 1996, while abolishing other restrictions on foreign exchange conversion for current account items, existing restrictions on foreign exchange transactions for capital account items remain in effect.

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Under relevant Chinese laws and regulations, Chinese enterprises (including foreign-invested enterprises) requiring foreign exchange for current account transactions may make payments through foreign exchange accounts opened at designated foreign exchange banks without prior approval from foreign exchange authorities, provided they submit valid transaction receipts and supporting documents. Foreign-invested enterprises requiring foreign exchange to distribute profits to shareholders, and Chinese enterprises (such as the Company) required to pay dividends to shareholders in foreign exchange under relevant regulations, may make payments from their foreign exchange accounts at designated foreign exchange banks or exchange and pay through designated foreign exchange banks based on resolutions regarding profit distribution passed by their boards of directors or shareholders’ meetings.

Pursuant to the State Council’s Decision on Canceling and Adjusting a Batch of Administrative Approval Projects (國務院關於取消和調整一批行政審批項目等事項的決定) issued on 23 October 2014, SAFE and its branches no longer require approval for repatriating overseas funds raised from foreign shareholders of foreign-invested enterprises to renminbi accounts within China and conducting exchange settlement.

Pursuant to the Notice on Issues Concerning Foreign Exchange Management for Overseas Listings (關於境外上市外匯管理有關問題的通知) issued by SAFE on 26 December 2014, and effective on the same date, domestic companies must register their overseas listing with the local branch of SAFE in their place of incorporation within 15 working days from the date of completion of the overseas listing issuance. Funds raised through overseas listings by domestic companies may be repatriated to domestic accounts or retained in overseas accounts, with the use of funds consistent with the document and other disclosure documents.

Pursuant to the Notice on Further Simplifying and Improving Foreign Exchange Management Policies for Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) issued by SAFE on 13 February 2015, effective 1 June 2015, and partially repealed on 30 December 2019, foreign exchange registration approvals for domestic direct investment and foreign direct investment are directly reviewed and processed by banks. SAFE and its branches exercise indirect supervision over foreign exchange registration for direct investment through banks.

Pursuant to the Regulations on Foreign Exchange Administration for Domestic Direct Investment by Foreign Investors (外國投資者境內直接投資外匯管理規定) (“SAFE Circular 21”), issued by SAFE on 10 May 2013, effective 13 May 2013, amended on 10 October 2018, and partially repealed on 30 December 2019, SAFE or its local branches shall manage foreign investors’ direct investment within China through registration procedures. Banks shall process foreign exchange transactions related to direct investment within China based on registration information provided by SAFE or its branches.

Pursuant to the Notice on Reforming the Management Approach for Foreign Exchange Capital Conversion of Foreign-Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) (“SAFE Circular 19”), promulgated on 30 March 2015, effective on 1 June 2015, and partially repealed on 30 December 2019, foreign-invested enterprises may convert foreign exchange capital at their discretion based on actual operational needs. Foreign-invested enterprises shall not use RMB-converted foreign exchange capital for: (a) expenditures outside the enterprise’s business scope or prohibited by laws and regulations; (b) direct or indirect securities investments; (c) granting entrusted loans (except where permitted within the business scope), repaying inter-company loans (including third-party advances), or repaying bank RMB loans that have been on-lent to third parties; and (d) purchasing real estate not for self-use (except for real estate enterprises).

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According to the Notice on Revolutionize and Regulate Capital Account Settlement Management Policies (關於改革和規範資本項目結匯管理政策的通知) issued and implemented by the SAFE on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment by the SAFE in due time in accordance with international revenue and expenditure situations.

Pursuant to the Notice on Further Promoting Cross-Border Trade Facilitation (關於進一步促進跨境貿易便利化的通知) issued by SAFE on 23 October 2019, effective on the same date and partially amended on 24 December 2023, restrictions on domestic equity investments using capital contributions of non-investment foreign-invested enterprises have been lifted. Additionally, restrictions on the use and exchange of funds in domestic asset liquidation accounts have been lifted, and restrictions on the use and exchange of foreign investors’ margin deposits have been relaxed. Eligible enterprises in pilot regions are permitted to use capital contributions, foreign debt, and capital account income from overseas listings for domestic payments without requiring prior submission of authenticity documentation to banks on a transaction-by-transaction basis. Such fund usage must be true and compliant, and must comply with current regulations on the management of capital account income usage.

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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

This appendix contains an overview of certain significant differences between Chinese corporate and securities laws and regulations, the PRC Company Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Companies Ordinance, as well as additional regulatory requirements of the Stock Exchange concerning PRC joint stock limited companies. The principal objective of this summary is to provide potential [REDACTED] with an overview of the principal laws and regulations applicable to us. This summary is not intended to include all the information which may be important to the potential [REDACTED]. For a discussion of specific laws and regulations governing the businesses of our Company, please refer to the “Regulatory Overview” section in this document.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) (the “**Constitution**”), and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of state departments, rules and regulations of local governments, and international treaties and other regulatory documents signed by the PRC government. Court decisions do not constitute binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People’s Republic of China (中華人民共和國立法法) (the “**Legislation Law**”), which was last amended by the NPC on 13 March 2023 and became effective on 15 March 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 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 autonomous regions for approval before implementation.

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 should 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, commissions, PBOC, NAO of the State Council and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

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The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or 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 National People’s Congress 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 which 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 which contravene the Constitution and the Legislation Law; the State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments; the people’s congresses of provinces, autonomous regions 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 and effective on 10 June 1981, where further clarification or supplementary provisions are required regarding the provisions of laws and regulations themselves, the SCNPC shall provide interpretations or stipulate them by decree. Where issues arise concerning the specific application of laws and regulations in court adjudication, the Supreme People’s Court shall provide interpretations. Where interpretations by the Supreme People’s Court and the Supreme People’s Procuratorate involve fundamental differences, they shall be submitted to the SCNPC for interpretation or decision. Matters concerning the specific application of laws and statutes not pertaining to judicial or procuratorial work shall be interpreted by the State Council and the competent departments.

Where the provisions of local regulations need 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.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of the PRC of Organization of the People’s Courts (中華人民共和國人民法院組織法) last amended by the SCNPC on 26 October 2018 and becoming effective on 1 January 2019, the People’s Court is made up of the Supreme People’s Court, the local people’s courts, and special people’s courts. The local people’s courts are 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 of the state.

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The Supreme People’s Court shall supervise the administration of justice 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 SCNPC on 26 October 2018 and taking effect on 1 January 2019, the People’s Procuratorate is the law supervision organ 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 courts at the next 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 PRC Civil Procedure Law (中華人民共和國民事訴訟法), or the Civil Procedure Law, last amended by the SCNPC on 1 September 2023 and effective on 1 January 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 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, in any case, the choice of people’s court by the parties shall not violate the provisions on jurisdictional hierarchy and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must have the same litigation rights and obligations as a PRC citizen, legal person and other organizations when initiating or defending any proceedings at a people’s court. If a foreign court limits the litigation rights of PRC citizens, legal persons and other entities, the PRC People’s Court may apply the same principles to the litigation rights of the citizens, enterprises and entities of such foreign country. A foreign individual, a person without nationality, a foreign enterprise and an entity must engage a PRC lawyer if such person needs to engage a lawyer in initiating or defending any proceedings at a people’s court. Under an international treaty or the principle of reciprocity signed or acceded to by the PRC, the people’s court and foreign courts may require each other to act on their behalf to serve documents, conduct investigations, collect evidence and take other litigation actions on behalf of each other. If the matters requested to assist by a foreign court would result in the violation of the PRC’s sovereignty, security or public interest, the people’s court shall decline the request.

All parties must comply with legally effective civil judgments and rulings. If any party to a civil action refuse to comply with a judgment or order made by a people’s court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people’s court for enforcement

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within two years. Suspension or disruption of the time limit for applying for such enforcement shall comply with the provisions of the applicable law concerning the suspension or disruption of the time-barring of actions.

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 legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

THE PRC COMPANY LAW, TRIAL MEASURES OF OVERSEAS LISTING AND GUIDELINES FOR ARTICLES OF ASSOCIATION

A joint stock limited company established in the PRC seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following laws and regulations of the PRC.

The Company Law (公司法) was last amended on 29 December 2023 and came into effect on 1 July 2024.

The Trial Measures of Overseas Listing (境外上市試行辦法) and its five interpretative guidelines promulgated by the CSRC on 17 February 2023 came into effect on 31 March 2023 and were applicable to the direct and indirect overseas issues, listing and trading of securities by domestic companies.

According to the Trial Measures of Overseas Listing and its interpretative guidelines, where a domestic company directly offering and listing 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”) last amended by CSRC and effective on 28 March 2025.

Set out below is a summary of the major provisions of the Company Law, the Trial Measures of Overseas Listing and the Guidelines for Articles of Association which are 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 a company is limited to the full value of all the property owned by it.

A joint stock limited company must conduct its business in accordance with laws and regulations, in compliance with public and commercial ethics and the principle of honesty and integrity, and under the supervision of the government and the public. A company may invest in other companies. The laws stipulate that a company cannot be the capital contributor who has the joint liabilities associated with the debts of the invested enterprises.

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.

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The promoters that incorporate the joint stock company 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 general meeting shall be held only when shareholders holding a majority of the voting rights are present. The convening and voting procedures for the founding meeting of a joint-stock limited company established by way of initiation shall be stipulated by agreement among the initiators. 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 with an intellectual property rights, land use rights, shareholding or claims.

The Trial Measures of Overseas Listing provides that domestic enterprises that are listed 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 issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at 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 Trial Measures of Overseas Listing, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain shareholder information and other information.

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’ general 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 existing shareholders, if any. If no par value stock is issued, over half of the proceeds from the issuance of the new stocks shall be included into 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.

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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’ general 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’ general 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 general 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 meeting attended by more than two-thirds of the directors in accordance with the provisions of the articles of association or the authorization from the general 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 a 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 established exchange 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 general meeting or 5 days prior to the record date for a company’s distribution of dividends. However, if any law specifies otherwise for the modification of the register of shareholders of a listed company, such provisions should prevail.

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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 accompany 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 period.

Shareholders

Under the Company Law and Guidelines for Articles of Association the rights of a shareholder of ordinary shares of a joint stock limited company include:

- to attend or appoint a proxy to attend shareholders’ general meetings and to exercise voting rights;
- to transfer shares in accordance with laws, administrative regulations and the provisions of the articles of association;
- to inspect the company’s articles of association, share register, counterfoil of company debentures, minutes of shareholder’s general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company’s operations;
- Shareholders shall have the right to request the People’s Court to revoke resolutions passed at shareholders’ meetings or board meetings that violate the articles of association;
- Shareholders shall receive dividends and other forms of profit distribution in proportion to their shareholdings;
- Upon termination or liquidation of the company, participate in the distribution of the company’s residual assets in proportion to their shareholding; and
- Other rights conferred by laws, administrative regulations, other normative documents, and the company’s articles of association.
- Shareholders’ obligations include complying with the company’s articles of association, paying subscription amounts according to their subscribed shares and capital contribution methods, bearing the company’s debts and liabilities within the scope of their subscribed shareholdings, and fulfilling any other shareholder obligations stipulated in the company’s articles of association.

Shareholder’s General Meetings

Under the Company Law, the shareholders’ general meeting of a joint stock limited company is made up of all shareholders. The shareholders’ general 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.

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Under the Company Law, annual shareholders’ general meetings are required to be held once every year. An extraordinary shareholders’ general 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; (v) the supervisory committee proposes to convene the meeting; (vi) other circumstances as stipulated in the articles of association.

Shareholders’ general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

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’ general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders’ general 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’ general 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 general 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 extraordinary general 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 general meeting of shareholders. The board of directors shall notify other shareholders within two days after receiving the proposal and submit the contents of the interim proposal at the general meeting for consideration.

Under the Company Law, a shareholder may entrust a proxy to attend a shareholders’ general 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’ general meeting.

Under the Company Law, shareholders present at a shareholders’ general 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’ general meeting in accordance with the provisions of the articles of association or the resolutions of the shareholders’ general 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’ general meeting, and shareholders may consolidate their voting rights when casting a vote.

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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’ general 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.

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 office shall 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 noticed 10 days before the meeting for every meeting. The Board 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; (ix) 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; (x) to formulate a company’s basic management system; (xi) other functions and powers specified in the articles of association or granted by the shareholders’ meeting.

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 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 offence 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) persons who were legal representatives 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.

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The board of directors shall have one chairman, who shall be elected by more than half of all the directors. The chairman shall exercise the following functions and powers (including but not limited to): (i) to preside over shareholders’ general meetings and convene and preside over board meetings; (ii) to examine the implementation of resolutions of the Board; (iii) to exercise other powers conferred by the Board.

The Supervisory Committee

A joint-stock limited company may establish an audit committee consisting of directors within the board of directors in accordance with its articles of association to exercise the powers of the supervisory committee as stipulated in the Company Law, without the need to establish a supervisory committee.

A joint-stock limited company that is relatively small in scale or has a relatively small number of shareholders may not establish a supervisory committee, but shall appoint one supervisor to exercise the powers of the supervisory committee as prescribed by this Law.

With the exception of the above two cases, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee 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 supervisory committee shall be democratically elected by the company’s employees at the employee representative assembly, employee general meeting or otherwise. Directors or senior management may not act concurrently as supervisors.

The supervisory committee shall have one chairperson and may have one vice chairperson. The chairperson and vice chairperson of the supervisory committee shall be elected by a majority vote of all supervisors. The chairperson of the supervisory committee shall convene and preside over meetings of the supervisory committee. If the chairman of the supervisory committee is unable to perform or fails to perform his or her duties, the vice chairman shall convene and preside over meetings of the supervisory committee. If the vice chairman is unable to perform or fails to perform his or her duties, a supervisor jointly nominated by a majority of supervisors shall convene and preside over meetings of the supervisory committee.

The term of office for supervisors shall be three years per term, and they may be re-elected for consecutive terms. If supervisors are not re-elected upon the expiration of their term, or if a supervisor resigns during their term resulting in the number of supervisory committee members falling below the statutory minimum, the original supervisors shall continue to perform their duties in accordance with laws, administrative regulations, and the Articles of Association until the newly elected supervisors assume office.

The supervisory committee shall convene at least once every six months. Pursuant to the Company Law, resolutions of the supervisory committee shall be adopted by a majority vote of all supervisors.

The supervisory committee exercises the following powers:

- To review the company’s financial affairs;
- To supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or resolutions of shareholders’ general meetings;
- To demand rectification by a director or senior management when relevant acts are harmful to the company’s interest;

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- To propose the convening of extraordinary general meetings, and to convene and preside over shareholders’ general meetings when the Board fails to perform the duty of convening and presiding over shareholders’ general meetings under the Company Law;
- To submit proposals to the shareholders’ general meeting;
- To initiate legal proceedings against directors and senior management;
- Other functions and powers specified in the articles of association; and
- Supervisors may attend board meetings and may raise questions or make suggestions regarding matters decided by the board.

If the supervisory committee discovers abnormal business operations, it may conduct investigations; when necessary, it may engage an accounting firm to assist in its work, with the costs borne by the company.

Pursuant to the Guidelines for the Articles of Association, the company’s board of directors shall establish an audit committee to exercise the supervisory powers prescribed by the Company Law.

Managers and Senior Management

Under the Company Law, a company should have a manager who is appointed or removed by the board of directors. The manager exercises his/her functions and powers according to the Articles of Association or the authorization of the board of directors. Where the Articles of Association provide otherwise for the powers of the manager, such provisions shall prevail.

The manager attends the meetings of the board of directors as a non-voting member. Unless a manager also serves as a director, he or she shall have no voting rights at board meetings.

According to the Company Law, senior management shall refer to the manager, deputy manager(s), financial controller, secretary of the board of directors (in the case of a listing company) 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:

- embezzling the company’s property or misappropriating of the company’s capital;
- depositing the company’s capital into accounts under his own name or the name of other individuals;
- giving bribes or accepting any other illegal proceeds by taking advantage of their power;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company;
- other acts in violation of 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 should report the matters relating to the conclusion of the contract or transaction to the board of directors or shareholders’ meeting, subject to the

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approval of the board of directors or shareholders 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, i.e. reporting to the board of directors or shareholders’ meeting matters related to the conclusion of contracts or transactions, and obtain approval through resolutions of the board of directors or shareholders’ meeting in accordance with the Articles of Association.

Neither director, supervisor or senior management may 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:

- 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;
- where the company cannot make use of the business opportunity as stipulated by 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 may 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 duties resulting in any loss to the company shall be personally liable for the damages to the company. The Guidelines for the Articles of Association stipulate that directors and senior management of the company owe a duty of loyalty and diligence to the company. For example, directors shall exercise the powers conferred by the company prudently, conscientiously, and diligently to ensure that the company’s business activities comply with national laws, administrative regulations, and various economic policies, and that such activities do not exceed the scope of business specified in the company’s business license. Directors shall treat all shareholders equally. Shareholders shall be promptly informed of the company’s operational and management status. Directors and senior management must sign written confirmation opinions on the company’s periodic reports and ensure the disclosed information is true, accurate, and complete. Directors and senior management shall provide accurate information and materials to the supervisory committee and shall not interfere with the supervisory committee or supervisors in the performance of their duties. Directors and senior management shall also fulfill other duties prescribed by laws, administrative regulations, departmental rules, and the Articles of Association.

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 a 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.

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Under the Company Law, 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 general meeting of shareholders. A joint stock limited company issuing its shares in public must 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. The company can no longer withdraw statutory reserve fund if it has accumulated to more than 50% of the registered capital. 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 general meeting or the shareholders’ general meeting.

A joint stock limited company may distribute profits in proportion to the number of shares held by its shareholders, except for profit distributions that are not in proportion to the number of shares held in accordance with the provisions of the Articles of Association of the joint stock limited company.

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 losses of the company, expand the production and operation of the company or increase the capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can 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 Retirement 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’ general meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm. The company should 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 guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Profit Distribution

Pursuant to the Company Law, the company shall not distribute profits before offsetting losses and setting aside statutory reserves.

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Amendment of Articles of Association

Any amendment to the company’s articles of association must follow the procedures stipulated therein. If involving registered matters, the company must apply for registration changes with the registration authority. Pursuant to the Company Law, resolutions to amend the articles of association passed by the shareholders’ meeting must be approved by shareholders holding more than two-thirds of the voting rights present at the meeting.

Pursuant to the Guidelines for the Articles of Association, a company shall amend its articles of association in any of the following circumstances: (i) where provisions of the articles of association conflict with amended laws and/or administrative regulations following amendments to the Company Law or other applicable laws or administrative regulations; (ii) where changes in the company’s circumstances result in inconsistencies with the content recorded in the articles of association; and (iii) where the shareholders’ meeting resolves to amend the articles of association.

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 general meeting or the shareholders’ general 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 business license is ordered to be closed or 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 with the support of the judgment.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the company is dissolved in accordance with sub-paragraph (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’ general meeting. Where the company is dissolved pursuant to sub-paragraphs (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.

The liquidation group fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people’s court to designate relevant persons to form a liquidation group. The people’s court shall accept such request and organize a liquidation group to carry out the liquidation in a timely manner.

The liquidation group shall exercise the following functions and powers during the liquidation period: (i) to liquidate the company’s property and respectively prepare balance sheet and list of property; (ii) to notify creditors by notice or public announcement; (iii) to deal with the outstanding business of the company involved in the liquidation; (iv) to pay all outstanding taxes and taxes arising in the course of liquidation; (v) to liquidate claims and debts; (vi) distributing the remaining property of the company after paying off debts; (vii) to participate in civil litigations on behalf of the company.

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The liquidation group shall notify the company’s creditors within ten days as of its formation and shall make a public announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. The creditors shall file their proofs of claim with the liquidation group within 30 days as of the receipt of the notice or within 45 days as of the issuance of the public announcement in the case of failing to receive such notice.

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 liquidation in accordance with the preceding paragraph.

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’ general meeting or the people’s court for confirmation, and submit to the company registration authority to apply for cancelation of the company’s registration.

The members of the liquidation group performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation group who neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

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 Trial Measures of Overseas Listing, a domestic enterprise 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 Article 16.1 under the Trial Measures of Overseas Listing.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people’s court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people’s court declared that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

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Suspension and Termination of Listing

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law (證券法) has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

According to the Trial Measures of Overseas Listing, 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.

Mergers and Splits

Where a company merges, a merger agreement shall be executed, and the relevant companies shall prepare their respective statements of financial position and inventories of assets. The company shall notify its respective creditors within 10 days from the date of passing the merger resolution and publish a merger notice in newspapers or the National Enterprise Credit Information Publicity System within 30 days. Creditors may demand payment of any outstanding debts or provision of corresponding security within 30 days of receiving the notice, or within 45 days of the announcement date if no notice was received. Upon merger, the surviving or newly established company shall assume the rights and obligations of the merging parties.

If a company splits, its assets shall be divided accordingly, and a statement of financial position and an asset inventory shall be prepared. If a resolution for company split is passed, the company shall notify all creditors within 10 days from the date of passing the resolution and publish an announcement in newspapers or the National Enterprise Credit Information Publicity System within 30 days. Unless the company has reached a written agreement with creditors regarding debt repayment prior to the division, the relevant liabilities and obligations existing before the division shall be jointly and severally borne by the companies resulting from the division.

Any changes to industrial and commercial registration matters arising from a company merger or division shall be registered with the relevant administration for industry and commerce. If a company is dissolved, it shall complete the cancellation registration in accordance with the law. The registration for establishing a new company shall be completed in accordance with the law.

SECURITIES LAW AND REGULATIONS

The Securities Law of the People’s Republic of China (中華人民共和國證券法), promulgated by the SCNPC on 29 December 1998, was last amended on 28 December 2019, and took effect on 1 March 2020. It comprehensively regulates activities in China’s securities market, including securities issuance and trading, listed companies, acquisitions of securities exchanges and securities companies, and the duties of securities regulatory authorities. The Securities Law further stipulates that domestic enterprises issuing securities directly or indirectly overseas or listing their securities abroad must comply with relevant State Council regulations. Specific measures for subscribing to and trading shares of domestic companies in foreign currencies shall be separately prescribed by the State Council. The CSRC, established by the State Council, serves as the securities regulatory authority responsible for supervising and managing the securities market in accordance with the law, maintaining market order, and ensuring lawful market operations. Currently, the issuance and trading of H-shares are primarily regulated by laws and rules promulgated by the State Council and the CSRC.

Pursuant to the Securities Law of the People’s Republic of China (2019 Revision) (中華人民共和國證券法 (2019修訂)) and the Measures for the Administration of Acquisitions of Listed Companies (上市公司收購管理辦法), through securities transactions on a securities exchange, an investor (including an overseas investor) holding, or jointly holding with others through agreements or other arrangements, voting shares (including A-shares and H-shares) of a listed company that

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SUMMARY OF PRINCIPAL LEGAL AND REGULATORY PROVISIONS

have been issued, reaching five percent, shall, within three days from the date such fact occurs, submit a written report to the CSRC and the Shenzhen Stock Exchange, notify the listed company, and make an announcement. For each one percent increase or decrease in the proportion of voting shares held in the listed company, the investor shall notify the listed company on the day following the occurrence of such change and make an announcement.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

Under the Arbitration Law of the People’s Republic of China (《中華人民共和國仲裁法》), or the Arbitration Law, last amended by the Standing Committee of the NPC on 1 September 2017 and effective on 1 January 2018, the Arbitration Law is applicable to economic disputes involving foreign parties, and all parties have entered into a written agreement to refer the matter to an arbitration committee constituted in accordance with the Arbitration Law. An arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with relevant regulations under the Arbitration Law and the Civil Procedure Law. Where both parties have agreed to settle disputes by means of arbitration, the people’s court will refuse to take legal action brought by a party in the people’s court.

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 to the award may apply to the people’s court for enforcement according to the Civil Procedure Law. Where there is evidence proving any of the following circumstances: the parties did not agree on an arbitration clause in the contract or did not subsequently reach a written arbitration agreement; the respondent did not receive notice from the designated arbitration institution or of the arbitration proceedings, or was unable to present arguments due to other reasons not attributable to the respondent; the composition of the arbitral tribunal or the arbitration procedures did not comply with the arbitration rules; the matters decided by the award fall outside the scope of the arbitration agreement or the arbitration committee lacks jurisdiction to arbitrate, the people’s court may rule not to enforce. A party seeking to enforce an arbitral award of foreign arbitration commission against a party who or whose property is not within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the people’s court in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

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 24 January 2000 and effective on 1 February 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 26 November 2020 and effective on 27 November 2020, awards made by PRC arbitral authorities can be applied for enforcement in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial Decisions and Enforcement

Pursuant to the Arrangement between the Supreme People’s Court of the People’s Republic of China and the Hong Kong Special Administrative Region on the Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters (最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排), promulgated by the Supreme People’s Court on 25 January 2024, and effective on 29 January 2024, any party may apply to the PRC people’s court or the courts of the Hong Kong Special Administrative Region for recognition and enforcement pursuant to the Arrangement.

APPENDIX V

SUMMARY OF ARTICLES OF ASSOCIATION

This Appendix summarises the principal provisions of the Company’s Articles of Association, which shall take effect from the date of [REDACTED] of the H Shares on the Hong Kong Stock Exchange. This Appendix mainly provides an overview of the Company’s Articles of Association and therefore does not contain all information that may be important to [REDACTED].

Issuance of Shares

The Company’s shares are in the form of share certificate. Share certificates of the Company shall be in registered form.

Shares of the Company shall be issued on the principles of transparency, fairness and equality, and the shares of the same class shall rank *pari passu* in all respects.

Each share of the same class shall be issued under the same conditions and at the same price in each issuance, and the same price shall be paid for each share subscribed for by any subscriber.

The nominal value of par value shares issued by the Company is denominated in RMB, with a par value of RMB1 each.

The A Shares issued by the Company shall be deposited collectively at the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited. The H Shares issued by the Company shall be primarily deposited with a custodian company under the Hong Kong Securities Clearing Company Limited in accordance with laws and securities registration and depository practice of the [REDACTED] venue, and may also be held by shareholders in their own names.

The Company’s promoters comprise five entities: Ningbo Dongfang Movement Factory (寧波市東方機芯總廠) (now renamed Yunseng Holding Group Co., Ltd.(韵升控股集團有限公司)), Ningbo Zhongnongxin International Trading Corporation (寧波中農信國際貿易總公司), Ningbo Zhongjian Real Estate Development Company Jiangdong Branch (寧波中建房地產開發公司江東分公司), Ningbo Jiangdong Shuguang Industrial Company (寧波江東曙光工業公司), and Yinxian Dongfang Die Casting Factory (鄞縣東方壓鑄廠).

The Company or its subsidiaries (including affiliates of the Company) shall not provide any financial assistance in the form of gifts, advances, guarantees, loans to others for obtaining of the Company’s Shares or the parent company’s shares, except where the Company implements an employee stock ownership plan.

Unless otherwise provided for in the securities regulatory rules of the place where the Company’s shares are listed, for the benefit of the Company, the Company may, upon a resolution by the shareholder or by the Board under the Articles of Association or the authorization of the shareholders, provide financial assistance for others to acquire the shares of the Company or the shares of the parent company, provided that the total accumulative amount of the financial assistance shall not exceed 10% of the total issued share capital. A resolution by the Board shall be passed by more than two-thirds of all the Directors.

Where the Company or its subsidiary (including affiliates of the Company) engages in the conduct described in this Article, it shall comply with laws, administrative regulations and requirements of the CSRC and the stock exchange(s)

Increase, Reduction and Repurchase of Shares

The Company may, upon resolution by the shareholders’ general meeting, adopt the following methods to increase its capital in accordance with its business and development needs and pursuant to the provisions of laws and regulations:

- (I) issuance of shares to non-specific persons;
- (II) issuance of shares to specific persons;

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- (III) distribution of bonus Shares to existing shareholders;
- (IV) conversion of the common reserve fund to additional share capital;
- (V) other means as prescribed by laws, administrative regulations, CSRC and the securities regulatory authorities of the place where the shares of the Company are listed.

The Company may reduce its registered capital. Any reduction in the Company’s registered capital shall be made in accordance with the procedures stipulated in the Company Law, the Hong Kong Listing Rules and other relevant provisions and other related regulations and the Articles of Association.

The Company may not repurchase its own shares except in any of the following circumstances:

- (I) reducing the Company’s registered capital;
- (II) merging with other companies holding shares of the Company;
- (III) issuing shares under employee stock ownership scheme or share incentive scheme;
- (IV) purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a shareholders’ general meeting upon their request;
- (V) use of shares for converting the convertible bonds issued by the Company into shares;
- (VI) where it is necessary for the Company to maintain its value and protect the interests of the shareholders.

Following the acquisition of its own shares, the Company shall fulfil its disclosure obligations in accordance with applicable laws and regulations, including the Securities Law and the Hong Kong Listing Rules, as well as the securities regulatory rules of the place where the Company’s shares are listed.

The Company may repurchase its own shares through public centralised trading, or through other means recognised by laws and regulations, the CSRC, the securities regulatory authorities of the place where the Company’s shares are listed.

Where the purchases of the Company’s shares under any of the circumstances specified in items (III), (V) and (VI) of Article 24 of the Articles of Association, centralised trading shall be adopted publicly.

Where the Company purchases its own shares under any of the circumstances specified in items (I) and (II) of Article 24 of the Articles of Association shall require a resolution of the shareholders’ general meeting. Where the purchases of the Company’s shares under any of the circumstances specified in items (III), (V) and (VI) of Article 24 of the Articles of Association shall, provided that they comply with the applicable securities regulatory rules of the place where the Company’s shares are listed, require a resolution of a board of directors attended by two-thirds or more of the directors.

Following the acquisition of the Company’s Shares in accordance with the provisions of Article 24 of the Articles of Association, where the circumstances fall under item (I), such shares shall be cancelled within 10 days of the acquisition date; where the circumstances fall under items (II) or (IV), such shares shall be transferred or cancelled within six months; where the circumstances fall under items (III), (V) or (VI), the aggregate number of shares held by the Company shall not exceed 10% of the total number of issued shares of the Company, and such Shares shall be transferred or cancelled within three years.

Upon the purchase of its H Shares by the Company pursuant to the provisions in the first paragraph of Article 24 of the Articles of Association, such H Shares may, at the option of the Company, be cancelled immediately or held as treasury shares in accordance with the Hong Kong

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Listing Rules. In the event that the directors do not specify that the relevant Shares are to be held as treasury shares, such H Shares shall be cancelled. The Company shall hold treasury shares in a clearly identifiable separate account within the Central Clearing and Settlement System. The Company shall not exercise any right in respect of the treasury shares, and no dividend may be declared or paid in respect of a treasury share. Treasury shares may be disposed of by the Company on such terms and conditions as determined by the board of directors subject to these Articles of Association and the Hong Kong Listing Rules.

Transfer of Shares

The Company's shares shall be transferred in accordance with the law. All transfers of the H shares shall be executed by a written instrument of transfer in a general or common form or in any other form acceptable to the Board of Directors, including the standard transfer format or form of transfer as prescribed by the HKEX from time to time. Such transfer document may only be signed by hand or (where the transferor or transferee is a corporation) stamped with the Company's valid seal. If the transferor or transferee is a recognized clearing house or its nominee as defined by the relevant regulations in force under the laws of Hong Kong from time to time, the transfer may be signed by hand or by machine printing. All instruments of transfer must be placed at the legal address of the Company or such address as the Board of Directors from time to time specify.

The Company shall not accept its own shares as the subject of pledge.

The directors and senior management of the Company shall report their shareholdings and the changes thereof to the Company. During their terms of office determined upon taking office, they may not transfer more than 25% of the total number of shares of the same class of the Company held by them in any given year; the shares of the Company held by them shall not be transferred within one year from the date on which the shares of the Company are listed and traded. The aforementioned individuals shall not transfer the shares of the Company held by them within six months from the date of their resignations.

Directors and senior management of the Company shall also comply with other restrictive provisions of laws, regulations, normative documents and the Company's internal control system regarding the transfer of the Company's shares.

Where the regulatory rules of the place where the shares of the Company are listed otherwise provide for the transfer of the Company's shares, such provisions shall prevail.

Where shareholders holding 5% or above shares of the Company, directors and senior management sell the shares of the Company or other securities with an equity nature within 6 months after purchasing the same, or purchase the shares of the Company or other securities with an equity nature as held within 6 months after selling the same, the earnings arising therefrom shall belong to the Company, and the Board shall recover such earnings. However, the restriction shall not be applicable to a securities company holding 5% or above of the shares of the Company as a result of its purchase of the remaining unsold shares underwritten by it and other circumstances stipulated by the CSRC.

Shares or other securities with an equity nature held by directors, supervisors, senior management and individual shareholders as mentioned in the preceding paragraph include shares or other securities with an equity nature held by their spouses, parents or children, or held by them by using other people's accounts.

If the Board fails to comply with the first paragraph of this Article, shareholders are entitled to request the Board to do so within 30 days. If the Board fails to comply within the aforesaid period, shareholders are entitled to initiate legal proceedings directly in the People's Court in their own names for the interest of the Company.

If the Board fails to comply with the provisions set forth in the first paragraph of this Article, the responsible directors shall bear joint and several liabilities in accordance with the law.

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SHAREHOLDERS AND SHAREHOLDERS’ GENERAL MEETING

Shareholders

The Company shall establish a register of shareholders based on the certificates provided by the securities registration agency and the register of shareholders is sufficient evidence to prove that the shareholders hold the shares of the Company. Shareholders shall enjoy rights and assume obligations according to the class of shares they hold.

The original copy of the register of members of H Shares shall be kept in Hong Kong for shareholders’ inspection. However, the Company may suspend the registration of shareholders in accordance with the provisions of the applicable laws and regulations and the securities regulatory rules of the place where shares of the Company are [REDACTED]. If the Company has maintained a copy of the register of members of H Shares while the original and copy of the register of members of H Shares are inconsistent, the original shall prevail. Any shareholder who is registered in, or any person who requests to have his/her name entered in, the register of holders of H Shares may, if his/her share certificates are lost, apply to the Company for a replacement share certificate in respect to such shares. Where holders of H Shares apply to re-issue after losing their share certificates, it shall be dealt with pursuant to the laws and regulations of the stock exchanges where the original copy of the register of members of H Shares is kept or other relevant provisions.

Where the Company convenes a general meeting, distributes dividends, undergoes liquidation and engages in other activities requiring the identification of shareholders, the Board or the convener of the general meeting shall decide the equity registration date. Shareholders whose names appear on the register at the close of trading on the equity registration date shall be shareholders enjoying relevant rights and interests.

Shareholders of the Company enjoy the following rights:

- (I) to receive dividends and other forms of interest distributions in proportion to their shareholdings;
- (II) to request, convene, hold and attend or appoint proxies to attend shareholders’ general meetings and exercise their corresponding voting rights according to laws;
- (III) to supervise, provide recommendations on or make inquiries about the operations of the Company;
- (IV) to transfer, donate or pledge their shares in accordance with laws, administrative regulations, the regulatory rules of the place where the Company’s shares are listed, and the Articles of Association;
- (V) to review and copy the Articles of Association, the register of shareholders, minutes of shareholders’ general meetings, resolutions of board meetings, and financial accounting reports; shareholders meeting the prescribed requirements may also inspect the Company’s accounting books and accounting vouchers;
- (VI) to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;
- (VII) to request the Company to acquire their shares for the shareholders who voted against any resolution adopted at the shareholders’ general meeting concerning the merger or division of the Company;
- (VIII) to enjoy other rights stipulated by laws, administrative regulations, departmental rules, regulatory rules of the place where the Company’s shares are [REDACTED] or the Articles of Association.

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The shareholder holding more than 3% of shares separately or jointly for over 180 consecutive days who requests to inspect and copy relevant materials of the Company shall abide by the Company Law, the Securities Law, other laws and administrative regulations.

Shareholders who wish to access or obtain any information or document described in the preceding paragraph, shall submit written proof of the class and number of the shares held by it/him/her to the Company, and upon verification of it/him/her identity as a shareholder, the Company shall make available such information and documents as requested by such shareholder. If the Company has reasonable grounds to believe that the shareholder’s request serves an improper purpose and may harm the Company’s legitimate interests, it may refuse the inspection.

If a resolution of a shareholders’ general meeting or a meeting of the Board is in violation of any law, administrative regulation and regulatory rules of the where the Company’s shares are [REDACTED], the shareholders are entitled to request the People’s Court to invalidate it.

If the procedures for calling a shareholders’ general meeting, or a board meeting, or the way of voting, is in violation of any law, administrative regulation, regulatory rules of the where the Company’s shares are [REDACTED] or the Articles of Association, or if a resolution is in violation of the Articles of Association, the shareholders may, within 60 days from the day when the resolution is made, request the People’s Court to revoke it. However, this does not apply if the procedures for convening the shareholders’ general meeting or the board meeting, or the voting methods, only have minor defects that do not substantially affect the resolution.

Where disputes arise among relevant parties such as the board of directors or shareholders concerning the validity of a resolution of the general meeting, such disputes shall be promptly brought before the People’s Court. Pending a judgment or ruling by the People’s Court to revoke the resolution, the relevant parties shall implement the general meeting resolution. The Company, directors and senior management shall diligently perform their duties to ensure normal operations of the Company.

Where the People’s Court renders a judgment or ruling on relevant matters, the Company shall fulfil its information disclosure obligations in accordance with laws, administrative regulations, the regulations of the CSRC and the stock exchanges. It shall provide a full explanation of the implications and actively cooperate with enforcement following the entry into effect of the judgment or ruling. Where such matters involve rectifying prior issues, the Company shall promptly address them and discharge the corresponding information disclosure obligations.

Under any of the following circumstances, a resolution passed by a shareholders’ general meeting or a board meeting of the Company is not valid:

- (I) the resolution is passed without holding a shareholders’ general meeting or board meeting;
- (II) the resolution is not voted on at a shareholders’ general meeting or board meeting;
- (III) the number of persons present at the meeting or the number of votes held does not attain the number stipulated in the Company Law or the Articles of Association, or the number of votes held;
- (IV) the number of persons who consent to the resolution or the number of votes held does not attain the number stipulated in the Company Law or the Articles of Association, or the number of votes held.

If any director or senior management other than members of the Audit Committee violates the relevant laws and administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED] or the provisions of the Articles of Association in performing his/her duties in the Company, causing any loss to the Company, the shareholder(s) individually or collectively holding 1% or more of the shares of the Company for more than 180 consecutive days

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shall have the right to request in writing the audit committee to bring an action before the People’s Court. If any member of the Audit Committee violates the relevant laws and administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED] or the provisions of the Articles of Association in performing his/her duties in the Company, causing any loss to the Company, the shareholder may request in writing the Board of Directors to bring an action before the people’s court.

In the event that the Audit Committee or the Board of Directors refuses to initiate legal proceedings upon receipt of the aforesaid shareholders’ written request, or fails to initiate legal proceedings within 30 days upon receipt thereof, or in case of emergency or in the event that the failure to immediately initiate legal proceedings will incur irrecoverable damage to the interests of the Company, the shareholders mentioned in the preceding paragraph shall have rights to, in their own names, directly initiate legal proceedings in the People’s Court for the interests of the Company.

In the event that any other person infringes upon the legitimate rights and interests of the Company and causes losses thereto, shareholders mentioned in the first paragraph of this Article may initiate legal proceedings in the People’s Court according to the provisions of the preceding two paragraphs.

If a director, supervisor or senior management of a wholly-owned subsidiary of the Company violates laws, administrative regulations, the securities regulatory rules of the place where the Company’s shares are [REDACTED] or the provisions of the Articles of Association during the performance of his/her duties and causes losses to the Company, or if any other person infringes upon the legitimate rights and interests of a wholly-owned subsidiary of the Company and causes losses to the Company, the shareholders who have held more than one percent of the shares of the Company, either individually or in aggregate, for a period of more than 180 consecutive days, may request in writing the supervisory committee or the Board of Directors of such wholly-owned subsidiary to file a lawsuit with the People’s Court or directly file a lawsuit in their own names with the people’s court in accordance with the relevant provisions of the Company Law.

If a wholly-owned subsidiary of the Company does not have a board of supervisors or supervisors, but has an audit committee, the provisions of paragraphs one and two of this Article shall apply.

In the event of a director or a senior management member violates the laws, administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED] or the Articles of Association, which causes damage to the interests of shareholders, the shareholders may initiate legal proceedings in the People’s Court.

Shareholders of the Company shall assume the following obligations:

- (I) to abide by the laws, administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED] and the Articles of Association;
- (II) to pay capital contribution according to the number of shares subscribed for and the method of subscription;
- (III) not to withdraw the shares unless required by the laws and regulations, and the regulatory rules of the place where the Company’s shares are [REDACTED];
- (IV) not to abuse their shareholders’ rights to jeopardize the interests of the Company or other shareholders, and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company;
- (V) other obligations imposed by the laws, administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED], and the Articles of Association.

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Where any shareholder of the Company abuses the shareholders’ rights and incur losses to the Company or other shareholders, such shareholder shall be liable for the damages according to laws. Where shareholders of the Company abuse the Company’s status as an independent legal entity and the limited liability of shareholders for the purposes of evading debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company.

The controlling shareholder and actual controller of the Company shall exercise their rights and perform their obligations in accordance with applicable laws, administrative regulations, the regulations of the CSRC and the stock exchanges, and shall safeguard the interests of the Company.

Article 42. The controlling shareholder and actual controller of the Company shall comply with the following provisions:

- (I) to exercise shareholder rights in accordance with the law, and not to abuse control or use related relationships to harm the legitimate rights and interests of the Company or other shareholders;
- (II) to strictly fulfill all public statements and commitments made, and not to alter or waive them without proper authorization;
- (III) to fulfill information disclosure obligations in strict compliance with relevant regulations, actively cooperate with the Company in discharging its disclosure responsibilities, and promptly notify the Company of any major events that have occurred or are expected to occur;
- (IV) not to misappropriate the Company’s funds in any manner;
- (V) not to compel, instruct, or request the Company or relevant personnel to provide guarantees in violation of laws or regulations;
- (VI) not to seek personal gain by using undisclosed material information of the Company, not to disclose such information in any manner, or not to engage in insider trading, short-swing trading, market manipulation, or other illegal or non-compliant activities;
- (VII) not to harm the legitimate rights and interests of the Company or other shareholders through unfair related transactions, profit distribution, asset restructuring, external investments, or by any other means;
- (VIII) to ensure the Company’s independence with respect to its assets, personnel, finance, institutions, operations, and business, and not to affect such independence in any way;
- (IX) to comply with other provisions under laws, administrative regulations, the rules of the CSRC, the business rules of the stock exchanges and the Articles of Association.

If the controlling shareholder or actual controller of the Company does not serve as the Director of the Company but effectively manages the Company’s affairs, the provisions of the Articles of Association concerning the fiduciary duties and duties of diligence of Directors shall apply.

Where the controlling shareholder or actual controller instructs a Director or senior management to engage in acts that harm the interests of the Company or its shareholders, such controlling shareholder or actual controller shall bear joint and several liability together with the relevant Director or senior management.

Where the controlling shareholder or actual controller pledges Shares of the Company that they hold or effectively control, they shall maintain the stability of the Company’s control and business operations.

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Where the controlling shareholder or de facto controller transfers the shares of the Company held by him/her, he/she shall comply with the restrictive provisions on the transfer of shares set out in the laws, administrative regulations, the provisions of the CSRC and the stock exchanges, as well as his/her undertakings in respect of the restriction on the transfer of shares.

General Provisions of the Shareholders’ General Meeting

The shareholders’ general meeting of the Company shall consist of all shareholders. The shareholders’ general meeting is the Company’s governing body and shall exercise the following powers in accordance with the law:

- (I) to elect and replace staff representatives, directors and to decide on matters concerning the remuneration of directors and supervisors;
- (II) to review and approve the report of the Board of Directors;
- (III) to review and approve the Company’s profit distribution plans and plans for loss compensation;
- (IV) to resolve on the increase or decrease of the Company’s registered capital;
- (V) to resolve on the issuance of corporate bonds;
- (VI) to resolve on matters such as mergers, divisions, dissolution, liquidation, or changes of corporate form;
- (VII) to amend the Articles of Association;
- (VIII) to resolve on the engagement or dismissal of accounting firms responsible for the Company’s audit services;
- (IX) to consider and approve the guarantee matters stipulated in Article 46 of the Articles of Association;
- (X) to consider and approve the transactions under the Articles of Association;
- (XI) to consider and approve the connected transactions between the Company and its connected parties involving an amount (including the assumption of debts and expenses) exceeding RMB30 million and representing more than 5% of the absolute value of the Company’s latest audited net assets;
- (XII) to consider and approve matters relating to changes in the use of [REDACTED] raised;
- (XIII) to consider equity incentive plan and employee stock ownership plans;
- (XIV) to consider other matters required to be determined by the shareholders’ general meeting under the laws, administrative regulations, departmental regulations, the regulatory rules of the place where the Company’s shares are [REDACTED], or the Articles of Association.

The shareholders’ general meeting may authorize the Board of Directors to resolve on the issuance of corporate bonds.

The Company may, pursuant to a resolution of the shareholders’ general meeting, or a resolution of the Board of Directors as authorized by the Articles of Association or the shareholders’ general meeting, issue shares or corporate bonds convertible into shares. The specific implementation thereof shall comply with the laws, administrative regulations, and the requirements of the CSRC and the stock exchange(s).

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Save as otherwise provided by laws, administrative regulations, requirements of the CSRC, or the rules of the stock exchange(s), the aforementioned functions and powers of the shareholders’ general meeting shall not be exercised by the Board of Directors or any other bodies or individuals through authorization.

The following external guarantee behaviors of the Company shall be subject to consideration and approval by the shareholders’ general meeting:

- (I) Any single guarantee with an amount exceeding 10% of the Company’s latest audited net assets;
- (II) Any guarantee provided after the total amount of external guarantees provided by the Company and its holding subsidiaries exceeds 50% of the Company’s latest audited net assets;
- (III) Any guarantee provided after the total amount of external guarantees provided by the Company exceeds 30% of the Company’s latest audited total assets;
- (IV) Any guarantee with an amount which, calculated cumulatively over 12 consecutive months, exceeds 30% of the Company’s latest audited total assets;
- (V) Any guarantee provided for a party whose asset-to-liability ratio exceeds 70%;
- (VI) Any guarantee provided for a shareholder, the de facto controller, and their respective connected persons;
- (VII) Other guarantees as required by relevant laws and regulations, the securities regulatory rules of the place where the Company’s shares are [REDACTED], or the Articles of Association.

When the shareholders’ general meeting considers a proposal to provide a guarantee for a shareholder, the de facto controller, or their respective connected persons, such shareholder or the shareholders controlled by such de facto controller shall not participate in the voting. Such resolution shall be passed by more than half of the voting rights held by the other shareholders present at the shareholders’ general meeting. Where the shareholders’ general meeting considers the guarantee referred to in item (IV) above, it shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the Company provides a guarantee for a controlling shareholder, the de facto controller, or their respective connected persons, the controlling shareholder, the de facto controller, or their respective connected persons shall provide a counter-guarantee.

Any transaction entered into by the Company (other than the provision of guarantees) that meets any of the following criteria shall be subject to consideration and approval by the shareholders’ general meeting:

- (I) The total assets involved in the transaction (the higher of the book value and the appraised value, if both exist) account for more than 50% of the Company’s latest audited total assets;
- (II) The net assets of the subject matter of the transaction (such as equity interest) (the higher of the book value and the appraised value, if both exist) account for more than 50% of the Company’s latest audited net assets, and the absolute amount exceeds RMB50 million;
- (III) The consideration of the transaction (including the assumption of debts and expenses) accounts for more than 50% of the Company’s latest audited net assets, and the absolute amount exceeds RMB50 million;
- (IV) The profit generated from the transaction accounts for more than 50% of the audited net profit of the Company for the latest fiscal year, and the absolute amount exceeds RMB5 million;

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- (V) The operating income related to the subject matter of the transaction (such as equity interest) for the latest fiscal year accounts for more than 50% of the Company’s audited operating income for the latest fiscal year, and the absolute amount exceeds RMB50 million;
- (VI) The net profit related to the subject matter of the transaction (such as equity interest) for the latest fiscal year accounts for more than 50% of the Company’s audited net profit for the latest financial year, and the absolute amount exceeds RMB5 million.

Where the data involved in the calculation of the above-mentioned indicators is negative, the absolute value shall be used for calculation.

The following matters of financial assistance provided by the Company shall be subject to consideration and approval by the shareholders’ general meeting:

- (I) Any single amount of financial assistance exceeding 10% of the Company’s latest audited net assets;
- (II) The asset-to-liability ratio of the assisted party exceeds 70% as shown in its latest financial statements;
- (III) The cumulative amount of financial assistance provided within the latest 12 months exceeds 10% of the Company’s latest audited net assets;
- (IV) Other circumstances as required by the securities regulatory rules of the place where the Company’s shares are listed or the Articles of Association.

Where the assisted party is a holding subsidiary within the scope of the Company’s consolidated financial statements, and the other shareholders of such holding subsidiary do not include the controlling shareholder, the de facto controller, or any connected persons of the Company, the provisions of the preceding paragraph may be exempted from application.

The shareholders’ general meeting includes annual and extraordinary meetings. The annual shareholders’ general meeting shall be held once each year, within six months after the end of the previous fiscal year.

Under any of the following circumstances, the Company shall convene an extraordinary shareholders’ general meeting within two months from the date of the event:

- (I) When the number of directors is less than the minimum number required by law or less than two-thirds of the number prescribed in the Articles of Association;
- (II) When the Company’s uncovered losses reach one-third of its total share capital;
- (III) When requested by one or more shareholders holding at least 10% of the Company’s Shares (excluding treasury shares);
- (IV) When the Board of Directors deems it necessary;
- (V) When proposed by the Audit Committee;
- (VI) Other circumstances as required by laws, administrative regulations, departmental rules, the regulatory rules of the place where the Company’s shares are [REDACTED], or the Articles of Association.

The venue for the Company to convene a shareholders’ general meeting shall be: the conference room at the domicile of the Company or such other location as specified in the notice of the meeting.

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The shareholders’ meeting shall be convened as an in-person meeting with a physical venue established. The Company shall also provide convenience for shareholders through online or other voting methods in accordance with the securities regulatory rules of the place where the Company’s shares are [REDACTED]. Shareholders who participate in the shareholders’ general meeting through the aforementioned methods shall be deemed to be present.

Subject to the premise that the shareholders’ general meeting is legal and valid, the Company shall provide convenience for shareholders to attend the shareholders’ general meeting through various means and channels, including the provision of modern information technology means such as an online voting platform.

After the notice of the shareholders’ general meeting is issued, the venue for the in-person meeting shall not be changed without justifiable reasons. Where a change is indeed necessary, the convener shall publish an announcement and state the reasons at least two business days prior to the date of the in-person meeting.

When convening a shareholders’ general meeting, the Company shall engage solicitors to issue legal opinions and publish announcements on the following matters:

- (I) Whether the procedures for convening and holding the meeting comply with the requirements of laws, administrative regulations, and the Articles of Association;
- (II) Whether the qualifications of the attendees and the convener are legal and valid;
- (III) Whether the voting procedures and voting results of the meeting are legal and valid;
- (IV) Other relevant matters as requested by the Company.

Convening of Shareholders’ General Meetings

The Board of Directors shall convene the shareholders’ general meeting on time within the prescribed timeframe.

Upon the consent of a majority of all independent directors, the independent directors are entitled to propose to the Board of Directors to convene an extraordinary shareholders’ general meeting. Where independent directors require to convene an extraordinary shareholders’ general meeting, the Board of Directors shall, pursuant to the provisions of laws, administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED], and the Articles of Association, issue a written reply on whether or not it agree to convene the extraordinary shareholders’ general meeting within 10 days upon the receipt of the proposal.

If the Board of Directors agrees to convene an extraordinary shareholders’ general meeting, a notice to convene such meeting shall be issued within 5 days after such resolution of the Board of Directors. If the Board of Directors disagrees to convene an extraordinary shareholders’ general meeting, it shall state the reasons in an announcement.

The Audit Committee may propose to the Board of Directors to convene an extraordinary shareholders’ general meeting, and such proposals shall be made in writing to the Board of Directors. The Board of Directors shall, pursuant to the provisions of laws, administrative regulations, the regulatory rules of the place where the Company’s shares are listed and the Articles of Association, issue a written reply on whether or not it agrees to convene the extraordinary shareholders’ general meeting within 10 days upon the receipt of the proposal.

If the Board of Directors agrees to convene an extraordinary shareholders’ general meeting, a notice to convene such meeting shall be issued within 5 days after such resolution of the Board of Directors. Any changes to the original proposal in the notice require the consent of the Audit Committee.

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If the Board of Directors disagrees to convene an extraordinary shareholders’ general meeting or fails to give a response within 10 days after receipt of such proposal, it shall be deemed that the Board of Directors is unable or fails to fulfill the obligation to convene the shareholders’ general meeting, and the Audit Committee may convene and preside over the meeting on its own initiative.

Shareholder(s) severally or jointly holding more than 10% of the Shares of the Company (excluding treasury shares) is/are entitled to request the Board of Directors to convene an extraordinary shareholders’ general meeting, and such request shall be made in writing to the Board of Directors. The Board of Directors shall, pursuant to the provisions of laws, administrative regulations, the regulatory rules of the place where the Company’s shares are listed and the Articles of Association, issue a written reply on whether or not it agrees to convene the extraordinary shareholders’ general meeting within 10 days upon the receipt of the request.

If the Board of Directors agrees to convene an extraordinary shareholders’ general meeting, a notice to convene such meeting shall be issued within 5 days after such resolution of the Board of Directors. Any changes to the original request in the notice require the consent of relevant shareholder(s).

If the Board of Directors disagrees to convene an extraordinary shareholders’ general meeting or fails to give a response within 10 days after receipt of such request, shareholder(s) severally or jointly holding more than 10% of the Shares of the Company shall be entitled to propose to the Audit Committee to convene an extraordinary shareholders’ general meeting, and such request shall be made in writing to the Audit Committee.

If the Audit Committee agrees to convene an extraordinary shareholders’ general meeting, a notice to convene such meeting shall be issued within 5 days upon receipt of such request. Any changes to the original request in the notice require the consent of relevant shareholder(s).

Where the Audit Committee fails to issue a notice of the shareholders’ general meeting within the prescribed time limit, it shall be deemed that the Audit Committee fails to convene and preside over the shareholders’ general meeting, and the shareholder(s) severally or jointly holding more than 10% of the shares of the Company (excluding treasury shares) for 90 consecutive days or more may convene and preside over the meeting on their own initiative.

Where the Audit Committee or shareholders resolve to convene a shareholders’ general meeting on their own, they shall notify the Board of Directors in writing and simultaneously file the notice with the stock exchange.

The shareholders that convene the general meeting shall hold at least 10% of the shares of the Company (excluding treasury shares) prior to the announcement of the resolutions of a shareholders’ general meeting.

The Audit Committee or the convening shareholder(s) shall submit relevant supporting documentation to the stock exchange upon issuance of the notice of the shareholders’ general meeting and the announcement of the meeting resolutions.

For shareholders’ general meetings convened by the Audit Committee or shareholders themselves, the Board of Directors and the secretary thereof shall cooperate by providing necessary support and promptly fulfilling information disclosure obligations. The Board of Directors shall provide the shareholder register as of the record date.

The expenses necessary for the convene of shareholders’ general meetings by the Audit Committee or shareholders themselves shall be borne by the Company.

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Proposals and Notices of Shareholders’ General Meetings

The contents of the proposals shall fall within the terms of reference of the shareholders’ general meeting, have clear subjects and specific matters to be resolved, and comply with the relevant provisions of laws, administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED], and the Articles of Association.

When the Company convenes a shareholders’ general meeting, the Board of Directors, the Board of Supervisors and shareholders who individually or collectively hold more than 1% of the shares of the Company shall have the right to put forward proposals to the Company.

Shareholders holding individually or collectively more than 1% of the Company’s shares may submit a temporary proposal to the convener in writing 10 days prior to the shareholders’ general meeting. They shall simultaneously provide the convener with proof of holding more than 1% of the Company’s shares (including preferred shares with restored voting rights, etc.). Where proposals are jointly submitted through authorization, the authorizing shareholders shall issue written authorization to the proxy shareholders. The convener shall issue a supplementary notice for the shareholders’ general meeting within two days of receiving the proposal, announcing the content of the temporary proposal and submitting it for consideration at the meeting. However, this shall not apply if the temporary proposal violates laws, administrative regulations, regulatory rules of the place where the Company’s shares are [REDACTED], or the Company’s Articles of Association, or falls outside the scope of authority of the shareholders’ general meeting. If a qualified shareholder submits a temporary proposal before the shareholders’ general meeting convenes, the shareholder’s shareholding ratio must not fall below 1% during the period from the issuance of the proposal notice to the announcement of the meeting resolutions.

Except as provided in the preceding paragraph, after issuing the notice of the shareholders’ general meeting, the convener shall not amend any proposal already listed in or add new proposals to the notice of the shareholder’s general meeting. Where the convener is required to supplement or correct the disclosed content of a proposal in accordance with regulations, such amendments shall not constitute a substantive modification of the proposal, and the relevant supplementary or corrective notice shall be issued within the prescribed timeframe. The legal opinion on the resolution of the shareholders’ general meeting shall include the lawyer’s explicit opinion on whether the supplements or corrections to the disclosed content of the proposal constitute a substantive amendment to the proposal.

Proposals not listed in the notice of the shareholders’ general meeting, proposals that have been substantially amended, or proposals that do not comply with the provisions of the Articles of Association shall not be voted on or resolved at the shareholders’ general meeting.

The convener shall notify all shareholders in writing (including through public announcement) 21 days prior to the annual shareholders’ general meeting. For extraordinary shareholders’ meetings, written notice (including public announcement) shall be provided to all shareholders 15 days prior to the meeting date. When calculating the commencement of the period, the Company excludes the day on which the meeting is held.

The notice of the shareholders’ general meeting shall include the following:

- (I) the time, venue and duration of the meeting;
- (II) the matters and proposals presented to the meeting for consideration;
- (III) a prominent statement stating that all shareholders are entitled to attend the shareholders’ general meeting and appoint a proxy by written to attend and vote on his/her behalf, and such proxy need not be a shareholder of the Company;
- (IV) the record date of shareholders entitled to attend the shareholders’ general meeting;

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(V) the name and phone number of the contact person in connection with the meeting;

(VI) the time and procedures for voting by online or other means..

The notice of the shareholders’ general meeting and any supplemental notice shall fully and completely disclose all specific details of every proposal.

Where a shareholders’ general meeting is conducted online or by other means, the notice of the shareholders’ general meeting shall clearly specify the voting time and procedures for such online or other means.

The commencement time for online or other forms of voting at the shareholders’ general meeting shall not be earlier than 3:00 PM on the day preceding the physical shareholders’ general meeting and shall not be later than 9:30 AM on the day of the shareholders’ general meeting. The conclusion time thereof shall not be earlier than 3:00 PM on the day the physical shareholders’ meeting concludes.

The interval between the record date and the date of the meeting shall not be more than seven business days. Once the record date is confirmed, no change may be made thereto.

Where the shareholders’ general meeting intends to consider the election of directors, the notice of the shareholders’ general meeting shall fully disclose the detailed information of the director candidates, including at least the following:

- (I) personal information including educational background, work experience, and other commitments;
- (II) any connected relations with the Company or its controlling shareholders and actual controllers;
- (III) number of shares held in the Company;
- (IV) whether he/she has been subject to penalties by the CSRC or other relevant authorities, or disciplinary actions by stock exchanges;
- (V) other information required by the securities regulatory rules of the place where the Company’s shares are [REDACTED].

Except for the election of directors by cumulative voting, a separate proposal shall be made for each director candidate.

Article 63. Subsequent to the dispatch of a notice of the shareholders’ general meeting, the shareholders’ general meeting shall not be postponed or cancelled without proper reasons, and the proposals set out in the notice of the shareholders’ general meeting shall not be withdrawn. Once the meeting is postponed or cancelled, the convener shall make an announcement and give reasons thereof at least 2 business days prior to the original date of the physical meeting. Where the securities regulatory rules of the stock exchange where the Company’s shares are [REDACTED] contain specific provisions regarding the procedures for postponing or canceling a shareholders’ general meeting, such provisions shall prevail.

Convene of the Shareholders’ General Meetings

The Board of Directors and other conveners shall take all necessary measures to ensure that the shareholders’ general meeting is conducted in an orderly manner, and shall take steps to prevent any activities interfering with the shareholders’ general meeting or infringing upon the legal interests of shareholders and report such activities to competent authority in a timely manner.

All shareholders in the register of shareholders as at the shareholding registration date or their proxies are entitled to attend the shareholders’ general meeting, and exercise the rights to speak and vote at the shareholders’ general meeting in accordance with laws, regulations, the regulatory rules

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of the place where the Company’s shares are [REDACTED], and the Articles of Association, expect for individual shareholders who are required by the securities regulatory rules of the place where the Company’s shares are [REDACTED] to abstain from voting on specific matters.

Shareholders may attend a shareholders’ general meeting in person, or may appoint proxies (who need not be a shareholder of the Company) to attend and vote on his/her behalf.

Individual shareholders who attend the meeting in person shall present their valid identification documents or other valid proof of identity. Proxies who attend the meeting on behalf of others shall present their valid identification documents and a power of attorney from the shareholder.

Corporate shareholders shall be represented at meetings by their legal representative or an agent authorized by the legal representative. When the legal representative attends the meeting, they shall present their personal identification and valid documentation proving their status as legal representative. When an agent attends the meeting, the agent shall present their personal identification and a written power of attorney issued in accordance with the law by the legal representative of the corporate shareholder (except where the shareholder is a recognized clearing house or its agent as defined by the relevant regulations in force under Hong Kong law or the securities regulatory rules of the place where the Company’s shares are listed).

The power of attorney issued by a shareholder authorizing another person to attend the shareholders’ general meeting shall specify the following:

- (I) name of the principal, and the type and quantity of shares he/she/it held in the Company;
- (II) name of the proxy;
- (III) specific instructions from shareholders, including instructions to vote in favor of, against, or abstain on each item for consideration on the agenda of the shareholders’ general meeting;
- (IV) Date of issuance and validity period of the power of attorney;
- (V) signature (or seal) of the principal. Where the principal is a corporate shareholder, the corporate seal shall be affixed. Where an overseas corporate shareholder lacks an official seal, a legally authorized representative may sign.

Where the instrument of proxy voting is signed by a person authorized by the principal, the power of attorney or other authorization document shall be notarized. Both the notarized power of attorney or other authorization document and the instrument of proxy voting shall be kept at the Company’s registered office or at such other place as specified in the notice convening the meeting.

Where the principal is a corporate, its legal representative or a person authorized by resolution of its board of directors or other decision-making body shall attend the shareholders’ general meeting as its representative.

If a shareholder representative authorized by the decision-making body of a corporate shareholder is unable to attend the shareholders’ general meeting in person and vote on their behalf, the shareholder representative may, with the consent of the corporate shareholder’s decision-making body, authorize another person to attend the shareholders’ general meeting and vote on their behalf within the scope of their authorization.

If the shareholder is a recognized clearing house or its agent, the recognized clearing house may authorize one or more person(s) it deems appropriate to act as its agent(s) or representative at any shareholders’ general meeting or creditors’ meeting. However, if one or more person(s) are authorized, the power of attorney shall specify the number and type of shares represented by such authorization for each such person, and the power of attorney shall be signed by the authorized personnel of the recognized clearing house. A person so authorized may exercise rights on behalf of the recognized clearing house or its agent (without presenting share certificates, notarized

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authorizations, and/or further evidence of formal authorization) and shall enjoy the same statutory rights as other shareholders, including the right to speak and vote, as if such person were an individual shareholder of the Company. The notarized power of attorney or other authorization document, and the instrument of proxy voting shall be deposited at the Company’s registered office or at such other place as specified in the notice convening the meeting at least twenty-four hours prior to the relevant meeting for which the instrument authorizes voting, or at least twenty-four hours prior the time specified for voting.

The Company shall prepare the meeting register for attendees. The meeting register shall include, among others, the name (or name of the entity) of each attendee, their identity document number, the number of shares held or represented with voting rights, and the name or name of the entity) of the proxy holder.

The convener and the counsel engaged by the Company shall jointly verify the entitlement of shareholders based on the shareholder register provided by the securities depository and clearing institution, and shall record the names of shareholders and the number of shares with voting rights held by them. Meeting registration shall conclude before the chairperson announces the number of shareholders and proxies present in person and the total number of shares with voting rights held by them.

Where the shareholders’ general meeting requires Directors and senior management to attend, Directors and senior management shall attend the meeting and answer the inquiries of shareholders.

A shareholders’ general meeting shall be presided over by the chairman of the Board of Directors. If the chairman is unable to or fails to perform his/her duties, a director jointly elected by more than half of the directors shall preside over the meeting.

The convener of the Audit Committee shall preside over the shareholders’ general meeting that is convened by the chairperson of the Audit Committee. If the convener of the Audit Committee is unable to or fails to perform his/her duties, a chairperson of the Audit Committee jointly elected by more than half of the members of the Audit Committee shall preside over the meeting.

A shareholders’ general meeting convened by the shareholders shall be presided over by the convener or its nominated representative.

Where the chairman of the shareholders’ general meeting violates the rules of procedure when holding the meeting and as a result, the shareholders’ general meeting is unable to continue, subject to the consent of the shareholders with more than half of voting rights of all the shareholders attending the shareholders’ general meeting, a person may be nominated in the shareholders’ general meeting to act as the chairman of the meeting and such meeting may continue.

The Company shall establish rules of procedure for shareholders’ general meetings, detailing the procedures for the convening, conducting, and voting at shareholders’ general meetings. These procedures shall cover notice, registration, consideration of proposals, voting, ballot counting, announcement of voting results, formation of meeting resolutions, preparation and signing of meeting minutes, public announcements. The rules shall also outline the principles for authorizing the Board of Directors by the shareholders’ general meeting, with the scope of authorization being clearly defined and specific. The rules of procedure for shareholders’ general meetings shall be formulated by the Board of Directors and approved by the shareholders’ general meeting, serving as an appendix to the Articles of Association.

At the annual shareholders’ general meeting, the Board of Directors shall report to the shareholders on its work over the past year. Each independent director shall submit a performance report.

Directors and senior management shall provide explanations and clarifications regarding shareholders’ inquiries and suggestions at shareholders’ general meetings.

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Prior to voting, the chairman of the meeting shall announce the number of shareholders and proxies present in person and the total number of shares with voting rights held by them. The number of shareholders and proxies present in person and the total number of shares with voting rights held by them shall be determined based on the meeting registration.

The secretary to the Board of Directors shall be responsible for taking minutes of the shareholders’ general meeting to record the following:

- (I) time, location, agenda, and the name or title of the convener of the meeting;
- (II) names of the chairman of the meeting and the directors and senior management present at the meeting;
- (III) the number of shareholders and proxies present at the meeting, the total number of shares with voting rights held by them, and the proportion of such shares relative to the total number of shares of the Company;
- (IV) the consideration process, key points of discussion, and voting results for each proposal;
- (V) shareholders’ inquiries, opinion, or suggestions and the corresponding responses or explanations;
- (VI) names of the attorney, ballot counters, and ballot supervisors;
- (VII) other matters required by the Articles of Association to be included in the meeting minutes.

The convener shall ensure that the minutes accurately and completely reflect the truth of the meeting proceedings. Directors attended or present at the meeting, the secretary to the Board of Directors, the convener or their representative, and the chairman of the meeting shall sign the minutes. The minutes shall be maintained together with the attendance register of shareholders present in person, the instruments for proxy, and valid records of voting conducted via online or other means, with a retention period of no less than 10 years.

The convener shall ensure that the shareholders’ general meeting continues until a final resolution is reached. If the meeting is suspended or unable to adopt resolutions due to *force majeure* or other special circumstances, necessary measures shall be taken to reconvene the shareholders’ general meeting as soon as possible or to terminate the shareholders’ general meeting directly, with timely public announcement. Concurrently, the convener shall report to the local office of the CCSRC and the stock exchange where the Company is located.

Voting at and Resolutions of Shareholders’ General Meetings

Resolutions at the shareholders’ general meeting are classified into ordinary resolutions and special resolutions.

An ordinary resolution put forward at a shareholders’ general meeting shall be passed by votes representing more than half of the voting rights held by the shareholders (including shareholders’ proxies) attending the shareholders’ general meeting.

Special resolutions put forward at a shareholders’ general meeting shall be passed by votes representing more than two-thirds of voting rights held by the shareholders (including shareholders’ proxies) attending the meeting.

The following matters shall be approved by ordinary resolutions at a shareholders’ general meeting:

- (I) work reports of the Board of Directors;
- (II) profit distribution plans and loss recovery plans formulated by the Board of Directors;

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(III) appointment and dismissal of the members of the Board of Directors, their remunerations and the method of payment thereof;

(IV) annual report of the Company

(V) matters other than those prescribed by laws, administrative regulations, and the securities regulatory rules of the place where the Company’s shares are [REDACTED] or the Articles of Association that shall be approved by special resolutions.

The following matters shall be approved by special resolutions at the shareholders’ general meeting:

(I) increase or reduction of the registered capital of the Company;

(II) division, merger, dissolution and liquidation of the Company;

(III) amendments to the Articles of Association;

(IV) purchase or sale of material assets or guarantees by the Company in excess of 30% of the Company’s latest audited total assets within a period of 1 year;

(V) share incentive schemes;

(VI) other matters prescribed by the laws, administrative regulations and securities regulatory rules of the place where the Company’s shares are [REDACTED] or the Articles of Association, and those matters determined by ordinary resolutions at a shareholders’ general meeting to have a material impact on the Company and required to be approved by special resolutions.

Shareholders (including proxies) shall exercise voting rights in proportion to the number of voting shares they represent, with each share carrying one vote, unless individual shareholders are required to abstain from voting on specific matters under the securities regulatory rules of the Company’s [REDACTED]. When voting, shareholders (including proxies) holding two or more votes need not cast all votes in favor, against, or abstain.

When the shareholders’ general meeting considers material matters affecting the interests of small and medium-sized [REDACTED], separate counting of votes cast by small and medium-sized [REDACTED] shall be conducted. The results of such separate counting shall be promptly disclosed.

Shares held by the Company itself shall not carry voting rights and shall not be counted toward the total number of voting shares present at shareholders’ general meetings.

Where a shareholder purchases voting shares of the Company in violation of the Securities Law, the portion of shares exceeding the prescribed limit shall not be entitled to exercise voting rights for thirty-six months following the purchase and shall not be counted toward the total number of voting shares present at shareholders’ general meetings.

Pursuant to applicable laws, regulations, and the securities regulatory rules of the place where the Company’s shares are [REDACTED], if any shareholder is required to abstain from voting on a particular resolution or is restricted to voting only in favor of (or against) such resolution, the votes cast by such shareholder or its proxy(ies) in violation of such requirements or restrictions shall not be counted toward the total number of voting shares.

The Company’s board of directors, independent directors, shareholders holding more than 1% of the voting shares, or [REDACTED] protection institutions established in accordance with laws, administrative regulations, or the regulatory rules of the place where the Company’s shares are [REDACTED] may publicly solicit shareholders’ voting rights. When soliciting shareholders’ voting rights, the specific voting intentions and other relevant information shall be fully disclosed to the

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solicited shareholders. Soliciting shareholders’ voting rights through compensation or disguised compensation is prohibited. Except under statutory conditions, the Company shall not impose restrictions of minimum shareholding ratio on the solicitation of voting rights.

When the shareholders’ general meeting considers related-party transactions, related shareholders shall not participate in the voting. The number of voting shares represented by such shareholders shall not be counted toward the total valid votes. Non-related directors shall not delegate related directors to attend meetings on their behalf. The announcement of the resolution of the shareholders’ general meeting shall fully disclose the voting results of non-related shareholders. The scope of related shareholders, as well as the review and information disclosure procedures for related-party transactions, shall be implemented in accordance with the rules of the China Securities Regulatory Commission, the stock exchange, the securities regulatory rules of the place where the Company’s shares are [REDACTED], and the specific policies for related-party transaction established by the Company’s board of directors.

Except in special circumstances such as a crisis, the Company shall not enter into contracts with persons other than directors or senior management that entrust the management of all or significant operations to such persons, unless approved by a special resolution of the shareholders’ general meeting.

The list of director candidates shall be submitted to the shareholders’ general meeting for voting in the form of a proposal.

When the shareholders’ general meeting votes to elect directors, cumulative voting may be implemented in accordance with the provisions of the Articles of Association or resolutions of the shareholders’ general meeting. Companies where a single shareholder and its concerted parties hold 30% or more of the equity interest shall adopt cumulative voting.

When electing two or more independent directors, the shareholders’ general meeting shall implement cumulative voting.

Where the shareholders’ general meeting elects directors by cumulative voting, separate votes shall be cast for independent directors and non-independent directors.

The aforementioned cumulative voting system refers to the practice where, during the election of directors at a shareholders’ general meeting, each share holds voting rights equal to the number of directors to be elected, and shareholders may concentrate their voting rights. Elected directors are determined sequentially based on the highest number of votes received, corresponding to the number of directors to be elected.

Except for the cumulative voting system, the shareholders’ general meeting shall vote on all proposals individually. Where multiple proposals pertain to the same matter, voting shall proceed in the order in which the proposals were submitted. Shareholders or their proxies may not simultaneously vote in favor of mutually exclusive proposals at shareholders’ general meetings. Unless the shareholders’ general meeting is suspended or unable to pass resolutions due to *force majeure* or other exceptional circumstances, proposals will not be tabled or left undecided.

Proposals shall not be amended during consideration at the shareholders’ general meeting. Any alteration shall be deemed a new proposal and cannot be voted on at that shareholders’ general meeting.

Each voting right may only be exercised either in-person, online, or by other designated voting methods. In cases of duplicate voting for the same voting right, the result of the first vote shall prevail.

Unless otherwise required by relevant laws, regulations, or the listing rules of the securities exchange where the Company’s shares are [REDACTED], voting at shareholders’ general meetings shall be conducted by registered voting.

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Prior to voting on any proposal, the shareholders’ general meeting shall appoint two shareholder representatives to participate in counting and supervising the votes. Shareholders and their proxies with an interest in the matter under consideration shall not participate in counting or supervising the votes.

When voting on any proposals, the counting and supervision of votes shall be jointly conducted by the lawyer and the shareholder representatives. The voting results of regulations shall be announced on the spot and recorded in the meeting minutes.

The physical shareholders’ general meeting shall not conclude earlier than that conducted online or by other remote means. The chairperson shall announce the voting status and results for each proposal and declare whether the proposal passes based on the voting results.

Prior to the formal announcement of voting results, all parties (including companies, vote counters, vote supervisors, shareholders, and online service providers) involved in the voting of the shareholder’s general meeting, whether conducted in-person, online, or by other means, shall maintain confidentiality regarding the voting results.

Shareholders present at the shareholders’ general meeting shall express one of the following opinions on proposals submitted for voting: in favor, against, or abstain.

However, if a declaration is made, based on the actual holder’s instruction, by the securities depository and clearing institution acting as the nominee holder for stocks under the Mainland-Hong Kong Stock Connect mechanism, or by a recognized clearing house (as defined under relevant Hong Kong laws in effect from time to time) or its agent acting as a nominee holder, the above provision shall not apply.

Voting ballots that are blank, incorrectly filled out, illegible, or not cast shall be deemed as the voter waiving their voting rights, and the voting results for the shares held shall be counted as “abstentions”.

If the chairman of the meeting has any doubts about the results of a resolution submitted for vote, he/she may organize a recount of the votes cast. If the chairperson does not conduct a recount, any shareholder or proxy present at the meeting who objects to the results announced by the chairperson has the right to immediately request a recount after the announcement of the voting results. The chairperson shall promptly organize the recount.

Resolutions of the shareholders’ general meeting shall be promptly announced. The announcement shall specify the number of shareholders and proxies present, the total number of voting shares held and their proportion to the total number of the Company’s voting shares, the voting method, the voting results for each proposal, and the details of each resolution passed.

Where a proposal is not passed, or where the current shareholders’ general meeting amends a resolution of a previous shareholders’ general meeting, a special note shall be made in the announcement of the resolutions of the shareholders’ general meeting.

Upon a resolution regarding the election of directors has been passed at a shareholders’ general meeting, the term of office for the new directors shall commence on the date the shareholders’ general meeting adopts the resolution regarding the election of directors and shall continue until the expiration of the term of the current board of directors.

Upon a proposal concerning cash dividends, bonus shares, or capitalization of capital reserves has been passed at a shareholders’ general meeting, the Company shall implement the specific plan within two months after the conclusion of the shareholders’ general meeting. If implementation within two months is impracticable due to the requirements of laws, regulations or securities regulatory rules of the place where the Company’s shares are [REDACTED], the implementation date may be adjusted accordingly based on such regulations and actual circumstances.

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BOARD OF DIRECTORS

Directors

A director of the Company who is a natural person may not act as a director of the Company under any of the following circumstances:

- (I) having no capacity for civil conducts or limited capacity for civil conducts;
- (II) having been sentenced to imprisonment for corruption, bribery, embezzlement of property, misappropriation of property, or disruption of the socialist market economy, or who have been deprived of political rights as a result of any criminal offenses, where less than 5 years have lapsed since the expiration of the execution period, or where probation has been granted, less than two years have lapsed since the expiration of the probationary period;
- (III) where he/she is a director, factory manager, or manager of a company or enterprise that were declared insolvent and liquidated and was personally liable for the insolvency of the company or enterprise, and less than 3 years have lapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;
- (IV) where he/she is the legal representative of a company or enterprise whose business license was revoked or which was ordered to close down due to violation of the law and was personally liable for the company or enterprise, less than 3 years have lapsed since the date when the company or enterprise’s business license was revoked or it was ordered to close down;
- (V) having been listed as a dishonest judgment defaulter by the People’s Court for not being able to settle a large amount of debt due;
- (VI) having been subject to a securities market ban imposed by the CSRC with the term yet to be expired;
- (VII) having been publicly determined by the stock exchange as unfit to serve as, among others, a director or senior management member of listed companies, with the term yet to be expired;
- (VIII) other circumstances stipulated by laws, administrative regulations, and the securities regulatory rules of the place where the Company’s shares are listed or departmental rules.

Where a director candidate falls under any of the following circumstances, the Company shall disclose the candidate’s specific situation, the reasons for proposing his/her appointment, and whether such appointment affects the Company’s ordinary operations:

- (I) subject to administrative penalties from the CSRC within the past 36 months;
- (II) subject to a public censure or three or more written reprimands from a securities exchange within the past 36 months;
- (III) subject to investigation by any judicial authorities for suspected criminal offenses, or subject to investigation by the CSRC for suspected violations of laws or regulations, with no conclusive findings yet;
- (IV) possessing a record of significant dishonesty or other adverse conduct.

Any election, appointment or engagement of directors in contravention of this provision shall be null and void. Should a director become subject to the circumstances described herein during their tenure, the Company shall terminate their appointment and cease their duties.

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Non-employee representative directors shall be elected or replaced at the shareholders’ general meeting. Subject to the relevant laws, regulations, and securities regulatory rules of the place where the Company’s shares are [REDACTED], their officer may be removed before the expiration thereof by an ordinary resolution at the shareholders’ general meeting. The term of office of a director is 3 years. Upon expiry of the term of office he or she may be re-elected and re-appointed.

The term of office of a director commenced from the date of taking office, until the current term of office of the Board of Directors ends. If a director is not re-elected in a timely manner upon the expiration of the term of office, the original director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the Company’s shares are [REDACTED] and the Articles of Association until the re-elected director takes office.

A director appointed by the Board of Directors to fill a temporary vacancy or as additional directors shall hold office from the date of appointment until the first annual shareholders’ general meeting following such appointment, and shall then be eligible for re-election.

A director may be concurrently held by a senior management member, but the total number of directors concurrently serving as senior management member and directors serving as employee representatives shall not exceed 1/2 of the total number of directors of the Company.

When the number of employees in the Company reaches 300 or more, the Board of Directors shall include one employee representative. Employee representative of the Board shall be chosen through the staff and workers’ congress, the staff and workers’ assembly or other forms of democratic elections, and does not require submission to the shareholders’ general meeting for deliberation.

Directors shall comply with the provisions of laws, administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED] and the Articles of Association, owe fiduciary obligations to the Company, shall take measures to avoid conflicts between their own interests and those of the Company, and shall not use their authority to seek improper benefits.

Directors and shall owe the following fiduciary obligations to the Company:

- (I) shall not embezzle the assets or misappropriate the funds of the Company;
- (II) shall not be deposit the Company’s funds into any account opened in his/her own or any other person’s name;
- (III) shall not use his/her position to solicit bribes or accept other unlawful income;
- (IV) shall not directly or indirectly enter into contracts or conduct transactions with the Company without reporting to the Board of Directors or the shareholders’ general meeting and obtaining approval through resolutions passed by the Board of Directors or the shareholders’ general meeting in accordance with the provisions of these Articles of Association;
- (V) shall not use his/her position to seek commercial opportunities belonging to the Company for himself/herself or others, except where such opportunities are reported to the Board of Directors or the shareholders’ general meeting and approved by a resolution of the shareholders’ general meeting, or where the Company is unable to utilise such commercial opportunities pursuant to the provisions of laws, administrative regulations, or the Articles of Association.
- (VI) shall not engage in business operations of a similar nature to those of the Company, either on one’s own behalf or on behalf of others, without reporting to the Board of Directors or the shareholders’ general meeting and obtaining approval through a resolution passed by the shareholders’ general meeting.

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- (VII) shall not accept the commissions arising from transactions with the Company for his/her own account;
- (VIII) shall not disclose the Company’s secrets without authorization;
- (IX) shall not take advantage of his/her related relationship to compromise the interests of the Company;
- (X) shall fulfill other fiduciary obligations as required by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company’s shares are [REDACTED] and the Articles of Association.

Any income derived by a director in violation of the this provisions shall belong to the Company; and if any loss is caused to the Company, he/she shall be liable for compensation.

Item (IV) under the second paragraph of this provision shall apply to contracts or transactions entered into by close relatives of directors or senior management, enterprises directly or indirectly controlled by directors, senior management or their close relatives, and other related parties having other affiliations with directors or senior management.

Contracts or transactions entered into between directors and their associates (as defined under the Hong Kong Listing Rules) and the Company shall be conducted in accordance with the provisions in respect of connected transaction under the Hong Kong Listing Rules.

Directors shall comply with the provisions of laws, administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED], and these Articles of Association, owe duty of diligence to the Company, and, in performing their duties, exercise the reasonable care ordinarily expected of a prudent manager in the best interests of the Company.

Directors shall owe the following duty of diligence to the Company:

- (I) shall exercise the rights conferred by the Company in a prudent, conscientious and diligent manner, so as to ensure that the business activities of the Company comply with the requirements of national laws, administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED], and various national economic policies, and that the commercial activities do not go beyond the scope stipulated in the business license;
- (II) shall treat all shareholders fairly;
- (III) shall maintain a timely awareness of the operation and management of the Company;
- (IV) shall sign written confirmations on the regular reports of the Company and ensure the information disclosed by the Company is true, accurate and complete;
- (V) shall truthfully provide relevant information and materials to the Audit Committee, and shall not obstruct the Audit Committee from performing their functions and powers;
- (VI) shall discharge other duty of diligence as required by laws, administrative regulations, rules of departments, regulatory rules of the place where the Company’s shares are [REDACTED] and the Articles of Association.

A director who fails to attend two consecutive board meetings in person and does not delegate another director to attend shall be deemed unable to perform their duties. The Board of Directors shall recommend to the shareholders’ general meeting that such director be replaced.

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A director may resign before the expiration of his/her term. A director’s resignation shall be submitted to the Company in writing. The resignation shall take effect on the date the Company receives the resignation letter. The Company shall disclose the relevant circumstances within two days or within the timeframe required by the securities regulatory rules of the place where the Company’s shares are [REDACTED].

In the event of any of the following circumstances, the incumbent directors shall continue to perform their duties in accordance with laws and regulations, departmental rules, relevant provisions of the stock exchange, and the Company’s Articles of Association until the newly elected directors assume office:

- (I) the resignation of a director results in the number of board members falling below the statutory minimum;
- (II) in cases where employee representative directors are required, the resignation of an employee representative director results in the absence of employee representation on the Board of Directors.
- (III) the resignations of a member of the Audit Committee results in the number thereof falling below the statutory minimum, or the absence of an accounting professional serving as convenor;
- (IV) the resignation of an independent director results in the proportion of independent directors on the Company’s Board of Directors or its specialized committees failing to meet the requirements of laws, regulations, or the Company’s Articles of Association, or the absence of an accounting professional among the independent directors.

Where the circumstances described in the second paragraph of this provision arise, the Company shall complete the by-election within 60 days to ensure that the composition of the Board of Directors and its specialized committees complies with the requirements under laws, regulations, the regulatory rules of the place where the Company’s shares are [REDACTED], and the Company’s Articles of Association.

The Company shall establish a management system for director resignations, clearly defining safeguards for pursuing accountability and compensation for unfulfilled public commitments and other outstanding matters. Upon the effective date of resignation or expiration of term, directors shall complete all handover procedures with the Board of Directors. Their fiduciary duties to the Company and its shareholders shall not automatically terminate upon the conclusion of their term but shall remain valid for a reasonable period as stipulated in the Articles of Association.

The liability that a director incurs during his/her term of office for the performance of duties shall not be exempted or terminated upon leaving office.

The shareholders’ general meeting may resolve to remove a director, with the removal taking effect on the date the resolution is adopted.

A director may demand compensation from the Company if removed without just cause before the expiration of his/her term.

No director may act on behalf of the Company or the Board of Directors in his/her personal capacity without legitimate authorization by the Articles of Association or by a resolution of the Board of Directors. When a director acts in his/her personal capacity, the director shall declare his/her position and capacity in advance if a third party would reasonably believe that the director is acting on behalf of the Company or the Board of Directors.

If a director causes damage to others while performing duties for the Company, the Company shall bear liability for compensation. If the director acts with intent or gross negligence, he/she shall also bear liability for compensation.

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A director who violates laws, administrative regulations, departmental rules, or the Company’s Articles of Association while performing duties for the Company and causes losses to the Company shall bear liability for compensation.

Subject to approval by the shareholders’ general meeting, the Company may purchase liability insurance for directors, except for liabilities of directors arising from violations of laws, regulations, or the Company’s Articles of Association.

General Provisions of the Board of Directors

The Company shall establish a Board of Directors, which consists of nine directors, including three independent non-executive directors. The Board of Directors appoints one chairman, who shall be elected by the Board of Directors with a majority vote of all directors.

Article 110. The Board of Directors shall exercise the following powers:

- (I) to convene the shareholders’ general meeting and report its work to the shareholders’ general meeting;
- (II) to implement the resolutions of the shareholders’ general meeting;
- (III) to make decisions on the business plans and investment proposals of the Company;
- (IV) to formulate the profit distribution plan and loss compensation plan of the Company;
- (V) to formulate plans for the increase or reduction of registered capital, issuance of bonds or other securities and [REDACTED] of the Company;
- (VI) to formulate plans for the Company’s material acquisition, share buybacks, mergers, demergers, dissolution, and changes to the Company’s legal status;
- (VII) to make decisions, within the scope of authorisation granted by the shareholders’ general meeting, on matters relating to external investments, acquisitions and disposals of assets, asset pledges, external guarantees, entrusted asset management, related transactions, external donations, and other matters;
- (VIII) to make decisions on the establishment of internal management structures within the Company;
- (IX) to appoint or dismiss of the Company’s general manager, the secretary to the Board of Directors and other senior management members, and to decide on their remuneration, rewards and punishments; to appoint or dismiss the Company’s senior management members, such as the deputy general manager and the chief financial officer, based on the nomination of the manager, and to decide on their remuneration, rewards and punishments;
- (X) to formulate the basic management system of the Company;
- (XI) to formulate the amendment proposal to the Articles of Association;
- (XII) to manage the information disclosure of the Company;
- (XIII) to propose to the shareholders’ general meeting the appointment or replacement of the accounting firm to conduct the Company’s audit;
- (XIV) to hear the work report of the general manager of the Company and review the work of the general manager;
- (XV) other functions and powers conferred by laws, administrative regulations, departmental rules, other regulatory rules of the place where the Company’s shares are listed, the Articles of Association, or shareholder’s general meetings.

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Matters beyond the scope of authorization granted by the shareholders’ general meeting shall be submitted to the shareholders’ general meeting for consideration.

The Company’s Board of Directors shall provide an explanation to the shareholders’ general meeting regarding any non-standard audit opinion issued by the certified public accountant on the Company’s financial reports.

The Board of Directors shall establish rules of procedure for board meetings to ensure its implementation of resolutions of shareholders’ general meeting, enhance operational efficiency, and guarantee sound decision-making.

The rules of procedure for board meetings govern the convening and voting procedures of the Board of Directors. As an appendix to the Articles of Association, these rules are formulated by the Board of Directors and approved by the shareholders’ general meeting.

The Board of Directors shall establish rigorous review and decision-making procedures for external investments, asset acquisitions and disposals, asset pledges, external guarantees, entrusted asset management, and related transactions. Major investments shall be evaluated by relevant experts and professionals and submitted to the shareholders’ general meeting for approval.

Transactions between the Company and its related parties shall be submitted to the Board of Directors for review if they meet any of the following criteria:

- (I) transactions with related natural persons involving amounts exceeding RMB300,000 (including assumed debts and expenses);
- (II) transactions with related corporations involving amounts exceeding RMB3 million (including assumed debts and expenses) and representing more than 0.5% of the absolute value of the Company’s latest audited net assets.

Guarantees and financial assistance that do not meet the threshold for consideration by the shareholders’ general meeting shall be reviewed and approved by the Board of Directors. When the Board of Directors consider external guarantees and financial assistance, it shall obtain the consent of more than two-thirds of the directors present at the board meeting.

Non-related transactions (excluding guarantees) conducted by the Company shall be reviewed and approved by the Board of Directors if they meet any of the following criteria:

- (I) the total asset value involved in the transaction (where both book value and appraised value exist, the higher shall prevail) accounts for more than 10% of the Company’s latest audited total assets;
- (II) the net asset value of the transaction subject (e.g., equity interests) (where both book value and appraised value exist, the higher shall prevail) accounts for more than 10% of the Company’s latest audited net assets and exceeds RMB10 million in absolute amount;
- (III) the transaction amount (including assumed debts and expenses) accounts for more than 10% of the Company’s latest audited net assets and exceeds RMB10 million in absolute amount;
- (IV) the profit generated from the transaction accounts for more than 10% of the Company’s audited net profit for the latest financial year and exceeds RMB1 million in absolute amount;
- (V) the revenue generated from the transaction subject (e.g., equity interests) in the latest financial year accounts for more than 10% of the Company’s audited revenue for the latest financial year and exceeded RMB10 million in absolute amount;

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- (VI) the net profit attributable to the transaction subject (e.g., equity interests) in the latest financial year accounts for more than 10% of the Company’s audited net profit for the latest financial year, and exceeded RMB1 million in absolute amount.

If the figures involved in the above indicators is negative, calculate shall be conducted in absolute amount.

The chairman of the Board of Directors shall exercise the following functions and powers:

- (I) to preside over shareholders’ general meeting and to convene and preside over board meetings;
- (II) to supervise and examine the implementation of the resolutions of the Board of Directors;
- (III) to sign important documents of the Board of Directors and other documents which shall be signed by the legal representative of the Company;
- (IV) to exercise the functions and powers of the legal representative;
- (V) authorized by the Board of Directors, the chairman may decide on any investments, asset pledges, and other matters of the Company not exceeding 5% of its latest audited net assets, with approval procedures and other matters to be carried out in accordance with the Company’s financial system regulations.
- (VI) in case of emergency of catastrophic natural disasters and other force majeure, to exercise the special right of disposal that is in line with the requirements of laws and interests of the Company on the matters of the Company, and report to the board of directors and the shareholders’ general meeting afterwards;
- (VII) other functions and powers conferred by the Board of Directors.

If the chairman is unable to perform his duties or does not perform his duties, a director jointly elected by more than half of the directors shall perform his duties.

The Board of Directors shall convene at least four meetings annually, convened by the chairman, with written notice given to all directors at least 14 days prior to the meeting.

Shareholders representing more than one-tenth of voting rights of the Company, more than one-third of all directors or the Board of Supervisors may propose to convene an extraordinary meeting of the Board. The chairman shall convene and preside over a board meeting within 10 days from the receipt of such proposal.

Notice of extraordinary board meetings shall be delivered by direct delivery, fax, email, or other written means; the notice period shall be no less than five days prior to the meeting. With the unanimous consent of all directors, the aforementioned notice period for convening extraordinary board meetings may be shortened or waived.

The notice of the Board meeting shall include the following:

- (I) the time and venue of the meeting;
- (II) the duration of the meeting;
- (III) the reasons and subject matters;
- (IV) the date of issuing the notice.

The quorum of a Board meeting shall be more than half of all directors. A resolution of the Board shall be passed by more than half of all directors.

As for the voting on a Board resolution, each director shall have one vote.

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Where a director has any related relationship with the enterprise or individuals involved in the matter to be decided at the Board meeting, he/she shall report to the Board in writing timely and shall not exercise his/her voting rights on the resolution, nor shall he/she exercise voting rights on behalf of other directors. The quorum of such a Board meeting shall be more than half of all the non-related directors, and the resolutions made at such a Board meeting shall require adoption by more than half of all the non-related directors. If the number of non-related directors in presence is less than 3, the matter shall be submitted to the shareholders’ meeting for deliberation. If there are any additional restrictions imposed by laws and regulations and the securities regulatory rules of the place where the shares of the Company are [REDACTED] on the participation of directors in the Board meetings and voting, such provisions shall apply.

The means of the convening of and voting on Board meetings is: to vote either by open ballot or by show of hands.

As long as directors can fully express their opinions at the extraordinary Board meeting, resolutions may be passed via electronic communication means, and signed by participating directors.

Directors shall attend Board meetings in person. If any director is unable to attend the meeting for any reason, he/she may by a written power of attorney appoint another director to attend the meeting on his/her behalf. The power of attorney shall include the name of the proxy, the subject, scope of authorization and validity period, which shall be signed or officially sealed by the appointing director. A director appointed as the representative of another director to attend the meeting shall exercise the rights of a director within the scope of authorization. Where a director does not attend a Board meeting and does not appoint a proxy to attend the meeting on his behalf, he/she shall be deemed to abstain from voting in such meetings.

The independent non-executive directors shall attend the board meetings in person. Where an independent non-executive director is unable to attend a meeting for any reason, he/she shall peruse the meeting documents in advance, form definite opinions, and appoint another independent non-executive director in writing to attend the meeting on his/her behalf

The Board shall make minutes of the decisions made on the matters discussed at the meeting, and the directors present at the meeting shall sign on the minutes.

The minutes of the Board meeting shall be kept as archives of the Company for a period of not less than ten years.

Minutes of the Board meeting shall include the following particulars:

- (I) date and venue of the meeting and the name of the convener;
- (II) the names of directors present and the names of directors (proxies) entrusted by others to attend the Board meeting;
- (III) meeting agenda;
- (IV) key points of directors’ speeches;
- (V) the manner of voting and the results of each resolution (the results of the vote shall indicate the number of votes cast in favor, against or abstentions).

Special Committee of the Board of Directors

The Company’s Board of Directors shall establish an Audit Committee to exercise the functions and powers of the supervisory board as stipulated in the Company Law.

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The Audit Committee shall consist of no fewer than 3 directors, who shall not be senior management members of the Company. Independent non-executive directors shall constitute the majority of its members, with the convener being an independent non-executive director who is a professional accountant. Members of the Audit Committee shall act with due diligence and possess the professional knowledge and experience necessary to fulfill the duties of the Audit Committee.

The Audit Committee is responsible for reviewing the Company’s financial information and its disclosure, supervising and evaluating internal and external audit work and internal controls, and overseeing the lawful and compliant performance of duties by directors and senior management. The following matters shall be submitted to the Board of Directors for consideration after obtaining the approval of a majority of all members of the Audit Committee:

- (I) disclosure of financial information in financial accounting reports and periodic reports, as well as reports of internal control evaluation;
- (II) appoint or remove accounting firms to undertake the audit engagement of the Company;
- (III) appoint or remove the Company’s chief financial officer;
- (IV) changes in accounting policies or accounting estimates, or corrections of significant accounting errors, made for reasons other than changes in accounting standards;
- (V) other matters required by laws, administrative regulations, the CSRC, the regulatory rules of the place where the Company’s shares are [REDACTED], and the Company’s Articles of Association.

If the Audit Committee discovers that directors or senior management have violated laws and regulations, the regulatory rules of the place where the Company’s shares are [REDACTED], or the Company’s Articles of Association, it shall notify the Board of Directors or report at the shareholders’ general meeting, and promptly disclose such information. It may also report directly to the regulatory authorities.

In the course of performing its supervisory duties, the Audit Committee may propose the removal of directors or senior management who violate laws and regulations, the Guidelines to Articles of Association, other regulations of the Shanghai Exchange, the Company’s Articles of Association, or resolutions of the shareholders’ general meeting.

The Audit Committee shall convene at least one meeting per quarter. Special meetings may be held upon the request of two or more members, or when deemed necessary by the convener. Audit Committee meetings shall require the attendance of more than two-thirds of its members to be valid.

Resolutions of the Audit Committee shall be adopted by a majority vote of its members.

Voting on resolutions of the Audit Committee shall be conducted on a one-person-one-vote basis.

Minutes shall be prepared for resolutions of the Audit Committee in accordance with regulations, and members of the Audit Committee present at the meeting shall sign the minutes. Meeting minutes of the Audit Committee shall be properly maintained. The Company shall provide the meeting minutes of the Audit Committee with the stock exchange upon its request.

The rules of procedure of the Audit Committee shall be formulated by the Board of Directors.

The Board of Directors shall establish a Strategy and Sustainability Committee, a Nomination Committee, and a Remuneration and Appraisal Committee. These committees shall perform their duties in accordance with the Articles of Association and the authority granted by the Board of Directors. Proposals from the special committees shall be submitted to the Board of Directors for consideration and decision. The rules of procedure of the special committees shall be formulated by the Board of Directors.

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The Company shall establish a Strategy and Sustainability Committee under the Board of Directors, primarily responsible for conducting researching and making recommendations on the Company’s long-term development strategy and major investment decisions.

The Strategy and Sustainability Committee shall consist of 3 directors. The Strategy and Sustainability Committee shall have one chairman (convener), who shall be the chairman of the Company’s Board of Directors and shall be responsible for presiding over the committee’s work.

The primary responsibilities and authority of the Strategy and Sustainability Committee are as follows:

- (I) conduct research and make recommendations on the planning of the Company’s long-term strategic development;
- (II) develop an ESG strategy, monitor sustainable development trends, and ensure the Company’s stance and performance on sustainability issues remain up-to-date, and comply with the requirements of applicable law, regulations, and international standards;
- (III) conduct research, analysis, and risk assessments on the Company’s sustainability vision, strategy, and framework, as well as related matters, make recommendations to the Board of Directors and report to the Board;
- (IV) oversee the operation of the ESG framework across all business segments of the Company, review and assess the environmental and social impacts of the Company’s operations, identify sustainability-related risks and opportunities that have significant effects to the Company’s business activities, and provide guidance to the management for implementing appropriate responses to sustainability risks and opportunities;
- (V) provide guidance and oversee the implementation of the Company’s sustainability initiatives, provide timely feedback on progress of the Company’s sustainability initiatives, address key concerns raised by internal and external stakeholders to the Company, and make recommendations for enhancing the Company’s sustainability management practices;
- (VI) review the Company’s annual ESG report and report to the Board of Directors;
- (VII) conduct research and make recommendations on major investment and financing proposals that require approval from the Board of Directors;
- (VIII) conduct research and make recommendations on major capital operations and asset management projects that require approval approval from the Board of Directors;
- (IX) conduct research and make recommendations on other significant matters that may affect the Company’s development;
- (X) inspect the implementation of the above matters;
- (XI) other matters authorized by the Board of Directors.

The Company shall establish a Nomination Committee, whose members shall consist of no fewer than 3 directors, with independent non-executive directors constituting the majority.

The Nomination Committee shall have 1 chairman (Convenor), who shall be an independent non-executive director serving on the committee and responsible for presiding over its work. The chairman shall be elected from among the members and appointed upon approval by the Board of Directors.

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The Nomination Committee is responsible for formulating selection criteria and procedures for directors and senior management members, screening and reviewing candidates for directors and senior management members and their qualifications, and making recommendations to the Board of Directors on the following matters:

- (I) the nomination or appointment of directors;
- (II) the appointment or removal of senior management members;
- (III) responsible for the establishment of the board diversity policy, as well as ensuring and periodically reviewing the diversity of the Board of Directors;
- (IV) other matters required by laws, administrative regulations, the provisions of the CSRC, the regulatory rules of the place where the Company’s shares are [REDACTED], and the Articles of Association.

Where the Board of Directors does not adopt or fully adopt the recommendations of the Nomination Committee, it shall record the Nomination Committee’s recommendations and the reasons for non-adoption in the resolution of the Board of Directors and disclose such information.

The Company shall establish a Remuneration and Appraisal Committee, whose members shall consist of no fewer than 3 directors, with independent non-executive directors constituting the majority.

The Remuneration and Appraisal Committee shall have 1 chairperson (convenor), who shall be an independent non-executive director serving on the committee and responsible for presiding over its work. The chairman shall be elected from among the members and appointed upon approval by the Board of Directors.

The Remuneration and Appraisal Committee is responsible for establishing evaluation criteria for directors and senior management and conducting evaluations, developing and reviewing compensation policies and schemes for directors and senior management, including decision-making mechanisms, approval processes, payment arrangements, and claw back provisions., and making recommendations to the Board of Directors on the following matters:

- (I) the compensation of directors and senior management members;
- (II) the formulation of or change to the equity incentive plans, employee shareholding schemes, benefits granted to the incentive recipients, and the achievement to be fulfilled before exercising the benefits;
- (III) shareholding arrangements for directors and senior management members in the proposed spin-off of subsidiary;
- (IV) other matters required by laws, administrative regulations, the provisions of the CSRC, the regulatory rules of the place where the Company’s shares are [REDACTED], and the Articles of Association.

Where the Board of Directors does not adopt or fully adopt the recommendations of the Remuneration and Appraisal Committee, it shall record the Remuneration and Appraisal Committee’s recommendations and the reasons for non-adoption in the resolution of the Board of Directors and disclose such information.

Independent non-executive directors

Independent non-executive directors shall, in accordance with the provisions of laws, administrative regulations, the requirements of the CSRC and the Articles of Association, conscientiously perform duties, play a role in participating in decision-making, supervision and

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check and balance and professional consultation in the Board of Directors, safeguard the overall interests of the Company and protect the legitimate rights and interests of medium and minority shareholders.

Independent non-executive directors shall maintain their independence. The following persons shall not be appointed as independent non-executive directors:

- (I) persons who hold posts in the Company or its affiliates and their immediate family members and main social relations;
- (II) natural person Shareholders who hold 1% or more of the Company’s issued Shares directly or indirectly or who rank in the top 10 Shareholders of the Company and their immediate family members;
- (III) persons who hold posts in Shareholders who hold 5% or more of the Company’s issued shares directly or indirectly or who rank in the top five Shareholders of the Company and their immediate family members;
- (IV) persons who hold posts in affiliates of the Company’s Controlling Shareholder or de facto controller and their immediate family members;
- (V) persons who have significant business dealings with the Company and its Controlling Shareholder, de facto controller or their respective affiliates, or persons who hold positions in organizations which have significant business dealings with the Company and its Controlling Shareholder or de facto controller;
- (VI) persons who provide financial, legal, advisory, sponsorship services etc. to the Company and its Controlling Shareholder, de facto controller or their respective affiliates, including but not limited to all members of engagement team of an intermediary providing services, all levels of reviewers, persons signing the report, partners, directors, senior management members and principals;
- (VII) person who fell under the circumstances of item (i) to item (vi) during the past 12 months; or
- (VIII) any other non-independent personnel stipulated by laws, regulations, normative documents, the provisions of the CSRC, business rules of the stock exchanges and the Articles of Association.

Affiliates of the Company’s Controlling Shareholder or de facto controller referred to in subparagraphs (iv) to (vi) of the preceding paragraph shall exclude enterprises which are controlled by the same State-owned assets management agency as the Company and are not related to the Company pursuant to the relevant provisions.

Independent non-executive directors shall conduct annual self-examination of independence and submit the self-examination findings to the Board. The Board shall evaluate the independence of incumbent independent non-executive directors annually, issue a specific opinion and disclose the same simultaneously with the annual report.

A person appointed as an independent non-executive director of the Company shall satisfy the following criteria:

- (I) possessing the qualifications to serve as a director of a listing company in accordance with laws, administrative regulations, the regulatory rules of the place where the Company’s shares are [REDACTED] and other relevant provisions;
- (II) satisfying the independence requirements stipulated in the Articles of Association;

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- (III) possessing basic knowledge of operation of listed companies and being familiar with the relevant laws, administrative regulations, rules and regulations;
- (IV) having five or more years of work experience in legal, accounting, economics or other fields required for performance of the duties as an independent non-executive director;
- (V) having good moral character, without bad records of significant dishonest conduct; and
- (VI) any other criteria stipulated by laws, regulations, normative documents, the provisions of the CSRC, business rules of the stock exchanges and the Articles of Association.

Independent non-executive directors shall, as members of the Board, bear the obligations of loyalty and diligence towards the Company and all its Shareholders and perform the following duties prudently:

- (I) participating in decision-making by the Board and issuing specific opinions on the deliberated matters;
- (II) supervising the potential significant conflict of interests between the Company and its Controlling Shareholders, de facto controller, directors, senior management members, and protecting the legitimate rights and interests of minority Shareholders;
- (III) providing professional and objective recommendation on the Company’s business development, and promoting the improvement of the decision-making level of the Board; and
- (IV) any other duties stipulated by laws, regulations, normative documents, the provisions of the CSRC and the Articles of Association.

Article 130. Independent non-executive directors shall also have the following special powers:

- (I) independently engaging intermediaries to carry out audit, advisory or verification of the Company’s specific matters;
- (II) proposing to the Board on convening of an extraordinary shareholders’ Meeting;
- (III) proposing to convene a Board meeting;
- (IV) publicly soliciting Shareholder’s rights from Shareholders pursuant to the law;
- (V) issuing independent opinions on matters which may harm the rights and interests of the Company or minority Shareholders; and
- (VI) any other powers stipulated by laws, regulations, normative documents, the provisions of the CSRC, regulatory rules of the place where the Company’s shares are [REDACTED] and the Articles of Association.

An independent non-executive director exercising the powers stipulated in subparagraphs (i) to (iii) of the preceding paragraph shall obtain the consent of more than half of all the independent non-executive directors.

Where an independent non-executive director exercises the powers stipulated in the first paragraph, the Company shall promptly make disclosure. Where the powers are unable to be exercised, the Company shall disclose the specific circumstances and reason.

The expenses incurred by independent non-executive directors in engaging intermediary organizations and required when otherwise exercising their functions and powers shall be borne by the Company.

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The following matters shall, upon consent by more than half of all the independent non-executive directors of the Company, be tabled at a Board meeting for deliberation:

- (I) related-party transactions which shall be disclosed;
- (II) plan for change or waiver of undertaking by the Company and the relevant parties;
- (III) decisions made and measures adopted by the Board of the Company in respect of the acquisition; and
- (IV) any other matters stipulated by laws, administrative regulations, the provisions of the CSRC, the regulatory rules of the place where the Company’s shares are [REDACTED] and the Articles of Association.

The Company shall establish a mechanism for specialized meetings attended solely by independent non-executive directors. Where the Board deliberates on related-party transactions etc., prior approval shall be obtained at a specialized meeting of independent non-executive directors.

The Company shall hold specialized meetings of independent non-executive directors on a regular or ad hoc basis. The matters stipulated in subparagraphs (i) to (iii) of the first paragraph of Article 130, and Article 131 of the Articles of Association shall be deliberated by a specialized meeting of independent non-executive directors.

A specialized meeting of independent non-executive directors may study and discuss other matters of the Company where necessary.

A specialized meeting of independent non-executive directors shall be convened and chaired by an independent non-executive director jointly elected by more than half of independent non-executive directors; where the convener does not or is unable to perform his/her duties, two or more independent non-executive directors may convene a meeting and elect a representative to chair the meeting.

Minutes shall be prepared for specialized meeting of independent non-executive directors pursuant to the provisions, stating the opinions of the independent non-executive directors. The independent non-executive directors shall confirm by signing on the minutes.

The Company shall provide convenience and support for holding of specialized meetings of independent non-executive directors.

General manager and other senior management

The Company shall have one general manager who shall be appointed or dismissed by the Board.

The Company shall have deputy general manager who shall be appointed or dismissed by the Board.

The circumstances of disqualification for directors and the system for the administration of directors’ departure from office prescribed in the Articles of Association shall also be applicable to senior management.

The provisions concerning the fiduciary duty of the directors and the diligence duty of the directors prescribed in the Articles of Association shall also be applicable to senior management.

A person who holds an administrative position other than that of a director or supervisor in the entities of the controlling shareholder of the Company shall not act as senior management of the Company.

Senior management personnel of the Company shall receive their salaries only from the Company and shall not be paid by the controlling shareholder on behalf of the Company.

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The general manager shall serve a term of three years, and can be reappointed for consecutive terms.

The general manager shall report to the Board of Directors, and shall exercise the following functions and powers:

- (I) to manage the production, business operation and management of the Company, to organize and implement the resolutions of the Board of Directors and to report his/her work to the Board of Directors;
- (II) to organise and implement of the annual operation plans and investment proposals of the Company;
- (III) to prepare the plan for establishing the internal management body and branch offices of the Company;
- (IV) to prepare the basic management system of the Company;
- (V) to develop and organize the implementation of specific rules of the Company;
- (VI) to recommend the Board of Directors on the appointment or removal of the deputy general manager and the chief financial officer;
- (VII) to appoint or remove management personnel other than those appointed or removed by the Board of Directors;
- (VIII) to exercise other functions and powers authorised by the Articles of Association or the Board of Directors.

The general manager shall attend the Board meetings.

The scope of work of the general manager shall be defined by the general manager and such scope of work shall be reported to the board of directors for approval and to be carried out upon approval.

The scope of work of the general manager includes the followings:

- (I) the conditions, procedures and participants of the general manager meeting;
- (II) the specific duties and each respective division of general manager and other senior officers;
- (III) the power for use of the assets and fund of the Company and the execution of major contract and the reporting system to the board of directors;
- (IV) other matters as the board of directors consider necessary.

The general manager may resign prior to the expiration of his/her term of office. If a senior management resigns, his/her resignation becomes effective upon the board of Directors' receipt of the resignation report. The detailed procedures for the manager's resignation shall be set out in the service contract entered into between the manager and the Company.

The deputy general manager assists the general manager in his/her work. The appointment and dismissal procedures and powers of the deputy general manager and the financial officer are determined according to the Company's work rules of the general manager.

The Company shall have secretary to the Board of Directors, whom shall be responsible for matters such as preparing shareholders' general meetings and board meetings of the Company, keeping of documents and managing shareholders' information of the Company and handling matters related to information disclosure.

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The board secretary shall comply with the relevant provisions of laws, administrative regulations, departmental rules, regulatory rules of the place where the Company’s shares are [REDACTED], and the Articles of Association.

If a senior management causes damage to others in the course of performing his/her duties, the Company shall be liable for compensation; the senior management shall also be liable for compensation if there is intentionality or gross negligence on his/her part.

If a senior management violates the requirements under the laws, administrative regulations, departmental rules or the Articles of Association in the course of performing his/her duties and subsequently causes losses to the Company, he/she shall be liable for compensation.

The senior management of the Company shall perform their duties faithfully and safeguard the best interests of the Company and all shareholders. If the senior management of the Company has caused damage to the interests of the Company and the [REDACTED] shareholders due to their failure to faithfully perform their duties or breach of their fiduciary duties, they shall be liable for compensation in accordance with the law.

FINANCIAL AND ACCOUNTING SYSTEM, PROFIT DISTRIBUTION AND AUDIT

Financial and Accounting System

The Company shall establish its financial and accounting system according to the laws, administrative regulations, the regulatory rules where the Company’s shares are [REDACTED] and the requirements of the relevant governmental authorities.

The Company shall submit and disclose its A Shares annual report to the local office of the CSRC and the Shanghai Stock Exchange within 4 months from the ending date of each fiscal year, as well as submit and disclose A Shares interim report to the local office of the CSRC and the Shanghai Stock Exchange within 2 months from the ending date in the first half of each fiscal year.

The aforesaid A Shares annual report and interim report shall be prepared in accordance with the relevant laws, administrative regulations, and the provisions of the regulatory rules of the CSRC, stock exchange(s) and other places where the Company’s shares are [REDACTED].

The Company shall not establish accounts books other than the statutory account books. The capital of the Company shall not be deposited in any personal account.

The Company shall allocate 10% of the annual after-tax profits as the statutory reserve fund of the Company. When the accumulated amount of the statutory reserve fund of the Company has reached more than 50% of the registered capital of the Company, no further allocations is required.

If the statutory reserve fund of the Company is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up the said losses before any statutory reserve fund is withdrawn according to the provision of the preceding paragraph.

After withdrawing the statutory reserve fund out of its after-tax profits, the Company may also allocate some of its after-tax profits into its discretionary reserve if so resolved by the shareholders’ general meeting.

After making up the losses and making contributions to the common reserve fund, any remaining profits after tax shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association that profit distributions shall not be made in accordance with the shareholding proportion.

If the shareholders’ general meeting, in violation of the Company Law, distributes profits to the shareholders, the profits so distributed shall be returned to the Company; in case of losses caused to the Company, shareholders and responsible directors and senior management shall be liable for compensation.

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No profits shall be distributed in respect of the shares held by the Company.

The Company must appoint one or more collection agents in Hong Kong for the H-shareholders. The collection agent shall collect and hold on behalf of the relevant H-shareholders the dividends and other payments distributed by the Company in respect of the H-shares, pending payment to such H-shareholders. The collection agent appointed by the Company shall meet the requirements of laws and regulations and the securities regulatory rules of the place where the Company's share is [REDACTED].

Reserves of the Company are used for offsetting losses of the Company, expanding the Company's production and operation or converting into and increasing the capital of the Company.

When the reserves of the Company are used to cover its losses, the discretionary reserve fund and the statutory reserve fund shall be utilized first; if the losses still cannot be covered, the capital reserve fund may be utilized in accordance with relevant regulations.

Upon conversion of the statutory reserve fund into capital, the balance of such reserve fund shall not fall below 25% of the registered capital of the Company before the conversion.

After the profit distribution plan has been adopted at the shareholders' general meeting of the Company, or after the board of directors formulates a specific plan based on the conditions and cap for interim dividends for the next year considered and approved by the annual shareholders' general meeting, the dividend (or share) distribution shall be completed within 2 months after the shareholders' general meeting.

The Company's profit distribution policies, decision-making procedures and mechanisms are as follows:

(I) Profit distribution principles

Profit distribution shall prioritize reasonable returns for [REDACTED], properly balance the Company's short-term interests with long-term development while fully considering shareholder interests, and determine a reasonable dividend distribution plan. Profit distribution policies shall remain consistent and stable.

(II) Forms of profit distribution

The Company may distribute profits in cash, stock, or a combination of cash and stock, or as otherwise permitted by laws and regulations, departmental rules and normative documents. When selecting the profit distribution method, the Company shall give priority to cash dividends over stock dividends and other distribution methods. The Company distributes profits annually in principle. The board of directors may propose interim cash dividends based on the Company's circumstances. The specific plan must be reviewed by the board of directors and then submitted to the shareholders' meeting for approval.

(III) Conditions for cash dividends and stock dividends

The Company may not conduct profit distribution if any of the following occurs: (1) the audit report for the most recent year is either a qualified opinion or an unqualified opinion with a paragraph containing material uncertainty related to going concern; (2) the debt-to-asset ratio is higher than a certain specific percentage; (3) the operating cash flow is lower than a certain specific level; (4) other circumstances as stipulated by laws and regulations, normative documents, or the Articles of Association.

The cumulative profit distributed by the Company in cash in the past three years shall not be less than 30% of the average annual distributable profit realized in the past three years. The specific allocation ratio will be determined by the board of directors based on the Company's operating conditions and submitted to the shareholders' meeting for review and approval.

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The Company may conduct profit distribution using stock dividends if it meets at least one of the following conditions: the Company is in a growth stage and has significant capital expenditure plans; the Company has real and reasonable factors contributing to the dilution of net assets per share; the net cash flow from operating activities in the current period is insufficient to meet the cash dividend requirements; for the purpose of realizing the Company’s future investment plans and coping with the external financing environment.

(IV) The Company implements a differentiated cash dividend policy

The board of directors of the Company shall take into account the characteristics of the industry in which the Company operates, the stage of development, its own business model, profitability, debt repayment ability, whether there are major capital expenditure arrangements and [REDACTED] returns, and distinguish the following circumstances to propose a differentiated cash dividend policy:

1. Where the Company is in a mature stage of development and has no major capital expenditure arrangement, the minimum proportion of cash dividends in the profit distribution shall be 80% when the profit distribution is made;
2. Where the Company is in a mature stage of development and has major capital expenditure arrangements, the minimum proportion of cash dividends in the profit distribution shall be 40% when the profit distribution is made;
3. Where the Company is in a growing stage of development and has major capital expenditure arrangements, the minimum proportion of cash dividends in the profit distribution shall be 20% when the profit distribution is made.

If it is difficult to distinguish the development stage of the Company but there are major capital expenditure arrangements, it may be dealt with in accordance with the provisions of point 3 in the preceding paragraph.

(V) Decision-making mechanism and procedures for profit distribution

1. Decision-making mechanism

When formulating a specific cash dividend plan, the board of directors shall carefully study and discuss the timing, conditions and minimum ratio of the Company’s cash dividends, the conditions for adjustment and the requirements of the decision-making procedures.

Independent non-executive directors who believe that the specific cash dividend plan may harm the Company’s or minority shareholders’ interests shall have the right to express independent opinions. For opinions of independent non-executive directors that are not adopted or fully adopted by the board of directors, the resolution announcement of the board of directors shall disclose the opinions and specific reasons for not adopting or fully adopting them.

Before the shareholders’ meeting considers the specific cash dividend plan, the Company shall proactively communicate and exchange views with shareholders, especially minority shareholders, through various channels, fully listen to their opinions and demands, and promptly answer their questions.

2. Procedures for adjusting profit distribution policy and cash dividend policy

When the Company convenes an annual shareholders’ general meeting to consider the annual profit distribution plan, the conditions, maximum proportion and maximum amount of interim cash dividends for the next year may be considered and approved. The maximum amount of interim dividends for the next year to be considered at the annual shareholders’ general meeting shall not exceed the net profit attributable to shareholders of the Company for

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the corresponding period. The board of directors shall formulate specific interim dividends distribution plan in accordance with the resolution of the shareholders’ general meeting, subject to the conditions for profit distribution.

The Company shall strictly implement the cash dividend policy as determined in the Articles of Association and the specific plan for distribution of cash dividends as considered and approved at the shareholders’ general meeting. If the Company needs to adjust or change the cash dividend policy as determined in the Articles of Association, it is required to satisfy the conditions under the Articles of Association and execute appropriate decision-making procedures after careful discussion, and the adjustment or changes shall be passed by shareholders present at the shareholders’ general meeting representing not less than two-thirds of voting rights.

(VI) Arrangements for failure to implement dividend distribution or dividend policy adjustments as required

If the Company is profitable in a given year, but the board of directors has not made a cash profit distribution plan or the dividend level is low, the independent non-executive directors shall issue an independent opinion on this matter. The Company shall disclose in detail in its periodic reports the reasons for not distributing dividends or for distributing dividends at a low level, the purpose and rationale of funds retained by the Company that were not used or were used less for dividends.

(VII) Others

If a shareholder misappropriates the Company’s funds, the Company shall deduct the cash dividends allocated to such shareholder to repay the misappropriated funds.

Profit Distribution

Where the Company distributes its after-tax profits of the current year, it shall draw 10 percent of the profits as the Company’s statutory common reserve. The Company may stop drawing if the accumulative balance of the common reserve has already accounted for over 50 percent of the Company’s registered capital. If the accumulative balance of the Company’s statutory common reserve is not enough to make up for the losses of the Company of the previous year, the current year’s profits shall first be used for making up the losses before the statutory common reserve is drawn therefrom according to the provisions of the preceding paragraph. After the Company draws the statutory common reserve from the after-tax profits, it may, upon a resolution made by the general meeting, draw a discretionary common reserve from the after-tax profits.

After the losses have been made up and common reserves have been drawn, the remaining profits shall be distributed to in light of the proportions of shares held by shareholders, unless it is not permitted in the Articles of Association to distribute profits according to the proportions of shares held by shareholders. Where the shareholders’ general meeting, in violation of the provisions of the preceding paragraph, 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. No profit shall be distributed in respect of the Shares of the Company which are held by the Company.

Basic principles of the Company’s profit distribution policy: the Company’s profit distribution shall focus on providing [REDACTED] with reasonable returns on [REDACTED], and the profit distribution policy shall maintain consistent and stable as much as possible, while taking into account the Company’s long-term interests, the overall interests of all shareholders, and the Company’s sustainable development.

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When the Company pays dividends and other payments to shareholders of shares other than H Shares, the amount shall be denominated and declared in RMB and paid in RMB. When the Company pays dividends and other payments to H Share shareholders, the amount shall be denominated and declared in RMB and paid in HKD. The Company shall pay dividends and other payments to H Share shareholders in accordance with the relevant national regulations on foreign exchange management.

Internal Audit System

The Company shall implement an internal audit system, and specify the leadership structure, authority and responsibilities, personnel allocation, financial support, application of audit results, and accountability for internal audit work.

The internal audit system of the Company shall be implemented upon approval by the board of directors and disclosed to the public.

The internal audit agency of the Company shall supervise and inspect the business activities, risk management, internal control, financial information and other matters of the Company.

The internal audit agency should be independent and staffed by full-time auditors and should not be placed under the authority of, or co-located with, the finance department.

The internal audit agency is accountable to the board of directors.

The internal audit agency shall be subject to the supervision and guidance of the audit committee in the course of its supervising and inspecting the Company’s business activities, risk management, internal control and financial information. The internal audit agency shall immediately report directly to the audit committee upon discovering any relevant major issues or leads.

The internal audit agency shall be responsible for the specific organization and implementation of the Company’s internal control evaluation. The Company shall issue an annual internal control evaluation report based on the evaluation report and related information issued by the internal audit agency and reviewed by the audit committee.

When the audit committee communicates with external audit units such as accounting firms and national audit agencies, the internal audit agency shall proactively cooperate with them and provide necessary support and collaboration.

The audit committee shall participate in the appraisal of the person in charge of internal audit.

Appointment of Accounting Firm

The Company shall engage an accounting firm that complies with the requirements of the Securities Law and the securities regulatory rules of the place where the Company’s stock is [REDACTED], to perform audits of financial statements, verify net assets, and other related consulting services for a term of 1 year, which is renewable.

The appointment and dismissal of an accounting firm by the Company is determined by the shareholders’ general meeting, and the Board of Directors shall not appoint an accounting firm before the decision is made by the shareholders’ general meeting.

The Company ensures that it will provide true and complete accounting vouchers, accounting books, financial statements and other accounting materials to the engaged accountant firm, without any refusal, concealment or misrepresentation.

The audit fee of the accountant firm shall be decided by the shareholders’ general meeting.

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When the Company dismisses or does not reappoint the accountant firm, it shall notify the accountant firm 60 days in advance, and the accountant firm shall be allowed to state its opinions when voting on the dismissal of the accountant firm at the general meeting.

If the accountant firm proposes to resign, it shall explain to the general meeting whether the Company has any inappropriate circumstances.

MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Reduction

The merger of the Company may take the form of either merger by absorption or merger by new establishment.

In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

Where the price paid for a merger does not exceed 10 per cent of the Company’s net assets, the merger may be resolved without a shareholders’ general meeting, unless otherwise provided for in the Articles of Association.

Where a merger of companies is not resolved by the shareholders’ general meeting in accordance with the preceding paragraph, it shall be resolved by the board of directors.

In the event of any merger, the Company shall enter into a merger agreement with other parties involved and prepare a balance sheet and an inventory list for assets. The Company shall notify its creditors within 10 days after the adoption of the relevant resolution and publish announcements in the newspapers or on the National Enterprise Credit Information Publicity System within 30 days. Creditors may require the Company to repay its debt or provide a corresponding guarantee within 30 days after receiving such notice, or if they fail to receive such notice, within 45 days after the publication of such announcement. Where there are additional provisions in the securities regulatory rules of the places where the Company’s shares are [REDACTED], the relevant parties shall comply with such provisions.

Upon merger, the surviving company or the newly established company shall assume all creditor’s rights and debts of the merger parties.

In the event of division, its assets shall be divided accordingly.

In the event of division, the Company shall prepare a balance sheet and a an inventory list for its assets, and notify its creditors within 10 days after the adoption of the relevant resolution and publish announcements in the newspapers or on the National Enterprise Credit Information Publicity System within 30 days. Where there are additional provisions in the securities regulatory rules of the places where the Company’s shares are [REDACTED], the relevant parties shall comply with such provisions.

Unless otherwise agreed by the Company and its creditors in writing prior to the division with respect to the repayment of debts, the succeeding company after the division shall jointly assume the debts of the company which has incurred before such division.

The Company shall prepare a balance sheet and an inventory list for its assets in the event it reduces its registered capital.

The Company shall notify its creditors within 10 days after the shareholders’ general meeting has adopted the relevant resolution on the reduction of the registered capital and publish announcements in the newspapers or on the National Enterprise Credit Information Publicity System within 30 days. The creditors may require the Company to repay its debt or provide

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corresponding guarantees within 30 days after receiving such notice, or if they fail to receive such notice, within 45 days after the publication of such announcement. Where there are additional provisions in the securities regulatory rules of the places where the Company’s shares are [REDACTED], the relevant parties shall comply with such provisions.

Where the Company reduces its registered capital, the amount of capital contribution or shares shall be reduced correspondingly in proportion to the shares held by its shareholders, unless otherwise provided by law or the Articles of Association.

Where the Company still incurs losses after making up its losses in accordance with Paragraph 2 of Article 158 of the Articles of Association, it may reduce its registered capital to make up for the losses. If the registered capital is reduced to make up for losses, the Company shall not make distribution to its shareholders, nor exempt the shareholders from their obligation to make capital contribution or calls on share.

The provisions of the Paragraph 2 of Article 185 of the Articles of Association shall not apply to the reduction in the registered capital in accordance with the preceding article. The Company shall publish an announcement in the newspapers or the National Enterprise Credit Information Publicity System within 30 days from the date of the resolution on the reduction of its registered capital at the shareholders’ general meeting.

After reducing its registered capital in accordance with the provisions of the preceding two paragraphs, the Company shall not distribute profits until the cumulated amount of the statutory reserve fund and discretionary reserve fund reaches 50% of its registered capital.

If the reduction of the registered capital is in violation of the Company Law and other relevant provisions, shareholders shall return the funds they have received and the reduced capital contribution of the shareholders shall be restored to its original amount; in case of losses caused to the Company, the shareholders and the liable directors and senior management shall be liable for compensation.

Where an increase in registered capital of the Company is made by means of issue of new shares, the shareholders do not have any pre-emptive right unless otherwise provided in the Listing Rules of the Hong Kong Stock Exchange or otherwise provided in the Articles of Association or the shareholders’ general meeting resolves that the shareholders shall have pre-emptive right.

Changes in registered particulars arising from a merger or division of the Company shall be registered with the companies registration authority according to the law. If the Company is dissolved, it shall be deregistered according to the law. If a new company is established, such establishment shall be registered according to the law.

Increase or decrease of the registered capital of the Company shall be registered with the company registration authority according to the law.

Dissolution and Liquidation

The Company shall be dissolved in any of the following circumstances:

- (I) any other causes for dissolution stipulated in the Articles of Association has occurred;
- (II) the shareholders’ general meeting has resolved to dissolve the Company;
- (III) the merger or division of the Company requires a dissolution;
- (IV) the business license is revoked in accordance with laws, or the Company is ordered to be closed or is cancelled;

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- (V) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding more than 10% voting rights may petition to a people’s court to dissolve the Company.

Upon the occurrence of events of dissolution specified in the preceding paragraph, the Company shall publicize the events of dissolution through the National Enterprise Credit Information Publicity System within 10 days.

In the event of the circumstance described in Items (I) and (II) of Article 190, and the Company has not distributed any property to its shareholders, the Company may carry on its existence by amending the Articles of Association or by resolution of the shareholders’ general meeting.

Amendments to the Articles of Association in accordance with the preceding paragraph or by resolution of the shareholders’ general meeting shall be passed by more than two-thirds of the shareholders with voting rights who attend the shareholders’ general meeting.

Where the Company is to be dissolved pursuant to Items (I), (II), (IV) and (V) of Article 190 hereof, it shall be liquidated. The directors are the obligor of liquidation of the Company, and shall establish a liquidation committee to carry out liquidation within 15 days from the date when the event of dissolution occurs.

The liquidation committee shall be composed of directors, unless it is otherwise provided for in the Articles of Association or it is otherwise elected by the resolution of the shareholders’ general meeting.

If the liquidation obligor fails to perform its liquidation obligations in a timely manner and causes losses to the Company or its creditors, it shall be liable for compensation.

The liquidation committee shall perform the following powers and duties during the period of liquidation:

- (I) to examine the assets of the Company and prepare the balance sheet and inventory sheet;
- (II) to inform creditors by notice or announcement;
- (III) to allocate outstanding businesses of the Company relating to liquidation;
- (IV) to settle the taxes in arrears and taxes incurred in the course of liquidation;
- (V) to liquidate creditor’s rights and debts;
- (VI) to deal with the remaining assets of the Company after repayment of debts;
- (VII) to represent the Company in civil proceedings.

The liquidation committee shall notify the creditors within 10 days from the date of its establishment and shall publish an announcement in a newspaper or the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his or her claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she has not received any notification. Where there are additional provisions in the securities regulatory rules of the places where the Company’s shares are [REDACTED], the relevant parties shall comply with such provisions.

The creditors lodging their claims shall explain matters relating to the claims and provide evidential documents. The liquidation committee shall register the creditors’ claims.

During the claims lodging period, the liquidation committee shall not make repayment to the creditors.

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Upon disposal of the Company’s property and preparation of the balance sheet and an inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders’ general meeting or a people’s court for endorsement.

The remaining part of the Company’s assets, after payment of liquidation expenses, employee wages, social insurance fees and statutory compensation, outstanding taxes and the Company’s debts, shall be distributed to shareholders in proportion to shares held by them.

The Company shall continue its existence during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The Company’s property shall not be distributed to shareholders before repayments are made in accordance with the requirements of the preceding paragraph.

If the liquidation committee, upon sorting out the Company’s property and preparing the balance sheet and an inventory of assets, finds out that the Company’s assets are insufficient to pay off its debts, it shall apply to the people’s court for bankruptcy and liquidation in accordance with the law.

Once the people’s court accepts the bankruptcy application, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designed by the people’s court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report to be submitted to the shareholders’ general meeting or the people’s court for verification. The liquidation committee shall also file with the registration authority to apply for the deregistration of the Company.

The members of the liquidation committee shall fulfill the liquidation duties and have obligations of loyalty and diligence.

Where the member of the liquidation committee neglect to perform the liquidation duties and causes any loss to the Company, he/she shall be liable to make compensation; where any members of the liquidation team cause any loss to any creditor with intention or due to gross negligence, he/she shall be liable to make compensation.

Liquidation of the Company, which is declared bankrupt according to laws, shall be processed in accordance with the laws on corporate bankruptcy.

Amendments to the Articles of Association

The Company shall amend the Articles of Association under any of the following circumstances:

- (I) following the amendment in the Company Law or the relevant laws, administrative regulations, and regulatory rules of the place where the Company’s shares are [REDACTED], the matters stipulated in the Articles of Association contradict provisions of the amended laws, administrative regulations, and regulatory rules of the place where the Company’s shares are [REDACTED];
- (II) change in the condition of the Company which makes it inconsistent with the content sets out in the Articles of Association;
- (III) the shareholders’ general meeting decides to amend the Articles of Association.

Where the amendments to the Articles of Association passed by resolutions of the shareholders’ general meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the change involved shall be registered in accordance with the law.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

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The board of directors shall amend the Articles of Association in accordance with the resolutions of the shareholders’ general meeting and the comments of the competent authorities on any amendment hereto.

Any amendment to the Articles of Association shall be subject to announcement if so required by the laws and regulations.

APPENDIX VI**STATUTORY AND GENERAL INFORMATION**

FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of Our Company**

Our Company was established as a joint stock company with limited liability in the PRC on June 30, 1994 and completed the listing of our A Shares on the Shanghai Stock Exchange (stock code: 600366.SH) on October 30, 2000. As of the Latest Practicable Date, the registered share capital of our Company was RMB1,099,041,051.

Our Company has established a place of business in Hong Kong at Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and has registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 4 March 2026. Mr. Wong Keith Shing Cheung, the joint company secretary of our Company, has been appointed as our authorized representative for the acceptance of service of process in Hong Kong whose correspondence address is the same as our place of business in Hong Kong.

As our Company was established in the PRC, its operations are subject to the relevant laws and regulations of mainland China. A summary of the relevant aspects of laws and regulations of Mainland China and the Article of Association is set out in Appendices IV and V to this document, respectively.

2. Changes in Share Capital of Our Company

Save as disclosed in the section headed “History and Corporate Structure — Major Shareholding Changes of Our Company”, there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

Save as disclosed below and in the section headed “History and Corporate Structure — Major Subsidiaries” in this document, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

The following alteration in the registered capital of our subsidiaries took place within the two years immediately preceding the date of this document:

Name of Subsidiary	Date of Change	Registered Capital before Change	Registered Capital after Change
Yunsheng New Energy Automobile Materials	March 6, 2025	RMB255,000,000	RMB345,000,000
Baotou Yunsheng Technology	January 23, 2026	RMB270,000,000	RMB485,191,671
Ningbo Yunsheng New Materials Co., Ltd.* (寧波韻昇新材料有限 公司)	February 28, 2025	RMB56,000,000	RMB110,000,000
Ningbo Yunsheng New Technology Research Institute* (寧波韻昇高新 技術研究院)	May 29, 2025	RMB20,000,000	RMB4,000,000

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Name of Subsidiary	Date of Change	Registered Capital before Change	Registered Capital after Change
Ningbo Yunsheng High-Tech Magnetics Co., Ltd.* (寧波韻昇高科技磁業有限公司)	April 15, 2025	RMB60,000,000	RMB1,000,000
	February 6, 2026	RMB1,000,000	RMB82,800,000
Baotou Yunsheng Magnetic	March 31, 2025	RMB785,000,000	RMB1,000,000,000
	January 23, 2026	RMB1,000,000,000	RMB1,000,195,637.43
	February 6, 2026	RMB1,000,195,637.43	RMB1,000,000,000
	February 9, 2026	RMB1,000,000,000	RMB1,000,191,671.22
Zhejiang Yunsheng Mechanical and Electrical Co., Ltd. (浙江韻昇機電有限公司)	April 17, 2026	RMB52,000,000	RMB32,000,000

4. Resolutions of Our Shareholders

Pursuant to the general meeting of our Shareholders held on February 25, 2026, the following resolutions, among others, were passed by our Shareholders:

- the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [REDACTED] on the Hong Kong Stock Exchange be [REDACTED];
- the number of H Shares to be [REDACTED] shall not be more than [REDACTED]% of the total issued share capital of our Company as enlarged by the [REDACTED], and the grant to the [REDACTED] (or their representatives) of any [REDACTED] of not more than [REDACTED]% of the number of H Shares [REDACTED] pursuant to the [REDACTED];
- subject to the completion of the [REDACTED], the adoption of the Articles of Association which shall become effective on the [REDACTED], and the authorization to our Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules;
- the granting of a general mandate to our Board to [REDACTED], [REDACTED] H Shares at any time within a period commencing from the [REDACTED] up to and until the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a resolution to revoke or change such mandate, whichever is earlier, provided that, the number of H Shares to be [REDACTED] shall not exceed [REDACTED]% of the number of the H Shares in [REDACTED] as of the [REDACTED];
- the granting of a general mandate to our Board to repurchase H Shares [REDACTED] on the Stock Exchange with an aggregate number of not exceeding [REDACTED]% of the number of the total issued H Shares as of the [REDACTED], for a period commencing from the [REDACTED] up to and until the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a resolution to revoke or change such mandate, whichever is earlier; and
- authorization of our Board and its authorized person to handle all relevant matters relating to, among other things, the [REDACTED] and [REDACTED] of the H Shares.

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5. Explanatory Statement on Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Document concerning the repurchase of our own securities.

(a) Reasons for repurchase

Our Board considered that the repurchase of the H Shares would be beneficial to and in the best interests of our Company and its Shareholders as a whole. It can strengthen the [REDACTED] confidence in our Company and promote a positive effect on maintaining our Company’s reputation in capital markets. Such repurchases will only be made when our Board believes that they will benefit our Company and our Shareholders as a whole.

Following a repurchase of H Shares, our Company may cancel any repurchased H Shares and/or hold them as treasury Shares subject to, among others, market conditions and its capital management needs at the relevant time of the repurchase, which may change due to evolving circumstances.

(b) Exercise of the general mandate to repurchase H Shares

The general mandate to repurchase H Shares would expire on the earlier of:

- (i) date of the conclusion of the next annual general meeting of the Shareholders; and
- (ii) the date on which the Shareholders pass a resolution to revoke or change such mandate.

The exercise of the general mandate to repurchase H Shares by our Board is also subject to compliance with the applicable laws, rules and regulations of the PRC. Assuming the [REDACTED] is not exercised, the full exercise of such repurchase mandate will result in a total of [REDACTED] H Shares being repurchased by our Company, being [REDACTED]% of the H Shares in [REDACTED] as of the [REDACTED].

(c) Source of funds

In repurchasing its H Shares, our Company intends to apply funds from our Group’s internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC. Our Company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(d) Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

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(e) Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable inquiries, any of their close associates have a present intention to sell any Shares to our Company should the repurchase mandate be exercised.

No core connected person of our Company has notified our Company that they have a present intention to sell H Shares to our Company, or have undertaken to do so, should the repurchase mandate be exercised.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, supervisor, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

(f) Status of repurchased H Shares

Subject to the Articles, the Listing Rules and other applicable laws, rules and regulations, the H Shares repurchased by our Company will be cancelled or kept as treasury shares.

(g) Takeover implications

If, as a result of any repurchase of H Shares, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the general mandate to repurchase H Shares.

(h) Interim measures

For any treasury shares of our Company deposited with [REDACTED] pending resale on the Stock Exchange, our Company shall, upon approval by our Board, implement the below interim measures which include (without limitation):

- (i) procuring its broker not to give any instructions to [REDACTED] to vote at general meetings for the treasury shares deposited with [REDACTED];
- (ii) in the case of dividends or distributions (if any and where applicable), withdrawing the treasury shares from [REDACTED] and either re-register them in its own name as treasury shares or cancel them, in each case before the relevant record date for the dividend or distributions; or
- (iii) taking any other measures to ensure that it will not exercise any Shareholders’ rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in its own name as treasury shares.

(i) General

As of the Latest Practicable Date, a total of 11,964,093 A Shares were held by our Company as treasury Shares.

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If the general mandate to repurchase H Shares is to be carried out in full at any time, there may be a material and adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the general mandate to repurchase H Shares to such an extent as would have a material and adverse effect on our working capital or gearing position.

Our Directors confirm that they will exercise the general mandate to repurchase H Shares in accordance with the Listing Rules and the applicable laws in the PRC. Neither this explanatory statement nor the general mandate to repurchase H Shares has any unusual feature.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

- (a) The [REDACTED].

2. Intellectual Property Rights

a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks in the PRC and Hong Kong, which we considered to be material to our business:

No.	Trademark	Registered owner	IPC	Registration No.	Valid period to
1		Our Company	Class 42	1459387	October 13, 2030
2		Our Company	Class 23	1457616	October 13, 2030
3		Our Company	Class 26	1465022	October 27, 2030
4		Our Company	Class 24	1468667	November 6, 2030
5		Our Company	Class 19	1480865	November 27, 2030
6		Our Company	Class 18	1368080	February 27, 2030
7		Our Company	Class 1	1386032	April 20, 2030

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No.	Trademark	Registered owner	IPC	Registration No.	Valid period to
8		Our Company	Class 28	1372558	March 13, 2030
9		Our Company	Class 14	1365472	February 20, 2030
10		Our Company	Class 25	1414230	June 27, 2030
11		Our Company	Class 39	1394669	May 6, 2030
12		Our Company	Class 41	1382970	April 6, 2030
13		Our Company	Class 31	1382120	April 6, 2030
14		Our Company	Class 26	1370646	March 6, 2030
15		Our Company	Class 24	1390047	April 27, 2030
16		Our Company	Class 16	1380514	April 6, 2030
17		Our Company	Class 30	1408625	June 13, 2030
18		Our Company	Class 9	1387384	April 20, 2030
19		Our Company	Class 40	1379816	March 27, 2030

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No.	Trademark	Registered owner	IPC	Registration No.	Valid period to
20		Our Company	Class 35	1382822	April 6, 2030
21		Our Company	Class 33	1393941	May 6, 2030
22		Our Company	Class 23	1371096	March 6, 2030
23		Our Company	Class 42	1372356	March 6, 2030
24		Our Company	Class 11	1415477	June 27, 2030
25		Our Company	Class 4	1363072	February 13, 2030
26		Our Company	Class 6	1406320	June 6, 2030
27		Our Company	Class 37	1377290	March 20, 2030
28		Our Company	Class 19	1380617	April 6, 2030
29		Our Company	Class 13	1421160	July 13, 2030
30		Our Company	Class 27	1401840	May 27, 2030
31		Our Company	Class 34	1382143	April 6, 2030

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No.	Trademark	Registered owner	IPC	Registration No.	Valid period to
32		Our Company	Class 32	1391013	April 27, 2030
33		Our Company	Class 3	1398207	May 20, 2030
34		Our Company	Class 20	1398755	May 20, 2030
35		Our Company	Class 8	1412331	June 20, 2030
36		Our Company	Class 17	1362518	February 13, 2030
37		Our Company	Class 10	1382224	April 6, 2030
38		Our Company	Class 22	1413907	June 27, 2030
39		Our Company	Class 2	1428129	August 6, 2030
40		Our Company	Class 38	1382930	April 6, 2030
41		Our Company	Class 36	1377330	March 20, 2030
42		Our Company	Class 21	1392868	May 6, 2030
43		Our Company	Class 5	1395395	May 13, 2030

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No.	Trademark	Registered owner	IPC	Registration No.	Valid period to
44		Our Company	Class 1, 7, 9, 35, 42	307159546	January 13, 2036

b) Patents

As of the Latest Practicable Date, we have registered the following patents, which we consider to be material to the business of our Group:

No.	Patent no.	Patent name	Patent owner	Date of Authorization
1	ZL201210576207.4	A Method for Preparing Sintered Neodymium-Iron-Boron Magnets (一種製備燒結鈰鐵硼磁體的方法)	Our Company, Ningbo Yunsheng High-Tech Magnetics Co., Ltd., Ningbo Yunsheng Magnetic Materials Co., Ltd., Yunsheng Special Metal, Baotou Yunsheng Magnetic	October 28, 2015
2	ZL201310301718.X	A Method for Improving the Performance of Sintered Neodymium-Iron-Boron Thin Sheet Magnets (一種提高燒結鈰鐵硼薄片磁體性能的方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd., Ningbo Yunsheng Magnetic Materials Co., Ltd., Ningbo Yunsheng High-Tech Magnetics Co., Ltd., Yunsheng Special Metal, Baotou Yunsheng Magnetic	January 27, 2016
3	ZL201310308670.5	A Method for Enhancing the Performance of Sintered Neodymium-Iron-Boron Magnets (一種提高燒結鈰鐵硼磁體性能的方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd., Ningbo Yunsheng High-Tech Magnetics Co., Ltd., Yunsheng Special Metal, Ningbo Yunsheng Magnetic Materials Co., Ltd., Baotou Yunsheng Magnetic	August 10, 2016
4	ZL201410320955.5	A Method for Improving the Performance of Sintered Neodymium-Iron-Boron Thin Sheet Magnets (一種提高燒結鈰鐵硼薄片磁體性能的方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd., Ningbo Yunsheng Magnetic Materials Co., Ltd.	March 1, 2017
5	ZL201510924152.5	A Manufacturing Method for Small Neodymium-Iron-Boron Magnetic Rings Requiring High Verticality (一種具有高垂直度要求的鈰鐵硼小磁環的加工方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	July 21, 2017
6	ZL201510995271.X	A Method for Enhancing the Magnetic Properties of Sintered Neodymium-Iron-Boron Magnets (一種提高燒結鈰鐵硼磁體磁性能的方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	August 15, 2017
7	US9728311B2 (ZL201210576207.4)	A Method for preparing neodymium-iron-boron(Nd-Fe-B)-based sintered magnet (一種製備燒結鈰鐵硼磁體的方法)	Our Company, Ningbo Yunsheng High-Tech Magnetics Co., Ltd., Ningbo Yunsheng Magnetic Materials Co., Ltd., Yunsheng Special Metal, Baotou Yunsheng Magnetic	August 8, 2017
8	ZL201611134247.8	A Method for Preparing Bulk Neodymium-Iron-Boron Magnets (一種大塊鈰鐵硼製備方法)	Baotou Yunsheng Magnetic, Our Company	April 24, 2018
9	ZL201510997488.4	A Method for Enhancing the Magnetic Properties of Sintered Neodymium-Iron-Boron Thin Sheet Magnets (一種提高燒結鈰鐵硼薄片磁體性能的方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	January 11, 2019

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No.	Patent no.	Patent name	Patent owner	Date of Authorization
10	ZL201711306743.1	An Electrophoresis Method for Neodymium Iron Boron Magnets (一種鈰鐵硼磁體的電泳方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	June 25, 2019
11	ZL201711416008.6	A Method for Diffusion at Grain Boundaries in Sintered Neodymium-Iron-Boron Magnets (一種燒結鈰鐵硼磁體晶界擴散的方法)	Our Company, University of Science and Technology Beijing, Ningbo Yunsheng Magnet Technology Co., Ltd., Baotou Yunsheng Magnetic	October 29, 2019
12	US10741326B2 (ZL201510995271.X)	A Method for improvement of magnetic performance of sintered NdFeB lamellar magnet (一種提高燒結鈰鐵硼磁體磁性能的方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	August 11, 2020
13	ZL201910834868.4	Electroplating Nickel Solution Formulation and Method for Improving the Uniform Distribution of Coating on Neodymium-Iron-Boron Magnets (用於提高鈰鐵硼磁體鍍層均勻分佈性的電鍍鎳溶液配方及其方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	January 5, 2021
14	ZL201910993400.X	A Control Method for Improving the Consistency of Unit Weight in Neodymium-Iron-Boron Ingots (一種提高鈰鐵硼生坯單重一致性的控制方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	July 6, 2021
15	US11242612B2 (ZL201811588647.5)	Composite Electroplating Method for Sintered Nd-Fe-B Magnet (一種燒結鈰鐵硼材料的電鍍方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	February 8, 2022
16	ZL202111561348.4	A Cleaning Process for Electroplated Nickel Ultra-Thin Magnetic Steel(一種電鍍鎳超薄磁鋼的清洗工藝)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	May 9, 2023
17	ZL202111573870.4	A Method for Optimizing the Microstructure of Sintered Neodymium-Iron-Boron Magnets (一種優化燒結鈰鐵硼磁體微觀結構的方法)	Baotou Yunsheng Magnetic, Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	September 5, 2023
18	ZL202510371001.5	A Sintering Method for Neodymium-Iron-Boron Magnets That Aids in Decarbonization (一種有助於脫碳的鈰鐵硼燒結方法)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	June 10, 2025
19	ZL202311356822.9	A High-Density Magnetic Latching Opening Device (一種高密度磁吸合開啟裝置)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	June 27, 2025
20	ZL202411399726.7	An Electromagnetic Locking Device for New Energy Vehicle Charging Port Covers (一種適用於新能源汽車充電口蓋電磁鎖裝置)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	August 26, 2025
21	DE112016005949B4 (ZL201510995271.X)	VERFAHREN ZUR VERBESSERUNG DER MAGNETISCHEN LEISTUNGSFÄHIGKEIT EINES GESINTERTEN NdFeB-MAGNETEN (A Method for Improvement of Magnetic Performance of Sintered NdFeB Lamellar Magnet)	Our Company, Ningbo Yunsheng Magnet Technology Co., Ltd.	November 27, 2025

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c) *Copyrights*

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be material to our Group’s business:

No.	Software Name	Owner	Registration Number	Registration Date
1	Servo Control Automatic Resonance Suppression Design Software V1.0 (伺服控制自動共振抑制設計軟件V1.0)	Our Company	2018SR1088404	December 28, 2018
2	High-Performance Magnetic Encoder Design Software V1.0 (高性能磁編碼器設計軟件V1.0)	Our Company	2018SR1088225	December 28, 2018
3	Yunsheng Low-Voltage Electric Actuator Driver Software V1.0 (韻昇低壓電動推桿驅動器軟件V1.0)	Our Company	2018SR044432	January 19, 2018
4	Yunsheng Motion Controller Design Software V1.0 (韻昇運動控制器設計軟件V1.0)	Our Company	2017SR037159	February 9, 2017
5	Yunsheng 3ds Max Animation Simulation Design Software V2.0 (韻昇3dmax動畫仿真設計軟件V2.0)	Our Company	2017SR037511	February 9, 2017
6	DP Communication Software for Industrial Fieldbus Control Technology V1.0 (工業現場總線控制技術的DP通信軟件V1.0)	Our Company	2017SR037506	February 9, 2017
7	Low-Speed Micro Electric Vehicle Driver Software V1.000 (低速微型電動車驅動器軟件V1.000)	Our Company	2017SR037552	February 9, 2017
8	Yunsheng Matrix 3ds Max Animation Simulation Design Software V1.0 (韻昇矩陣3dmax動畫仿真設計軟件V1.0)	Our Company	2016SR022607	January 29, 2016
9	Yunsheng MSD-H Universal Servo Driver CPLD Programming Software V1.0 (韻昇MSD-H通用伺服驅動器CPLD程序軟件V1.0)	Our Company	2016SR017398	January 25, 2016
10	Yunsheng Pure Electric Vehicle Chassis Controller Software V1.0 (韻昇純電動汽車整車控制器軟件V1.0)	Our Company	2016SR016029	January 22, 2016
11	Yunsheng Matrix Controller Design Software V1.0 (韻昇矩陣控制器設計軟件V1.0)	Our Company	2016SR016567	January 22, 2016

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No.	Software Name	Owner	Registration Number	Registration Date
12	Yunsheng Electric Wheelchair Driver Software V1.0 (韻昇電動輪椅驅動器軟件V1.0)	Our Company	2016SR016573	January 22, 2016
13	Yunsheng ST-ARM-Based Universal Servo Driver Software V1.0 (韻昇基於ST-ARM通用伺服驅動器軟件V1.0)	Our Company	2016SR016031	January 22, 2016
14	Yunsheng Universal Servo Driver Monitoring Software V1.05 (韻昇通用伺服驅動器監控軟件V1.05)	Our Company	2015SR019609	February 2, 2015
15	Yunsheng MSD-J Series Dedicated Servo Driver Software V3.009 (韻昇MSD-J系列專用伺服驅動器軟件V3.009)	Our Company	2015SR020699	February 2, 2015
16	Yunsheng A Series Universal Servo Drive Software V1.0 (韻昇A系列通用伺服驅動器軟件V1.0)	Our Company	2013SR125150	November 13, 2013
17	Yunsheng Dynamic Music Ball Array Design Software V1.0 (韻昇動感音樂球陣造型設計軟件V1.0)	Our Company	2013SR121559	November 8, 2013
18	Yunsheng J Series Dedicated Servo Drive Handheld Controller Software V1.0 (韻昇J系列專用伺服驅動器手持操作器軟件V1.0)	Our Company	2013SR121614	November 8, 2013
19	Yunsheng Autonomous Navigation Vehicle Control System V1.0 (韻昇自動導航車控制系統V1.0)	Our Company	2012SR079151	August 27, 2012

d) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to our Group’s business:

No.	Domain name	Rights holder	ICP Filing/ License Number	Expiration date
1	yunsheng.com	Our Company	Zhe ICP Bei 05067591No.-1	November 22, 2026
2	ysweb.com	Our Company	Zhe ICP Bei 05067591No.-2	September 3, 2026
3	yunsheng-servo.com	Our Company	Zhe ICP Bei 05067591No.-4	August 2, 2029

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FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interest in Shares of our Company

Save as disclosed below, immediately following completion of the [REDACTED], assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and without taking into account any Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED], so far as our Directors are aware, none of our Directors and chief executive has any interest or short positions in our Shares, underlying Shares or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

Name	Description of Shares	Capacity/Nature of interest	As of the Latest Practicable Date ⁽¹⁾		Immediately following completion of the [REDACTED] ⁽²⁾		Approximate percentage of shareholding in the total share capital of our Company
			Number of Shares held/interested ⁽³⁾	Approximate percentage of shareholding in our Company	Number of Shares held/interested ⁽³⁾	Approximate percentage of shareholding in our A Shares	
Mr. Zhu Xiaodong	A Shares	Beneficial owner	1,620,000	0.15%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest in controlled corporations ⁽⁴⁾⁽⁵⁾	379,426,794	34.52%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Beneficial interest ⁽⁶⁾	4,644,061	0.42%	[REDACTED]	[REDACTED]%	[REDACTED]%
Mr. Zhu Shidong	A Shares	Beneficial owner	335,600	0.03%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Beneficial interest ⁽⁶⁾	400,000	0.04%	[REDACTED]	[REDACTED]%	[REDACTED]%
Ms. Zhang Yingchun	A Shares	Beneficial Interest ⁽⁶⁾	350,000	0.03%	[REDACTED]	[REDACTED]%	[REDACTED]%
Mr. Wang Haiguo	A Shares	Beneficial owner	40,000	0.00%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Beneficial interest ⁽⁶⁾	100,000	0.01%	[REDACTED]	[REDACTED]%	[REDACTED]%
		Interest of spouse ⁽⁷⁾	10,000	0.01%	[REDACTED]	[REDACTED]%	[REDACTED]%

Notes:

- The calculation is based on the total number of 1,099,041,051 A Shares (including 11,964,093 A Shares held by our Company in treasury) in issue as of the Latest Practicable Date.
- The calculation is based on the total number of [REDACTED] A Shares (including [REDACTED] A Shares held by our Company in treasury) and [REDACTED] H Shares in [REDACTED] immediately following completion of the [REDACTED], assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED], and that the [REDACTED] is not exercised at all. For the avoidance of doubt, both A Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.
- All interests stated are long positions.
- As of the Latest Practicable Date, Yunsheng Technology Investment, a wholly-owned subsidiary of Yunsheng Holding, held 35,999,015 A Shares, representing 3.28% of the total issued share capital of our Company. As of the Latest Practicable Date, Yunsheng Holding was owned as to 99.98% by Ningbo Chengyuan, which was in turn owned as to 36.83% by Mr. Zhu Xiaodong and 49.14% by Mr. Zhu Yunde. Accordingly, by virtue of the SFO, (a) Yunsheng Holding is deemed to be interested in the Shares in which Yunsheng Technology Investment is interested, (b) Ningbo Chengyuan is deemed to be interested in the Shares in which Yunsheng Holding is interested, and (c) each of Mr. Zhu Xiaodong and by Mr. Zhu Yunde is deemed to be interested in the Shares in which Ningbo Chengyuan is interested.
- As of the Latest Practicable Date, 11,964,093 A Shares were held by our Company in treasury. In light of its shareholding in our Company, Yunsheng Holding is deemed to be interested in such treasury Shares held by our Company.

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6. Mr. Zhu Xiaodong is entitled to receive 4,644,061 A Shares pursuant to the 2020 Employee Share Ownership Plan, 2022 Employee Share Ownership Plan and 2025 Employee Share Ownership Plan, among which 4,194,061 A Shares had been fully vested as of the Latest Practicable Date, whereas the remaining 450,000 A Shares are still subject to vesting conditions. As for Mr. Zhu Shidong, Ms. Zhang Yingchun and Mr. Wang Haiguo, the remaining 400,000, 350,000 and 100,000 A Shares are still subject to vesting conditions, respectively. See “Statutory and General Information — Employee Share Ownership Plans” for details.
7. Mr. Wang Haiguo and Ms. Chen Xiang (陳鄉) are the spouse of each other. Accordingly, they are deemed to be interested in the same number of Shares that the other person is interested in for the purpose of the SFO.

Save as disclosed in “Substantial Shareholders” in this document, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED], assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and without taking into account any Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED], have or be deemed or taken to the beneficial interests or short position in our Shares or underlying Shares which would have to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

2. Interests of Substantial Shareholders in Members of Our Group (Excluding Our Company)

As of the Latest Practicable Date, so far as the Directors are aware, the following persons (other than any member of our Group) will, immediately following the completion of the [REDACTED], be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the members of our Group (other than our Company):

Our subsidiaries	Name of substantial shareholder(s)	Approximate percentage of interest
Ningbo Yunkai Magnet Industry Co., Ltd.	Xu Haiyin	40.00%

3. Service Contracts

Each of our Directors [has entered] into a service contract or appointment letter with our Company. The principal particulars of these service contracts comprise (a) the term of the service; (b) termination provisions in accordance with their respective terms, and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of our Directors has entered into or is proposed to have any service contract with any member of our Group (excluding contracts expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

4. Remuneration of Directors

For details of the remuneration or benefits in kind paid to our Directors during the Track Record Period, please see “Directors and Senior Management” and Note 8 to the Accountant’s Report in Appendix I to this document.

5. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors or chief executive of our Company has any interests or (a short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be

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required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Hong Kong Stock Exchange, once the Shares are [REDACTED] on the Hong Kong Stock Exchange;

- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall 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, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (c) none of our Directors, nor any of the persons listed in “Other Information — 5. Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors, nor any of the persons listed in “Other Information — 5. Qualification of Experts” below is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;
- (e) save in connection with the [REDACTED], none of the persons listed in “Other Information — 5. Qualification of Experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (g) None of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

EMPLOYEE SHARE OWNERSHIP PLANS

As of the Latest Practicable Date, our Company had three subsisting employee share ownership plans, namely the 2020 Employee Share Ownership Plan, the 2022 Employee Share Ownership Plan and the 2025 Employee Share Ownership Plan, the details of which are as follows.

2020 Employee Share Ownership Plan

Our Company adopted the 2020 Employee Share Ownership Plan on July 27, 2020. The terms of the 2020 Employee Share Ownership Plan are not subject to the provisions of Chapter 17 of the Listing Rules as no further shares or options will be granted by our Company after [REDACTED]. There are also no outstanding Shares under the 2020 Employee Share Ownership Plan. Given that all the underlying Shares had already been granted, there will not be any dilution effect to the issued Shares under the 2020 Employee Share Ownership Plan.

The purpose of the 2020 Employee Share Ownership Plan was to attract, retain and motivate the talents of our Company, and to align the interest of our Company and our personnel.

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Eligible participants of the 2020 Employee Share Ownership Plan included the management members and core employees of our Company. Under the 2020 Employee Share Ownership Plan, a total of 3,700,000 A Shares were transferred out of treasury by our Company to a single securities account opened in the name of the 2020 Employee Share Ownership Plan (the “**2020 ESOP Account**”) upon grant. The grant price was RMB6.37 per A Share. Mr. Zhu Xiaodong was granted 2,700,000 A Shares, and nine other core employees of our Company were granted 1,000,000 A Shares in total.

Participating employees under the 2020 Employee Share Ownership Plan are entitled to the economic interests attached to the relevant A Shares realized through the disposal of such A Shares from the 2020 ESOP Account after the expiry of the 12-month lock-up period upon grant. As of the Latest Practicable Date, there were no outstanding A Shares to be granted under the 2020 Employee Share Ownership Plan, and the 12-month lock-up period for the 3,700,000 A Shares granted under the 2020 Employee Share Ownership Plan had lapsed. Among the 3,700,000 A Shares granted, only the 2,700,000 A Shares granted to Mr. Zhu Xiaodong had yet to be realized and disposed as of the Latest Practicable Date. Such A Shares were being held in the name of the 2020 ESOP Account, and Mr. Zhu Xiaodong is entitled to exercise the shareholders’ rights attaching to such A Shares.

The term of the 2020 Employee Share Ownership Plan was initially 24 months. Pursuant to the resolutions of our Board dated August 18, 2022 and August 20, 2024, the term of the 2020 Employee Share Ownership Plan was extended by 24 months and 36 months, respectively. Accordingly, the term of the 2020 Employee Share Ownership Plan has been extended to October 18, 2027.

2022 Employee Share Ownership Plan

Our Company adopted the 2022 Employee Share Ownership Plan on September 5, 2022. The terms of the 2022 Employee Share Ownership Plan are not subject to the provisions of Chapter 17 of the Listing Rules as no further shares or options will be granted by our Company after [REDACTED]. There are also no outstanding Shares under the 2022 Employee Share Ownership Plan. Given that all the underlying Shares had already been granted, there will not be any dilution effect to the issued Shares under the 2022 Employee Share Ownership Plan.

The purpose of the 2022 Employee Share Ownership Plan was to attract, retain and motivate the talents of our Company, and to align the interest of our Company and our personnel.

Eligible participants of the 2022 Employee Share Ownership Plan included the management members and core employees of our Company. Under the 2022 Employee Share Ownership Plan, a total of 2,838,061 A Shares were transferred out of treasury by our Company to a single securities account opened in the name of the 2022 Employee Share Ownership Plan (the “**2022 ESOP Account**”) upon grant. The grant price was RMB6.95 per A Share. Mr. Zhu Xiaodong and Mr. Zhu Shidong were granted 1,494,061 A Shares and 220,000 A Shares, respectively, and seven other core employees of our Company were granted 1,124,000 A Shares in total.

Participating employees under the 2022 Employee Share Ownership Plan are entitled to the economic interests attached to the relevant A Shares realized through the disposal of such A Shares from the 2022 ESOP Account after the vesting conditions having been met and the expiry of the 12-month lock-up period upon grant. As of the Latest Practicable Date, there were no outstanding A Shares to be granted under the 2022 Employee Share Ownership Plan, and all 2,838,061 A Shares that had been granted under the 2022 Employee Share Ownership were fully vested with lock-up period expired. Among such 2,838,061 A Shares granted, only the 1,494,061 A Shares granted to Mr. Zhu Xiaodong had yet to be realized and disposed. As of the Latest Practicable Date, such A Shares were still held in the name of the 2022 ESOP Account.

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The term of the 2022 Employee Share Ownership Plan was initially 36 months. Pursuant to the resolutions of our Board dated September 24, 2025, the term of the 2022 Employee Share Ownership Plan was extended by 24 months. Accordingly, the term of the 2022 Employee Share Ownership Plan has been extended to November 8, 2027.

2025 Employee Share Ownership Plan

Our Company adopted the 2025 Employee Share Ownership Plan on October 13, 2025. The following is a summary of the principal terms of the 2025 Employee Share Ownership Plan. The terms of 2025 Employee Share Ownership Plan are not subject to the relevant provisions of Chapter 17 of the Listing Rules as the 2025 Employee Share Ownership Plan does not involve any further grant upon the [REDACTED] and there will not be any dilution effect to the issued Shares after the [REDACTED].

a) Purpose of the plan

The purpose of the 2025 Employee Share Ownership Plan was to attract, retain and motivate the talents of our Company, and to align the interest of our Company and our personnel. The 2025 Employee Share Ownership Plan is implemented to align the interests of our Shareholders with that of our Company and our core employees, which will benefit the long-term development of our Group by striking a balance between contribution and reward, while safeguarding our Shareholders’ interests.

b) Participants

Eligible participants of the 2025 Employee Share Ownership Plan included management members and core employees of our Company. As of the Latest Practicable Date, our Company had granted awards under the 2025 Employee Share Ownership Plan to 295 participants, comprising four Directors, namely Mr. Zhu Xiaodong, Mr. Zhu Shidong, Ms. Zhang Yingchun and Mr. Wang Haiguo, two members of senior management of our Group, namely Mr. Zhao Jiakai and Mr. Zhao Yuliang, and 289 other employees of our Group who are not Directors, members of senior management, consultants or connected persons of our Company.

c) Source and maximum number of Shares

The maximum number of A Shares that can be granted under the 2025 Employee Share Ownership Plan is 11,796,300 A Shares, which shall be funded by treasury Shares in our Company.

d) Date of grant and term of the plan

Since the adoption of the 2025 Employee Share Ownership Plan and up to the Latest Practicable Date, a total of 10,835,800 A Shares were granted and transferred out of treasury by our Company to a single securities account opened in the name of the 2025 Employee Share Ownership Plan (the “**2025 ESOP Account**”). The grant date of the said 10,835,800 A Shares was October 23, 2025, with grant price of RMB7.03 per A Share, and there were 295 grantees in total. The transfer of such 10,835,800 A Shares from treasury to the 2025 ESOP Account was completed on December 3, 2025.

As of the Latest Practicable Date, up to 960,500 A Shares, representing 0.09% and [0.08]% of the total issued share capital of our Company (including treasury shares) as of the Latest Practicable Date and upon [REDACTED] (assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and that the [REDACTED] is not exercised), respectively, were available for grant under the 2025 Employee Share Ownership Plan. Upon grant, the A Shares will be transferred out of treasury by our Company to the 2025 ESOP Account.

The term of the 2025 Employee Share Ownership Plan is 60 months, and all grants shall be made within the 12-month period commencing on October 13, 2025, the adoption date of the 2025 Employee Share Ownership Plan.

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e) Details of grantees

The following table set forth the details of the grantees under the 2025 Employee Share Ownership Plan that are Directors, senior management or connected persons of our Company as of the Latest Practicable Date:

Name of grantee	Position in our Company	A Shares held by the grantee under the 2025 Employee Share Ownership Plan as of the Latest Practicable Date	Approximate percentage of issued Shares as of the Latest Practicable Date	Approximate percentage of issued Shares immediately after completion of the [REDACTED] ⁽¹⁾
Mr. Zhu Xiaodong	Executive Director, chairman of our Board and general manager	450,000	0.04%	[REDACTED]%
Mr. Zhu Shidong	Executive Director and deputy general manager	400,000	0.04%	[REDACTED]%
Ms. Zhang Yingchun	Executive Director and finance director	350,000	0.03%	[REDACTED]%
Mr. Wang Haiguo	Executive Director and deputy head of administration	100,000	0.01%	[REDACTED]%
Mr. Zhao Yuliang	Deputy general manager	350,000	0.03%	[REDACTED]%
Mr. Zhao Jiakai	Secretary to our Board	90,000	0.01%	[REDACTED]%

Note:

- (1) The calculation is based on the assumption that the [REDACTED] is not exercised and that no changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED].

Save as disclosed above, no A Shares had been granted to any Directors, senior management or connected persons of our Company under the 2025 Employee Share Ownership Plan as of the Latest Practicable Date.

The remaining 289 grantees who are not the members of the Directors, senior management or connected persons of our Company had been granted a total of 9,095,800 A Shares, representing approximately 0.83% of the total issued share capital of our Company as of the Latest Practicable Date and approximately [REDACTED]% of the total issued share capital of our Company upon [REDACTED], assuming no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED] and that the [REDACTED] is not exercised.

f) Entitlement and Administration

Participating employees under the 2025 Employee Share Ownership Plan are entitled to the economic interests attached to the relevant A Shares realized through the disposal of such A Shares from the 2025 ESOP Account, subject to the vesting conditions having been met and the vesting schedule as further explained below. On the other hand, a management committee of three including Mr. Zhu Xiaodong is authorized to exercise the shareholders’ rights attaching to the A Shares granted under the 2025 Employee Share Ownership Plan prior to their disposal and realization.

g) Vesting Conditions

Subject to the fulfillment of vesting conditions, the vesting schedule of the A Shares granted to grantees under the 2025 Employee Share Ownership Plan is set out below:

- (1). 40% of the A Shares granted are allowed to be vested upon 12 months after completion of transfer of the A Shares from treasury to the 2025 ESOP Account (the “**Transfer Completion**”);
- (2). a further 30% of the A Shares granted are allowed to be vested upon 24 months after Transfer Completion; and

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- (3). the remaining 30% of the A Shares are allowed to be vested upon 36 months after Transfer Completion.

OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of our subsidiaries under the laws of the PRC.

2. Litigation

As of the Latest Practicable Date, saved as disclosed in “Business — Compliance And Legal Proceedings” in this document, no member of our Group was involved in any litigation, arbitration or claim of material importance, and, so far as we are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group, which would have a material adverse effect on our financial condition or results of operations, taken as a whole.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Hong Kong Stock Exchange for the [REDACTED] of, and permission to [REDACTED], our H Shares. All necessary arrangements have been made to enable the securities to be admitted into [REDACTED].

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules, and the Sole Sponsor will receive a fee of US\$ 0.8 million to act as the sponsor to our Company in connection with the [REDACTED].

4. Preliminary expenses

As of the Latest Practicable Date, our Company has not incurred material preliminary expenses.

5. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions and/or advice in this document are as follows:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contract) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance
Grandway Law Offices	Company’s PRC legal advisor
China Insights Industry Consultancy Limited	Independent industry consultant

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6. Consents of Experts

Each of the experts as referred to in “5. Qualifications of Experts” above has given and has not withdrawn its respective written consents to the issue of this document with the inclusion of certificates, letters, opinions or reports and the references to its name included herein in the form and context in which it respectively included.

7. Taxation of Holders of H Shares

The [REDACTED], [REDACTED] and [REDACTED] of H Shares are subject to Hong Kong stamp duty if such [REDACTED], [REDACTED] and [REDACTED] are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being [REDACTED] or [REDACTED].

8. No Material Adverse Change

Our Directors confirm that, as of the date of this document, there has been no material adverse change in the financial or trading position of our Company since December 31, 2025 (being the date to which the latest audited consolidated financial statements of our Company were prepared).

9. Promoters

Save as disclosed in this document, within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

10. Restrictions on Repurchase

For details, please see “Appendix V — Summary of Articles of Association” to this document.

11. Binding Effect

This document shall have the effect, if an application is made in pursuance of it, 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.

12. Bilingual Document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

Save as otherwise disclosed in this document:

- (a) within the two years preceding the date of this document, (i) our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any shares of our Company;
- (b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

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- (c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there is no arrangement under which future dividends are waived or agreed to be waived;
- (f) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;
- (g) save for our A Shares which are listed on the Shanghai Stock Exchange, our Company is not presently listed on any stock exchange or traded on any trading system; and
- (h) our Company is a joint stock limited company and is subject to the PRC Company Law.

APPENDIX VII

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (i) the written consents referred to under the paragraph headed “Statutory and General Information — Other Information — 5. Qualifications of Experts” in Appendix VI to this document; and
- (ii) copies of the material contracts referred to in the paragraph headed “Statutory and General Information — Further Information about the Business of our Company — 1. Summary of Material Contracts” in Appendix VI to this document.

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.yunsheng.com during a period of 14 days from the date of this document:

- (i) the Articles of Association;
- (ii) the Accountants’ Report of our Group from Ernst & Young, the text of which is set out in Appendix I to this document;
- (iii) the audited consolidated financial statements of our Group for the three years ended December 31, 2025;
- (iv) the report on the unaudited [REDACTED] financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this document;
- (v) the service contracts and letters of appointment referred to in “Statutory and General Information — Further Information about our Directors and Substantial Shareholders — 3. Service Contracts” in Appendix VI to this document;
- (vi) the material contracts referred to in “Statutory and General Information — Further Information about our Business — 1. Summary of Material Contracts” in Appendix VI to this document;
- (vii) the written consents referred to under the paragraph headed “Statutory and General Information — Other Information — 5. Qualifications of Experts” in Appendix VI to this document;
- (viii) the PRC legal opinions issued by Grandway Law Offices, our legal advisor on PRC law, in respect of certain aspects of our Group;
- (ix) the industry report issued by CIC, the summary of which is set forth in the section headed “Industry Overview” in this document;
- (x) a full list of grantees under the 2025 Employee Share Ownership Plan;
- (xi) the PRC Company Law, the PRC Securities Law, the Trial Measures, together with their respective unofficial English translations.